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AEQUITAS MANAGEMENT, LLC; AEQUITAS HOLDINGS, LLC;

AEQUITAS COMMERCIAL FINANCE, LLC; AEQUITAS CAPITAL

MANAGEMENT, INC.; AEQUITAS INVESTMENT MANAGEMENT, LLC

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

PORTLAND DIVISION

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

AEQUITAS MANAGEMENT, LLC;  
AEQUITAS HOLDINGS, LLC; AEQUITAS  
COMMERCIAL FINANCE, LLC; AEQUITAS  
CAPITAL MANAGEMENT, INC.;  
AEQUITAS INVESTMENT MANAGEMENT,  
LLC; ROBERT J. JESENK, BRIAN A.  
OLIVER; and N. SCOTT GILLIS,

Defendants.

No. 3:16-cv-00438-PK

DECLARATION OF RONALD F.  
GREENSPAN IN SUPPORT OF  
RECEIVER'S MOTION FOR APPROVAL  
OF PROPOSED SETTLEMENTS WITH  
THE CONSUMER FINANCIAL  
PROTECTION BUREAU AND CERTAIN  
STATE ATTORNEYS GENERAL



I, Ronald F. Greenspan, declare as follows:

1. I am the duly appointed receiver (“Receiver”) for the Entity Defendants and forty-three related entities (“Receivership Entity” or “Aequitas”), including Campus Student Funding, LLC, in this securities fraud enforcement action initiated by the U.S. Securities and Exchange Commission. I make this declaration in support of my Motion for Approval of Proposed Settlements with the Consumer Financial Protection Bureau and Certain State Attorneys General (the “Motion”).

2. On March 16, 2016, pursuant to the Stipulated Interim Order Appointing Receiver, I was appointed as receiver for the Receivership Entity on an interim basis (“Interim Receivership Order”). [Dkt. 30].

3. On April 14, 2016, pursuant to the Final Receivership Order, I was appointed as receiver of the Receivership Entity on a final basis (“Final Receivership Order”). [Dkt. 156].<sup>1</sup>

4. Pursuant to the Interim and Final Receivership Orders, I am responsible for marshaling and preserving the assets of the Receivership Entity for the benefit of investors and creditors, monetizing such assets, and investigating and prosecuting claims held by the Receivership Entity.

5. Consequently, I have been engaged in an effort to determine the nature, location, and value of all Receivership Property, among other tasks. As part of these efforts, I have determined that Receivership Property includes a portfolio of loans receivable from former Corinthian Colleges Inc. (“Corinthian”) student borrowers held by Campus Student Funding, LLC, and related Aequitas companies.

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<sup>1</sup> Capitalized terms not otherwise defined in this Declaration shall have the meanings ascribed to them in the Final Receivership Order.

6. Corinthian operated numerous for-profit, post-secondary career schools throughout the United States. In or around 2011, Aequitas began the purchase and financing of Corinthian private student loans in order to provide investment opportunities for the Aequitas group of companies and, ultimately, the investors. In May 2015, following several government investigations and enforcement actions related to Corinthian's allegedly unlawful marketing practices, including actions by the Consumer Financial Protection Bureau ("CFPB") and State Attorneys General, Corinthian closed its remaining schools and filed for bankruptcy protection.

7. The Final Receivership Order directs all persons owing any obligation or debt to the Receivership Entity to continue paying such obligations according to their terms.

8. The CFPB and State Attorneys General have continued their investigations into Corinthian, and also businesses associated with its operations (such as Aequitas), primarily in an effort to obtain public and private debt relief for students. These government agencies, as advocates on behalf of student borrowers who attended the now-defunct Corinthian schools, have thus taken issue with the Receivership Entity's student loan portfolio.

9. This Court's stay of litigation, set forth in the Final Receivership Order, does not apply to actions and proceedings by government regulators. Thus, since the time of my appointment, I have been obligated to engage with various government agencies as they prepare for potential litigation related to the Receivership Entity's student loan portfolio.

10. I have reason to believe that remedies for Corinthian student loan borrowers that the CFPB could seek, consistent with its statutory enforcement authority (and subject to legal defenses such as statute of limitations), include civil monetary penalties, injunction against further collections, and attorneys' fees. I have been advised that State Attorneys General could seek similar remedies and also treble damages.

11. I have spent a substantial amount of time and expended very significant professional fees responding to civil investigative demands and other requests for information from the CFPB and State Attorneys General. Although I believe that there may be valid defenses to any claims brought by these agencies, I have determined that it is in the best interest of the Receivership Estate and all of its stakeholders to resolve these investigations through a settled resolution. I have also had numerous discussions with these agencies, both in person and telephonically, regarding an appropriate mechanism to provide student borrowers with meaningful relief, while simultaneously preserving some value for the benefit of the Receivership Entity's investors and creditors, and also to ensure a final resolution that limits future claims against the Receivership Entity. These extensive discussions have resulted in finalized settlements, subject only to approval of this Court, with the CFPB and 11 State Attorneys General. Discussions have also advanced substantially with another State Attorney General such that I believe there is a current opportunity to reach substantial agreement on the same terms with this state (subject to formal approval by the requisite authorities in such state).

12. I have, through extensive negotiations, reached what I believe to be a balanced, negotiated resolution with these government agencies that provides meaningful relief for Corinthian student borrowers, while also preserving value for the Receivership Entity's allegedly defrauded investors.

13. To effectuate these resolutions, I would enter into the following on behalf of certain entities within the Receivership Entity: (i) a stipulated final judgment with the CFPB (attached as **Exhibit 1**, and including the CFPB's proposed complaint); (ii) an assurance of voluntary compliance/assurance of voluntary discontinuance with the Attorneys General of Connecticut, Iowa, Kentucky, New York, Pennsylvania, Illinois, Texas, and Washington



(attached as **Exhibit 2**); (iii) stipulated final judgments and permanent injunctions with the Attorneys General of California, Maryland, Colorado, and Oregon (attached as **Exhibit 3**, and including complaints proposed by these State Attorneys General) (collectively, the “Settlements”). All terms set forth in these Settlements are final; only minor non-substantive changes would be made prior to execution.

14. I would be able to further preserve Receivership assets if granted the authority to enter into settlements with other State Attorneys General under substantively identical terms, without further order of this Court, and also make appearances in courts and consent to pleadings, orders, and other documents the foregoing enforcement parties may require to effectuate the terms of the Settlements. Because the relief provided by the Settlements will be nationwide, there will be no further impact to the Receivership Estate if additional settlements were reached with other states on substantively identical terms.

15. The procedural mechanisms to effectuate the Settlements differ slightly, but the Settlements are substantively identical—the terms are set forth fully in the exhibits noted above—and include the following key terms:

- Receivership Defendants settle matters with the CFPB and State Attorneys General on a neither admit nor deny basis;
- 100% relief for loan accounts with an open balance that are 270 days or more past due as of the Record Date (March 31, 2017), including forgiveness of all outstanding principal, interest, fees or any other amounts;
- 100% relief for loan accounts with an open balance and the borrower did not graduate or complete his/her coursework, the borrower attended one of the Corinthian schools that Corinthian announced on April 27, 2015 would be closed, and was either attending such school when it closed or withdrew from such school

on or after June 1, 2014, including forgiveness of all outstanding principal, interest, fees or any other amounts;<sup>2</sup>

- 55% principal reduction for all other loan receivables (“Active Loan Accounts”)<sup>3</sup> and 100% relief on any interest, fees, and charges on such loans that are 30 or more days past due as of the Record Date (March 31, 2017);
- Detailed notice regarding the settlement and available payment options to be provided to student borrowers, including a borrower’s option to either continue paying the current payment amount on the lowered principle balance or elect to have the loan re-amortized using the lowered principal balance and remaining term of the subject loan;
- Receivership to request any servicer that previously furnished trade line information for the subject loans to credit reporting agencies to furnish deletion codes to said credit reporting agencies to delete such information from subject borrowers’ credit reports and use commercially reasonable efforts to follow up with any such servicer;
- Receivership will use commercially reasonable efforts to obtain guidance from the Internal Revenue Service indicating that Receiver is not required to make federal tax filings as a result of the debt relief provided under the settlements;
- Receivership will provide periodic reports regarding the implementation of the settlements to the settling enforcement parties; and
- Any purchaser, transferee, or assignee of these student loan receivables will adopt or abide by the terms and provisions of the settlements requiring ongoing performance.

16. I believe, in the exercise of my discretion and business judgment, the Settlements represent a fair compromise that is in the best interests of the Receivership Entity’s investors and creditors for the following reasons.

17. First, the CFPB and numerous State Attorneys General are prepared, or are preparing, to initiate enforcement actions against the Receivership Entity in various federal and

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<sup>2</sup> Closed School Loan relief also includes relief for certain agreed upon borrowers who attended one of the Corinthian schools sold to a company named Zenith. Ex. 1.

<sup>3</sup> An Active Loan Account is one that has an open balance, is less than 270 days past due, and is not a closed school loan. Ex. 1

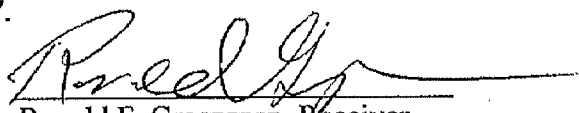
state courts. As evidenced by the proposed complaints attached in the exhibits noted above, these agencies allege that Aequitas violated federal and state consumer protection laws related to unfair and deceptive business practices through its relationship with Corinthian and the student borrowers. I would thus be forced to use a substantial amount of Receivership resources to defend against these allegations in multiple jurisdictions throughout the country.

18. Second, although there may be valid defenses to such allegations, litigating these matters exposes Receivership Property to the potential for significant losses. The government agencies allege Aequitas holds student loans that were obtained through abusive practices. The agencies would therefore seek, among other relief, to have the Receivership Entity permanently enjoined from collecting loan payments, pay restitution to student borrowers, and “disgorge all ill-gotten profits,” as set forth, for example, in the CFPB’s proposed Complaint attached as part of Exhibit 1.

19. Third, pending government investigations hinder my ability to monetize the assets of the Receivership Entity. To date, I have primarily focused on the stabilization of the Receivership Entity to preserve value and facilitate asset monetization. I cannot, however, even begin to attempt the liquidation of the Receivership Entity’s student loan portfolio so long as the possibility remains for government enforcement actions against the Receivership Entity.

**I declare under penalty of perjury under the laws of the state of Oregon that the foregoing statements are true and correct to the best of my knowledge, information, and belief.**

Dated this 16th day of August, 2017.

  
Ronald F. Greenspan, Receiver

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David Rubenstein, DC Bar 458770  
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UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

PORTLAND DIVISION

CONSUMER FINANCIAL PROTECTION  
BUREAU,

Plaintiff,

v.

Case No.

AEQUITAS CAPITAL MANAGEMENT  
INC., AEQUITAS MANAGEMENT LLC,  
AEQUITAS HOLDINGS, LLC,  
AEQUITAS COMMERCIAL FINANCE,  
LLC, CAMPUS STUDENT FUNDING,  
LLC, CSF LEVERAGE I LLC, AEQUITAS  
INCOME OPPORTUNITY FUND, and  
AEQUITAS INCOME PROTECTION  
FUND,

[PROPOSED] STIPULATED FINAL  
JUDGMENT AND ORDER

Defendants.

