

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

KARILIN FRICA SANCHEZ, SHAWANNA
DILWORTH, NELSON FORASTIERI,
ANDRE LASHLEY, TOMMY MIRANDA,
RENEE DAVIS, RODNEY WILLIAMS, and
MARY ESTEVEZ, individually and on behalf
of all others similarly situated,

Plaintiffs,

- against -

ASA COLLEGE, INC; ALEX SHCHEGOL;
VICTORIA KOSTYUKOV; LESIA WILLIS-
CAMPBELL; and ROBERT FAYNBLUT,

Defendants.

ECF Case
No. 14-CV-5006 (JMF)

**SECOND AMENDED CLASS
ACTION COMPLAINT AND
JURY DEMAND**

Plaintiffs Karilin Frica Sanchez, Shawanna Dilworth, Nelson Forastieri, Andre Lashley, Tommy Miranda, Renee Davis, Rodney Williams, and Mary Estevez (“Named Plaintiffs”), on behalf of themselves and all others similarly situated, for their complaint allege upon personal knowledge as to themselves and information and belief as to other matters as follows:

PRELIMINARY STATEMENT

1. Named Plaintiffs bring this action on behalf of themselves and thousands of current, future, and former students of ASA College, Inc. (“ASA”), a privately owned, for-profit career college in New York City. For years, ASA’s students have been victimized by a massive illegal scheme to draw millions of dollars of federal and state financial aid to ASA at the students’ expense and detriment by means of systematic and fraudulent misrepresentations to accreditors, government entities, and the public in

violation of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1961-1968 (“RICO”), and New York General Business Law § 349 (the “New York Consumer Protection Act”).

2. In addition to ASA, the individuals responsible for the students’ injuries, and the primary participants in the fraudulent enterprise, are ASA’s officers Alex Shchegol, Victoria Kostyukov, Lesia Willis-Campbell, and Robert Faynblut (“ASA Officers”) (together with ASA, “ASA Defendants”).

3. ASA Officers each participate in and further an illegal scheme to defraud consumers, government entities, and accrediting agencies by falsifying ASA’s job placement rates, utilizing and concealing illegal recruiting practices, securing accreditation by false means, and preserving ASA’s ability to participate in federal financial aid programs by means of deception.

4. Additionally, ASA, under the control of Shchegol, employs unfair and deceptive marketing, recruiting, and other statements that mislead the public about the nature of ASA’s services and the success of its graduates in a manner that does mislead individuals who enroll in ASA.

5. Named Plaintiffs seek to end these reprehensible and predatory practices. Named Plaintiffs and putative class members are entitled to injunctive relief, declaratory relief, and damages.

PARTIES

Named Plaintiffs

6. Plaintiff Karilin Frica Sanchez is a natural person living in New York City.
7. Plaintiff Shawanna Dilworth is a natural person living in New York City.

8. Plaintiff Nelson Forastieri is a natural person who lived in New York City during the time period relevant to this complaint.

9. Plaintiff Andre Lashley is a natural person living in New York City.

10. Plaintiff Tommy Miranda is a natural person living in New York City.

11. Plaintiff Renee Davis is a natural person living in New York City.

12. Plaintiff Rodney Williams is a natural person living in New York City.

13. Plaintiff Mary Estevez is a natural person living in New York City.

Defendants

14. Defendant ASA College, Inc. (“ASA”), formerly ASA Institute of Business and Computer Technology, Inc., is a corporation organized and existing under the laws of the State of New York and doing business as ASA. ASA operates schools at 151 Lawrence Street and 81 Willoughby Street, Brooklyn, New York; 1293 Broadway, New York, New York; and 3909 NE 163rd Street, North Miami Beach, Florida.

15. Defendant Alex Shchegol is a natural person; the sole corporate owner, President, Chief Executive Officer, and Principal Executive Officer of ASA; and an Ex Officio Member of ASA’s Board of Trustees.

16. Defendant Victoria Kostyukov is a natural person, Vice President of Marketing and Admissions, and an Executive Officer of ASA.

17. Defendant Lesia Willis-Campbell is a natural person, Vice President of Career Services and Alumni Affairs, and an Executive Officer of ASA.

18. Defendant Robert Faynblut is a natural person and, at times relevant to the allegations in this Complaint, Director of Human Resources at ASA.

JURISDICTION AND VENUE

19. This Court has jurisdiction over Named Plaintiffs' federal claims pursuant to 28 U.S.C. § 1331 and 18 U.S.C. §§ 1961-68 and supplemental jurisdiction over the state law claims pursuant to 28 U.S.C. § 1367. Declaratory relief is available pursuant to 28 U.S.C. §§ 2201 and 2202.

20. Venue is proper in the Southern District of New York pursuant to 28 U.S.C. § 1391 and 18 U.S.C. § 1965 because it is the judicial district in which a number of Named Plaintiffs reside, in which Defendants transact business, and in which a substantial part of the events giving rise to Named Plaintiffs' claims occurred.

JURY DEMAND

21. Named Plaintiffs demand a trial by jury in this action.

CLASS ACTION ALLEGATIONS

22. Named Plaintiffs bring this action on their own behalf and pursuant to Federal Rule of Civil Procedure 23(a) and each of the three subdivisions of 23(b).

23. First, Named Plaintiffs seek certification of a Rule 23(b)(1)(A) and/or 23(b)(2) class consisting of all persons who have attended, currently attend, or will attend ASA.

24. The prosecution of separate actions by individual members of the Rule 23(b)(1)(A) and (b)(2) class would create the risk of inconsistent or varying adjudications, which would establish incompatible standards of conduct for ASA Defendants.

25. ASA Defendants have acted, or failed to act, on grounds generally applicable to the Rule 23(b)(1)(A) and (b)(2) class, thereby making appropriate final injunctive relief with respect to the class as a whole.

26. The Rule 23(b)(1)(A) and (b)(2) class is so numerous that joinder of all members is impracticable. The precise size of the class is known only to ASA Defendants but includes thousands of members, since well over 1,000 new students attend ASA each year. Class members' identities are readily ascertainable through records in the possession of ASA Defendants.

27. Second, Named Plaintiffs seek certification of a Rule 23(b)(3) class consisting of all persons who have attended or currently attend ASA.

28. The Rule 23(b)(3) class is so numerous that joinder of all members is impracticable. The precise size of the class is known only to ASA Defendants but includes thousands of members, since well over 1,000 new students attend ASA each year. Class members' identities are readily ascertainable through records in the possession of ASA Defendants.

29. All of the members of the Rule 23(b)(3) class have been injured as a result of ASA Defendants' conduct.

30. There are numerous questions of law and fact common to the Rule 23(b)(1)(A) and (b)(2) and Rule 23(b)(3) classes (collectively, the "Class"). Chief among them are whether ASA Officers' actions, as described below, violate RICO, and whether ASA Defendants' actions violate the New York Consumer Protection Act. These common issues predominate over any individual issues pertaining to the members of the Rule 23(b)(3) class and include, but are not limited to, whether:

- A. ASA is an "enterprise" within the meaning of 18 U.S.C. § 1961(4);
- B. ASA Officers operate and control the ASA enterprise;

- C. ASA Officers have engaged or conspired to engage in a pattern of mail fraud, indictable under 18 U.S.C. § 1341;
- D. ASA Officers have engaged or conspired to engage in a pattern of wire fraud, indictable under 18 U.S.C. § 1343; and
- E. ASA Defendants have marketed ASA's services with false and misleading statements.

31. ASA Defendants' conduct has caused Named Plaintiffs and absent members of the Class serious harm that includes, but is not limited to, the debts and other costs that they have incurred to attend ASA. ASA Defendants' practices and the claims alleged in this complaint are common to all members of the Class.

32. The violations suffered by Named Plaintiffs are typical of those suffered by the members of the Class. Named Plaintiffs, like all members of the Class, are individuals who attended ASA and incurred costs and suffered losses of property as a result of ASA Defendants' misrepresentations and scheme to defraud. The Class will benefit from the remedial and monetary relief sought in this action.

33. Named Plaintiffs will adequately and fairly protect the interests of all members of the Class because they have the requisite personal interest in the outcome of this litigation and they have no interest antagonistic to others in the Class.

34. Named Plaintiffs and the Class are represented by counsel competent and experienced in federal class action, consumer protection, and RICO litigation. The New York Legal Assistance Group ("NYLAG") is a public interest law firm with extensive experience in litigating class action cases. NYLAG was class counsel in *Shakhnes v. Eggleston*, 740 F. Supp. 2d 602 (S.D.N.Y. 2010) (certifying Rule 23(b)(2) class of

Medicaid home health care recipients), *aff'd sub nom. Shakhnes v. Berlin*, 689 F.3d 244 (2d Cir. 2012), and represents a putative class of injured consumers in *Mayfield v. Asta*, 14 Civ. 2591 (S.D.N.Y.), related to *Bernhart v. Asta*, 13 Civ. 2935 (S.D.N.Y.), where the class is seeking recovery under, *inter alia*, RICO and the New York Consumer Protection Statute. Emery Celli Brinckerhoff & Abady LLP (“ECBA”) is a prominent New York City law firm with extensive experience in class action lawsuits and civil rights litigation. ECBA is currently serving as class counsel in *Sykes v. Mel Harris & Associates, LLC*, 285 F.R.D. 279 (S.D.N.Y. 2012) (certifying Rule 23(b)(2) and (3) classes of persons injured by fraudulent scheme to obtain default judgments in violation of, *inter alia*, RICO and the New York Consumer Protection Act), *aff'd*, 780 F.3d 70 (2d Cir. 2015).

35. A class action is the superior method for a fair and efficient adjudication of this matter in that ASA Defendants have acted in a manner generally applicable to the Class, joinder of all members of the Class is impracticable, and a class action will avoid numerous separate actions by Class members that would unduly burden the courts.

36. A class action is also superior because individual actions would create the possibility of inconsistent decisions, thereby making final injunctive and declaratory relief appropriate as to the Rule 23(b)(1)(A) and (b)(2) class.

37. Additionally, the damages suffered by class members, although substantial, are small in relation to the extraordinary expense and burden of individual litigation, and it is therefore highly unlikely that individual actions will be pursued, particularly because Class members are primarily low-income individuals with limited access to counsel. Hence, their rights under the law may well be meaningless without certification of a class action seeking common redress.

38. This case can be efficiently and easily managed as a class action.

FACTUAL ALLEGATIONS COMMON TO THE CLASS

Background

39. ASA is a for-profit corporation that sells career-oriented certificate and Associate's Degree programs in business, healthcare, and information technology, among other fields.

40. Shchegol personally directs and oversees all aspects of ASA's operation—from marketing and recruiting to expenditures of funds.

41. ASA has a putative Board of Trustees, but its powers are limited and do not include the power to remove the President, *i.e.*, Shchegol.

42. ASA also has a putative Executive Committee, which is populated by the heads of the different departments of ASA, each of whom has the title of Vice President or Associate Vice President. The Vice Presidents include Kostyukov, Vice President of Admissions and Marketing; Willis-Campbell, Vice President of Career Services and Alumni Affairs; Shanthi Konkoth, Vice President of Academic Affairs; Jose Valencia, Vice President of Finance and Strategic Planning; Victoria Shtamler, Vice President of Financial Aid; and Alla Shchegol, Vice President of Facilities.

43. The Executive Committee holds sporadic meetings and does not have meaningful decision-making authority.

44. Rather, Shchegol must personally approve every expenditure made by ASA, down to basic office supplies. He controls the budgets of the various components of ASA, personally interviews each candidate for employment at ASA, sets compensation

including bonuses for ASA employees including members of the Executive Committee, and is thoroughly involved in the management of every aspect of ASA.

45. The vast majority of students at ASA are Black, Hispanic, or Asian; only 4% of ASA's study body is white. A significant number of students are recent immigrants who speak little or no English.

46. ASA's student body is drawn from low-income households. Approximately 85% of ASA students come from households with annual incomes of less than \$30,000, compared to the median annual household income in New York City of \$51,000.

47. Tuition for a semester at ASA, exclusive of fees and supplies, is \$6,000, nearly three times the cost of a semester at any of the City University of New York's community colleges.

48. Nearly all of ASA's students rely on federal and state financial aid to pay for their attendance at ASA. Ninety-eight percent of full-time students beginning at ASA in the fall of 2012, the most recent year for which data is publicly available, received state or federal financial aid.

49. In the 2010 to 2011 fiscal year, ASA reported revenue in excess of \$78 million, of which over \$34 million was from federally guaranteed student loans, over \$27 million was from Pell Grants (federally funded need-based grants), and over \$15 million was from New York Tuition Assistance Program ("TAP") awards (state funded need-based grants).

Scheme to Defraud

50. In order to increase ASA's revenues, ASA Officers engage in a fraudulent scheme to increase student enrollment and obtain access to federal and state financial aid to pay for students' tuition and fees.

51. Between 2002 and 2009, ASA's enrollment more than doubled. In 2009, ASA enrolled 5,918 students. In 2010, enrollment grew to 7,528 students, and it jumped again in 2011 to 9,451 students.

52. To meet its enrollment targets, ASA has established a system of recruitment that relies on illegal practices, including misrepresentations to prospective enrollees about job placement rates of ASA graduates and illegal bonus and incentive systems for recruiters, many of whom are currently enrolled in, or recent graduates of, ASA.

53. The dependence of ASA students on state and federal financial aid means that, in order to remain in business, ASA must remain eligible for such aid.

54. This objective is carried out by means of an illegal scheme to defraud current and prospective class members, accreditors, and the government through four critical aspects of ASA's operations: its falsification and publication of false and misleading job placement statistics, its use and concealment of illegal recruiting practices, its systematic efforts to defraud accreditors into approving its programs and procedures, and its manipulation of borrower default rates through the use of fraud.

55. *First*, in order to maintain accreditation and access to student loan funds, and in order to present itself as a viable institution to those seeking job training and placement, ASA systematically falsifies its job placement statistics to potential students, accreditors, and government agencies. ASA represents on the basis of these false statistics that it

satisfies accrediting and government agencies' standards and therefore obtains accreditation and access to student loan funds only by means of fraud. ASA in turn uses its fraudulently obtained accreditations and access to financial aid, along with the inflated job placement statistics themselves, to attract students who otherwise would not and could not enroll.

56. *Second*, to sustain its operations and a steady flow of new students, ASA uses a fleet of recruiters and admissions staff, whose compensation is structured on illegal enrollment quotas and bonuses, to defraud prospective students. ASA is able to continue operating only by concealing its compensation structure and other material aspects of its recruiting and admissions operations from the United States Secretary of Education ("Secretary"), the New York State Department of Education ("NYSED"), and accrediting agencies.

57. *Third*, because accreditation is essential to attracting students and a prerequisite for participation in federal student loan programs, ASA performs a charade each time that it applies for accreditation, not only providing false job placement statistics and concealing the nature of its recruiting and admissions operations, but fabricating evidence of committees, student bodies and activities, governance policies and practices, and student services and programs that do not in fact exist.

58. *Fourth*, because ASA risks losing its eligibility to receive federal student aid if too many of its students default within three years after graduating, beginning in 2011, ASA engineered a system reliant on fraud and misrepresentation to delay the eventual default of its student borrowers for four years. Students graduating from ASA default on their loans in numbers large enough to threaten ASA's access to student aid funds

because they are unemployed or underemployed, cannot afford to repay their loans, and are not aware of their repayment options. Rather than scaling back its enrollment or investing more resources in job training and placement efforts, ASA adopted its fraudulent scheme to hide its students' struggles from government scrutiny.

59. Without this multifaceted scheme to defraud, ASA could not continue to operate as a profitable business, to the detriment of its owner, Alex Shchegol.

60. The true objective of ASA and Shchegol is to maximize revenue and Shchegol's own profits rather than to provide quality education and positive outcomes for ASA's students.

61. Shchegol and his wife, Alla Shchegol—ASA's Vice President of Facilities and I.T. and an Executive Officer—draw profits from the school both legally and illegally.

62. For example, the Shchegols have repeatedly authorized immense expenditures of ASA assets purportedly for the purchase, construction, improvement, and maintenance of ASA infrastructure and facilities while in fact diverting those assets to pay for the construction, improvement, and maintenance of properties owned by them in their personal capacities.

63. To continue generating revenue, ASA must collect federal dollars to fund its students' tuitions, and to collect federal dollars, ASA must participate in the federal student aid programs authorized by Title IV of the Higher Education Act of 1965 and its Amendments, which are administered by the Secretary. These programs include federally guaranteed student loans, Pell Grants, and work-study funds (collectively, "Title IV programs").

64. For ASA to be an “eligible institution” to participate in Title IV programs, it must establish to the Secretary that NYSED has legally authorized it to operate. NYSED requires that ASA obtain approval for its programs, offer and advertise only approved programs, generally comply with state law, and respond to any requests for information submitted to ASA by NYSED.

65. In addition, in order to participate in federal and state student financial aid programs, ASA must be accredited as an institution by a recognized accrediting body. ASA has obtained such accreditation only by means of fraud.

66. ASA misrepresents to the Secretary that it is duly accredited when it fails to disclose that its accreditations have been falsely obtained.

67. ASA further perpetuates a fraud on the Secretary when it repeatedly represents that it is in compliance with all federal and state law and regulations.

68. To maintain its Title IV eligibility, ASA must enter into a continuous contractual relationship with the Secretary in the form of program participation agreements (“PPAs”), which under law must be signed by the president or chief executive of the school, in this case, Shchegol. In addition, ASA must submit annual Title IV compliance audits to the Secretary.

69. The PPA requires Shchegol to attest that ASA is in compliance with all applicable federal laws and regulations, including that it does not engage in substantial misrepresentation directed at current or prospective students, does not engage in illegal recruiting practices, and provides accurate information about financial aid and student loan repayment to its students.

70. Shchegol has made such representations in the form of a PPA each year that ASA has received federal student aid, on specific dates that are known to him.

71. Moreover, every time that ASA draws down funds from a Title IV program on behalf of a student, ASA certifies that “the funds are being expended . . . for the purpose and condition[s] of the [PPA]”—that is, consistent with all applicable federal and state statutes and regulations. ASA has drawn down funds on behalf of its students on tens of thousands of occasions during the relevant time period. On each occasion, ASA and Shchegol knew that ASA’s fraudulent practices were illegal.

72. As described below, the ASA Officers, as well as other Vice Presidents and members of ASA’s Executive Committee—Shchegol, President; Kostyukov, Vice President of Marketing and Admissions; Willis-Campbell, Vice President of Career Services and Alumni Affairs; and Robert Faynblut, Vice President of Human Resources—knowingly participate in and facilitate aspects of the scheme to defraud accreditors, government agencies, and the public.

1. Falsification of Job Placement Rates

73. ASA promotes itself as an affordable means to careers for its graduates. The creation and dissemination of false statistics about the job placement rates of ASA graduates is an essential component of ASA’s operations.

74. ASA’s access to federal student aid on behalf of its students depends on its scheme to calculate and disseminate false job placement rates. Maintenance of placement rates above certain benchmarks is a necessary precondition to ASA’s accreditation and ongoing participation in federal and state student loan programs.

75. Until November 14, 2011, ASA was accredited by the Accrediting Council for Independent Colleges and Schools (“ACICS”). In June 2010, ASA gained accreditation by the Middle States Commission on Higher Education (“Middle States”). ASA voluntarily resigned from accreditation by ACICS on November 14, 2011. In 2014, ASA sought reinstatement as an ACICS accredited institution, and it re-obtained ACICS accreditation in April 2015. ASA is currently accredited by both Middle States and ACICS.

76. In order to be accredited by ACICS, ASA must demonstrate, among other things, that it meets minimum job placement rates for its graduates.

77. ASA submits and has submitted false job placement data to ACICS in order to maintain and re-obtain its accreditation and substantiate that it meets the benchmark placement rates on a yearly basis. ASA has similarly relied on the false placement rates that it has submitted to ACICS in order to gain accreditation with Middle States.

78. ASA publicly advertises its fraudulently obtained accreditations as well as its false job placement rates to prospective and enrolled students, publishing knowingly inflated rates in federally mandated public disclosures, in printed catalogues, on its website, and through its recruitment and admissions staff.

79. Additionally, ASA falsely reports to the Secretary, in the annual PPA and again in each of countless financial aid transactions, that it is in compliance with all applicable federal and state statutes and regulations, despite its persistent frauds and violations.

80. The ASA Officers know that ASA falsifies and misrepresent its job placement data, and they work to further this aspect of ASA’s fraudulent scheme.

Deception of Accreditors Using False Job Placement Rates

81. Before 2012, ACICS required its accredited institutions to maintain an overall placement rate (institutional rate) of 65% in the students' fields of study. In 2012, ACICS raised this benchmark to 70 percent. The same rates apply to each individual program's job placement rate.
82. Failure to meet the required job placement benchmarks results in sanctions up to and including loss of accreditation.
83. To maintain ACICS accreditation, once each year in the years that it was accredited by ACICS, on specific dates known only to Defendants, ASA submitted data to ACICS in the form of a report known as the Campus Accountability Report ("CAR") in order to substantiate its representation that it met the benchmark placement rates and to thereby maintain its accreditation.
84. Per ACICS requirements, the CAR is due by November 1 of each year, includes information about those who completed ASA between July 1 of the previous year and June 30 of the reporting year, and is submitted via an online module.
85. The CAR requires ASA to submit data on all students who left ASA during the relevant year, including whether they are employed, what their job titles are, what their employers' names are, their salaries, and their employment start dates.
86. ACICS strictly limits the reasons for which an accredited institution may deem a student "unavailable for placement." If a student is deemed "unavailable for placement" by ASA, the CAR must include the reason for unavailability, such as pregnancy, military service, or restricted immigration status.

87. In a separate report known as the Institutional Effectiveness Plan (“IEP”), which each accredited institution is required to submit to ACICS annually by September 15, in every year in which ASA was accredited by ACICS, on specific dates known only to Defendants, ASA provided job placement data for the prior three years, an explanation of how the data was gathered, a target job placement rate for the future, and an explanation of how ASA planned to meet that target.

88. All ASA communications with ACICS, including the annual CARs and IEPs, must be and are personally reviewed and signed by Shchegol.

89. Communications between ACICS and ASA, including annual CARs and IEPs, are not publicly available.

90. To obtain and maintain ACICS accreditation, once each year in which ASA was accredited by ACICS, on dates that are known only to Defendants, Shchegol, on behalf of ASA, submitted its CARs and IEPs to ACICS on or around the dates on which they were due, claiming to have placed the required minimum percentage of graduates from the reporting period in jobs in their fields of study.

91. ASA’s CAR and IEP job placement statistics reports are misleadingly and fraudulently calculated.

92. For example, ASA has consistently excluded from its calculations any student whom it deems to have voluntarily waived job placement assistance, even if the waiver was neither knowing nor voluntary, so that such student’s unemployment will not negatively impact ASA’s statistics. Shchegol and Willis-Campbell personally direct career services representatives to pressure students to sign waivers, trick them into signing waivers without realizing what they are doing, or falsify the signatures of

students on form waivers of assistance from ASA. These students included Plaintiffs Forastieri and Lashley.

93. Under the system devised by Shchegol and Willis-Campbell, ASA also falsely excludes from its job placement calculations students whom it deems to have voluntarily left the workforce even when those students want to work but have been unable to find employment.

94. ASA also improperly counts as employed in their fields of study, or in related fields, graduates who are in unpaid, part-time, or temporary jobs; administrative jobs at ASA itself; jobs held prior to attending ASA; and jobs outside the fields for which their ASA programs supposedly prepared them.

95. The CARs and IEPs contain information that Shchegol and Willis-Campbell knew or should have known to be false at the time that the reports were made.

96. Shchegol and Willis-Campbell personally developed the methods by which the job placement statistics are calculated.

97. Moreover, specific errors in the reports have been brought to Shchegol's and Willis-Campbell's attention and been ignored by them. For example, a former ASA employee, who as a result of his position had personal knowledge of the reports, pointed out to Shchegol and Willis-Campbell that the placement rates contained in them were false in at least several respects.

98. Based on his personal knowledge of students who attended ASA, the former employee determined that CARs between 2005 and 2011 were riddled with inaccuracies, including calculations of job placement rates made after excluding large numbers of

students who should not have been excluded from the calculations, thereby inflating the job placement rates.

99. For example, the former employee recognized the names of students who were incorrectly categorized as non-citizens lacking work authorization, when in fact they were authorized to work in the United States.

100. Further, the former employee noted that ASA's career services data identified an implausible number of students as having moved out of state, and then excluded those individuals from the job placement calculation on that basis. In one year, approximately 300 students in a single graduating class were listed as having left the state.

101. The former employee personally confirmed that one woman who was listed in the 2007, 2008, or 2009 CAR as earning a salary of \$45,000 in a particular position was in fact unemployed and had never been placed by ASA.

102. When the former employee brought the errors he had identified to the attention of Willis-Campbell and Shchegol, Shchegol told him essentially to mind his own business, and that Shchegol had taught Willis-Campbell everything she needed to know about calculating placement rates.

103. That employee was subsequently terminated when he informed Shchegol that he would not assist Shchegol in misleading Middle States about ASA's compliance with its accreditation requirements.

104. Shchegol and Willis-Campbell made no effort to investigate or correct the pervasive misinformation contained in the reports and continued to produce reports to ACICS that were equally wildly distorted.

105. ASA also relied on the false placement rates that it submitted to ACICS in order to gain accreditation with Middle States. In September 2009, in support of its candidacy for Middle States accreditation, ASA submitted a Self-Study Report. ASA included in the Self-Study Report the information that had been falsely calculated for and included in the reports to ACICS.

106. The 2009 Self-Study Report was produced by a Steering Committee and purported to address fourteen standards set by Middle States.

107. Shchegol, Willis Campbell, and others were members of the Steering Committee and reviewed, edited, and approved the Self-Study Report.

108. In the Report, in order to demonstrate its compliance with certain Middle States standards, ASA cited certain job placement rates that it had provided to ACICS, including: 2005, 82.4% of graduates placed; 2006, 83.5% of graduates placed; 2007, 80.0% of graduates placed; 2008, 81.6% of graduates placed.

109. In the 2009 Middle States Self-Study Report, ASA stated, “[T]he job placement records show that over 80% of ASA graduates since 2004-05 have been placed into positions in the field for which they are prepared. This consistency in job placement may be viewed as the result of career-specific knowledge and skills of ASA graduates in demand in the US job market.” Thus, ASA purported to have demonstrated adequate student learning outcomes as required by Middle States.

110. Subsequently, in 2014, when ASA sought reinstatement by ACICS, Shchegol represented in a May 12, 2014 letter to Albert Gray, President of ACICS, that “even as a Middle States Accredited Institution, ASA continued to follow the normal standards, policies and procedures, document practices, actions and engage in rigorous institutional

assessment that we started with ACICS. Therefore, we believe that we would still qualify for accreditation under its rigorous standards.”

111. Thus, Shchegol falsely represented that ASA’s placement rates between 2011 and 2014, even though not submitted to ACICS in a CAR, would have met the benchmarks for job placement.

112. Had ASA accurately reported its placement rates, it would not have been able to remain accredited by ACICS and would have lost the ability to draw federal and state student aid dollars. ASA would not have been able to obtain accreditation by Middle States had it not concealed its prior falsification of placement rates. And ASA could not have regained accreditation by ACICS without falsely stating that it remained in compliance with ACICS’s placement standards.

Deception of the Public Using False Job Placement Rates

113. ASA highlights job placement statistics in its marketing and advertising materials as well as in its reports to accreditors. The job placement statistics reported by ASA and included in its promotional materials and catalogs, like the statistics provided to accreditors, are not only misleading but false.

114. For example, ASA publishes job placement rates “as reported to ACICS” in every version of its catalog.

115. ASA’s catalog has been available in electronic format on ASA’s website since at least 2007 and is distributed to every prospective student by ASA recruitment and admissions representatives.

116. Shchegol and Kostyukov, the Vice President of Marketing and Admissions, personally approve all catalog content issued by ASA and each and every marketing or advertising statement issued by ASA.

117. Each ASA catalog states a placement rate that is the same as, or even higher than, the placement rates that are fraudulently calculated for and provided to ASA's accreditors as follows: Volume 19 (2004-05) claims that 83.3% of 2004 graduates and 82.4% of 2005 graduates were employed in their fields of study within one year of graduation; Volume 20 (2007-08) claims that 87% of 2006 graduates were employed in their fields of study within one year of graduation; Volume 21 (2008-09) claims that 80% of 2007 graduates were employed in their fields of study within one year of graduation; Volume 22 (2009-10) claims that 82% of 2008 graduates were employed in their fields of study within one year of graduation; Volume 23 (2010) claims that 79.5% of 2008-09 graduates were employed in their fields of study within one year of graduation; Volume 24 (2010-11) claims that 79.1% of 2009-10 graduates were employed in their fields of study within one year of graduation; Volume 25 (2011-12) and Volume 25.2 (2012-13) claim that 69.2% of 2010-11 graduates were employed in their fields of study within one year of graduation; Volume 26 (2013-14) and Volume 27 (2014-15) claim that 67% of 2012-13 graduates were employed in their fields of study within one year of graduation.

118. Flyers handed out by an ASA recruiter on July 30, 2013 near Fordham Road in the Bronx prominently advertised that ASA placed 79.1% of its graduates in jobs.

119. Job placement rates prominently displayed on ASA's website as a means to attract potential students displayed a conflicting, even greater, job placement rate on October 12,

2013 and on additional dates known to Defendants, citing an 83% job placement rate for its graduates.

120. Flyers handed out by an ASA recruiter also on July 30, 2013 on Fordham Road cited placement rates for graduates of ASA's Medical Assisting Program as follows: 89% (February 2010); 78% (June 2010); 70% (January 2011); 68% (May 2011).

121. Shchegol and Willis-Campbell knew these advertised job placement rates to be dramatically inflated. Indeed, a Strategic Plan of ASA for 2013, approved by the Executive Committee and Shchegol, charged Willis-Campbell with increasing students' job placement rates in their fields of study from 57% to 61%—rates that were substantially lower than those advertised for 2013 and the preceding years.

122. ASA further publicizes job placement rates in disclosures that are mandated by the United States Department of Education ("USED"), in what are known as "gainful employment disclosures." These disclosures are made via ASA's website and are also inaccurate.

123. In gainful employment disclosures updated on December 8, 2011 and posted to ASA's website for dates that are known to Defendants, ASA reported the following programmatic placement statistics, "as reported to ACICS": Business Administration - Accounting, 82.5%; Office Administration and Technology, 63%; Office Technology and Administration (certificate), 75%; Executive Legal Assistant (certificate), 75%; Computer Programming and Information Technology, 64.3%; Network Administration and Security, 52%; Computer Support Specialist (certificate), 60%; Criminal Justice, 66.4%; Health Information Technology, 81.3%; Healthcare Office Administration,

66.7%; Medical Assisting, 68.6%; Pharmacy Technology, 61.5%; Medical Office Assisting with Medical Billing (certificate), 77.3%.

124. In gainful employment disclosures updated on June 26, 2013 and posted to ASA's website for dates that are known to Defendants, ASA reported the following programmatic placement statistics, for which "ASA utilized placement rate calculation formulas used for ACICS reporting": Business Administration-Accounting, 71%; Office Administration and Technology, 70%; Office Technology and Administration (certificate), 100%; Executive Legal Assistant (certificate), 69%; Computer Programming and Information Technology, 51%; Network Administration and Security, 52%; Computer Support Specialist (certificate), 71%; Criminal Justice, 67%; Health Information Technology, 58%; Healthcare Office Administration, 68%; Medical Assisting, 70%; Pharmacy Technology, 57%; Medical Office Assisting with Medical Billing (certificate), 62%.

125. Like the job placement statistics submitted to the accrediting agencies, these statistics advertised to the public are false, as demonstrated by ASA's threatened loss of accreditation by the entity that accredits its Medical Assisting ("MA") Associate Degree Program for failure to place at least 60% of its MA graduates in jobs in the field of study.