The Consumer Financial Protection Bureau (Bureau) commenced this civil action on [DATE] to obtain consumer redress, injunctive relief, and other relief, from the Defendants. The Complaint alleges violations of §§ 1031(a) and 1036(a)(1) of the Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5531(a), 5536(a)(1) in connection with Defendants' funding, purchasing, and maintaining loans made to students at Corinthian Colleges, Inc. (Corinthian). Specifically, the Complaint alleges Defendants funded and maintained the private student loan program offered to Corinthian students as part of a scheme to allow Corinthian to present a façade of compliance with federal laws requiring that a certain portion of a for-profit school's revenue come from sources other than federal student aid. The Complaint also alleges that Defendants profited from this scheme, and in doing so, took unreasonable advantage of Corinthian's student borrowers who were unaware of the scheme associated with this loan program, and therefore were unable to protect their interests in taking out such loans.

The Securities and Exchange Commission commenced the Receivership Action in this Court on March 10, 2016 to, among other things, obtain injunctive relief against Defendants for violation of certain federal securities laws, and place Defendants and certain other related parties in receivership for purposes of orderly liquidation. The Court entered a preliminary injunction against Defendants on March 14, 2016, and by Order dated April 14, 2016 (Receivership Order) appointed the Receiver for Defendants and certain other related parties. Pursuant to the Receivership Order, the Receiver has the power and authority to enter into this Stipulated Final Judgment and Order (Order) and to perform certain duties set forth in this Order during the pendency of the Receivership.

The parties, by and through respective counsel, have requested the Court to enter this Order to resolve all matters in dispute arising from the conduct alleged in the Complaint.

## **I. FINDINGS**

1. This Court has jurisdiction over the parties and the subject matter of this action.
2. The parties agree to entry of this Order to settle and resolve all matters in dispute arising from the conduct of Defendants alleged in the Complaint.
3. The Bureau makes no allegations against the Receiver, but only against Defendants. The Receiver is obligated under this Order for the sole purpose of acting on behalf of the Defendants to grant certain monetary relief from the assets of the Receivership and to perform certain obligations to the Bureau set forth in this Order. Defendants neither admit nor deny any allegation in the Complaint, except that for purposes of this Order, Defendants admit the facts necessary to establish the Court's jurisdiction over Defendants and the subject matter of this action.
4. The loan reductions, discharges and cancellations described in this judgment are based on alleged infirmities that relate back to the original sale of educational services by Corinthian and are for the purpose of correcting these alleged unlawful business practices by the Defendants, including alleged unfair, deceptive, and abusive acts and practices.
5. Defendants waive service under Rule 4(d) of the Federal Rules of Civil Procedure and waive all rights to seek judicial review or otherwise challenge or contest the validity of this Order. Defendants also waive any claims that they may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action to the

date of this Order. Each party will bear its own costs and expenses, including, without limitation, attorneys' fees.

6. Entry of this Order is in the public interest.

## **II. DEFINITIONS**

7. "Affected Consumers" means all consumers who were Borrowers of Aequitas Genesis Loans and have remaining unpaid amounts on such loans as of the Record Date.

8. "Active Aequitas Genesis Loans" means, as of the Record Date, all Aequitas Genesis Loans, with the exception of Defaulted Genesis Loans and Aequitas Closed School Loans.

9. "Defendants" means Aequitas Capital Management Inc., Aequitas Management LLC, Aequitas Holdings LLC, Aequitas Commercial Finance LLC, Campus Student Funding LLC, CSF Leverage I LLC, Aequitas Income Opportunity Fund, and Aequitas Income Protection Fund, as named in the Complaint.

10. "Aequitas Genesis Loan" means any private student loan referred to in the Complaint as either a Genesis loan or EducationPlus loan, which was made to a Borrower to pay for tuition, cost of living expenses and/or fees to attend a Corinthian school, and which as of the Record Date still has an outstanding balance on the books and records of Defendants in the possession of the Receiver (or on the books and records of servicers of said loans).

11. "Borrower" means a consumer who was a borrower of an Aequitas Genesis Loan, and his/her/its successors or assigns.

12. "Closed School Loan" means an Aequitas Genesis Loan to a Borrower who did not graduate or complete his/her course work and who (a) attended one of the



Corinthian schools that Corinthian announced on April 27, 2015 would be closed (listed on Schedule 1 to this Order) and was either attending such school when it closed or withdrew from such school on or after June 1, 2014, or (b) attended one of the Corinthian schools sold to Zenith (listed on Schedule 2 to this Order) and whose loan is included on a list agreed upon between the Receiver and the Bureau prior to the filing of the Complaint.

13. “Defaulted Aequitas Genesis Loan” means an Aequitas Genesis Loan that is 270 days or more past due, charged off, or cancelled as of the Record Date.

14. “Current Payment Amount” is the monthly payment amount designated for each Active Aequitas Genesis Loan in order to keep the account current and non-delinquent.

15. “Effective Date” means the date on which this Order is entered on the docket.

16. “Enforcement Director” means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his or her delegate.

17. “Re-Amortization Payment Amount” is a new payment amount per month for each Active Aequitas Genesis Loan, calculated based on the principal reduction provided for in paragraph 32 as of the Effective Date such that the Active Aequitas Genesis Loan will be fully paid if the Re-Amortization Payment Amount is paid by the Borrower each month on time, by the end of that loan’s actual or, in the case of loans that have ever been in or are currently in a forbearance plan, estimated remaining term.

18. “Receiver” means Ronald Greenspan, receiver of Aequitas, named as such in the Receivership Order, or any other receiver that is appointed by a superseding order in the same litigation.

19. “Receivership Action” means the matter of *SEC v. Aequitas Management, LLC, et al.*, No. 3:16-cv-438(PK) (D. Or.).

20. “Receivership Order” means the Order Appointing Receiver, ECF No. 156, *SEC v. Aequitas Management, LLC, et al.*, No. 3:16-cv-438(PK) (D. Or. Apr. 14, 2016).

21. “Record Date” means March 31, 2017.

22. “Retained Personnel” means the agents of the Receiver, as defined by the Receivership Order.

### **III. ORDER**

#### **A. CONDUCT PROVISIONS**

**IT IS HEREBY ORDERED** as follows:

23. Defendants and their respective officers, agents, servants, employees and attorneys, who have actual notice of this Order, whether acting directly or indirectly, may not violate §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536, including by engaging in abusive acts or practices in connection with lending to students of for-profit schools.

24. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, shall obtain the following reports from servicers currently servicing the Aequitas Genesis Loans, with data as of the Record Date. Upon obtaining such reports, the Defendants or the Receiver on behalf of the Defendants shall provide copies of them to the Bureau. The following reports are to be obtained, to the extent the specified loan-level data are available:

- a. a report of all Aequitas Genesis Loans including for each such Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Aequitas Genesis Loan, the associated

Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

b. a report of all Active Aequitas Genesis Loans including for each such Active Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Active Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

c. a report of all Defaulted Aequitas Genesis Loans, including for each such Defaulted Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Defaulted Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

d. a report of all Closed School Loans, including for each such Closed School Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Closed School Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

25. For each Closed School Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from:

a. Engaging in any collection activity with respect to each such Closed School Loan; however, Defendants will not be regarded as in violation of this Order if they send out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;

b. Accepting any future payment on any such Closed School Loan, including any future payment made in connection with any statement or notice permitted by subparagraph (a), provided, however, that in the event that such a payment is discovered to be accepted and processed, Defendants, or the Receiver acting on Defendants' behalf, will return the payment to the Borrower within a reasonable time; and

c. Reselling, transferring, or assigning any such Closed School Loan.

26. For each Defaulted Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from:

a. Engaging in any collection activity with respect to each such Defaulted Aequitas Genesis Loan; however, Defendants will not be regarded as in violation of this Order if they send out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;

b. Accepting any future payment on any such Defaulted Aequitas Genesis Loan, including any future payment made in connection with any statement or notice permitted by subparagraph (a), provided, however, that in the event that such a payment is discovered to be accepted and processed, Defendants, or the Receiver acting on Defendants' behalf, will return the payment to the Borrower within a reasonable time; and

c. Reselling, transferring, or assigning any such Defaulted Aequitas Genesis Loan.

27. For each Active Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from:

a. Reselling, transferring, or assigning any such Active Aequitas Genesis Loan, unless:

i. Defendants, or the Receiver on behalf of Defendants, ensure that the principal amount of each such loan sold, transferred or assigned reflects the reduction required in paragraph 32;

ii. Within five business days of reaching an agreement in principle to sell, transfer or assign any Active Aequitas Genesis Loans, in which the terms have been agreed upon by the parties but the Receiver has not yet sought the authority of the Receivership Court to make such a sale, transfer, or assignment, Defendants, or the Receiver on behalf of Defendants, must provide the Bureau:

1. notice of the fact that such agreement in principle has been reached;

2. the name of the proposed purchaser, transferee or assignee;

3. the list of Active Aequitas Genesis loans to be sold, transferred or assigned; and

4. the proposed written agreement memorializing the terms of the proposed sale, transfer, or assignment;

iii. Within five business days prior to filing a motion seeking court approval for any such sale, transfer or assignment of Active Aequitas Genesis Loans, Defendants, or the Receiver on behalf of Defendants, must provide the Bureau:

1. notice of its intention to file any such motion; and

2. the proposed motion papers, including any attachments thereto;

iv. Defendants, or the Receiver on behalf of Defendants, ensure that the final agreement memorializing any such sale, transfer or assignment of any Active Aequitas Genesis Loans contains a provision requiring the purchaser, transferee or assignee to adopt or abide by the terms and provisions of this Order requiring ongoing performance for the Bureau;

b. Any motion seeking approval for any such sale, transfer or assignment of Active Aequitas Genesis Loans shall (1) contain a request to the Court that the terms of this Order requiring ongoing performance for the Bureau shall be enforceable against the purchaser, transferee or assignee; and (2) not seek to sell, transfer or assign such loans free and clear of rights, claims or defenses of any borrower, co-borrower or guarantor on any such Loan.

28. For each Active Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of 60 days after the Effective Date from:

a. Engaging in any collection activity with respect to each such Active Aequitas Genesis Loan that seeks an amount in principal greater than the amount identified in paragraph 32, including by:

i. calculating interest or fees based on a principal amount greater than the amount identified in paragraph 32, however, in the event interest or fees have been calculated on a principal amount greater than the amount identified in paragraph 32, the excess amounts that have been paid by the Borrower will be applied to the Borrower's principal balance

unless the Borrower seeks a refund of such improperly charged amounts, in which case the Borrower will be supplied a refund; and

ii. representing to the Borrower of any such Active Aequitas Genesis Loan that the principal amount owed is greater than the amount identified in paragraph 32.

29. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must request that and use commercially reasonable efforts to follow up with any servicer that furnished trade line information for Aequitas Genesis Loans to credit reporting agencies to furnish deletion codes to said credit reporting agencies to delete such information from subject Borrowers' credit reports. For Borrowers of Active Aequitas Genesis Loans who perform under such Loans after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer to report such performance to credit reporting agencies in accordance with applicable law. For any Borrowers who become or continue to be delinquent or in default after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer to report such Borrowers' status to credit reporting agencies in accordance with applicable law; however, any such reporting shall reflect the balance as modified by this Order.

30. Defendants, or the Receiver on behalf of Defendants, shall direct any person or entity collecting on Active Aequitas Genesis Loans to fully comply with all applicable requirements of the Fair Debt Collection Practices Act ("FDCPA"), 15 U.S.C. §§ 1692 *et seq.*, in any such collection.



**B. REDRESS AND REMEDIATION**

**IT IS FURTHER ORDERED** that:

31. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, will discharge and cancel all amounts shown as owed in the report provided to the Bureau under paragraph 24, including principal, interest, fees or any other amounts, in connection with:

- a. all Closed School Loans; and
- b. all Defaulted Aequis Genesis Loans.

32. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, shall reduce the principal amount owed as of the Record Date on each Active Aequis Genesis Loan, as identified in the report provided to the Bureau under paragraph 24, by 55% and discharge and cancel such principal and any accrued and unpaid interest, fees and charges that are 30 or more days past due as of the Record Date.

33. Defendants, or the Receiver on behalf of Defendants, shall use commercially reasonable efforts to obtain guidance from the Internal Revenue Service indicating that the Receiver is not required to make federal tax filings (including sending 1099 forms to Borrowers) as a result of the debt relief provided in this Order, prior to the time such forms would be required to be sent. If the Receiver, in consultation with his counsel, is satisfied that such guidance is reliable, the Receiver shall not make applicable federal tax filings and shall not send Borrowers 1099 forms.

34. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of a Closed School Loan and each Borrower of a Defaulted Aequis Genesis Loan with the following notice within 90 days of the Effective Date. Nothing else but

such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- a. The outstanding amount that had been owed under each Aequitas Genesis Loan as of the Record Date by such Borrower;
- b. The fact that each such amount has been reduced, discharged and canceled in full and such Borrower no longer owes any amounts under his or her Aequitas Genesis Loan;
- c. The fact that the cancellation of the amounts owed for each such Aequitas Genesis Loan is pursuant to this Order;
- d. The fact that the Borrower will not be subjected to any new debt-collection or credit-reporting activities related to each such Aequitas Genesis Loan;
- e. Any such reduction, discharge or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;
- f. No amounts that were due and owing and were paid prior to the Record Date will be returned to the Borrower.

35. Within 90 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of an Active Aequitas Genesis Loan written notice as described in paragraph 37 of his/her option to either continue paying the Current Payment Amount on the lowered principal balance or elect to have the loan re-amortized using the lowered principal balance and remaining term of the subject loan, which will result in a Re-Amortization Payment Amount. No such notice is required to a Borrower and no Re-Amortization Payment Amount will be available to a Borrower,

however, if such Borrower's Current Payment Amount before re-amortization is less than \$20; in any event, a Borrower's Re-Amortization Payment Amount will not be less than \$20.

36. Each Borrower of an Active Aequis Genesis Loan will have 90 days from the mailing date of such notice to make his/her election by completing the notice and returning it to Defendants, the Receiver (on behalf of Defendants) or the applicable servicer. If the Borrower does not make such an election, he or she will be required to pay the Current Payment Amount and the loan will not be re-amortized. For Borrowers as to whom Defendants, the Receiver on behalf of Defendants or the applicable servicer timely have received affirmative notice of election of the Re-Amortization Payment Amount, within 30 days following the expiration of the 90 day election period, Defendants, or the Receiver on behalf of Defendants, will re-amortize loans and adjust the monthly payment amount for all future unbilled and un-accrued loan payments to the Re-Amortization Payment Amount. Notwithstanding the foregoing, for any Active Aequis Genesis Loan which already has been amended or modified pursuant to a forbearance plan to provide a Borrower with a monthly payment that is less than the applicable Re-Amortization Payment Amount and the Borrower has elected to accept the re-amortization option, Defendants, or the Receiver on behalf of Defendants, shall not be required to adjust the monthly payment until the end of the applicable forbearance period. Defendants, or the Receiver on behalf of Defendants, will adjust the monthly payment to a Re-Amortization Payment Amount based on the principal balance of the Borrower's loan at the end of the applicable forbearance period.

37. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of an Active Aequis Genesis Loan with the following notice pursuant to

paragraph 35. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- a. Identification information that associates the loan to the Borrower;
- b. The amount of principal owed as of the Record Date of each Active Aequitas Genesis Loan associated with such Borrower;
- c. The amount of principal owed for each such Active Aequitas Genesis Loan after the reduction required in paragraph 32 has been applied;
- d. A statement notifying the Borrower that the principal has been reduced by 55% pursuant to this Order;
- e. A Re-Amortization Payment Amount option whereby the Borrower has 90 days from the mailing date of such notice to inform the servicer of his or her election to opt-in and have his or her loan re-amortized with the minimum monthly payment modified from the Current Payment Amount to a Re-Amortization Payment Amount;
- f. The fact that if the Borrower does not make such an election by the required date, the Current Payment Amount will continue as the amount due on his or her loan each month;
- g. The fact that replacing the Current Payment Amount with the Re-Amortization Payment Amount may reduce the amount such Borrower pays each month but will cost the Borrower more over the life of the loan than if he or she continued with the Current Payment Amount;

h. The fact that a Borrower's election will not waive any rights, claims or defenses that the Borrower and any co-borrower or guarantor may have with respect to the loan.

i. The fact that continuing to pay the Current Payment Amount (or more) each month will result in full satisfaction of his or her loan before the payment term has expired, and will cost the Borrower less overall than if he or she elected to use the Re-amortization Payment Amount;

j. The following specific information individualized for each Borrower on an Active Aequitas Genesis Loan:

i. The estimated total amount of principal and interest the Borrower will pay if the Borrower pays each current Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequitas Genesis Loan under these circumstances;

ii. The estimated total amount of principal and interest that the Borrower will pay if the Borrower elects his or her option to pay the Re-Amortization Payment Amount and pays such Re-Amortization Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequitas Genesis Loan under these circumstances;

k. Any reduction, discharge or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;

l. A statement notifying the Borrower that, if the Borrower desires, the Borrower at any time may make payments larger than the Re-Amortization

Payment Amount, which if the loan is current would result in a shorter payoff period and interest savings; and

m. A statement notifying Borrowers on forbearance plans of their alternative payment options as set forth in paragraph 36.

n. A statement notifying Borrowers that the relief described does not waive or extinguish any rights, claims or defenses that the Borrower, any co-borrower and/or guarantor may have with respect to his or her loan.

38. A proposed form of the notices required by paragraph 34 and 35 shall be provided to the Enforcement Director for his non-objection within 30 days of the Effective Date.

39. Defendants, or the Receiver on behalf of Defendants, shall include no materials other than the notices provided in paragraphs 34 and 35 in any envelope containing such notices, unless Defendants, or the Receiver on behalf of Defendants, have obtained written confirmation from the Enforcement Director that the Bureau does not object to the inclusion of such materials.

### **C. REPORTING REQUIREMENTS**

**IT IS FURTHER ORDERED** that:

40. Defendants, or during the pendency of the Receivership Receiver on behalf of Defendants, shall notify the Bureau of any development that may affect their obligations arising under this Order, including, but not limited to, the replacement of the Receiver or the filing of any bankruptcy or insolvency proceeding by or against Defendants. Defendants, or the Receiver on behalf of Defendants, must provide this notice at least 30 days before the development or as soon as practicable after learning about the development, whichever is sooner.

41. Within 180 days of the Effective Date, and again one year after the Effective Date, Defendants, or the Receiver on behalf of Defendants, must submit to the Enforcement Director an accurate written compliance progress report, which, at a minimum:

a. Describes in detail the manner and form in which Defendants, or the Receiver on behalf of Defendants, as applicable, have complied with this Order; and

b. Attaches a copy of each Order Acknowledgment obtained under Section D, unless previously submitted to the Bureau.

42. Defendants, or the Receiver on behalf of Defendants, in carrying out the provisions of this Order, are permitted to make such adjustments to loan balance amounts, accrual of interest and Borrower payment amounts and process refunds to Borrowers (including providing Borrower refunds or reimbursements not expressly required by this Order) as may be necessary to assure compliance with this Order, but in any event in a manner that is fair and transparent to Borrowers subject to such adjustments and in a manner that is otherwise in compliance with this Order.

#### **D. ORDER DISTRIBUTION AND ACKNOWLEDGEMENT**

**IT IS FURTHER ORDERED** that:

43. Within 15 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must deliver a copy of this Order to each employee or agent of the Receiver who or which is, as of the Effective Date, employed or retained by the Receiver and who or which has responsibilities that extend beyond the Effective Date related to the subject matter of this Order.



44. Within 30 days of the Effective Date, the Receiver shall provide a signed and dated statement to the Bureau of the Receiver's compliance with paragraph 43, and shall provide a signed and dated statement from the servicer, or any other third-party service provider tasked with carrying out responsibilities under this Order, acknowledging receipt of this Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. §§ 7001 et. seq..

#### **E. RECORDKEEPING**

**IT IS FURTHER ORDERED** that:

45. Defendants, or the Receiver on behalf of Defendants, must maintain for 3 years from the Effective Date or the duration of the Receivership, whichever is lesser, all documents and records necessary to demonstrate full compliance with this Order, including all submissions to the Bureau.

46. Aequitas, or the Receiver on Aequitas's behalf, must make the documents identified in paragraph 45 available to the Bureau upon the Bureau's request.

#### **F. NOTICES**

**IT IS FURTHER ORDERED** that:

47. Unless otherwise directed in writing by the Bureau, Defendants, or the Receiver on behalf of Defendants, must provide all submissions, requests, communications, or other documents relating to this Order in writing, with the subject line *CFPB v. Aequitas Management, LLC*, [CASE CAPTION] and send them either

a. By overnight courier (not the U.S. Postal Service), as follows:

Assistant Deputy Enforcement Director

Consumer Financial Protection Bureau

ATTENTION: Office of Enforcement

1700 G Street NW

Washington, DC 20552; or

b. By first-class mail to the below address and contemporaneously by email to Enforcement\_Compliance@cfpb.gov:

Assistant Deputy Enforcement Director

ATTENTION: Office of Enforcement

1700 G Street NW

Washington, DC 20552

#### **G. COOPERATION WITH THE BUREAU**

**IT IS FURTHER ORDERED** that:

48. Defendants, or during the pendency of the Receivership the Receiver on behalf of Defendants, will cooperate fully with the Bureau as necessary to achieve the goals and carry out the requirements of this Order.

49. Defendants, or during the pendency of the Receivership the Receiver on behalf of Defendants, will cooperate fully to help the Bureau determine the identity and the location of, and the relief provided pursuant to this Order for each Affected Consumer, from the information within Defendants' or the Receiver's possession and control or a servicer's system of record.

#### **H. MODIFICATIONS TO NON-MATERIAL REQUIREMENTS**

**IT IS FURTHER ORDERED** that:

50. Notwithstanding the provisions of paragraph 53 (section K), any time limits for performance fixed by this Order may be extended by mutual written agreement of the

parties (or, as applicable, the Receiver) and without further Court approval.

Additionally, details related to the administration of Sections C through G of this Order may be modified by written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Any other modifications to this Order may be made only upon approval of the Court, upon motion by any party.

#### **I. RELEASE**

##### **IT IS FURTHER ORDERED that:**

51. The Bureau releases and discharges Defendants from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in the Complaint, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Order in future enforcement actions against Defendants, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Order, or to seek penalties for any violations of the Order.

#### **J. LIMITATION OF LIABILITY UNDER RECEIVERSHIP ORDER**

##### **IT IS FURTHER ORDERED that:**

52. Notwithstanding any other terms, conditions or provisions of this Order, pursuant to the Receivership Order, the Receiver and the Retained Personnel are entitled to rely on all outstanding rules of law and the orders of the Receivership Court and shall not be liable to any person or party (including, without limitation, the Bureau)

for their own good faith compliance with this Order. Pursuant to the Receivership Order, in no event shall the Receiver or Retained Personnel be liable to any person or party (including, without limitation, the Bureau) for their good faith compliance with their duties and responsibilities as Receiver or Retained Personnel, nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted by them except upon a finding by the Receivership Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties.