126. ASA reports MA job placement statistics to the Medical Assisting Education Review Board ("MAERB"), which sets standards and makes recommendations on programmatic accreditation to the Commission on Accreditation of Allied Health Education Programs ("CAAHEP"). CAAHEP accredits the Medical Assisting Associate Degree Program at ASA.

127. Programmatic accreditation is a precondition for graduates of the Medical Assisting program to sit for the recognized credentialing exam, the Certified Medical Assistant exam.

128. MAERB requires that accredited programs meet a minimum job placement rate of 60% for its graduates, on an annual basis, or face sanctions, including being placed on probationary status or entirely losing programmatic accreditation.

129. MAERB requires that yearly reports be submitted via an online module known as the Annual Report Form (“ARF”).

130. The ARF requires an institution to provide five years of placement data for graduates of the accredited program.

131. If a program fails to meet the 60% job placement benchmark, MAERB requires the institution to submit an Action Plan. The Action Plan includes responses to questions posed by MAERB, one of which requires the reporting institution to identify factors that adversely affect positive placement of its graduates and to identify the individual responsible for tracking and analyzing job placement of graduates.

132. MAERB requires that the director of an accredited program, and the institution’s President—in ASA’s case, Shchegol—endorse the yearly reports.

133. Communications between MAERB/CAAHEP and ASA, including the ARF and Action Plan, are not publicly available.

134. Between 2005 and 2015, on specific dates that are known only to Defendants, Shchegol, on behalf of ASA, submitted annual reports to MAERB indicating the job placement rates of ASA’s Medical Assisting graduates.

135. In May 2015, CAAHEP placed ASA on probationary status. ASA's accreditation status was changed by CAAHEP because MAERB determined that ASA had failed to meet the 60% placement rate for MA graduates for three consecutive reporting period.

136. MAERB's determination establishes that the 70% job placement rate for MA graduates included in ASA's June 26, 2013 gainful employment disclosures and published thereafter on ASA's website was grossly inflated.

137. Moreover, the fact that fewer than 60% of ASA's MA graduates obtain employment belies ASA's claimed institutional as well as program-specific job placement rates, as nearly half of all ASA students are enrolled in the Medical Assisting program.

138. Shchegol was aware that ASA was failing to meet the 60% placement rate required by CAAHEP and that it was therefore in danger of losing the accreditation for its MA program. In March of 2014, he directed Shanthi Konkoth, the Vice President of Academic Affairs, and Marlene Hollick, the Dean of Health Disciplines at ASA, to attempt to secure programmatic accreditation from a different accreditor, the Accrediting Bureau of Health Education Schools.

139. In addition to publishing fraudulent job placement statistics in ASA's catalogues, on its website, and in other marketing and advertising materials, Shchegol and Kostyukov personally train ASA recruiting and admissions representatives to parrot these false statistics to prospective students.

140. The training includes a directive that ASA recruiters and admissions personnel study ASA promotional materials and provide prospective enrollees with ASA brochures containing the false information.

141. Shchegol further requires recruiters and admissions personnel to attend regular “Product Knowledge” trainings in which Willis-Campbell familiarizes them with the false job placement rates that she and Shchegol have calculated so that they can be disseminated among the public and used to recruit ever more students.

Shchegol’s and Willis-Campbell’s Efforts to Conceal the Falsity of ASA’s Reported Job Placement Statistics

142. The placement rates claimed by ASA are belied by the high number of students from ASA who are unemployed. These numbers are known to Shchegol and Willis-Campbell.

143. The placement rates claimed by ASA are belied by the fact, known to Shchegol and Willis-Campbell, that a significant number of ASA graduates are “placed” as recruiters and other employees of ASA, a fact that is known to Shchegol and Willis-Campbell.

144. Shchegol controls the budget and all expenditures for ASA and determines how much is spent on staff and events related to job placement of students.

145. Willis-Campbell is aware of the number of staff in her department and the number of job placement events hosted by ASA.

146. The placement rates claimed by ASA are belied by the fact, known to Shchegol and Willis-Campbell, that ASA’s Career Services Office is woefully understaffed, with each employee theoretically responsible for hundreds of ASA’s approximately 9,000 attending students and an exponentially greater number of the thousands of students to whom ASA has promised “lifetime job placement assistance.”

147. ASA’s claimed job placement rates are belied by the fact, known to Shchegol and Willis-Campbell, that ASA rarely convenes job fairs for students. When it does convene

job fairs for students, the majority of available positions do not relate to the students' fields of study and indeed do not even require any post-secondary education. Such positions include fast-food worker and retail associate at companies such as McDonald's, Dunkin' Donuts, Victoria's Secret, and Best Buy.

148. Because they are aware of the falsity of the job placement statistics that they calculate on behalf of ASA, and because they understand the illegality of using it to lure students, secure accreditation, and ensure access to federal financial aid funds, Shchegol and Willis-Campbell endeavor to obscure ASA's true job placement rates and the fraudulent bases for the false ones they publish.

149. In most of ASA's operations—including admissions, financial aid, registration, student accounts, and academics—information about each ASA enrollee is kept in a single database known as Campus Vue.

150. ASA has leased Campus Vue since 2006.

151. Campus Vue describes its product as “the leading student information system for today's institutions of higher learning” and provides an “integrated product suite” that streamlines an institution's data across multiple departments, linking recruitment, academic, financial, and placement information.

152. Although ASA uses Campus Vue for almost all available functions, and although Campus Vue provides a module for tracking students' job placements—a module that would largely automate the various placement reports that ASA is required to generate—ASA does not use Campus Vue to track its students' placements or generate its placement reports.

153. Shchegol and Willis-Campbell deliberately keep placement data out of Campus Vue to prevent non-trusted ASA personnel from detecting their falsification of ASA's placement rates.

2. Concealment of Illegal Recruitment Practices

154. Success in recruiting and enrolling new students is crucial to ASA's profitability, given that nearly 70% of all students who attend ASA drop out within two semesters.

155. Because ASA's profitability is driven by recruitment, Shchegol implements, with the knowledge and assistance of Defendants Kostyukov and Faynblut, a high-pressure sales environment in which ASA pays representatives to enroll as many students as possible.

156. ASA is an "open enrollment" institution, meaning that it does not apply selective admissions criteria.

157. ASA employs almost three times as many people in its Marketing and Admissions Department as it does in its Career Services Office.

158. ASA owns multiple large vans or RVs that it staffs in order to conduct recruiting activities around New York City.

159. ASA conducts on-the-street recruiting in locations such as the Fulton Mall in Brooklyn, Fordham Road in the Bronx, the Queens Center Mall in Queens, and public high schools, probation offices, holding facilities, homeless shelters, mental health facilities, public assistance offices, and public housing complexes in all five boroughs of New York City.

160. ASA Officers know that many of the high-pressure recruitment tactics that ASA employs foster a climate of recklessness in admissions activities and are therefore banned

by ASA's accreditors and/or state or federal laws and regulations, and would draw the scrutiny of accrediting agencies, which would withdraw accreditation if they were aware of ASA's recruiting techniques and practices.

161. Through a pattern of fraud, ASA Officers therefore systematically endeavor to conceal their recruiting practices from accreditors and government entities, either through outright lies or by obscuring their conduct when subject to accreditors' visits and other investigations.

Fraudulent Concealment of ASA's Quotas and Incentive Compensation Scheme

162. Shchegol, Kostyukov, and Faynblut have together designed an enrollment strategy for ASA that imposes quotas on ASA's recruiting and admissions employees—many of whom are current or former students. Under the policies developed and implemented by Shchegol, Kostyukov, and Faynblut, ASA requires these employees to enroll specific numbers of students per day or per week or else face severe repercussions, including reductions in work hours, lost pay, lost bonuses, and termination. On the other hand, employees who recruit a large number of new students are rewarded with monetary compensation.

163. ASA's incentive compensation scheme is illegal under federal law and regulations. Under federal law and regulations, institutions participating in Title IV programs may not use "incentive compensation" to reward recruiters, *i.e.* compensation that is tied directly to the number of students a recruiter enrolls. Incentive compensation also violates the policies of ACICS and Middle States.

164. The quotas imposed on ASA recruiting and admissions employees vary depending on their particular roles. Individuals working inside the admissions office are

required to enroll a minimum number of students per semester. Employees working on the street in ASA's immediate vicinity are required to bring a minimum number of "bodies" (potential students) into the admissions office each day. Employees working farther afield are required to generate a certain number of "leads" by having potential students fill out contact information cards.

165. Recruiting and admissions employees are required to report their statistics on a regular basis to Kostyukov and other recruiting managers, who track each recruiting and admissions employee's success in fulfilling applicable quotas.

166. Kostyukov records each employee's quota fulfillments and performance on a large board inside her office that serves as a reminder for all employees that they are expected to meet their targets.

167. Kostyukov also prepares detailed written reports, called "Start Date Reports" and "Admission Department Performance Reports," which reflect employees' performance and details about "leads" and "bodies" generated each day, including where they were recruited.

168. Shchegol reviews these reports regularly, often daily, and discusses the performance of specific recruiting and admissions representatives with Kostyukov and/or Faynblut on a regular, sometimes daily, basis.

169. Employees who are not on track to meet their quotas are required to meet individually with Kostyukov or other recruiting managers, who pressure them to bring in more students or risk losing their jobs.

170. ASA pays bonuses to recruiting and admissions employees based on the number of personally developed leads that they generate and the number of students whom they induce to enroll.

171. ASA awards these bonuses pursuant to a matrix or formula designed by Shchegol and implemented by Kostyukov.

172. Shchegol, Kostyukov, and Faynblut regularly converse in person and over the phone in order to make determinations about how the formula should be applied as to specific recruiters.

173. Faynblut effects payment of the bonuses according to the formula.

174. Shchegol, Kostyukov, and Faynblut also set the salary of each recruiting and admissions employee based on a quota, or “budget,” of the number of students he or she must enroll each semester.

175. Kostyukov, often at Shchegol’s personal direction, subjects recruiting and admissions employees who miss their quotas to adverse consequences. These consequences include working extra days of the week, written warnings, cuts in salary or hours, and termination.

176. ASA recruiters who reach their targets are rewarded with bonuses.

177. At times relevant to this action, ASA and/or Shchegol have also paid individuals to perform recruiting and admissions tasks for ASA’s benefit, purportedly as independent contractors. For example, in approximately June 2013, ASA eliminated a job category called “community outreach associates” and offered those employees the opportunity, instead of being laid off, to work as “independent marketers.” Shchegol set the compensation for independent marketers at a \$25 commission per enrolled student, and

Faynbut effectuated payment. Independent marketers who did not enroll students were paid nothing.

178. Because he knows that ASA's incentive compensation scheme is illegal, and because he knows that ASA could lose its access to Title IV funds if it disclosed the true nature of its recruiting practices, Shchegol falsely represents to the Secretary once every year—in the PPA between ASA and USED that is entered into by Shchegol on an annual basis on dates that are known to him—that ASA does not maintain an incentive compensation system.

179. Shchegol, Kostyukov, and Faynblut also scheme to conceal ASA's compensation and quota schemes from its accreditors. For example, in anticipation of site visits by Middle States representatives, Shchegol, Kostyukov, and Faynblut destroy, or instruct others to destroy, evidence of their conduct.

180. In June 2013, just prior to the scheduled visit to ASA by a Middle States representative that occurred on June 26, 2013, Shchegol, with the knowledge of Kostyukov and Faynblut, cancelled ASA's "independent marketers program," under which recruiters were paid a fee for each enrollment rather than a wage or a salary.

181. According to a former admissions representative for ASA, in approximately early 2010, and again in the spring of 2013, when ASA was preparing for visits by Middle States representatives, Shchegol instructed Kostyukov and other recruiting managers to direct all recruiting and admissions employees to lie to Middle States about the existence of quotas and bonuses.

182. In anticipation of one or more site visits by Middle States representatives—which took place on September 23, 2009; on dates known to Defendants in March 2010; June

26, 2014; October 8, 2014; March 22 through March 25, 2015; and additional dates known to Defendants—Shchegol directed Kostyukov to cease recruitment activities taking place on the streets around the school, where accreditors might see ASA's conspicuous and aggressive recruitment activities.

183. On these same dates, and at other times and in other communications known to Defendants, Shchegol, Kostyukov, and Faynblut misrepresented to ASA, affirmatively and by omission, that ASA did not pay incentive compensation to its recruiters.

184. In advance of one or more of these site visits, Shchegol further directed Kostyukov to erase the board that tracks enrollment tallies of ASA recruiters and their quotas, which she otherwise maintains in her office.

Fraudulent Concealment of Other Illegal Employment and Recruitment Practices

185. Shchegol and Kostyukov go to similarly great lengths to conceal from accreditors the other central processes and procedures by which students are recruited into ASA—including the ways in which ASA staffs its recruiting and admissions offices and the techniques that ASA employees use to enroll new students—because they know that if ASA accurately disclosed its recruiting activities to USED, NYSED, and its accreditors, it would risk not being able to receive federal and state financial aid dollars.

186. ASA staffs its recruitment and admissions offices illegally. For example, it uses unsalaried, non-fulltime employees, enrolled students, and those without bachelor degrees in its recruitment and admissions offices, in violation of New York State law and the policies of ACICS and Middle States. Those laws and policies require that recruitment staff be full-time, salaried employees with degrees that are more advanced

than those that recruited students will pursue. ASA conceals these practices from accreditors.

187. For example, in the 2009 Middle States Self-Study Report in which Middle States required that ASA detail its recruiting procedures—and which was prepared and reviewed in relevant part by Shchegol and Kostyukov and was submitted by Shchegol—ASA did not disclose the existence of ASA’s “Work for Tuition” program. Pursuant to the “Work for Tuition” program, enrolled students performed recruiting duties under the supervision of Kostyukov. Named Plaintiff Dilworth participated in the Work for Tuition program in Kostyukov’s department, including by performing office work and handing out flyers to prospective students on the street.

188. The 2009 Self-Study also does not disclose that ASA uses field representatives who discuss ASA’s programs and make representations to potential enrollees well before they enter an ASA building.

189. In fact, rather than accurately identify these field representatives as the source of 40% of enrollment “leads” for ASA in 2008-09, Shchegol and Kostyukov deliberately misleadingly labeled the source as “Other” in the 2009 Self-Study.

190. The 2009 Self-Study conceals the role that its recruitment employees play in other ways. Shchegol and Kostyukov claimed in the report that only 105 individuals worked in admissions, while identifying hundreds of additional employees who in fact work in recruiting as belonging to a general “administrative” category.

191. The 2009 Self-Study misrepresents to Middle States not only the number of recruitment employees but the nature of their activities. It represents, for example, that

each recruited student conducts an interview with the Director of Admissions (Kostyukov) prior to a determination on their admission.

192. In fact, information gathered by Kostyukov and shared with Shchegol in relation to the 2009 Self-Study indicates that the Second Interview more often than not is not conducted, and if it is, it is not conducted by Kostyukov.

193. In fact, under Kostyukov and Shchegol's direction, ASA does not reject any applicant for enrollment.

194. Kostyukov and Shchegol prepared, and Shchegol submitted to Middle States on behalf of ASA a second Self-Study in 2014. On information and belief, the 2014 Self-Study substantially repeats the misrepresentations of the 2009 Self-Study in substantial part.

195. Shchegol and Kostyukov compounded the misleading and false representations in the 2009 and 2014 Self-Study reports by altering their practices in advance of, and solely for the duration of, site visits by Middle States representatives that occurred on September 23, 2009; on dates known to Defendants in March 2010; June 26, 2014; October 8, 2014; March 22 through March 25, 2015; and additional dates known to Defendants.

196. In advance of these visits, Shchegol directed Kostyukov to cease recruitment activities taking place on the streets around the school, where accreditors might see ASA's conspicuous and aggressive recruitment activities. Kostyukov did so.

Fraudulent Concealment of Illegal Recruiting Activities

197. In addition to maintaining and concealing illegal and otherwise disapproved of recruitment and admissions practices, Shchegol and Kostyukov direct and train recruiters

and admissions employees to mislead potential enrollees about the cost and nature of ASA's programs. Shchegol, in ASA's annual PPA, then falsely represents that ASA does not engage in substantial misrepresentations of its programs to the public.

198. Shchegol and Kostyukov train and direct recruiters and admissions employees to tell potential students that after completing ASA's programs, they are guaranteed to obtain jobs in their fields of study within six months of graduation and will earn specific wages and salaries well above minimum wage, which are wildly inflated and have no basis in data or reality.

199. Under the direction of Shchegol and Kostyukov, ASA also leads students to believe, falsely, that they need to repay their student loans only if they are successful in finding employment.

200. Under the direction of Shchegol and Kostyukov, ASA directs and trains ASA employees to quote to potential students estimated monthly student loan payments that have no basis in reality and to suggest that in any event students will be easily able to afford monthly payments given the salaries and wages that they will earn upon graduating.

201. For example, an ASA representative told Plaintiff Frica Sanchez that she would not have to make any loan payments until six months after she graduated, at which time she would have to pay \$50 per month for ten years. Both of these statements were untrue.

202. The scheme causes ASA's admissions and recruitment representatives to make substantial misrepresentations to prospective enrollees in violation of New York and

federal law, misrepresentations that Shchegol fraudulently represents each year to the Secretary do not occur.

3. Charade to Obtain and Maintain Middle States Accreditation

203. In addition to its fabrication of job placement data and concealment of illegal recruiting activity, ASA has engaged in further fraud and deception to obtain and maintain its accreditation.

204. For example, to secure and keep its Middle States accreditation, ASA took dramatic steps to create evidence of programs and procedures that never actually existed. This fabricated evidence was displayed to Middle States in a 2009 Self-Study Report and site visit that were required when ASA first obtained accreditation from Middle States; in a 2011 Monitoring Report, submitted by Shchegol on September 30, 2011, that Middle States required after identifying areas of deficiencies; and a second Self-Study Report and site visit that Middle States required to be conducted in 2014 for ASA to be reaccredited in 2015.

205. Kostyukov and Faynblut provided information about ASA's employees, including false information about the number and kind of employees who worked in admissions, to Shchegol for the purpose of these reports.

206. Willis-Campbell provided information about ASA's placement rates, including falsified placement rates, to Shchegol for the purpose of these reports.

207. Shchegol and others misrepresented ASA's compliance with Middle States standards in each Report and in connection with each of the site visits.

208. For example, ASA's 2011 Monitoring Report claimed that ASA had in place a Program Review Protocol that included "Program Advisory Boards" for each program.

Program Advisory Boards are supposed to include representatives and potential employers from the relevant fields, who provide guidance on what skills are necessary for entry-level placement and thus what should be emphasized in the curriculum.

209. In fact, Program Advisory Boards did not exist at ASA at the time of the Monitoring Report and did not exist in any form until 2014.

210. Shchegol and Willis-Campbell, who reviewed the Monitoring Report, knew that the Advisory Boards did not exist. Willis-Campbell was in charge of identifying members of each Program Advisory Board, which she did not and could not do, as they did not exist. Moreover, in 2014, in advance of the 2014 Self-Study Report, the need to form Program Advisory Boards was discussed at weekly meetings of ASA Department chairs, which Shchegol and Willis-Campbell attended.

211. In another effort to fabricate evidence of proper governance and procedures, where Shchegol knew that Middle States would require minutes for past Academic Chair and other meetings in connection with ASA's pursuit of reaccreditation, in early 2014, Shchegol directed employees to create minutes where they did not exist for the sole purpose of submitting them to Middle States.

212. ASA also claimed in the 2011 Monitoring Report that ASA was "committed to a culture of continuous and transparent assessment." In fact, assessment efforts were not continuing, only resumed in anticipation of the 2015 re-evaluation by Middle States, with no permanent plan to continue after that.

213. For example, the Monitoring Report claimed that a Center for Excellence in Learning and Teaching ("CELT") would be a permanent fixture at ASA and would focus on assessment, mentoring, professional development, and scholarship. The CELT existed

on paper only and was purportedly chaired by Orsete Diaz, the Assessment Coordinator, who had left ASA in 2010—before the Monitoring Report was submitted.

214. Members of the workgroup charged with drafting the chapter relating to Middle States Standard 14: Assessment of Student Learning for the 2014 Self-Study acknowledged in 2013 that there was no current evidence of a culture of assessment at ASA, and that assessment activities had ceased prior to 2011 when Dr. Diaz left.

215. The Chair of Workgroup 14, Marlene Hollick, alerted the Steering Committee that ASA needed to hire an Assessment Coordinator in order to be in compliance, as nearly every Middle States-accredited institution has an Assessment Coordinator.

216. The Steering Committee, including Shchegol, Kostyukov, and Willis-Campbell, tentatively filled the position in May 2013, in advance of Middle States' June 26, 2013 site visit.

217. Although a new Assessment Coordinator was nominally appointed, the CELT engaged in no activities until it reemerged in the spring of 2014, again in anticipation of an application for Middle States re-accreditation. Gloria Longakit, Dean of Faculty and Chair of the Steering Committee for the 2015 re-accreditation, sent an email to Shchegol and other Defendants in March 2014, stating that now was a good time to revive the CELT.

218. Longakit convened meetings of a group charged with reconstituting the CELT. At these meetings, it was pointed out that Dr. Diaz had never formed an official core group for CELT work. No paperwork evidencing CELT's prior existence or activities could be found.

219. The CELT made a presentation at the general faculty training held in June 2014, again in anticipation of a Middle States site visit, which occurred on October 8, 2014, and it ceased to function thereafter. The June faculty training was convened for the purpose of appearing to meet the Middle States requirement of professional development opportunities.

220. At a May 2014 staff meeting, Shanthi Konkoth acknowledged that faculty were tired of the recent efforts at institutional assessment, but promised, based on her prior communications with Shchegol, that by the following year, there would be no more assessment activity, because Middle States reaccreditation would be done.

221. Had ASA truthfully represented its institutional assessment activities to Middle States in 2011 or 2015 (and supporting documents), it would have been out of compliance and risked losing accreditation.

222. But Shchegol took care to ensure that Middle States would not discover the falsity of ASA's misrepresentations. When, shortly before a Middle States representative was scheduled to make a site visit to ASA in May 2013, an employee with knowledge of ASA's efforts to deceive Middle States in the initial accreditation process, the 2011 Monitoring Report, and in other instances informed Shchegol that he would not lie about ASA's noncompliance with Middle States accreditation standards, Shchegol fired him. *See supra* ¶ 103.

223. ASA also misrepresented the nature of its student services to Middle States in order to maintain accreditation.

224. In 2013, members of the workgroup charged with addressing Middle States Standard 9: Institutional Support Services for the 2014 Self-Study acknowledged that

ASA was not then in compliance because, among other failings, the school did not offer academic advising and did not have co-curricular activities other than athletics, and it did not have a student government.

225. In late 2014, Shchegol directed employees to fabricate flyers of co-curricular events that never took place at ASA to be included in binders for Middle States as examples of its co-curricular activities.

226. Similarly, in preparation for the March 2010 visit by Middle States evaluators, Shchegol directed ASA employees to create an office of academic advising in the Willoughby Street building. This office was a sham.

227. ASA did not and does not have academic advising. Rather, its student services department consists of workers whose sole focus is to convince students to remain enrolled in ASA in order to meet retention targets set by Shchegol.

228. Likewise, ASA misrepresented its planning, resource allocation, and institutional renewal and resources to Middle States in order to maintain accreditation.

229. In the 2011 Monitoring Report, ASA claimed to have a strategic planning process in which division heads actively participated in setting budgets for their respective departments in accordance with the institution's needs.

230. In reality, Shchegol makes all decisions concerning every expenditure at ASA, from the hiring of all employees to simple expenditures for supplies, such as paper.

231. Shchegol acknowledged in a February 2014 meeting of the workgroup in charge of Middle States Standard 1: Mission, Goals and Objectives that ASA did not have in place any periodic process for campus-wide participation and collaboration in the review of institutional mission, as required and as represented in the 2010 Self-Study.

232. Shchegol was involved in and aware of ASA's scheme to defraud its accreditors. He participated extensively in preparing each report and for each site visit.

233. For example, in May 2014, Shchegol reviewed and suggested changes to the proposed "charge questions" to be addressed in ASA's Self-Study.

234. He personally submitted ASA's Self-Study Design to Middle States on June 14, 2013.

235. As that report acknowledges, Shchegol also played a major role in selecting the chairs for each workgroup charged with addressing the various Middle States standards and was a member of Workgroup 1, which addressed Middle States Standard 1: Mission, Goals and Objectives. Willis-Campbell was the other member of this workgroup.

236. Further, Shchegol commented on and finally approved each chapter of the 2014 Self-Study, which he personally submitted to Middle States on a specific date known to defendants in or around September 2014.

237. In connection with both the 2015 evaluation and the earlier, 2010 evaluation, Shchegol personally met with the Middle States Accreditation team that visited ASA on September 23, 2009, June 26, 2014, October 8, 2014, and March 22 through 25, 2015, and on other dates known to Defendants, including in March 2010.

238. Shchegol knew that ASA was not in fact in compliance with the Middle States standards, and in late 2014, he pursued fast-track accreditation from ACICS so that ASA would remain eligible for federal financial aid if his charade to deceive Middle States surrounding the 2015 reaccreditation was not successful.

4. Preservation of Title IV Eligibility Through An Illegal Default Manipulation Scheme

239. ASA's continued participation in Title IV programs is further possible only because of a fourth aspect of the deceptive and false tactics that it has used to mislead both its students and the Secretary, this one designed to fraudulently conceal its graduates' inability to repay their federal loans within the time frames established by federal law.

240. Under federal law, an institution will be suspended from participation in Title IV programs if too many of its students default on their federal student loans shortly after leaving the school.

241. The Secretary calculates each eligible institution's "cohort default rate" each year. Until 2012, the Secretary used a 2-year cohort default rate, meaning the rate at which an institution's students defaulted within two years of their loans entering repayment. Since 2012, the Secretary has calculated both a 2-year and a 3-year cohort default rate and in 2014 completed its transition to use of only a 3-year cohort default rate.

242. A school with a 2-year cohort default rate of 25% or greater for three consecutive reporting periods will lose its ability to participate in Title IV programs.

243. A school with a 3-year cohort default rate of 30% or greater for three consecutive reporting periods, or a single 3-year cohort default rate of 40% or greater, will likewise lose its ability to participate in Title IV programs.

244. In 2011, the Secretary calculated that, of the loans issued to ASA students entering repayment in 2009, nearly one quarter (24.6%) were defaulted within two years.

245. One year later, in 2012, the Secretary calculated that almost 40% of those same loans were now defaulted.

246. In order to avoid losing Title IV eligibility, beginning in 2011, ASA, with the knowledge of ASA Officers, launched an intensive default prevention initiative to lower the default rate of its students. The initiative was premised on defrauding students into pursuing repayment options contrary to their financial interests and concealing the fraudulent nature of their tactics from the Secretary.

247. Two years after the initiative was commenced, in 2013, the Secretary calculated that of the loans issued to ASA students who entered repayment in 2011, only 5.6% were defaulted after two years.

248. One year later, in 2014, the Secretary calculated ASA's three-year cohort default rate to be only 6.3 percent.

249. This startling drop in ASA's cohort default rates—from 24.6% to 5.6% for the 2-year cohort default rate, and from 37.3% to 6.3% for the 3-year cohort default rate in just two years—was accomplished by an illegal, systematic program of misrepresentation and fraud.

250. On dates known to Defendants, including but not limited to April 18, 21, and 25, 2011, Shchegol convened meetings dubbed "retention meetings" at which he and other ASA officers and employees, including but not limited to Kostyukov, Shtamler, Faynblut, and Willis-Campbell, designed and approved the creation of a Default Prevention Task Force and determined the scope and substance of its work.

251. The goal of the task force, as defined by Shchegol, was to induce borrowers to enter into suboptimal agreements with loan servicers, and its methods included any fraudulent conduct necessary to facilitate agreements between loan servicers and

borrowers to defer or forbear collection on federal student loans, thereby delaying the inevitable borrower default until after the reporting window.

252. At an April 18, 2011 retention meeting, Alex Shchegol warned ASA administrators that “loan default is very dangerous for us,” and he demonstrated his willingness to avoid it at all cost.

253. Members of this task force were provided with skip tracing information for ASA borrowers, with cell phones purchased by ASA with Shchegol’s approval, and with vans. The vans were driven by task force members including Duwayne Carthan and Anthony Dalton. Pursuant to instructions delivered by Shchegol at April 21 and 25, 2011 retention meetings, among others, task force members were to systematically contact borrowers (ASA’s former students), including by visiting their houses, and, under the pretense of providing “helpful information,” induce borrowers to enter into economic hardship forbearance, an arrangement between the borrower and the servicer of the loan under which the borrower is not required to make any payments for a short period of time.

254. This type of forbearance lasts for six months and can be renewed for up to three years—long enough, in other words, for students to avoid default until they are no longer monitored by the Secretary and can no longer affect the 2- and 3-year cohort default rate calculations.

255. A borrower who enters forbearance remains in good standing even though he or she is not making any payments on the loan, but interest continues to accrue, and ultimately the student will have to repay more money.

256. By contrast, under the Income-Based Repayment (“IBR”) program, a student’s monthly payment is calculated based on the student’s ability to pay, and the entire

outstanding loan amount will be forgiven after a period of consecutive enrollment in IBR.

An unemployed student often has a monthly payment of zero under IBR.

257. IBR is a repayment option that is available only to those who complete a multi-step application and recertification at periodic intervals. It is not possible to enter into IBR, unlike forbearance, through a single phone call.

258. ASA therefore steered borrowers away from IBR and toward less advantageous forbearances so that ASA could more easily lower its default rate through the fewest possible interactions with its former students and without regard to the consequences for its former students.

259. Under ASA's default prevention initiative, because it depended on convincing former students to act against their own interests, ASA employees were trained and directed to use fraud, misrepresentation, and concealment to pressure borrowers to enter forbearance, even if IBR was available to the borrowers and whether or not forbearance was in the borrowers' interest.

260. Over the telephone and in person, task force members misrepresented to ASA borrowers that they needed to take action immediately in order to prevent their bank accounts from being frozen and their wages, if any, from being garnished. Those statements were false, as a federal student loan borrower must be in default for many months before any possible wage garnishment can happen, and even then it cannot happen without a borrower receiving notice and procedural protections. The statements were also false because a borrower's bank account cannot be frozen because of a defaulted federal student loan unless and until a court judgment is entered against the borrower.

261. Task force members were also trained to state, falsely, that interest would not accumulate on borrowers' loans during deferment and forbearance.

262. Task force members initiated three-way calls on ASA-provided cell phones between borrowers and loan servicers to ensure that the borrowers entered forbearance. Because the participation of ASA employees on such calls violated federal law, ASA trained its employees to conceal their presence or to fraudulently represent to loan servicers that they were family members of borrowers providing translation or similar services.

263. As a result of task force members' calls to former students, ASA employees learned that former students were unable to repay their loans because of unemployment. These ASA employees relayed information about former students' unemployment to ASA Officers.

264. Because of task force members' actions, large numbers of former ASA students were placed on forbearances, often without those students' understanding of the meaning or consequence of forbearances.

265. Paperwork concerning forbearances and deferrals generated by task force members were submitted to ASA's financial aid department. The head of financial aid, Victoria Shtamler, forwarded the paperwork on to Shchegol, so that he could monitor the progress of the task force and determine the bonuses owed to task force members.

266. Faynblut, under Shchegol's express authorization, paid task force members a bonus of \$100 for each borrower induced to enter forbearance. As ASA succeeded in lowering its default rate—and its risk of losing Title IV eligibility diminished—this

bonus was reduced to \$50, then \$25, and then finally eliminated in or around March 2013.

267. Shchegol, Faynblut, and others designed, implemented, and oversaw the default manipulation initiative, its policies and practices, and the training of its employees.

Shchegol approved the expenditures necessary to carry out the program.

Additional Deceptive Acts and Practices Made Directly to Prospective and Enrolled Students, in Further Violation of GBL § 349

268. Shchegol designs and implements ASA's extensive marketing and recruiting system.

269. Under this system, ASA makes systematic misrepresentations to prospective and enrolled students in order to induce them to enroll and remain enrolled.