**K. RETENTION OF JURISDICTION**

**IT IS FURTHER ORDERED** that:

53. This Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Order.

**IT IS SO ORDERED.**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
United States District Judge

## Schedule 1

## Corinthian Closed School OPEID List (Per the Department of Education Listing)

| OPEID   | School Name                      | Location                         | Street Address                  | City             | State | Corinthian School # |
|---------|----------------------------------|----------------------------------|---------------------------------|------------------|-------|---------------------|
| 809000  | Everest College                  | Everest College                  | 2215 Mission Road               | Alhambra         | CA    | 180                 |
| 1110700 | Everest College                  | Everest College                  | 511 North Brookhurst Street     | Anaheim          | CA    | 171                 |
| 1112300 | Everest College                  | Everest College                  | 1045 Wt Redondo Beach Blvd      | Gardena          | CA    | 186                 |
| 3072300 | Everest College                  | Everest College                  | 1460 S. Milliken Ave            | Ontario          | CA    | 245                 |
| 449400  | Everest College                  | Everest College                  | 217 E. Club Center Drive, Ste A | San Bernardino   | CA    | 182                 |
| 449401  | Everest College - Santa Ana      | Everest College - Santa Ana      | 500 West Santa Ana Boulevard    | Santa Ana        | CA    | 172                 |
| 449402  | Everest College - Ontario        | Everest College - Ontario        | 1819 South Excise Avenue        | Ontario          | CA    | 564                 |
| 481100  | Everest Institute                | Everest Institute                | 1630 Portland Avenue            | Rochester        | NY    | 692                 |
| 1110900 | Everest College                  | Everest College                  | 18040 Sherman Way               | Reseda           | CA    | 173                 |
| 2295000 | Everest College                  | Everest College                  | 10400 North 25th Avenue         | Phoenix          | AZ    | 575, 975            |
| 2295002 | Everest College                  | Everest College                  | 5416 East Baseline              | Mesa             | AZ    | 576                 |
| 3195400 | Everest College                  | Everest College                  | 1231 Cabrillo Avenue            | Torrance         | CA    | 155                 |
| 723400  | Heald College                    | Heald College                    | 875 Howard Street               | San Francisco    | CA    | 11101               |
| 723401  | Heald College - Honolulu         | Heald College - Honolulu         | 1500 Kapliolani Boulevard       | Honolulu         | HI    | 11136               |
| 723402  | Heald College                    | Heald College                    | 6035 Northeast 78th Court       | Portland         | OR    | 11138               |
| 723403  | Heald College - Kaneoche MCB     | Heald College - Kaneoche MCB     | Bldg 220, 5th St. Marine Corps  | Kaneohe          | HI    | Unable to Identify  |
| 723404  | Heald College - Concord          | Heald College - Concord          | 5130 Commercial Circle          | Concord          | CA    | 11103, 11199        |
| 723405  | Heald College - Milpitas         | Heald College - Milpitas         | 341 Great Mall Parkway          | Milpitas         | CA    | 11105               |
| 723406  | Heald College - Hayward          | Heald College - Hayward          | 25500 Industrial Boulevard      | Hayward          | CA    | 11104               |
| 723407  | Heald College - Modesto          | Heald College - Modesto          | 5260 Pirrone Court              | Salida           | CA    | 11115               |
| 723408  | Heald College - Roseville        | Heald College - Roseville        | Seven Sierra Gate Plaza         | Roseville        | CA    | 11156               |
| 723409  | Heald College - Salinas          | Heald College - Salinas          | 1450 North Main Street          | Salinas          | CA    | 11109               |
| 723410  | Heald College - Stockton         | Heald College - Stockton         | 1605 East March Lane            | Stockton         | CA    | 11114               |
| 723411  | Heald College - Rancho Cordova   | Heald College - Rancho Cordova   | 2910 Prospect Park Drive        | Rancho Cordova   | CA    | 11111               |
| 723412  | Heald College - Fresno           | Heald College - Fresno           | 255 West Bullard                | Fresno           | CA    | 11112               |
| 723413  | Heald College - Fresno Satellite | Heald College - Fresno Satellite | 255 East River Park Circle      | Fresno           | CA    | 11112               |
| 719000  | WyoTech                          | WyoTech                          | 200 Whitney Place               | Fremont          | CA    | 412                 |
| 1287300 | WyoTech                          | WyoTech                          | 2161 Technology Place           | Long Beach       | CA    | 274                 |
| 1287301 | WyoTech                          | WyoTech                          | 3000 S Robertson BLVD #300      | Los Angeles      | CA    | Unable to Identify  |
| 1287302 | WyoTech                          | WyoTech                          | 12801 Crossroads Pkwy South     | City of Industry | CA    | Unable to Identify  |

## Schedule 2

| Zenith Closed School OPEID List |                    |   |  |                  |       | Corinthian<br>"Zenith" |
|---------------------------------|--------------------|---|--|------------------|-------|------------------------|
| OPEID                           | SCHOOL NAME        | LOCATION  | ADDRESS  | CITY             | STATE | School #               |
| 2100401                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - KALAMAZOO                           | 5177 WEST MAIN STREET  | KALAMAZOO        | MI    | 347                    |
| 982809                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - CHELSEA                             | 70 EVERETT AVENUE  | CHELSEA          | MA    | 315                    |
| 2300105                         | EVEREST COLLEGE    | EVEREST COLLEGE - EARTH CITY                            | 3420 RIDER TRAIL SOUTH   | EARTH CITY       | MO    | 377                    |
| 2617507                         | EVEREST COLLEGE    | EVEREST COLLEGE - EVEREST INSTITUTE - BENSALEM          | 3050 TILLMAN DRIVE   | BENSALEM         | PA    | Unable to Identify     |
| 2100402                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE                     | 8585 BROADWAY SUITE 200  | MERRILLVILLE     | IN    | 349                    |
| 2100400                         | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 1750 WOODWORTH STREET NORTHEAST                                | GRAND RAPIDS     | MI    | 345                    |
| 2298501                         | EVEREST COLLEGE    | EVEREST COLLEGE - FORT WORTH                            | 5237 NORTH RIVERSIDE DRIVE SUITE 200                           | FORT WORTH       | TX    | 613                    |
| 149911                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - MERRIONETTE PARK | 11560 SOUTH KEDZIE AVENUE                                      | MERRIONETTE PARK | IL    | 344                    |
| 2298500                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 3280 WEST 3500 SOUTH   | SALT LAKE CITY   | UT    | 572                    |
| 450301                          | EVEREST COLLEGE    | EVEREST COLLEGE - MCLEAN                                | 8620 WESTWOOD CENTER DRIVE                                     | VIENNA           | VA    | 626                    |
| 1185802                         | EVEREST COLLEGE    | EVEREST COLLEGE - BURR RIDGE                            | 6880 NORTH FRONTAGE ROAD SUITE 400                             | BURR RIDGE       | IL    | 343                    |
| 1185800                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 9811 WOODS DRIVE SUITE 200                                     | SKOKIE           | IL    | 341                    |
| 1185803                         | EVEREST COLLEGE    | EVEREST COLLEGE - MELROSE PARK                          | 1101 WEST NORTH AVENUE SUITE 1                                 | MELROSE PARK     | IL    | Unable to Identify     |
| 982810                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE- BEDFORD PARK       | 7414 SOUTH CICERO AVENUE                                       | BEDFORD PARK     | IL    | Unable to Identify     |
| 709100                          | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 100 FORBES AVENUE KOSSMAN BUILDING SUITE 1200                  | PITTSBURGH       | PA    | 656                    |
| 450701                          | EVEREST COLLEGE    | EVEREST COLLEGE- EVEREST COLLEGE AURORA                 | 14280 EAST JEWELL AVENUE SUITE 100                             | AURORA           | CO    | 509                    |
| 982806                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - JONESBORO                           | 6431 TARA BOULEVARD  | JONESBORO        | GA    | 353                    |
| 2606200                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 981 POWELL AVENUE SW SUITE 200                                 | RENTON           | WA    | 116                    |
| 982801                          | EVEREST INSTITUTE  | EVEREST INSTITUTE- DEARBORN                             | 23400 MICHIGAN AVENUE SUITE 200                                | DEARBORN         | MI    | 337                    |
| 907901                          | EVEREST COLLEGE    | EVEREST COLLEGE   | STONEMILL CENTER SUITE 130 120 NORTHEAST 136TH AVENUE          | VANCOUVER        | WA    | 548                    |
| 907900                          | EVEREST COLLEGE    | EVEREST COLLEGE   | 600 SW 10TH AVENUE SUITE 400                                   | PORTLAND         | OR    | 547                    |
| 2617509                         | EVEREST COLLEGE    | EVEREST COLLEGE   | NORTHGATE MERIDIAN BUILDING 2111 NORTH NORTHGATE WAY SUITE 300 | SEATTLE          | WA    | 390                    |
| 2300106                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 155 WASHINGTON AVENUE SUITE 200                                | BREMERTON        | WA    | 397                    |
| 149908                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - LAKELAND                           | 995 EAST MEMORIAL BOULEVARD                                    | LAKELAND         | FL    | 765                    |
| 149912                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - KANSAS CITY      | 1740 WEST 92ND STREET  | KANSAS CITY      | MO    | 320                    |

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Attorneys for Plaintiff

UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

PORTLAND DIVISION

CONSUMER FINANCIAL PROTECTION  
BUREAU,

Plaintiff,

Case No.

v.

COMPLAINT

AEQUITAS CAPITAL MANAGEMENT  
INC., AEQUITAS MANAGEMENT LLC,  
AEQUITAS HOLDINGS, LLC,  
AEQUITAS COMMERCIAL FINANCE,  
LLC, CAMPUS STUDENT FUNDING,  
LLC, CSF LEVERAGE I LLC, AEQUITAS  
INCOME OPPORTUNITY FUND, and  
AEQUITAS INCOME PROTECTION  
FUND,

Defendants.



Plaintiff, the Consumer Financial Protection Bureau (“Bureau”), alleges the following against Aequitas Capital Management Inc., Aequitas Management LLC, Aequitas Holdings LLC, Aequitas Commercial Finance LLC, Campus Student Funding LLC, CSF Leverage I LLC, Aequitas Income Opportunity Fund, Aequitas Income Protection Fund (“Aequitas”):

### **INTRODUCTION**

1. The Bureau brings this action against Aequitas for its abusive acts and practices in connection with private loans made to students at Corinthian Colleges, Inc. (“Corinthian”), which were funded or purchased by Aequitas. By funding these private loans, Aequitas enabled Corinthian to present a façade of compliance with federal laws requiring that a certain portion of a for-profit school’s revenue come from sources other than federal student aid. At the same time, Aequitas’s funding of the private loans facilitated by Corinthian caused injury to Corinthian students by saddling them with what both Aequitas and Corinthian knew was high-priced debt with a high likelihood of default, which students had no way of knowing was only for a sham tuition charge solely to gain access to Title IV funds. Aequitas has collected, and continues to collect, on these loans.

2. Until 2014, Corinthian was one of the largest for-profit, post-secondary education companies in the United States, boasting more than 100 school campuses. Corinthian offered career-oriented programs which were marketed to potential students as a way to obtain jobs in their fields of study, including health care, business, criminal justice, and information technology. Crucial to persuading students to sign up for these programs and attend were Corinthian’s deceptive promises of strong job placement and life-long career services.

3. Corinthian was a public company that derived nearly all of its revenue from federal student aid – mostly loans -- taken out by its students under Title IV of the Higher Education Act of 1965 (“Title IV”). To qualify for Title IV funds, the federal government required that schools like Corinthian obtain a portion of their revenue – 10 percent during the period relevant to this action -- from outside sources besides Title IV funds. This is known as the “90/10 rule.” Corinthian complied with the 90/10 rule by raising its tuition beyond what Title IV loans would cover, so that students were forced to finance a portion of the tuition from another source. Knowing that its generally low-income students could not afford to pay this amount out of pocket, Corinthian established a private loan program, known as the “Genesis Loan Program,” available only to its students. Corinthian devised the Genesis Loan Program and presented it to Aequis as a means of attracting Aequis’s investment in it. The Genesis Loan Program was expensive. It featured interest rates as high as 18% and significant origination fees.