270. ASA targets individuals believed to be financially vulnerable, unsophisticated, and in need of jobs and therefore susceptible to misrepresentation, and it dissuades consumers from carefully considering the truth of its representations by using high-pressure tactics to create a false sense of urgency among potential enrollees by, among other things, falsely representing that few spaces remain open and that individuals must "act now" to enroll in ASA.

271. Approached in this manner, targeted individuals routinely commit to attending ASA within hours of their first contacts with the school's representatives.

Misrepresentations About Job Placement Assistance

272. In advertising to the public, ASA makes systematic misrepresentations about the job placement outcomes attained by ASA graduates.

273. The false claims about job placement and the message that attending ASA is a direct route to employment are reinforced by signage in bright lights on ASA's Brooklyn

location that reads: “ASA Education → Jobs” and a recorded message that plays when callers to the Career Services Office are placed on hold. This message says, in English and Spanish, “Welcome to ASA, where we guarantee job placement.”

274. ASA representatives state to prospective enrollees that ASA will provide “lifetime job placement assistance.” This promise is repeated on ASA’s website and in print promotional materials, where ASA also advertises extensive relationships with “Fortune 500 companies,” promises job fairs at which such employers recruit ASA students for desirable jobs upon graduation, and advertises personalized job placement assistance for every student, beginning “on day one” with the creation of a personalized career development and placement plan for every student.

275. In fact, ASA does not expend any resources on placement for graduates who are outside of the reporting periods for accreditors.

276. With each Career Services and Alumni Affairs Office employee theoretically responsible for hundreds of ASA’s approximately 9000 attending students and an exponentially greater number of the thousands of students to whom ASA has promised “lifetime job placement assistance,” ASA does not provide the personalized job placement assistance or convene the job fairs that it advertises.

277. ASA’s Career Services department routinely fails to respond at all to students’ and graduates’ requests for job placement assistance. ASA’s Career Services department tells graduates to stop contacting Career Services, despite the promise of “lifetime job placement assistance.”

278. ASA provides its students and graduates with job leads that they can find by themselves, such as postings on internet websites or contact information for temporary employment agencies.

279. The most common employer of students whom ASA helped to find employment is ASA itself. ASA most commonly offers graduates part-time or short-term positions as recruiters or “lab assistants,” if it finds them positions at all.

280. Only after students approach the end of their programs or graduate do they learn that the promises about ASA’s job placement assistance made to them at the start of and during their programs were false.

281. Only after students have incurred substantial debt to attend ASA do they learn that ASA Defendants assist students only in finding jobs that pay \$8, \$10, or \$12 per hour without benefits or prospect of advancement, if they assist students at all.

Misrepresentations About Programs

282. ASA advertises programs that are not approved by NYSED, including different “versions” of authorized programs that include ESL and/or remedial classes, and an unapproved Massage Therapy program.

283. ASA also advertises and represents that ASA offers “stand-alone” and “free” English-as-a-Second-Language (“ESL”) courses.

284. In fact, ASA does not, and is not authorized to, offer stand-alone ESL courses, and the ESL courses it does offer are not “free,” but are covered by state and federal grants so long as the student is also enrolled in a substantive program.

285. ASA lures students with the promise of such classes and then convinces them instead to pursue substantive programs and take ESL classes in addition to substantive program classes.

286. If a student does not pass an ESL courses or an ESL exam, he or she becomes retroactively ineligible for federal and state grants and must pay tuition to ASA.

287. ASA also certifies students enrolled solely in ESL classes, such as Plaintiff Frica Sanchez, for federal student loans for which they are not eligible.

288. ASA representatives conceal from students enrolled in ESL classes that they risk losing eligibility for financial aid, either because they will not pass the ESL exam or because they will use up all of their financial aid eligibility before being able to complete their substantive courses of study.

289. An individual can receive only a specific amount federal and state student aid over his or her lifetime. ASA does not inform students that they are using up their eligibility for state and federal student aid on apparently “free” classes.

290. Further, ASA does not disclose that enrolling in ESL and/or remedial classes, and thus postponing required degree coursework, compromises a student’s ability to obtain enough state and federal financial aid to fund the entire degree program. Extensive ESL and remedial coursework causes students to lose eligibility for federal student loans before they can possibly complete their programs.

291. In its marketing and promotional materials, and through its recruiting and admissions employees, ASA also misrepresents its degree programs to current and prospective students, advertising that certain of ASA’s programs qualify graduates to sit for professional licensing exams when either (a) those programs do not qualify the

graduates to sit for those exams, or (b) examination or licensure is irrelevant to job placement in the specified fields.

292. ASA claims that many of ASA's programs qualify students to enter fields in which their degrees are unnecessary, including fields in which the majority of entry-level positions are held by individuals with only high school diplomas.

293. For example, ASA claims, on its website, that graduates of the Criminal Justice program "may find employment within the private security sector as security personnel and analysts." An Associate's Degree is not a prerequisite for employment as a private security guard. The only requirement is completion of 24 hours of training approved by the New York State Division of Criminal Justice Services. Indeed, ASA itself offers that training outside of the Criminal Justice program at a tiny fraction of the cost of the Associate's Degree program.

294. On ASA's website, ASA claims that completion of ASA's Associate of Occupational Studies in Healthcare Office Administration program makes students "eligible to sit for the Certified Professional Coder Examination administered by the American Academy of Professional Coders." In fact, an Associate's Degree is not a prerequisite for this exam.

295. ASA makes similar claims, in promotional materials, on its website, and in person, that ASA's Pharmacy Technician program qualifies students to sit for licensure or certification exams, when in fact there are no such educational prerequisites for either.

296. ASA's promotional materials claim that any student who earns an associate degree in ASA's Health Information Technology program can sit for an examination that allows him or her to become a Registered Health Information Technician ("RHIT"). This

claim is false as ASA's program is not accredited by the American Health Information Management Association ("AHIMA"). Graduation from an AHIMA accredited program is a prerequisite to taking the RHIT exam. Employment in the field is extremely difficult if not impossible without RHIT certification, and ASA knowingly misrepresents to potential and attending students that graduates can obtain RHIT certification upon completion of the program.

Misrepresentations About Transferability of Credits

297. ASA represents in its marketing and promotional materials that ASA credits are widely automatically transferable to four-year programs, and thus that enrollment in ASA will enable students to ultimately earn higher education credentials that are required for certain professions.

298. The acceptance of ASA credits by other colleges is, at best for ASA's students, entirely within the discretion of the accepting college and turns on an individualized assessment that may depend on the student's ability to pass a proficiency exam or on the results of a course-by-course review of syllabi, textbooks, and qualifications of instructors at ASA.

Misrepresentations About Manhattan Location

299. ASA misleadingly refers to its Manhattan location as a "campus" in advertising and promotional materials, although it is not a campus and has not been approved by NYSED as such.

300. The Manhattan location has not been approved by NYSED as a campus because it does not have all of the attributes and resources required of a campus.

301. To comply with the technical requirement that only an approved campus may offer complete courses of study to students, ASA requires each student to take a class in the Brooklyn location. Only after students enroll do they learn of this requirement.

302. For many of ASA's students, who are largely low-income, and many of whom struggle to balance school, low-wage jobs, and family obligations, unexpected travel to Brooklyn is an expensive, burdensome, and sometimes unworkable proposition. Many students, including Plaintiff Mary Estevez, would not have attended ASA had it been disclosed that they would be required to travel to Brooklyn.

Misrepresentations About Cost of Programs and Financial Aid

303. ASA does not inform students of the full array of financial aid available to them. Specifically, ASA does not inform each eligible student about the Federal Work Study program, as it is required to by federal law.

304. Federal Work Study jobs are subsidized by the federal government and the institution and must have educational attributes. Federal Work Study jobs may not be related to recruitment of students.

305. ASA provides a Student Aid Report to each enrollee, detailing projected financial aid awards. In this form, ASA does not alert students, as is its duty, of the availability of Federal Work Study.

306. ASA does not provide information about Federal Work Study jobs because it prefers to funnel students into its "Work for Tuition" program, under which students assist in the recruitment of new enrollees.

307. ASA advertises scholarships in its catalog and promotional materials that do not exist in reality.

308. ASA's financial aid employees do not, and are not required by ASA to, translate critical financial aid documents such as the Free Application for Federal Student Aid (the application from which the Secretary calculates a student's eligibility for Pell Grants and federal student loans) or the Master Promissory Note (the document that authorizes ASA to request student loans on behalf of a student, acknowledges the student's obligation to repay the loan, and sets forth the terms and conditions of the loan) into the native languages of non-English speaking enrollees.

309. ASA representatives are trained and directed to provide students with inaccurate and misleading estimates of the costs of completing ASA programs based upon completion times that ASA knows to be substantially shorter than the typical length for those programs.

310. ASA advertises on its website and its promotional materials that students can earn Associate's Degrees in 16 months—the equivalent of four semesters of study under ASA's accelerated calendar—and “immediately embark on meaningful career [sic].”

311. Only one third of students who attend ASA complete their degrees or certificates within *six* semesters, which is 50% longer than the four semesters advertised by ASA. Over 80% of students at ASA require remedial coursework and/or ESL instruction and cannot possibly complete their programs within 16 months, but ASA trains its employees to omit and conceal that fact from students who have been led to believe that 16 months is a realistic time in which a degree can be earned.

312. ASA representatives regularly mislead current and prospective students about the true nature of their future debt burden.

313. ASA employees tell prospective students falsely that they need to repay their student loans only if they are successful in finding employment. They further quote estimated monthly student loan payments that have no basis in reality and suggest that, in any event, students will be easily able to afford monthly payments given the salaries and wages they will earn upon graduating.

314. ASA creates further confusion by misleadingly labeling both grants and loans “financial aid” and failing to explain the differences between them. ASA targets immigrants, many of whom come from countries in which higher education is free and/or entirely subsidized by the government. ASA takes advantage of these students’ expectations that the financial aid being offered by ASA does not have to be repaid.

315. ASA also systematically conceals from students the total amount of money that they have borrowed—and the fact that they have borrowed at all. ASA financial aid employees have newly enrolled students sign applications for financial aid for multiple award years and execute a single, multi-year master promissory note shortly after they enroll, even if their programs will be covered entirely by grants in the first one, two, three, or four semesters.

316. Once those papers are signed, ASA is able to draw down federal student aid dollars on behalf of a student, on different occasions, without any further action from the student.

317. As a result of ASA’s conduct, students do not realize that they have obtained student loans, or do not realize how much they have borrowed, until they graduate or withdraw from ASA and their loans go into repayment.

Misrepresentations About Withdrawal

318. The vast majority of students who enroll in ASA withdraw, and ASA misleads students about the financial consequences of withdrawal.

319. Under federal law, when a student withdraws in the middle of a semester, ASA is entitled to keep only a pro-rated share of the federal student aid disbursed on behalf of that student.

320. ASA discourages students from withdrawing by stating that they have already borrowed to cover the cost of the current term, when in fact they could be less indebted by withdrawing.

321. ASA also misrepresents that students are still in attendance when in fact they have withdrawn, and it continues to draw down financial aid on behalf of those students.

322. As a result, students who elect to discontinue their studies at ASA are unaware that they will be held responsible for the full semester of tuition or will continue to incur student loans.

Misrepresentations About Guaranteed Externships

323. ASA promises in its promotional materials to place students in externships that will provide them with valuable training in the types of jobs for which they are preparing.

324. ASA's website guarantees that the school will place students in externships "with leading companies within their selected field of study." The website further asserts that these externships will lead to jobs in those fields.

325. The website describes the externship as "guaranteed" and "one of the most valuable experiences in our degree programs."

326. ASA's promotional materials state that ASA's Externship Department "guarantees you an externship experience in a prestigious company in the metro area."

327. ASA trains and directs recruiting and admissions representatives to tout the promised externship to potential students as a valuable learning experience, likely to lead to permanent employment at the companies at which students intern.

328. These representations are false and misleading,

329. In approximately 2010, Shchegol removed the externship program from the oversight of the academic division and placed it into the Career Services department.

The Career Services department is not positioned to determine whether externship placements are appropriate for a student's program of study.

330. ASA arranges externships that have no educational value and/or leave students to arrange their own externships without assistance.

331. ASA makes no effort to ensure that externships require students to use any aspect of their education or training from ASA, provide students with an opportunity to develop knowledge or skills relevant to their fields of study, or lead directly or indirectly to jobs upon graduation.

ASA's Profits to Students' Detriment

332. As a direct result of ASA's myriad misrepresentations to attending and prospective students, the federal and state governments, and the agencies that accredit ASA, Named Plaintiffs and Class members were and continue to be lured into pursuing wildly expensive degree programs that do not prepare them for gainful employment.

333. ASA's systematic frauds leave Named Plaintiffs and Class members burdened with out-of-pocket costs, crushed with debt, and unable to secure jobs.

334. Because ASA targets low-income individuals as the victims of their scheme, Named Plaintiffs and the majority of Class members struggle to repay their debts.

335. Their plight has little impact on ASA's profitability. With 98% of its students receiving federal or state financial aid, and over 97% of its revenues attributable to that aid, ASA enjoys a steady income stream regardless of its students' ability to pay.

336. ASA takes in tens of millions of dollars in government loans and grants each year, whether or not students graduate, find employment, or are able to repay their loans.

Then, instead of the profitable employment and lifetime job assistance promised, ASA leaves Named Plaintiffs and Class members with the bill.

FACTUAL ALLEGATIONS CONCERNING NAMED PLAINTIFFS

Karilin Frica Sanchez

337. Karilin Frica Sanchez is 25 years old and lived in New York City at times relevant to this complaint. She was born in the Dominican Republic, where she obtained a high school degree. She is now a lawful permanent resident of the United States. Her primary language is Spanish.

338. After coming to the United States in 2012, Ms. Frica Sanchez sought to improve her English so that she could study and pursue a career.

339. Ms. Frica Sanchez learned about ASA's ESL classes from acquaintances and from advertisements in the subway.

340. In approximately October 2012, Ms. Frica Sanchez met with an ASA representative, who spoke to her in Spanish. Although Ms. Frica Sanchez was interested only in taking ESL classes, the representative persuaded her that by pursuing one of ASA's substantive programs, she could learn English and also get a degree.

341. The representative showed Ms. Frica Sanchez ASA's catalog and described job opportunities she would have if she completed ASA's Criminal Justice Associate's Degree Program, including as an airport security agent, which interested her.

342. The representative promised Ms. Frica Sanchez that ASA would find her a job in her field before she graduated from the program. The representative also told Ms. Frica Sanchez that ASA would find her an externship during her enrollment and that ASA would help Ms. Frica Sanchez turn that externship into a job after she graduated.

343. Ms. Frica Sanchez also met with a financial aid representative. That representative told her that the first three semesters of the criminal justice program would comprise "free" ESL classes, paid for by government grants. The representative told her that she would not incur any loans until she reached the criminal justice portion of the program, except that she would have to take out a loan for books, but that the loan would not come due until after she graduated.

344. The representative also told Ms. Frica Sanchez that she would not have to make any loan payments until six months after she graduated, at which time she would have to pay \$50 per month (or more if she chose), and at that rate would pay off her loans in ten years.

345. Ms. Frica Sanchez's conversation with the financial aid representative was conducted in Spanish. The representative filled out the financial aid forms, which were not translated from English into Spanish, for Ms. Frica Sanchez. Ms. Frica Sanchez completed the forms at the representative's direction.

346. Ms. Frica Sanchez paid a \$25 non-refundable application fee to ASA.

347. Ms. Frica Sanchez began coursework at ASA in the Fall 2012 semester, taking only ESL classes.

348. Approximately five months after she began classes, ASA sent Ms. Frica Sanchez a bill for her books. An ASA representative told Ms. Frica Sanchez at that point that, contrary to what she had been told earlier, she would have to pay for the books immediately.

349. During her first two semesters, Ms. Frica Sanchez took only non-credit-bearing ESL classes that did not contribute toward her criminal justice degree requirements. In her third semester, she took some non-credit-bearing ESL classes and some credit-bearing classes that were not specifically related to the criminal justice program.