4. Under a 2012 change to the 90/10 rule, however, such a loan program could no longer be financed by the school in order to qualify as an outside source of revenue for the purposes of obtaining Title IV funding. So, starting in 2011, Corinthian made an arrangement with Aequis in which Aequis purchased existing student loan portfolios and began funding or purchasing new Genesis Loans originated by depository institutions. Such an arrangement made it appear as if Corinthian were not funding the loans. Yet, central to the arrangement was an agreement by Corinthian to purchase all the Genesis Loans that became delinquent more than 90 days, essentially shifting the risk of the program from Aequis back to Corinthian.

5. Aequis knew that the underlying tuition charge that the Genesis loans funded, as well as the Genesis Loans themselves, was intended to provide no economic

benefit to Corinthian except access to Title IV funds. Default rates in the Genesis Loan Program were historically high – between 50 and 70 percent. Thus, the Genesis Loan Program essentially functioned as a loss leader for Corinthian, regardless of the outcomes for student borrowers.

6. Aequis was a necessary player in this scheme, which enriched Aequis with performing loans at high interest rates and enabled Corinthian to continue in existence by keeping Title IV revenue flowing.

7. Corinthian students, however, were never told that the portion of tuition funded by the Genesis Loans, as well as the loans themselves, were a sham to get access to federal funds. Indeed, Corinthian students were the ones left holding the bag, often with expensive debt that many would not be able to repay.

8. Corinthian's deceptive scheme has ended in disaster. In September 2014, the Bureau filed a complaint against Corinthian for, among other things, engaging in deceptive acts and practices in connection with the Genesis Loan Program by inducing its students to take out loans by means of misrepresentations regarding the school's job placement rates and career services programs.

9. In February 2015, amid governmental enforcement actions concerning its allegedly unlawful practices in marketing its educational and job placement support and in connection with the Genesis Loan Program, Corinthian sold more than 50 campuses.

10. In April 2015, the U.S. Department of Education found that Corinthian had misrepresented job placement rates to students at certain Corinthian schools, and fined the company \$30 million. In May 2015, Corinthian then closed its remaining campuses and filed for Chapter 11 bankruptcy protection.

11. In October 2015, a federal court entered a default judgment in favor of the Bureau in another case against Corinthian for violations of the Consumer Financial Protection Act, including for unfair and deceptive acts and practices in connection with the Genesis Loan Program.

12. In November 2015, the U.S. Department of Education found that Corinthian, in hundreds of programs at 20 Everest and WyoTech campuses in California and Florida, misled students about their job prospects after graduation.

13. In March 2016, the U.S. Department of Education also found that Corinthian misled students attending Everest and WyoTech campuses in 20 states about their job prospects after graduation. These campuses were located in Massachusetts, California, Illinois, Texas, Georgia, Pennsylvania, Florida, Washington, Virginia, Ohio, West Virginia, Michigan, Minnesota, Nevada, Missouri, Indiana, Wisconsin, Oregon, New York, Utah, Maryland, New Jersey and Wyoming.

14. As of March 31, 2017, Aequitas held a portfolio of these student loans with an unpaid balance of approximately \$190.5 million, including approximately 46,327 loans made to approximately 41,290 individual borrowers. Aequitas continues to collect payments on performing loans.

### **NATURE OF THE ACTION**

15. The Bureau brings this action under sections 1031(a), 1036(a), 1054, and 1055 of the Consumer Financial Protection Act of 2010 ("CFPA"), 12 U.S.C. §§ 5531(a), 5536(a), 5564, and 5565, for Aequitas's violations, from July 21, 2011 through the present, of sections 1031(a) and 1036(a)(1) of the CFPA, which prohibit abusive acts and practices.

## **JURISDICTION AND VENUE**

16. This Court has subject matter jurisdiction over this action because it is “brought under Federal consumer financial law,” 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

17. Venue is proper in this district because Defendants are located, reside, and are doing business in Lake Oswego, Oregon. 28 U.S.C. § 1391(b); 12 U.S.C. § 5564(f).

18. Assignment to the Portland Division of this Court is proper because a substantial part of the events or omissions that gave rise to claims alleged in this Complaint occurred in Lake Oswego, Oregon in Clackamas County. L.R. 3-2(b).

## **PLAINTIFF**

19. The Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer financial products or services under federal consumer financial laws. 12 U.S.C. § 5491(a). The Bureau has independent litigating authority to commence civil actions to enforce federal consumer financial laws, including the CFPA. 12 U.S.C. §§ 5564(a)-(b); 5481(14).

## **DEFENDANTS**

### **Aequitas Entities**

20. Aequitas Capital Management Inc. (“Aequitas Capital”) is an Oregon corporation formed in 1993 with a principal place of business in Lake Oswego, Oregon. Aequitas Capital is the manager of ACF. As the manager of ACF, Aequitas Capital is responsible for the overall operations of ACF, including the management of ACF’s loan and investment portfolio.

21. Aequitas Management LLC (“Aequitas Management”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Management owns 84% and exercises exclusive control over Aequitas Holdings, the sole owner and member of ACF and the sole shareholder of Aequitas Capital.

22. Aequitas Holdings LLC (“Aequitas Holdings”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Holdings is the sole owner and member of ACF and the sole shareholder of Aequitas Capital.

23. Aequitas Commercial Finance LLC (“ACF”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. ACF is the sole owner and member of at least seven subsidiaries that engage in the business of acquiring or investing in portfolios of trade receivables in the healthcare, education, transportation, and consumer credit sectors. ACF also holds ownership stakes in the Aequitas Funds and a number of other Aequitas-affiliated companies. ACF also has directly held or currently holds title to Genesis student loan promissory notes and/or the right to collect and receive existing and future principal and interest payments.

24. Campus Student Funding LLC (“CSF”), formerly known as AFSG LLC, is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF is owned by ACF and was created by Aequitas as a special-purpose entity for purchasing student loans. CSF originally purchased all Genesis Loan notes sold to Aequitas entities, whether directly from Corinthian, the loan servicer, or the issuing bank. CSF was the seller of the notes pursuant to Corinthian’s commitment to purchase delinquent loans from Aequitas. Thus, CSF has held or currently holds title to Genesis student loan promissory notes.

25. CSF Leverage I, LLC (“CSF Leverage”) was an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF Leverage was owned by ACF and at one time held Genesis student loan promissory notes. CSF Leverage merged into CSF and no longer exists as a separate entity.

26. The Aequis Funds are various funds owned by the Aequis entities described above. Aequis Income Opportunity Fund is owned by ACF and holds, or has held, the right to collect and receive Genesis student loan receivables. Aequis Income Protection Fund is owned by ACF and CSF and holds, or has held, the right to collect and receive Genesis student loan receivables. CSF Leverage I LLC f.k.a ASFG Leverage I LLC is, upon information and belief, owned by ACF and CSF and has held the right to collect and receive Genesis student loan receivables.

### ***Common Enterprise***

27. At all times material to this complaint, Aequis has operated as a common enterprise while engaging in the violations of Federal consumer financial law set forth herein. Aequis has conducted the business practices described herein through then interrelated network of companies described above that have common business functions, employees, and office locations.

28. Aequis has also shared operations and proceeds of the relevant activities associated with the allegations in this complaint. For example, even though CSF initially purchased the Genesis Loans, the loans were sold to various other Aequis funds or entities, including Aequis Income Opportunity Fund, Aequis Income Protection Fund, CSF Leverage Fund I, or ACF. Because Aequis has operated as a common enterprise, each of the Aequis entities is jointly and severally liable for the acts and practices described below.

***Receivership of Aequitas***

29. Corinthian's repurchase of the delinquent Genesis loans was an important source of revenue for Aequitas. Corinthian's failure, and the cessation of the loan repurchases, caused Aequitas significant distress. Early in 2016, the lack of that revenue coupled with, among other things, alleged improprieties by Aequitas management, led the company to curtail operations.

30. On March 10, 2016, the Securities and Exchange Commission ("SEC") brought an action in this court, alleging violations of the securities laws, including a scheme to defraud and misuse investor funds. Pursuant to the SEC's request, the court on April 14, 2016 appointed a receiver to wind down the companies and distribute the remaining assets. The receiver is not a party to this action.

**FACTUAL BACKGROUND**

31. In 2011, Aequitas became involved in private student lending by purchasing private student loans from Corinthian and participating in the operation of Corinthian's Genesis Loan Program.

32. At that time, Corinthian was one of the largest for-profit, post-secondary education companies in the United States. With more than 100 school campuses, Corinthian operated schools under the following names: Everest College, Everest Institute, Everest University Online, Everest University, Everest College Phoenix, Heald College, and WyoTech. Corinthian offered career-oriented programs that were marketed to potential students as a way to obtain jobs in their fields of study, including health care, business, criminal justice, mechanical, and information technology.



33. Most students attending Corinthian's schools were low-income and/or the first in their families to seek an education beyond a high school diploma. Many Corinthian students struggled economically. For example, a 2011 Corinthian survey of campus operations indicated that over 57% of Corinthian's student population had a household income of \$19,000 or less, and 35% of Corinthian's student population had a household income of less than \$10,000.

34. The great majority of students attending Corinthian's schools could not afford to pay the school's tuition out-of-pocket. Students needed financial aid – mostly loans from either the federal government under Title IV or private sources – to pay Corinthian's tuition and fees. This was well known to Corinthian.

***Corinthian Induced Students to Take Out Loans With Deceptive Representations About Job Placement Statistics and Career Services Offerings***

35. Corinthian needed to convince students that paying its tuition, and taking on substantial debt to do so, would be a worthwhile investment in their future. Therefore, Corinthian deployed a series of misrepresentations about the likely employment outcomes for Corinthian students and the services Corinthian would provide to help them find jobs.

36. Corinthian portrayed its educational programs as a way for students to secure better-quality careers. For example, in promoting Heald College, Corinthian advertised, “[y]our education might mean the difference between a rewarding career or just another job.” Similarly, Everest Colleges, Universities, and Institutes advertised on its websites that it provided students “[a] better career, a better life, a better way to get there.”

Misrepresentations Concerning Job Placement Statistics

37. Corinthian presented job placement rates that were misleading to consumers in several ways. For example, Corinthian represented to prospective and current students that its education would offer a “career,” not “just another job,” but in calculating and disseminating alleged job placement rates for graduates, Corinthian included jobs that lasted for just one day.

38. In addition, Corinthian presented to students and prospective students falsified and overstated job placement rates. Corinthian deliberately overstated the number of jobs that students obtained, undercounted the pool of “employable” graduates, thereby increasing the percentage of employed graduates out of all the “employable graduates”, and engaged in a practice of paying employers to hire its graduates temporarily in order to inflate its job placement statistics.

39. One way Corinthian inflated its job placement statistics was by counting a person as having been placed who only got a temporary assignment for a day with a promise of a second day of work. Corinthian could count that person within its employment statistics even if that person only worked for just one day.

40. Corinthian took this deception one step farther by paying employers to hire its graduates for brief periods so that Corinthian could improve its job placement statistics.

Misrepresentations Concerning Career Services

41. To convince students that they would achieve career success by taking out loans to pay for a Corinthian education, Corinthian also misrepresented the availability and the utility of its career services.

42. Corinthian falsely promised prospective students that they would receive career assistance while enrolled, and lifetime career assistance after graduation. Corinthian promoted “career-focused education” and career services that were available “whenever you need help finding a job, or want some advice on improving your resume or interviewing skills.” Corinthian further promoted that it “not only help[s] you find a job after you graduate, we help you find a job any time you need one, throughout your career... From graduation to retirement, we’ll help you advance your career whenever you need it.” Corinthian emphasized its nationwide network of employers.

43. The actual services provided were limited, such as providing postings already publicly available from services like Craigslist.

44. Moreover, after graduates obtained initial placements, Corinthian refused to provide any further assistance to them. This was particularly significant for students who received only temporary placements.

### ***The “90/10” Rule***

45. Corinthian engaged in these deceptions because it wanted to convince students to take out the loans and use whatever aid they could to pay its tuition. Nearly all of its revenue was derived from Title IV federal student loans, which were Corinthian’s “life blood,” without which the school could not continue to operate. In its Annual Report Form 10-K for fiscal year 2013, filed with the SEC, Corinthian reported that its operations in the United States derived 84.8% of net revenue from Title IV aid programs.

46. A for-profit company that owns a school receiving federal student aid funds is subject to the “90/10 rule,” 34 C.F.R. § 668.14(b)(16). Under this rule, a for-profit college must not receive more than 90% of its net revenue from Title IV aid. A

minimum of 10% of such an entity's revenue must come from non-Title IV aid, such as state aid, ordinary tuition payments from students, or private student loans. Schools that do not comply with the "90/10" rule risk losing their eligibility to participate in federal student aid programs; for Corinthian, this would have meant losing the source of nearly 90 percent of its revenue.

47. In order to appear to satisfy the 90/10 rule, Corinthian made sure that the cost of attending its schools was high enough that students would not be able to pay solely through using Title IV aid. In September 2011, Corinthian's CEO distributed a presentation to his executive team, describing efforts by Corinthian to meet the requirements of the 90/10 rule by instituting "above market price increases to create 'funding gaps.'"

48. Corinthian knew, however, that few of its students would be unable to pay the "funding gap" out of pocket, and thus most would require additional loans for this purpose. Thus, by increasing tuition, Corinthian caused students, who otherwise would have been able to pay for the entire cost of tuition through Title IV aid, to take out private student loans. Regardless of whether students were able to repay the private student loans, Corinthian would profit from the increased availability of Title IV monies. The private student loans filling this "funding gap" essentially would function as a loss leader for Corinthian.

***Corinthian Implemented the Genesis Loan Program to Fill the "Funding Gap" That Corinthian Created***

49. Before 2008, third-party providers of private education loans offered Corinthian students the opportunity to apply for loans to fund their educational expenses.

50. In or about January 2008, as a result of the economic downturn, these third-party lenders ceased making private student loans available to students at high risk of default due to poor credit profiles or low income. Therefore, these sources of funding became unavailable to Corinthian students.

51. In order to continue the flow of the needed “10 percent” of funds from non-Title IV sources, Corinthian launched its own institutional loan program – the Genesis Loan Program – which it developed together with a third-party entity (“Company A”) already engaged in financing and servicing “funding gap” loans for other educational institutions.

52. Beginning in approximately March 2008, Corinthian actively marketed, promoted, and offered Genesis Loans to its prospective and current students to pay tuition and fees that were not covered by federal aid or other sources. Corinthian’s financial aid staff promoted the loan program by introducing it to prospective and current students, and by encouraging them to apply for Genesis Loans to pay for tuition and fees that were not covered by federal financial aid.

53. The interest rates for Genesis Loans were typically substantially higher than the interest rate for federal loans. In 2011, the Genesis Loan interest rate was as high as 18% with an origination fee of 6%. Meanwhile, the interest rate for federal student loans during this time period was 3.4% to 6.8% with an origination fee of 1%.

54. Under the Genesis Loan Program, nearly all student borrowers were required to make monthly loan payments while attending school. The most common payment plan was called “Plan A,” which required a monthly loan payment while the student was attending school. The interest began accruing after the student left school.

55. Under the original Genesis Loan Program, pursuant to written agreements, Corinthian marketed the loan and a partner bank acted as the originator for each Genesis loan, disbursing the loan funds to Corinthian after each student's loan application was approved. Shortly after a student's loan funds were disbursed to Corinthian on the student's behalf, Company A purchased the loans from the bank. Corinthian then paid a "discount fee" to Company A equal to 50% of the face value of the loans that Company A purchased from the bank.

56. Under the agreement with Company A, typically within two weeks after Company A purchased the loans from the bank, Corinthian purchased all of the loans from Company A. Corinthian paid Company A the face value of the loans minus any discount fee that it had already paid and Company A operated as the servicer of the loans.

57. Accordingly, from in or about 2008 through approximately July 2011, Corinthian would own all Genesis loans that its students took out within a period of approximately two weeks after the loan funds were disbursed.

58. In 2011, the third-party lenders who had previously been extending private loans to the small portion of Corinthian's students who were considered prime borrowers ceased lending to Corinthian students altogether. As a result, the Genesis Loan Program then became effectively the only available source of private financing to Corinthian students.

***High Default Rates on the Genesis Loans***

59. Although Corinthian engaged in aggressive collection efforts, the default rate on Genesis Loans was consistently extremely high. Corinthian charged off a Genesis Loan when the student borrower was more than 270 days delinquent in making

required loan payments. Using the period in which Corinthian would classify a Genesis loan as more than 270 days delinquent and calculating the default rate based upon the number of student loans, the default rate on Genesis Loans was typically greater than 50% for all loans more than two years old, and above 60% for all loans more than three years old.

60. Corinthian knew of the high default rates for its Genesis Loans, and at all times during operation of the Genesis Loan Program, Corinthian anticipated that the default rates would remain at these high levels. As the Genesis Loan Program was simply a tool to achieve compliance with the 90-10 rule, Corinthian was willing to take the losses resulting from the high level of defaults for the greater reward of keeping Title IV revenue flowing to the school.

61. Moreover, Corinthian knew the characteristics of students who were most likely to default. Corinthian required that “Schools should gather information to discern who is defaulting and why ... Internal data includes key information such as high school attended, program of study, demographics, grades, etc.”.

***The 90/10 Rule Changes and Aequitas Sees a Business Opportunity By Helping Corinthian Continue To Qualify For Federal Funds***

62. Effective July 1, 2012, the 90/10 rule was changed to eliminate institutional loans like the Genesis Loans from counting toward the private revenue required to maintain Title IV eligibility. With third-party private lenders no longer making loans available to its students by that time, Corinthian had to find another source of funding for the “10%.”

63. Corinthian determined that as long as it moved the Genesis Loans “off its books,” it could still count the revenue from the Genesis Loan Program toward the 10%.

Well before the rule change became effective, Corinthian sought a third party to purchase the loans after origination.

64. Aequis's involvement in the Corinthian private loan program formally began in June 2011, when CSF entered into an agreement to pay approximately \$24 million to purchase a portfolio of existing Corinthian student loans with a face value of \$30,576,549 on a non-recourse basis.

65. Aequis understood from the outset, that Corinthian's business model, indeed its very existence, depended on its satisfaction of the 90/10 Rule as a condition of obtaining federal funds. In July 2011, in its Deal Summary and Underwriting Report for Student Receivable Portfolio Purchase from Corinthian Aequis explained Corinthian's challenges complying the 90/10 rule and how Aequis could alleviate this compliance problem:

Corinthian . . . has been under regulatory pressure to stay compliant with the 90/10 economics. . . Thus, an opportunity presented itself to alleviate the regulatory pressure for Corinthian by acquiring their existing student loans, as well as to enter into a longer forward flow relationship to purchase more recently originated student loans. Corinthian needs to get their student loans off their balance sheet and to stop originating student loans.

66. As the relationship between Aequis and Corinthian progressed, Aequis reported internally statements by Corinthian that it was "[m]anaging to 90/10, not under" and that federal loans were Corinthian's "life blood."

67. Aequis further understood that Corinthian raised its tuition not to make additional money but rather to create the obligation for additional "10 %" in revenues that would give it access to the needed Title IV funds. Aequis told its investors that that "increasing tuition is the simplest way a school can mitigate risk from the 90/10



Rule.” Indeed, Corinthian even told Aequitas that the 90/10 Rule had “required” Corinthian to raise tuition. Aequitas knew that the additional tuition charge, as well as the Genesis Loans that funded them, were a sham to get federal funds.

68. In September 2011, CSF agreed to pay approximately \$10 million to purchase another portfolio of existing loans with a face value of \$16,792,381 on a recourse basis, meaning that if the loans became more than [90] days past due, Corinthian would purchase the loans back from CSF.

69. Pleased with the money it was making for itself and its investors on the student loan portfolio, Aequitas sought to “deepen” its relationship with Corinthian. In September 2011, CSF entered into an agreement with Corinthian to create a “forward flow” program, called “Corinthian 1.0.” Pursuant to that agreement, CSF purchased Genesis loans at a 40% discount on the face value of each purchased loan, and Corinthian also committed to purchase all loans back from CSF that were more than 90 days past due. CSF agreed that each month it would purchase approximately \$15 million in face value of loans shortly after origination on a full recourse basis. The loans would be originated by a bank and immediately purchased after origination by Aequitas. Under the forward flow agreements, Aequitas had the right to purchase loans but not the obligation, and could terminate its relationship upon 14 days’ notice to Corinthian.

70. In April 2012, Aequitas sent Corinthian a list of points for discussion. The list included allegations made by others about the for-profit education industry generally and Corinthian specifically, including that for-profit schools “game” the 90/10 regulations by inflating tuition costs and creating a funding gap, despite knowing that most of the private loans provided would not perform. Yet Aequitas continued to participate in and seek profit from the Genesis Loan Program scheme.

71. Indeed, Aequitas regularly monitored the status of the various, multiplying state and federal government investigations and litigation concerning Corinthian's student lending practices, marketing to students, and job placement data post-graduation. Knowledge of these investigations and litigation did not deter Aequitas from continuing to seek profit from the Genesis Loan Program scheme.

72. In July 2012, Aequitas and Corinthian discussed additional ways for Corinthian to maximize its Title IV revenue. In its internal notes of the meeting, Aequitas noted Corinthian's plans to shift more students enrolled in on-line course programs from part-time to full-time status, because "part time online students don't need gap financing" and "shifting students from part-time to full-time will create gap financing needs."

73. Aequitas understood that Corinthian was "highly focused on maximizing starts to generate Title IV revenue flow" and that Corinthian's "quality bar [was] low."

74. On August 14, 2012, an Aequitas executive observed that "[i]t appears as if the for profits are spending an inordinate amount of money to put anyone (qualified or unqualified) into a seat on their campus."

75. In September 2012, the parties launched the "Corinthian 2.0" program, which was a continuation of the original forward flow program, with slightly different terms.

***Aequitas Saw Corinthian Students As Easy Prey and Knew That Corinthian Exercised Undue Influence Over Them***

76. At a meeting with Corinthian executives in Santa Ana, California in June 2012, Aequitas noted that Corinthian described its competition for students as "the

couch, inertia, and gangs” and that its students were “looking to get a life, looking for a mother figure and father figure.”

77. In a January 2013 marketing presentation to Aequitas, Corinthian described its prospective student population as individuals who have “low self-esteem” and “[f]ew people in their lives who care about them”; who are “isolated,” “stuck, unable to see and plan well for future”; and “impatient, [and] want quick solutions.”

78. Aequitas knew that Corinthian brokered the Genesis Loans to its students by arranging for the loans and serving as the students’ single point of contact in doing so.

79. Aequitas knew that Corinthian was advising students regarding the loans offered through the Genesis Loan scheme and that Corinthian was actively engaged in promoting Genesis Loans.