350. During this period, Ms. Frica Sanchez sought ASA's assistance obtaining a part-time job while a student. ASA did not refer her to any available positions, instead referring her to a job placement agency, Madison Workforce. That agency did not help her find any positions.

351. Ms. Frica Sanchez heard from classmates that ASA had made misrepresentations to them about their student loan obligations. Believing, as ASA told her, that her first three semesters were "free," and that she would not incur loans until she began criminal justice classes in her fourth semester, Ms. Frica Sanchez sought to withdraw after her third semester. In October of 2013, before beginning the Fall 2013 term, which would be her fourth semester, Ms. Frica Sanchez told an ASA representative that she wished to withdraw. The representative told her that if she withdrew at that point, she would owe *more* total tuition than if she completed another semester. On the basis of that

representation, Ms. Frica Sanchez decided to take a one-semester leave of absence and then resume classes in February 2014 for the Spring 2014 term.

352. Unbeknown to Ms. Frica Sanchez, and contrary to what ASA had informed her, ASA drew federal student loans in Ms. Frica Sanchez's name to fund her tuition in her second and third semesters.

353. During her leave of absence, Ms. Frica Sanchez began receiving statements demanding payment of federal student loans.

354. In February 2014, she began her fourth semester. An ASA representative who visited her criminal justice class told the students that ASA would find them jobs in the criminal justice field before they graduated. The representative's written materials promised, among other career services, lifetime job placement and career development assistance for active students and graduates, "numerous" job readiness workshops, and externships that "apply classroom learning in a real work environment" and that lead to offers of permanent employment for students "[e]ach semester." The materials also represented that graduates of ASA's criminal justice program hold jobs as police officers, hospital police, and security officers, among other positions.

355. Ms. Frica Sanchez found the criminal justice classes to be of extremely poor quality and, after two weeks, again decided to withdraw.

356. An ASA representative told Ms. Frica Sanchez that, notwithstanding what Ms. Frica Sanchez has been told in October of 2013, she would owe additional money for the fourth semester. However, the representative told her, if she completed that semester, she would owe less overall for the entire program.

357. Ms. Frica Sanchez, wary of ASA's representations, withdrew from ASA in May 2014 without completing the fourth semester.

358. Ms. Frica Sanchez now works as a cashier at a check-cashing store, a job she obtained without any assistance from ASA.

359. ASA Defendants made misrepresentations to the Secretary regarding Ms. Frica Sanchez's eligibility for federal student aid each semester that she attended ASA.

360. ASA Defendants made misrepresentations to the New York Higher Education Services Corporation ("HESC") regarding Ms. Frica Sanchez's eligibility for TAP grants each semester that she attended ASA.

361. ASA Defendants received Pell grants to fund Ms. Frica Sanchez's tuition, thereby decreasing Ms. Frica Sanchez's lifetime eligibility to draw such grants.

362. ASA Defendants drew \$5,500 in federal student loans in Ms. Frica Sanchez's name. ASA Defendants also claim that Ms. Frica Sanchez owes close to \$3,000 directly to ASA.

Shawanna Dilworth

363. Shawanna Dilworth is 23 years old and lived in New York City at times relevant to this complaint.

364. In 2011, when Ms. Dilworth was completing high school, she wanted to obtain occupational training and then a job in the field of fashion design.

365. Ms. Dilworth learned of ASA when the school participated in a college fair at her high school in 2011. An ASA representative told Ms. Dilworth that ASA could offer her scholarships based on her academic and athletic achievements in high school.

366. In early 2012, Ms. Dilworth met at ASA with the same representative. Ms. Dilworth stated that she sought a job in fashion design. The ASA representative stated that ASA did not offer a program in fashion design, but that ASA's Associate's Degree in Accounting would teach Ms. Dilworth the business side of the fashion industry and prepare her for a career in fashion design.

367. The ASA representative also told Ms. Dilworth that ASA credits would apply toward a degree if Ms. Dilworth transferred to another school to study fashion design.

368. The representative again stated that Ms. Dilworth would be eligible for multiple scholarships.

369. Ms. Dilworth asked the ASA representative how much ASA would cost. The representative refused to answer and told Ms. Dilworth that she would have to speak with someone in financial aid for that information.

370. Ms. Dilworth also met with an ASA financial aid representative. This representative informed Ms. Dilworth that she qualified for some financial aid, but that she would need to take out a loan to cover the remainder of her ASA tuition.

371. The ASA financial aid representative gave Ms. Dilworth a financial aid document but did not explain it. Ms. Dilworth completed the form at the representative's direction.

372. ASA never provided the scholarships that it had promised were available to Ms. Dilworth.

373. Ms. Dilworth paid a \$25 non-refundable application fee to ASA.

374. Ms. Dilworth began classes in the Spring 2012 semester.

375. After completing two semesters at ASA, Ms. Dilworth spoke with a school representative about transferring to a four-year college. The representative told her that her credits would transfer only after she completed her Associate's Degree program.

376. Because of family circumstances, Ms. Dilworth struggled during her third and fourth semesters at ASA and subsequently took a leave of absence.

377. When Ms. Dilworth tried to reenroll in the fall of 2013, ASA did not allow her to reenroll. ASA claimed that she owed the school several thousand dollars.

378. Because she did not believe that she owed this alleged debt, and could not pay it, Ms. Dilworth did not continue to attend ASA. She applied instead to SUNY Buffalo, which refused to apply almost all of her credits from ASA toward her degree. She did not attend SUNY Buffalo.

379. Since attending ASA, Ms. Dilworth has also applied to several other colleges, including the College of Staten Island (December 2014), the University of North Carolina at Charlotte (January 2015), and Kingsborough Community College (January 2015). Each of these colleges rejected her application. Two of the colleges explained that the adverse admission decision was because she was not in "good standing" at ASA.

380. In recent months, ASA has attempted to collect on Ms. Dilworth's alleged institutional debt by hiring a debt collector, Security Credit Systems, to send her letters and make phone calls demanding payment.

381. Ms. Dilworth was unemployed until June 2014, when she obtained a clerical job at a courier service, without any assistance from ASA.

382. ASA Defendants made misrepresentations to the Secretary regarding Ms. Dilworth's eligibility for federal student aid each semester she attended ASA.

383. ASA Defendants made misrepresentations to HESC regarding Ms. Dilworth's eligibility for TAP grants while she attended ASA.

384. ASA Defendants received TAP and Pell grants to fund Ms. Dilworth's tuition, thereby decreasing Ms. Dilworth's lifetime eligibility to draw such grants.

385. ASA Defendants drew \$7,400 in federal student loans in Ms. Dilworth's name. ASA Defendants also claim that Ms. Dilworth owes the school over \$900 in unpaid tuition and/or fees.

Nelson Forastieri

386. Nelson Forastieri is 61 years old and lived in New York City at times relevant to this complaint. He was born in the Dominican Republic, but is now a United States citizen.

387. In 2009, Mr. Forastieri had completed some college credits at Hunter College and was working as a taxi driver. He sought occupational training to find a higher-paying job in the field of accounting.

388. Mr. Forastieri learned about ASA from an advertisement in a free morning newspaper at a subway station. The advertisement promised that he could earn a degree in 18 months and get a job.

389. Mr. Forastieri considered returning to Hunter College, but the ASA advertisements led him to believe that he could begin and complete a degree sooner at ASA.

390. Mr. Forastieri met with an ASA representative and stated that he wished to find a job in the field of accounting. The representative told him that if he completed the

Associate's Degree program in Business Administration-Accounting, he would be able to get a job as a junior or entry-level accountant in an accounting firm.

391. The representative also promised that ASA would provide Mr. Forastieri with an externship, which was a mandatory part of the program and would help lead to a job.

392. The representative told Mr. Forastieri that after completing the program he would earn a starting salary of around \$40,000 per year as a junior accountant.

393. The representative did not disclose that Mr. Forastieri would need to become a Certified Professional Accountant ("CPA") to work as an accountant. The representative also did not disclose that Mr. Forastieri would need a Bachelor's Degree, which the program would not provide, to qualify to take the CPA exam.

394. The same day, a financial aid representative told Mr. Forastieri that the cost of the program would be around \$10,000 but that most of it would be covered by grants.

395. When Mr. Forastieri asked how much money he would have to pay himself, directly or in loans, an ASA representative did not disclose that information. Instead, the representative gave vague answers and assured him that he would not need to pay back any loans until after he graduated and had a job, and that it would be no problem.

396. The ASA representative completed Mr. Forastieri's financial aid application. At the representative's direction Mr. Forastieri signed the documents without understanding them.

397. Mr. Forastieri paid a \$25 non-refundable application fee to ASA.

398. Mr. Forastieri began classes in the Business Administration-Accounting Associate's Degree program ASA in the Spring 2009 semester.

399. The classes Mr. Forastieri took in the program did not provide him with the skills he would need to be an accountant.

400. ASA did not provide Mr. Forastieri with the mandatory externship, as ASA's representative had promised. Through his own efforts, he found an externship at an insurance company, although it was not related to accounting or business administration.

401. While completing the ASA program, Mr. Forastieri learned that he would need to become a CPA to work as an accountant and that he would need a Bachelor's Degree to qualify to take the CPA examination.

402. An ASA representative told him that the school did not at that time offer an appropriate Bachelor's Degree.

403. Mr. Forastieri attended a job fair that ASA hosted, but the potential employers were all retail stores and fast food restaurants seeking sales associates and cashiers. None offered bookkeeping or accounting related jobs.

404. Mr. Forastieri completed his Associate's Degree in Occupational Studies in Business Administration-Accounting in August 2010.

405. Mr. Forastieri sought ASA's assistance finding a job.

406. ASA provided virtually no assistance. There were only a few Career Services employees for the entire school.

407. The only lead on a job that ASA provided to Mr. Forastieri was for a data entry position that paid \$8 per hour. This job did not require an advanced degree, was not related to the subject that he had studied, and paid less than he earned driving a taxi.

408. Mr. Forastieri looked for jobs on his own but could not get any interviews because most jobs in the accounting field required a Bachelor's Degree.

409. Mr. Forastieri continues to drive a taxi because he cannot find employment in the field of accounting or business administration.

410. ASA Defendants made misrepresentations to the Secretary regarding Mr. Forastieri's eligibility for federal student aid while he attended ASA.

411. ASA Defendants made misrepresentations to HESC regarding Mr. Forastieri's eligibility for TAP grants while he attended ASA.

412. ASA Defendants received TAP and Pell grants to fund Mr. Forastieri's tuition, thereby decreasing Mr. Forastieri's lifetime eligibility to draw such grants.

413. ASA Defendants drew over \$15,000 in student loans in Mr. Forastieri's name.

Andre Lashley

414. Andre Lashley is 43 years old and lived in New York City at times relevant to this complaint.

415. In 2011, Mr. Lashley was unemployed after he lost his job as a file clerk at Mt. Sinai Hospital. He sought occupational training to help him obtain full-time, permanent, higher-paying employment in the medical administration field.

416. Mr. Lashley learned of ASA through advertisements on the subway. The advertisements promised that he could obtain a degree from ASA in 16 months and then would get a job.

417. In 2011, Mr. Lashley went to ASA's Manhattan location. An ASA representative told him that if he enrolled in the Healthcare Office Administration program, did his work, and attended classes, he would finish the program in 16 months and would be guaranteed to get a job.

418. On the first day that he went to ASA, Mr. Lashley met with an ASA financial aid representative who completed Mr. Lashley's financial aid application. At the ASA representative's direction, Mr. Lashley signed the documents without reading them.

419. Mr. Lashley paid a \$25 non-refundable application fee to ASA.

420. Mr. Lashley began classes in ASA's Healthcare Office Administration Program in the Summer 2011 semester.

421. Mr. Lashley asked an ASA career services representative as well as the representative to whom he had spoken when he first visited ASA for assistance obtaining a job while enrolled as a student.

422. Both ASA representatives told him that they would let him know if any positions at ASA became available, but no one ever contacted him.

423. Through his own initiative, Mr. Lashley obtained a temporary position doing clerical work at Montefiore Hospital for a short period of time while attending school.

424. ASA did not at any point refer Mr. Lashley to any career fairs or similar events where students could learn about job opportunities.

425. ASA placed Mr. Lashley in an externship at SUNY Downstate Hospital during his final semester. However, the externship did not require that he use any training purportedly taught in his program. He performed only clerical tasks of the type he had done before attending ASA.

426. Near the end of his program, Mr. Lashley again spoke with an ASA representative, seeking assistance in getting a job after he completed the course. The representative again assured him that he would "definitely" get a full-time job after

finishing. She also said that he was likely to get a job offer out of the externship associated with the program.

427. Mr. Lashley did not find permanent employment at SUNY Downstate after completing his program.

428. During his final semester, ASA sent him on one interview, for a medical billing and coding position at a medical office; however, Mr. Lashley was not qualified for the position because ASA's program had not provided sufficient instruction on medical coding and billing.

429. Mr. Lashley completed the Healthcare Office Administration Program in September 2012.

430. Mr. Lashley continued to call and visit the ASA Career Services Department after he completed the program. After a few months, they stopped taking his calls.

431. Mr. Lashley has diligently searched for a job without ASA's assistance since graduating from ASA but has not been able to find employment.

432. Potential employers have suggested to him that his ASA degree is not a helpful credential and may in fact make his application less attractive. Employers have suggested that they regard an ASA degree as, at best, equivalent to a high school diploma, which Mr. Lashley had obtained before attending ASA.

433. ASA Defendants made misrepresentations to the Secretary regarding Mr. Lashley's eligibility for federal student aid while he attended ASA.

434. ASA Defendants made misrepresentations to HESC regarding Mr. Lashley's eligibility for TAP funds while when he attended ASA.

435. ASA Defendants received TAP grants to fund Mr. Lashley's tuition, thereby decreasing Mr. Lashley's lifetime eligibility to draw such grants.

436. ASA Defendants drew \$20,000 in federal student loans in Mr. Lashley's name. He is unable to repay those loans.

437. His family is currently supported by the income that his wife, who obtained a degree from ASA in 2011, earns as an administrative assistant in the ophthalmology department at Mt. Sinai Hospital—the same job that she held before attending ASA.

Tommy Miranda

438. Tommy Miranda is 42 years old and lived in New York City at times relevant to this complaint. Mr. Miranda was born in Ecuador but is now a lawful permanent resident in the United States. His primary language is Spanish. He has a Bachelor's Degree from Ecuador in Accounting.

439. In 2012, Mr. Miranda was working for American Airlines as a customer service representative at John F. Kennedy airport. Mr. Miranda wanted to work for the Transportation Security Agency ("TSA") but learned from a TSA manager he would need to improve his English language skills.

440. Mr. Miranda learned of ASA through a Spanish-language advertisement for ASA on Univision.

441. In 2012, Mr. Miranda met with an ASA representative, who spoke to him in Spanish. The representative told Mr. Miranda that ASA had a good job placement program and would help him get a job. She also told him that he would come out of the program speaking perfect English.

442. Mr. Miranda paid ASA a \$25 non-refundable application fee.

443. Mr. Miranda provided information to an ASA representative, who filled out financial aid paperwork for him. He signed the forms at the representative's direction.

444. The representative led Mr. Miranda to believe that he would be obtaining only grants to pay his ASA tuition, and that he would not have to take out any loans. The conversation was conducted in Spanish, but the representative did not translate any financial aid documents from English to Spanish.

445. Mr. Miranda began ASA's Criminal Justice Associate's Degree Program in the Summer 2012 semester.

446. During his first two semesters at ASA, he took only ESL classes.

447. These ESL classes did not lead to any improvement in Mr. Miranda's English skills. During his third semester, Mr. Miranda complained to a dean at ASA that the ESL classes were of extremely poor quality and that the teachers were difficult to understand and unhelpful.

448. Mr. Miranda withdrew from ASA in 2013.

449. Mr. Miranda still works as a customer service representative for American Airlines.

450. On information and belief, ASA made misrepresentations to the Secretary regarding Mr. Miranda's eligibility for federal student aid while he attended ASA.