***Aequitas Knew that Corinthian Students Were Being Harmed by High Default Rates but Sought Only to Mitigate Its Own Exposure to the Defaults***

80. Aequitas understood that default rates on the Genesis Loan Program were high. In March 2012, an Aequitas employee noted that Corinthian continued making institutional loans, despite the high default rates that resulted in Corinthian writing many of the loans off, “presumably because the loans lure students to its schools and give[] it access to federal student aid dollars.” In other words, Aequitas understood the Genesis Loan Program was intended to be a loss leader for Corinthian.

81. Aequitas understood that Corinthian expected students would, more often than not, be unable to repay their Genesis Loans. In conducting diligence, Aequitas noted that “[d]espite the dismal performance of [the Genesis] loans, Corinthian

executives told investors in summer 2011 that they planned to double the volume of private loans made through the institutional loan program . . . .”

82. The same Aequitas employee noted “with defaults this high, how can we defend our practices?”

83. Indeed, despite the fact that Aequitas knew that the tuition charge funded by the Genesis Loans, as well as the Program itself, was merely a ploy to obtain access to federal funds, Aequitas disregarded the high default rates on these sham loans.

84. Aequitas understood the harmful impact of student loan defaults on students. For example, Aequitas learned that private student loans like the Genesis Loans were difficult to discharge in bankruptcy, “making them more onerous than credit-card debt or subprime mortgages.”

85. Aequitas was well aware that, in 2008, when Corinthian began its loan program, the default rates for these loans were between 50% and 70%.

86. Aequitas’s initial models in 2011 predicted a 45% default rate. In October 2012, Aequitas revised its models upon a finding that default rates were in the mid-50% range. Aequitas estimated that it could cover the cost of investor funds if the cumulative default rate reached 63% even if Corinthian defaulted on its obligations to purchase the loans.

87. In December 2012, Aequitas’s Underwriting Report recommended Aequitas continue purchasing Corinthian’s loans, despite an expected default rate of 57% for the loans purchased as part of the 2.0 forward flow agreement with Corinthian.

88. In October 2013, Aequitas concluded that the loans purchased in June 2011 had a default rate of 63%. Aequitas estimated that the default rate for the full term of these loans would be 66%. Moreover, Aequitas determined a default rate of 50.9% for

loans in the Corinthian 1.0 program and an estimated default rate of 61% for the full term of the loans.

89. Aequitas understood Corinthian was not concerned about the high default rates because, from Corinthian's perspective, the purpose of the Genesis Loan Program was to receive Title IV funds and avoid 90/10 Rule compliance problems.

90. For Aequitas, the high default rates were simply an investment risk to be mitigated. As long as the loans performed within Aequitas's projections and Corinthian assumed the risk of purchasing delinquent and defaulted loans, Aequitas made money on the loans. Corinthian was willing to assume that risk because the pretense of a third party funding the Genesis Loan Program allowed the school to stay in compliance with the 90/10 rule.

91. Despite its knowledge of the high default rates and the effect of defaults on students, Aequitas continued funding the Genesis Loan Program. Aequitas continued to seek out ways in which it could work more closely with and fund more loans for Corinthian, ultimately agreeing to do so several times via renewed funding agreements.

92. In the meantime, Corinthian students who defaulted on Genesis Loans suffered harmful consequences including negative credit reporting, along with consequences that flow from that. Negative items on a credit report like defaults can result in difficulty in renting an apartment, denial of employment, ineligibility for other forms of financing, or eligibility only on less favorable terms than would otherwise have been available.

93. In addition, Corinthian students were and are harmed by Aequitas's continued collection of payments on loans that carried interest rates as high as 18% and origination fees as high as 6%.

***Aequitas Was Aware of and Disregarded Increasing Scrutiny of  
Corinthian's Business Practices***

94. Aequitas was aware of allegations of wrongdoing by Corinthian and ignored numerous red flags regarding Corinthian's deceptive acts and practices.

95. In a 2011 Deal Summary and Underwriting Report to investors concerning Aequitas's purchase of a portfolio of loans in 2011, Aequitas summarized the numerous lawsuits against Corinthian.

96. For example, the summary noted that Corinthian was facing three *qui tam* false claims actions alleging violations of the Higher Education Act regarding the manner in which admissions personnel were compensated.

97. The summary also observed that Corinthian had experienced an "unprecedented increase" in putative class action lawsuits brought by former students in the second, third, and fourth quarters of the 2011 fiscal year. Aequitas explained that Corinthian "believes these lawsuits are largely the result of negative publicity" and noted that binding arbitration clauses required nearly all of the students to resolve their cases through individual arbitration.

98. Aequitas was aware that in 2012, Corinthian was being investigated by state attorneys general for Florida, California, Massachusetts, Illinois, New York, and Oregon for alleged wrongdoing including misrepresentations regarding job placement and career prospects.

99. In 2012, Aequitas was aware of the Bureau's investigation into Corinthian's practices.

100. Aequitas was also aware that in October 2013, the State of California sued Corinthian, alleging "false and predatory advertising, intentional misrepresentations to

students, securities fraud and unlawful use of military seals in advertisements.”

According to the California complaint, Corinthian’s “predatory marketing efforts specifically target[ed] vulnerable, low-income job seekers and single parents who have annual incomes near the federal poverty line.”

101. Aequis’s periodic written internal memoranda about its business relationship with Corinthian indicate Aequis failed to perform any meaningful due diligence concerning Corinthian’s marketing and representations to its students. Instead, Aequis took at face value Corinthian’s assertions that the lawsuits and investigations were without merit or easily disposed of.

***Despite The Many Red Flags, Aequis Continued Its Partnership With Corinthian and Its Expansion Efforts For the “EducationPlus” Loan Program***

102. In June 2012, at Aequis’s request, the agreement between Corinthian and Aequis was amended to include a provision that barred Corinthian from endorsing any tuition loan program other than Aequis’s.

103. In a December 2012 internal report, Aequis noted “we enjoy regular interactions with Corinthian’s CEO and CFO, allowing us to increasingly become a strategic partner to Corinthian.”

104. In or about 2013, Corinthian and Aequis renamed the Genesis Loan Program the “EducationPlus” loan program. The EducationPlus loan program resulted in lower interest rates being offered to Corinthian students, but was the functional equivalent of the Genesis Loan Program and Aequis’s and Corinthian’s respective roles did not change. Corinthian management and staff often referred to the EducationPlus loan program as the Genesis Loan Program. (References in this Complaint to the Genesis Loan Program and Genesis Loans include EducationPlus loans.)

105. Aequitas began marketing the EducationPlus program to other for-profit schools as a “turnkey solution” to provide funding for their institutional loan programs. Aequitas did this because it saw the scheme it was running with Corinthian as a profit center, disregarding the fact that it was a sham that harmed the student borrowers who were caught up in it.

***Only When Aequitas Deemed the Forward Flow Program too Risky to Aequitas Did It Cease Funding Loans***

106. In January 2014, Aequitas exercised its option to withdraw from the loan program and stop purchasing Genesis Loans originated through Corinthian.

107. Aequitas management made the decision based on “increased operational risk at Corinthian” and “headline risk to Aequitas.” Aequitas was concerned that state and federal investigations of Corinthian could ultimately affect the underlying value of the Genesis Loans they were funding.

108. However, from February 2014 through May 2014, Aequitas and Corinthian continued to discuss additional opportunities to continue working together, which Aequitas said would require additional insulation from defaults and other risk in the loan portfolios.

109. In May 2014, Corinthian stopped honoring its obligation to purchase all loans from CSF that were more than 90 days past due.



# COUNT I

## **AEQUITAS VIOLATED THE CFPA'S PROHIBITION ON ABUSIVE ACTS AND PRACTICES BY FUNDING AND SUPPORTING THE GENESIS LOAN PROGRAM**

110. The allegations in paragraphs 1 through 109 are incorporated here by reference.

111. Section 1036(a)(1)(B) of the CFPA, 12 U.S.C. § 5536(a)(1)(B), makes it unlawful for a covered person to engage “in any unfair deceptive, or abusive act or practice.” An act or practice is abusive under the CFPA if it “takes unreasonable advantage of . . . the inability of the consumer to protect the interests of the consumer in selecting or using a consumer financial product or service. . . .” 12 U.S.C. §§ 5531(d)(2)(B).

112. The Genesis Loans sold by Corinthian to its students and funded by Aequitas were consumer financial products. 12 U.S.C. §§ 5481(5), (15)(A)(i).

113. Aequitas is a “covered person” under the CFPA, 12 U.S.C. § 5481(6) because it acquired or purchased consumer loans, the Genesis Loans.

114. From at least September 2011 until February 2014, Aequitas and Corinthian engaged in a complex scheme designed to maximize the flow of Title IV federal loan dollars to Corinthian and satisfy its obligations under the “90/10 Rule.”

115. Under the “90/10 Rule,” Corinthian was barred from receiving more than 90% of its revenue from Title IV federal student aid. At first, Corinthian sought to satisfy the “10 %” by charging additional tuition, above what federal aid could cover, to ensure that a “10 %” would be forthcoming. Knowing that its students could not generally afford the “10 %” additional charge out of pocket, however, Corinthian created

and funded the Genesis Loan Program to cover that, acquiring the Genesis Loans within days of their origination by a bank.

116. As of July 1, 2012, private student loans originated and owned by an institution of higher education, such as the first version of Genesis Loan Program, would no longer count toward the 10% of private revenue required for a school to maintain eligible to receive Title IV funds. As a result of this change to the 90/10 Rule, Corinthian sought a third party to immediately purchase the loans after origination, thereby keeping the loans off Corinthian's books so that they could be counted as a private source of revenue for purposes of the 90/10 Rule.

117. Aequitas agreed to take on that role in the scheme, which permitted Corinthian to continue offering Genesis Loans to students, despite no longer being able to hold those loans on its books, and without increasing its non-Title IV sources of revenue from other sources.

118. Aequitas knew that Corinthian sought no economic benefit from the Genesis Loan Program or the tuition payments it was intended to fund except for Corinthian's access to the Title IV program. Aequitas knew that the additional tuition was charged by Corinthian simply to create revenue that would satisfy the "10 %" required to obtain federal funds. Aequitas knew that the high projected default rate of the program meant that Corinthian, which was bound to buy all delinquent Genesis Loans from Aequitas, would not actually realize that "10 %" because the cost of buying back non-performing loans and maintaining the program would absorb any such revenue.

119. In short, Aequitas knew that the Genesis Loan Program, and the tuition charge it funded for Corinthian student-borrowers, was a sham.

120. Aequitas participated in the loan programs in order to earn the profit from the performing loans it expected to keep.

121. Aequitas knew but disregarded the harm to Corinthian student borrowers caused by this scheme. While Aequitas made what appeared to be an easy profit, with Corinthian buying back delinquent loans, student borrowers would have to pay high-interest, high origination fee loans back for illusory tuition that Corinthian never expected to recoup. Aequitas knew but disregarded the fact that most Corinthian student borrowers would default on these loans and would suffer the consequences of such defaults.

122. Student borrowers were not able to protect their interests in selecting or using the Genesis Loans because they could not have known or understood that Corinthian and Aequitas were using the Genesis Loans, and the tuition charge they funded, as a loss leader and a ruse designed to generate Title IV federal loan revenue for Corinthian, and because most borrowers did not have other options to pay for Corinthian's artificially-inflated tuition.

123. Aequitas took unreasonable advantage of student borrowers' inability to protect their interests in selecting or using the Genesis Loans by funding, supporting, and maintaining its purchase of Corinthian student loan portfolios and by participating in the Genesis Loan Program through the "forward flow" agreements with Corinthian, all while continuing to reap significant profits from the scheme.

124. Corinthian students, the great majority of whom had few financial resources to begin with, were and are harmed by Aequitas's continued collection of unaffordable payments on loans that carried interest rates as high as 18% and

origination fees as high as 6%, which translates to thousands of dollars for each student over the life of the loan.