451. On information and belief, ASA made misrepresentations to HESC regarding Mr. Miranda's eligibility for TAP grants while he attended ASA

452. ASA received Pell grants to fund Mr. Miranda's tuition, thereby decreasing Mr. Miranda's lifetime eligibility to draw such grants.

453. In October 2013, ASA sent Mr. Miranda a letter claiming that he owes ASA a balance of approximately \$3,500.

454. In recent months, ASA has attempted to collect on Mr. Miranda's alleged institutional debt by hiring a debt collector, Security Credit Systems, to send him letters and make phone calls demanding payment.

455. For example, on April 24, 2015, Security Credit Systems sent Mr. Miranda a letter making a "DEMAND FOR PAYMENT IN FULL," notwithstanding the pendency of this lawsuit in which Mr. Miranda has disputed the validity of the alleged debt.

Renee Davis

456. Renee Davis is 49 years old and lived in New York City at times relevant to this complaint.

457. Ms. Davis worked as a staffing coordinator at a temporary agency for nurses from June 2007 to November 2008, when she was laid off.

458. Ms. Davis sought, but could not obtain, work in the same field. She sought a college degree to improve her candidacy for similar positions.

459. In 2010, Ms. Davis was walking by ASA's Manhattan location with a friend who suggested that they both consider attending ASA.

460. An ASA representative gave Ms. Davis and her friend a tour of the school and provided informational materials about ASA's programs.

461. On a second visit, an ASA representative told Ms. Davis that she could complete ASA's Healthcare Office Administration program with Medical Billing in 18 months, or four semesters.

462. An ASA representative also told Ms. Davis that ASA had excellent career advisors, and showed her videos and other materials, including ASA “success stories”—accounts of individuals who got excellent jobs purportedly because of their ASA degrees.

463. The ASA representative told Ms. Davis that she was guaranteed to get a job after finishing the ASA program.

464. Ms. Davis paid a \$25 non-refundable application fee to ASA.

465. Ms. Davis began ASA’s Healthcare Office Administration Program in the Fall 2010 semester.

466. In her final semester, Ms. Davis was required to complete an externship. ASA did not secure an externship for Ms. Davis. Instead, ASA representatives suggested that one of Ms. Davis’s classmates, who worked at Mt. Sinai Hospital, find out if the hospital would take on ASA students including Ms. Davis as externs.

467. The externship did not provide Ms. Davis with hands-on experience in medical billing or healthcare office administration. Instead, she did clerical work such as photocopying and faxing.

468. Ms. Davis graduated in May 2012 after completing five semesters, including a semester of remedial classes.

469. Ms. Davis asked her assigned ASA Career Services advisor for assistance in finding a job. Ms. Davis was already familiar with basic job search resources.

470. The advisor did not give Ms. Davis meaningful assistance. The advisor sent her to an interview at a temporary agency, which was not for a permanent job, and to an appointment at an office to take an exam, not interview for a job. The advisor repeatedly

suggested that Ms. Davis apply for jobs that required Spanish, which Ms. Davis did not speak.

471. Ms. Davis requested that she be switched to another advisor, but ASA denied this request.

472. Ms. Davis continued to call and visit the ASA Career Services Department, but ASA did not offer any other job options and eventually stopped returning her calls. ASA has not sent Ms. Davis on a single interview for a specific permanent job.

473. Ms. Davis has diligently searched for a job since graduating from ASA but has not been able to find employment.

474. On information and belief, ASA made misrepresentations to the Secretary regarding Ms. Davis's eligibility for federal student aid while she attended ASA.

475. ASA made misrepresentations to HESC regarding Ms. Davis's eligibility for TAP grants while she attended ASA.

476. ASA received Pell grants to fund Ms. Davis's tuition, thereby decreasing her lifetime eligibility to draw such grants.

477. ASA drew approximately \$8,700 in federal student loans in Ms. Davis's name. Ms. Davis is currently unable to make any payment on those loans.

Rodney Williams

478. Rodney Williams is 37 years old. He was born in New York City and lived in New York City at times relevant to this complaint.

479. In 2009 he was walking in Herald Square and was stopped by a woman who told him about ASA and encouraged him to attend the school.

480. He was already aware of ASA from advertisements in the subway and from passing the school itself.

481. The recruiter told Mr. Williams that if he went to ASA, it would guarantee that he would get a job and be able to start a career. She told him that ASA would provide lifetime job placement assistance.

482. The recruiter took Mr. Williams into the school to continue the conversation and brought him to an admissions representative.

483. The admissions representative also promised Mr. Williams that ASA would guarantee him a job and not just a job, but a career in his field of study.

484. Mr. Williams decided to attend ASA because of those promises.

485. On that same day, Mr. Williams began the enrolment process.

486. He was asked to pay a non-refundable \$25 application fee but told the admissions representative that he did not have \$25. The representative told him that he could pay it off a little at a time, which he did over the coming months.

487. Mr. Williams enrolled in the Criminal Justice program, one of several suggested to him by the recruiter, who told him that the program would lead to a job as a police officer, correction officer, court officer, officer in charge of loss prevention, or other similar employment. Mr. Williams mentioned security guard, and she said, no, they were talking about jobs that would be professional careers, paying much more than security guard jobs.

488. In the financial aid office, a representative first told Mr. Williams that the cost of his tuition would be covered by grants. The representative asked him to sign forms, which the representative did not offer to allow him to read. Later in the interview, the

representative said that Mr. Williams would have some loans, but that he did not need to worry about them because he would not have to pay them back until he had a job.

489. During his first year at ASA, Mr. Williams took a required course called “Freshman Skills Seminar,” in which the teachers talked about how ASA would help the students find jobs and would provide lifetime job placement assistance.

490. Mr. Williams got an externship with the 26th Precinct, but it did not lead to a job, and he did not get any credit for it because ASA had not registered with the Precinct to make it a formal externship.

491. The next semester, Mr. Williams had another externship at Brooklyn TASC, but no jobs followed from that either.

492. After he graduated in 2011, Mr. Williams went to the job placement office for assistance obtaining a job, but he was told that there was nothing available in his field.

493. He returned to the job placement office at ASA’s Brooklyn campus numerous times, and he called the placement office numerous times, seeking help in finding a job, but ASA never sent him on an interview or assisted him in any way to find a job.

494. Since his graduation, he has gone to temp agencies seeking work in the field in which he got his degree, and he has been told that the only jobs available were in “Security” and that the temp agency would not send him out to such jobs unless he first took an 8 hour course that cost approximately \$55. He does not have the money to take the course.

495. No one at ASA ever told Mr. Williams that to get a job in security, he would have to take the course.

496. Mr. Williams has also been told that to get even a security guard job, he would need to be fingerprinted, and he does not have the money to pay for that either.

497. Although he graduated from ASA in 2011, Mr. Williams has received no help from ASA in obtaining a job, and has been unable to find any job in the field for which he was trained at ASA.

498. In desperation, Mr. Williams has tried to get jobs at McDonalds and other fast food places, doing anything, but they have all turned him away, saying that he is overqualified because of his degree.

499. Mr. Williams has been homeless for some time, but he has always provided ASA with contact addresses, and he has had the same cell phone number since before he started at ASA.

500. Sometime in 2012 and again since, representatives from ASA called Mr. Williams and urged him to put his loans in forbearance. They asked him to come into the school, which he did, and an ASA representative made calls while he was there to arrange the forbearance.

501. ASA made misrepresentations to the Secretary regarding Mr. Williams's eligibility for federal student aid while he attended ASA.

502. ASA made misrepresentations to HESC regarding Mr. Williams's eligibility for TAP grants while he attended ASA.

503. ASA received \$15,247 of Pell grants to fund Mr. Williams's tuition, thereby decreasing his lifetime eligibility to draw such grants.

504. ASA drew approximately \$\$28,083 in federal student loans in Mr. Williams's name. Mr. Williams is currently unable to make any payment on those loans.

505. Mr. Williams believes that he wasted two years of his life attending ASA, because it has not helped him to develop a career or even to find a job, which was his purpose in going there, based on the promises that ASA made to him.

Mary Estevez

506. Mary Estevez is 34 years old and lived in New York City at times relevant to this complaint. Ms. Estevez was born in the Dominican Republic but is now a citizen of the United States. Her primary language is Spanish. She completed three years of a Bachelor's Degree program in Business Administration in the Dominican Republic but moved with her family to the United States before she could complete her final year and obtain her degree.

507. In 2009, Ms. Estevez—whose name at the time was Mary Abreu—was working as a pharmacy technician at a pharmacy in the Bronx, where she also lived. She had had the same job for about four years and was earning approximately \$8 per hour. Ms. Estevez wanted a college degree that would allow her to pursue a career with a higher starting salary and more opportunities for advancement.

508. Ms. Estevez learned of ASA from a friend who suggested that she visit the school. In 2009, Ms. Estevez met with an ASA admissions representative in Manhattan.

509. The representative told Ms. Estevez that if she earned a Pharmacy Technician Associate's Degree, her pay would immediately increase to \$17 per hour.

510. The representative explained to Ms. Estevez that she would have to take ESL classes before she could begin her degree, and that she would have to take out a loan of \$12,000. The representative did not tell her that she would be required to borrow additional money to complete her degree.

511. The admissions representative reassured Ms. Estevez that she would have a job in her field, appropriate to her degree, within six months of graduation, that she wouldn't have to repay her loans until after that six months had passed, and that she would never have to pay more than \$50 per month for five or ten years.

512. Ms. Estevez paid ASA a \$25 non-refundable application fee.

513. Ms. Estevez then met with a financial aid representative in Manhattan, who filled out financial aid paperwork for her. The representative spoke to Ms. Estevez in English and did not translate the paperwork into Spanish. The representative also did not tell Ms. Estevez that she would be required to borrow any money beyond \$12,000 to complete her degree. Ms. Estevez signed the forms at the representative's direction.

514. Neither representative told Ms. Estevez that she would be required to take classes in Brooklyn. Ms. Estevez did not learn that ASA's campus was in Brooklyn or that it maintained facilities anywhere besides Manhattan until she completed her ESL coursework and attempted to register for her first Pharmacy Technician classes, which she was told would be held in Brooklyn.

515. Ms. Estevez continued to work full-time at the pharmacy while she pursued her degree. She also had an eight-year-old son whom she cared for on her own. Ms. Estevez, who was already traveling to and from the Bronx, and arriving home late at night, could not manage the additional commute into Brooklyn. Ms. Estevez would never have enrolled at ASA if she knew she would be required to travel to Brooklyn; she would have chosen a Manhattan college instead.

516. Ms. Estevez was told that she could switch to the Business Administration Program, which had more classes available in Manhattan, although it would still require

her to take several classes in Brooklyn in her final semester. Ms. Estevez made the switch.

517. At the start of each new semester, Ms. Estevez returned to the financial aid office where she was asked to sign papers that a financial aid representative had completed.

Ms. Estevez was never given Spanish copies of these papers or told that she was borrowing money beyond the \$12,000. In fact, a financial aid representative told her that her signature was required so that the government would release funds to pay for her degree.

518. ASA placed Ms. Estevez in an externship at Syska Hennessy Group, an engineering firm. However, the externship did not allow Ms. Estevez to use any training purportedly taught in her program. She performed clerical work.

519. Meanwhile, Ms. Estevez was required to miss work at the pharmacy to accommodate the externship, losing hundreds of dollars each week, a substantial portion of her total income.

520. Ms. Estevez graduated in July 2012.

521. Ms. Estevez asked her assigned ASA Career Services advisor for assistance finding a job. Ms. Estevez was still working as a pharmacy technician in the Bronx, but she wanted to find a job that would allow her to use her degree to earn more money and begin a career.

522. The advisor did not give Ms. Estevez meaningful assistance. The advisor sent her to an interview at a temp agency, which had nothing available, and invited her to interview for a job at ASA, which, she learned at the interview, was a temporary position

that paid only \$8. Ms. Estevez lost a day of work for every unhelpful interview she was sent on.

523. Ms. Estevez still works as a pharmacy technician at the same Bronx pharmacy where she has now been for approximately ten years.

524. ASA made misrepresentations to the Secretary regarding Ms. Estevez's eligibility for federal student aid while she attended ASA.

525. ASA made misrepresentations to HESC regarding Ms. Estevez's eligibility for TAP grants while she attended ASA.

526. ASA received Pell grants to fund Ms. Estevez's tuition, thereby decreasing her lifetime eligibility to draw such grants.

527. ASA drew over \$20,000 in federal student loans in Ms. Estevez's name. She is unable to repay those loans.

FIRST CAUSE OF ACTION

AGAINST ASA OFFICERS FOR VIOLATIONS OF CIVIL RICO, 28 U.S.C. § 1962(c) & (d)

528. Named Plaintiffs repeat, reallege, and incorporate the foregoing allegations as if fully set forth herein.

The Enterprise

529. Named Plaintiffs are natural persons, and as such are "persons" within the meaning of 18 U.S.C. § 1961(3).

530. Each of the defendant ASA Officers is a natural person and as such is a "person" within the meaning of 18 U.S.C. § 1961(3).

531. ASA is a corporation and as such is an "enterprise" within the meaning of 18 U.S.C. § 1961(4) ("the Enterprise").

532. Each and every one of the defendant ASA Officers is, or was at a time relevant to this complaint, employed by or associated with the Enterprise.

533. The purpose of the Enterprise is to enroll students through fraudulent means and, also through fraudulent means, to draw federal and state financial aid to finance those students' tuitions and fees for the profit of the Enterprise, as set forth above.

534. The Enterprise has been engaged in the business of enrolling students and drawing federal and state financial aid for many years—with the precise number known to ASA Officers—and it continues to engage in such business.

535. For years the Enterprise has been an ongoing organization that engages in, and the activities of which affect, interstate commerce.

Operation and Control

536. Each of the defendant ASA Officers has participated in the operation and control of the Enterprise and/or directed the activities of the Enterprise in furtherance of the fraudulent and deceptive scheme to secure accreditation and gain access to federal and state financial aid programs in order to obtain revenue in the form of payments from students and state and federal financial aid under false pretenses.

537. Defendant Shchegol, as the sole corporate owner, President, Chief Executive Officer, and Principal Executive Officer of ASA, and an Ex Officio Member of its Board of Trustees, directs and oversees all aspects of the Enterprise. He is responsible under law for preparing and submitting—and he does prepare and submit—certifications to the Secretary that ASA complies with all applicable laws and regulations. He is required by NYSED, HESC, ACICS, and Middle States to review and sign—and he does review and sign—all correspondence on behalf of ASA with these entities.

538. Shchegol is involved in all aspects of ASA's operation, from its marketing and recruiting to the expenditure of funds.

539. The goals of the Enterprise could not be achieved without the involvement of the other ASA Officers.

540. Defendant Kostyukov, as Vice President of Marketing and Admissions and an Executive Officer of ASA, has controlled and operated the Enterprise by, among other things, designing and implementing ASA's recruiting and advertising strategies, including, but not limited to, dictating the representations made to prospective students by ASA's recruiters and in ASA's print, online, radio, and television advertisements.

541. Defendant Willis-Campbell, as Vice President of Career Services and Alumni Affairs and an Executive Officer of ASA, has operated and controlled the Enterprise by, among other things, directing and overseeing ASA's externship and job placement activities.

542. Defendant Faynblut, as Vice President of Human Resources and an Executive Officer of ASA, has operated and controlled the enterprise by, among other things, directing and overseeing all personnel matters at ASA, including but not limited to the hiring, firing, and paying of commissions and bonuses to ASA recruitment, admissions, and financial aid employees.

Pattern of Racketeering Activity: Mail and Wire Fraud

543. ASA Officers have conducted or participated, and conspired to conduct or participate, directly or indirectly, in the conduct of the Enterprise's affairs through a pattern of racketeering activity in violation of 18 U.S.C. § 1962(c) and (d).

544. Specifically, ASA Officers have engaged, or conspired to engage, in a pattern of mail fraud, indictable under 18 U.S.C. § 1341, and wire fraud, indictable under 18 U.S.C. § 1343.

545. ASA Officers, acting individually and as part of the Enterprise, have devised a scheme to defraud and to obtain money or property by means of false or fraudulent pretenses and representations. The scheme includes but is not limited to:

- A. Generating and disseminating falsified job placement statistics to potential students, accreditors, and government agencies in order to obtain accreditation, obtain access to federal student loan funds, and attract students who otherwise would not and could not enroll.
- B. Employing illegal and disapproved recruitment and admissions procedures and concealing material aspects of these operations from accreditors and government agencies to avoid loss of accreditation and/or access to student loan funds.
- C. Fraudulently securing accreditation from accrediting agencies, including ACICS and Middle States, by means of false representations that ASA meets all accrediting requirements including through false representations about ASA's job placement statistics and recruiting practices and through fabricated evidence of, *inter alia*, committees; governance policies and procedures; student bodies and activities; and student services and programs that do not in fact exist.
- D. Employing a system based on fraud and misrepresentation to delay the eventual default of its students for more than three years after their graduation

in order to preserve ASA's access to federal student aid funds, which would be threatened if too many students defaulted within three years of graduation.

546. For the purpose of executing and/or attempting to execute the above described schemes to defraud, ASA Officers, in violation of 18 U.S.C. § 1341, cause or conspire to cause matter and things to be delivered by the Postal Service or by private or commercial interstate carrier, and/or receive matter and things from the Postal Service or by private or commercial interstate carrier. These acts are done by each and every one of the ASA Officers intentionally and knowingly with the specific intent to advance ASA Officers' scheme, or with knowledge that use of the mails will follow in the ordinary course of business, or that such use can be foreseen, even if not actually intended.

547. For the purpose of executing and/or attempting to execute the above described scheme to defraud, ASA Officers, in violation of 18 U.S.C. § 1343, transmit, cause to be transmitted and/or receive by means of wire communication in interstate and foreign commerce various writings, signs, and signals. These acts are done by each and every one of the ASA Officers intentionally and knowingly with specific intent to advance ASA Officers' scheme, or with knowledge that the use of wire communications will follow in the ordinary course of business, or that such use can be foreseen, even if not actually intended.

548. The matter and things that ASA Officers have sent or conspired to have sent via the Postal Service, private or commercial carrier, wire, or other interstate electronic media include communications that were themselves fraudulent, including but not limited to:

- A. The CARs that contained fraudulent representations about ASA's job placement rates, and that ASA submitted to ACICS between 2005 and 2011 on a single date between June 30 and November 1 in each of those years, which is known to ASA Officers. These reports and/or the fraudulent information contained in them were prepared, reviewed, and/or authorized by Shchegol and Willis-Campbell, who knew or could reasonably have foreseen that they would be transmitted via the mails and/or wires to ACICS in Washington, D.C.
- B. The IEPs that contained fraudulent representations about ASA's job placement rates, and that ASA submitted to ACICS between 2005 and 2011 on a single date prior to September 15 in each of those years, which is known to ASA Officers. These reports and/or the fraudulent information contained in them were prepared, reviewed, and/or authorized by Shchegol and Willis-Campbell, who knew or could reasonably have foreseen that they would be transmitted via the mails and/or wires to ACICS in Washington, D.C.
- C. The September 2009 Self-Study Report that contained false representations about ASA—including but not limited to fraudulent representations about ASA's job placement rates, and its recruitment employees' numbers, roles and qualifications—and that ASA submitted to Middle States on or about September 2009 on a specific date that is known to ASA Officers. The report and/or the information contained in it was prepared, reviewed, and/or authorized by Shchegol, Willis-Campbell, Faynblut, and Kostyukov, who

knew or could reasonably have foreseen that they would be transmitted via the mails and/or wires to Middle States in Pennsylvania.

- D. The 2011 Monitoring Report that contained false representations about ASA—including but not limited to fraudulent representations about ASA’s Program Review Protocol, Program Advisory Boards, self-assessment efforts and institutions, and strategic planning processes—and that ASA submitted to Middle States on or about September 30, 2011. This report and/or the fraudulent information contained in it were prepared, reviewed, and/or authorized by Shchegol, Kostyukov, Faynblut, and Willis-Campbell, who knew or could reasonably have foreseen that they would be transmitted via the mails and/or wires to Middle States in Pennsylvania.
- E. The 2014 Self-Study Report that contained false representations about ASA—including but not limited to fraudulent representations about ASA’s self-assessment efforts and institutions and its recruitment and admissions policies and practices—and that ASA submitted to Middle States on or about September 2014. The report and/or the fraudulent information in it were prepared, reviewed, and/or authorized by Shchegol, Willis-Campbell, Faynblut, and Kostyukov, who knew or could reasonably have foreseen that they would be transmitted via the mails and/or wires to Middle States in Pennsylvania.
- F. Marketing and promotional materials that were disseminated to the public via the internet that contained fraudulent representations about ASA’s job placement rates. These materials and/or the fraudulent information contained

in them were prepared, reviewed, and/or authorized by Shchegol, Kostyukov, and Willis-Campbell, who knew or could reasonably have foreseen that they would be transmitted via interstate wires or other electronic media. These materials include but are not limited to:

- i. ASA's catalogue, Volumes 19 through 27, which have been continuously transmitted via the internet since at least 2007; and
- ii. Gainful employment disclosures made via ASA's website on countless dates including but not limited to December 8, 2011 and June 26, 2013.

G. PPA and annual compliance audits that contained fraudulent representations that ASA was in compliance with all applicable federal laws and regulations—including, but not limited to, that ASA did not make misrepresentations to enrollees and that it did not maintain an incentive compensation system for recruiters—and that ASA submitted to the Secretary once each year since at least 2004, on specific dates that are known to ASA Officers. These audits and/or the fraudulent representations contained in them were prepared, reviewed, and/or authorized by Shchegol, who knew or could reasonably have foreseen that they would be transmitted via the mails and/or wires to the Secretary in Washington, D.C.

H. Telephone calls made since 2011 using cell phones provided by ASA to ASA borrowers living in multiple states. The fraudulent statements made by ASA employees in these calls were made at the direction of/authorized by

Shchegol, who knew or reasonably could have foreseen that these calls would be placed from New York to borrowers residing outside of the state.

549. The matter and things that ASA Officers have sent or conspired to have sent via the Postal Service, private or commercial carrier, wire, or other interstate electronic media include additional communications that were not themselves fraudulent but were in furtherance of ASA Officers' master plan to defraud, including but not limited to:

- A. Communications made in countless telephone calls, emails, and video conferences using interstate wires, and often involving individuals at ASA's Florida campus and/or at Shchegol's Florida homes, which were made on dates that Plaintiffs cannot identify but that are known to ASA Officers, and that were conducted among ASA officers and employees to facilitate ASA Officers' scheme to defraud, including but not limited to:
 - i. Communications involving ASA officers and employees including but not limited to Kostyukov, Willis-Campbell, Faynblut, and Shchegol concerning the procedure and substance for training recruiters and admissions personnel to provide enrollees with false job placement data;
 - ii. Communications involving ASA officers and employees including but not limited to Willis-Campbell and Shchegol concerning the methods and mechanisms for calculating fraudulent job placement rates to be submitted to accreditors and disseminated to the public;
 - iii. Communications involving ASA officers and employees including but not limited to Willis-Campbell and Shchegol concerning use of

Campus Vue and exclusion from it of job placement information to avoid discovery of the fraudulent nature of ASA's job placement calculations;

- iv. Communications involving ASA officers and employees including but not limited to Shchegol, Willis-Campbell, Faynblut, and Kostyukov concerning preparations for activities designed to defraud Middle States in connection with Middle States site visits in September 2009, March 2010, October 2014, and March 2015, and on additional dates known to ASA Officers.
- v. Communications involving ASA officers and employees including but not limited to Shchegol, Willis-Campbell, and Kostyukov concerning the preparation of fraudulent reports to accreditors, including but not limited to each CAR and IEP prepared for ACICS and each Self-Study and Monitoring Report prepared for Middle States. These communications involved, inter alia, efforts by Kostyukov, Willis-Campbell, and Shchegol to cover up from Middle States the absence of an assessment coordinator; and the creation of the appearance of false offices, services, procedures, and extra-curricular activities;
- vi. Communications involving ASA officers and employees including but not limited to Shchegol, Kostyukov, and Faynblut concerning the development and implementation of illegal quotas and incentive compensation schemes for ASA's recruitment and admissions personnel;

- vii. Communications involving ASA officers and employees including but not limited to Shchegol, Faynblut and Kostyukov concerning strategies and methods for concealing the nature of ASA's recruitment practices, including but not limited to the destruction of evidence of their conduct in anticipation of accreditor site visits that occurred, among other times, in September 2009, March 2010, June 2013, October 2014, and March 2015;
- viii. Communications involving ASA officers and employees including but not limited to Shchegol and Kostyukov concerning the content of fraudulent representations to be made to potential enrollees concerning the nature and cost of ASA's programs and the methods for training recruiters to deliver those misrepresentations;
- ix. Communications involving ASA officers and employees including but not limited to each ASA Officer concerning the scope, substance, and methods of the Default Prevention Task Force's work, which occurred, among other times, on April 18, 21, and 25, 2011 and involved discussions of, among other things, task force members' use of cell phones to provide inaccurate and coercive information to ASA's former students and to deceive loan service providers about task force members' presence and/or role on telephone communications; and
- x. Countless communications and transactions involving ASA Officers and employees with the United States Department of Education, including in Washington, D.C., and HESC concerning the eligibility of

ASA students for financial aid and the drawing down of financial aid on behalf of those students by ASA; and

- b. Payments in furtherance of ASA's fraudulent recruitment and default manipulation schemes, including but not limited to bonus payments for enrolling students in ASA and/or ensuring that ASA borrowers entered forbearance. Shchegol, Kostyukov, and Faynblut transmitted, caused to be transmitted, or conspired to transmit these payments electronically and/or by mail to ASA employees and/or knew or could reasonably foresee that these payments would be processed using interstate wires.

550. ASA Officers have used or conspired to use the mails and wires in furtherance of their fraudulent scheme on countless other occasions that Named Plaintiffs cannot identify at this time but that are known to ASA Officers.

551. ASA Officers have used the mails and wires in connection with every student who has attended ASA, and each use of the mails and wires has furthered the fraudulent scheme and enabled ASA Officers to deprive Named Plaintiffs and Class members of money and property.

552. Each of the innumerable uses of the mails and wires in connection with ASA Officers' schemes to defraud, spanning many years, constitutes a separate instance of mail and/or wire fraud within the meaning of 18 U.S.C. §§ 1341 and 1343 and is a predicate act. Taken together, these predicate acts constitute a "pattern of racketeering activity" within the meaning of 18 U.S.C. §§ 1961 and 1962.

553. In connection with ASA Officers' scheme, the acts of racketeering activity have occurred after the effective date of the RICO statute, 18 U.S.C. § 1961 *et seq.*, and on

countless occasions over a substantial time period, the last of which occurred within ten years of the next most recent one.

554. The acts of racketeering are an ongoing part of ASA Defendants' regular way of doing business. Acts substantially similar to the predicate acts are believed to have been commenced decades ago and have been and will be repeated over and over again. The pattern of racketeering activity has been directed toward thousands of persons, including Named Plaintiffs, and will be directed toward hundreds, if not thousands, of new ASA students each year.

555. As a direct and proximate result of the violations of 18 U.S.C. § 1962(c) and (d) set forth above, Named Plaintiffs and Class members have suffered and will continue to suffer substantial injuries to their property, within the meaning of 18 U.S.C. § 1964.

556. Named Plaintiffs and Class members are the direct targets and victims of each of the ASA Officers' multiple systematic and ongoing schemes to defraud attending and prospective students, Middle States, ACICS, NYSED, HESC, the Secretary, and the public, which enable ASA to operate as an apparently officially authorized and sanctioned institution that has provided Named Plaintiffs and Class members with exorbitantly expensive certificate and degree programs that leave them crippled with debt and unable to secure jobs.

557. Named Plaintiffs and Class members have had money extracted from them by defendants, incurred substantial debt in order to attend ASA, lost wages, suffered damage to their credit ratings, incurred out-of-pocket costs, and/or lost eligibility for federal and state student financial aid programs.

558. As a result of the RICO violations set forth above, Named Plaintiffs and Class members are entitled to declaratory and injunctive relief and compensatory and treble damages in an amount to be determined by the trier of fact.

SECOND CAUSE OF ACTION

**AGAINST ASA AND SHCHEGOL FOR VIOLATIONS OF NEW YORK
GENERAL BUSINESS LAW § 349**

559. Plaintiffs repeat, reallege, and incorporate the foregoing allegations as if fully set forth herein.

560. ASA's false and/or misleading statements, advertisements, promotional materials, in-person and written representations, predictions, and promises, and their failure to disclose material facts essential to Named Plaintiffs and Class members in assessing the nature, value, and true cost of the services offered by ASA have deceived or tended to deceive Named Plaintiffs and Class members and continue to do so.

561. As a result of these acts, omissions, representations, promises, and conduct, Named Plaintiffs and Class members have suffered and will continue to suffer actual harm in the form of debt incurred in order to attend ASA, lost wages, damage to credit, and/or loss of eligibility for federal and state student financial aid programs.

562. ASA and Shchegol intentionally market ASA's services to an audience perceived to be vulnerable: recent immigrants, non-native English speakers, racial and ethnic minorities, individuals unfamiliar with post-secondary education, and/or low-income consumers.

563. ASA and Shchegol intentionally market ASA's services to this audience because they anticipate that this audience will in fact be deceived by ASA's deceptive acts, representations, and omissions.

564. As a result of the acts, representations, omissions, and course of conduct complained of herein, including noncompliance with numerous federal and state statutes and regulations, ASA and Shchegol have violated the New York General Business Law § 349(a), and Named Plaintiffs and Class members have been damaged in an amount to be determined by the trier of fact.

565. ASA and Shchegol continue to engage in deceptive acts and practices in violation of New York General Business Law § 349.

566. Unless ASA and Shchegol are enjoined from doing so, Named Plaintiffs, Class members, and members of the public will suffer irreparable harm. Named Plaintiffs and Class members have no adequate remedy at law for these continuing violations. Named Plaintiffs therefore also seek preliminarily and permanently to enjoin ASA, Shchegol, and their agents from engaging in false and deceptive practices in violation of New York General Business Law § 349, including but not limited to using false testimonials and “bait and switch” advertising and continuing to make false and misleading statements, representations, predictions, promises, and omissions.

PRAYER FOR RELIEF

WHEREFORE Named Plaintiffs and members of the Class respectfully pray for the following relief jointly and severally as against all Defendants as follows:

- a) An order certifying this case as a class action under Fed. R. Civ. P. 23;
- b) A judgment declaring that Defendants have committed the violations of law alleged in this action;
- c) An order enjoining and directing ASA Defendants to comply with the law in their operation of ASA, including without limitations:

1. Directing ASA Officers to cease operating ASA in violation of RICO;
 2. Directing ASA and Shchegol to cease engaging in advertising practices that violate the New York Consumer Protection Act;
 3. Directing ASA Defendants to disgorge any amount of money obtained as a result of their violations of RICO and the New York Consumer Protection Statute and provide restitution to Named Plaintiffs and Class members;
 4. Directing ASA Defendants to cancel all debts purportedly owed to ASA by Named Plaintiffs and Class members and cease all collection thereof;
 5. Directing ASA Defendants to locate Class members and notify them that the Court has entered judgment against them under RICO and/or the New York Consumer Protection Act and therefore that a) any purported debts owed to ASA have been canceled and b) the fact of this judgment is a defense to collection of any student loan obligation incurred to attend ASA that may be asserted in any collection action related to such loan; and
 6. Directing ASA Defendants to provide to class members the meaningful job placement assistance that they were promised;
- d) Actual and/or compensatory damages against ASA Defendants in an amount to be proven at trial;
 - e) Treble damages against ASA Officers pursuant to RICO;

- f) Statutory damages against ASA and Shchegol pursuant to NY GBL § 349;
- g) An order awarding disbursements, costs, and attorneys' fees pursuant to RICO and the New York Consumer Protection Act; and
- h) Such other and further relief that may be just and proper.

Dated: July 31, 2015
New York, New York

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