125. Many Corinthian students were and are harmed by defaults on their student loans, which exacerbate their financial distress, are difficult to discharge in bankruptcy, and will detrimentally affect their credit ratings for years.

126. Therefore, Aequitas violated the CFPA's prohibition on abusive practices, 12 U.S.C. § 5536(a)(1)(B).

### **PRAYER FOR RELIEF**

Wherefore, the Bureau, pursuant to Sections 1054 and 1055 of the CFPA, 12 U.S.C. §§ 5564 and 5565, and the Court's power to grant legal or equitable relief, requests that the Court:

- a. permanently enjoin Aequitas from committing future violations of the CFPA;
- b. declare that Aequitas engaged in abusive conduct when it funded and implemented the Genesis Loan Program in order for Corinthian to carry out the 90/10 scheme.
- c. permanently enjoin Aequitas from collecting loan payments from the affected borrowers;
- d. order Aequitas to pay restitution to consumers harmed by its unlawful conduct;
- e. order Aequitas to pay damages to consumers harmed by its unlawful conduct;
- f. order Aequitas to disgorge all ill-gotten profits;
- g. order the rescission of all Genesis Loans originated or funded by Aequitas or

its subsidiaries since July 21, 2011;

- h. enjoin Aequitas from making further investments in student loan products;
- i. impose civil money penalties against Aequitas;
- j. order Aequitas to pay the Bureau's costs incurred in connection with bringing this action; and
- k. award such other and additional relief as the Court may determine to be just and proper.

Dated: August \_\_, 2017

Respectfully submitted,

Anthony M. Alexis, DC Bar 384545  
Enforcement Director

David Rubenstein, DC Bar 458770  
Deputy Enforcement Director

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Attorneys for Plaintiff  
CONSUMER FINANCIAL PROTECTION  
BUREAU

**EXECUTION DRAFT [8/15/17]**

**IN THE MATTER OF:**

**Ronald F. Greenspan, Receiver for Aequis Capital Management, Inc., Aequis Management, LLC, Aequis Holdings, LLC, Aequis Commercial Finance, LLC, Campus Student Funding, LLC, CSF Leverage I, LLC, Aequis Income Opportunity Fund II, LLC and Aequis Income Protection Fund, LLC**

**ASSURANCE OF VOLUNTARY COMPLIANCE/  
ASSURANCE OF VOLUNTARY DISCONTINUANCE**

This Assurance of Voluntary Compliance/Assurance of Voluntary Discontinuance (“Settlement” or “Assurance”) is entered into between the States of Connecticut, Illinois, Iowa, Kentucky, New York, Pennsylvania, Texas, and Washington (the “States” or individually, a “State”), acting through their respective Attorney General, Departments of Justice, or Offices of Consumer Protection (“Attorneys General”) and Ronald F. Greenspan, the duly appointed Receiver of Aequis Management, LLC, *et al.*, pursuant to the Order Appointing Receiver dated April 14, 2016 (the “Receivership Order”) in Securities and Exchange Commission v. Aequis Management, LLC *et al.*, Case No. 3:16-cv-00438-PK, United States District Court for the District of Oregon (the “Receivership Court”), to settle concerns that conduct of Aequis Capital Management, Inc., Aequis Management, LLC, Aequis Holdings, LLC, Aequis Commercial Finance, LLC, Campus Student Funding, LLC, CSF Leverage I, LLC, Aequis Income Opportunity Fund II, LLC and Aequis Income Protection Fund, LLC (collectively, the “Aequis Parties”) violated Sections 1031 and 1036 of the Dodd-Frank Act (12 U.S.C. §§ 5531

and 5536), relating to unfair, deceptive or abusive acts or practices, and the States' consumer protection laws relating to unfair and deceptive business acts and practices. The States and the Receiver (on behalf of the Aequitas Parties) have agreed to execute this Assurance for the purposes of settlement only.

## **I. BACKGROUND**

- A. The Securities and Exchange Commission commenced its receivership action in the Receivership Court on March 10, 2016 to, among other things, obtain injunctive relief against the Aequitas Parties and certain of their principals and affiliates for violation of certain federal securities laws and place the Aequitas Parties and certain other related parties in receivership for purposes of orderly liquidation (referred to herein as the "Receivership Action"). The Receivership Court entered a preliminary injunction against the Aequitas Parties and certain other related parties on March 15, 2016 and appointed Ronald F. Greenspan as interim receiver, and by the Receivership Order appointed the Receiver for the Aequitas Parties and certain other related parties. Pursuant to the Receivership Order, the Receiver has the power and authority to enter into this Assurance with the Attorneys General and to perform certain duties set forth in this Assurance during the pendency of the Receivership.
- B. This Assurance is the result of the Receiver working cooperatively with the Attorneys General of the States.
- C. Each of the States has enacted a statute relating to unfair and deceptive business acts and practices, as depicted on Schedule 1 attached hereto and incorporated herein by reference ("State Laws"), and in addition each states is empowered to

enforce the Consumer Financial Protection Act (“CFPA”) pursuant to 12 U.S.C. 5552.

- D. The Attorneys General initiated an investigation of the relationship between Corinthian Colleges, Inc. (“Corinthian”) and the Aequitas Parties, with respect to the origination and servicing of private student loans. The Attorneys General discovered evidence supporting the following allegations:
- i. The Aequitas Parties funded and maintained a private student loan program offered to Corinthian students, which enabled Corinthian to present a façade of compliance with federal laws requiring that a certain portion of a for-profit school’s revenue come from sources other than federal student aid, and in doing so took unreasonable advantage of and engaged in unfair and deceptive acts toward Corinthian student borrowers who were unaware of the scheme associated with this loan program, and therefore were unable to protect their interests in taking out such loans.
  - ii. Starting in 2011, Corinthian made an arrangement with the certain of the Aequitas Parties in which such Aequitas Parties purchased existing student loan portfolios and began funding or purchasing new private student loans originated by depository institutions. The arrangement made it appear as if Corinthian was not funding the loans. Yet, central to the arrangement was an agreement by Corinthian to purchase all the private student loans that became delinquent more than 90 days, essentially shifting the risk of the program from the Aequitas Parties back to Corinthian.



- iii. The Aequitas Parties knew that the underlying tuition charge that the Genesis loans funded, as well as the Genesis Loans themselves, were intended to provide no economic benefit to Corinthian except access to Title IV funds. For example, default rates in the Genesis Loan Program were historically high – between 50 and 70 percent, such that the Genesis Loan Program essentially functioned as a loss leader for Corinthian, regardless of the outcomes for student borrowers. Corinthian Students were never told of the loan default rates.
  - iv. The Aequitas Parties were a necessary player in this scheme, which enriched the Aequitas Parties with performing loans at high interest rates and enabled Corinthian to continue in existence by keeping Title IV revenue flowing.
  - v. Corinthian students, however, were never told that the portion of tuition funded by the private student loans, as well as the loans themselves, were a sham to get access to federal funds.
  - vi. Corinthian induced students to enroll with systemic misrepresentations of job placement rates and career services supports available to students. Ultimately, Corinthian students were the ones left holding the bag, often with expensive debt that many would not be able to repay.
- E. The Receiver, on behalf of the Aequitas Parties, fully cooperated in the States' investigation. Specifically, the States issued subpoenas and/or requested information from the Receiver in the Receiver's possession related to the Aequitas Parties and Corinthian and the Receiver produced a substantial volume of documents and information in response. The Attorneys General and the

Receiver, on behalf of the Aequitas Parties, also conferred on multiple occasions to discuss the issues raised in the Attorneys General investigation.

- F. The Receiver is obligated under this Assurance for the sole purpose of acting on behalf of the Aequitas Parties, during the duration of the Receivership, to grant certain monetary relief from the assets of the Receivership and to take certain actions (in his capacity as Receiver) for the benefit of residents of the states represented by the Attorneys General and in compliance with requirements of the Attorneys General under this Assurance (as more particularly set forth below).
- G. The loan reductions, discharges and cancellations described in this Settlement are based on alleged infirmities that relate back to the original sale of educational services by Corinthian and are for the purpose of correcting these alleged unlawful business practices by the Aequitas Parties, including alleged unfair, deceptive, and abusive acts and practices.

## **II. DEFINITIONS**

For purposes of this Assurance, the following terms used herein shall have the following meanings for purposes of this Assurance only.

- A. [INTENTIONALLY OMITTED]
- B. “Affected Consumers” means all consumers who were Borrowers of Aequitas Genesis Loans and have remaining unpaid amounts on such loans as of the Record Date.

- C. “Active Aequitas Genesis Loans” means, as of the Record Date, all Aequitas Genesis Loans, with the exception of Defaulted Genesis Loans and Aequitas Closed School Loans.
- D. “Aequitas Parties” has the meaning ascribed in the first paragraph of this Assurance.
- E. “Aequitas Genesis Loan” means any private student loan which was made to a Borrower to pay for tuition, cost of living expenses and/or fees to attend a Corinthian school, and which as of the Record Date is still outstanding on the books and records of the Aequitas Parties in the possession of the Receiver (or on the books and records of servicers of said loans).
- F. “Borrower” means a consumer resident of one of the states represented by the Attorneys General who was a borrower of an Aequitas Genesis Loan, and his/her/its successors or assigns.
- G. “CFPB Order” shall have the meaning ascribed in Section III.19. below.
- H. “Closed School Loan ” means an Aequitas Genesis Loan to a Borrower who did not graduate or complete his/her course work and who (a) attended one of the Corinthian schools that Corinthian announced on April 27, 2015 would be closed and described on Schedule 2 to this Assurance and was either attending such school when it closed or withdrew from such school on or after June 1, 2014, or (b) attended one of the Corinthian schools sold to Zenith as

denoted on Schedule 3 to this Assurance and whose loan is depicted on a list agreed upon between the Receiver and the Attorneys General.

- I. “Defaulted Aequis Genesis Loan” means an Aequis Genesis Loan that is 270 days or more past due, charged off, or cancelled as of the Record Date.
- J. “Current Payment Amount” is the monthly payment amount designated for each Active Aequis Genesis Loan in order to keep the account current and non-delinquent.
- K. “Effective Date” means the date on which this Assurance is signed by the parties hereto.
- L. “Re-Amortization Payment Amount” is a new payment amount per month for each Active Aequis Genesis Loan, calculated based on the principal reduction provided for in Section III.10. below as of the Record Date such that the Active Aequis Genesis Loan will be fully paid if the Re-Amortization Payment Amount is paid by the Borrower each month on time, by the end of that loan’s actual or, in the case of loans that have ever been in or are currently in a forbearance plan, estimated remaining term.
- M. “Receiver” means Ronald F. Greenspan, receiver of the Aequis Parties, named as such in the Receivership Order, or any other receiver that is appointed by a superseding order in the same litigation.
- N. “Receivership Action” has the meaning ascribed in Section I.A. above.

- O. “Receivership Court” has the meaning ascribed in the first paragraph of this Assurance.
- P. “Receivership Order” has the meaning ascribed in the first grammatical paragraph of this Assurance.
- Q. “Record Date” means March 31, 2017.
- R. “Reports” has the meaning ascribed in Section III.B.19 below.
- S. “Retained Personnel” means the agents of the Receiver, as defined by the Receivership Order.
- T. “State Laws” has the meaning ascribed in Section I.C. above.

### III. AGREED UPON TERMS

#### A. CONDUCT PROVISIONS

1. The Aequitas Parties and their respective officers, agents, servants, employees and attorneys, who have actual notice of this Assurance, whether acting directly or indirectly, may not violate §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536, and State Laws, including by engaging in unfair, deceptive or abusive acts or practices in connection with lending to students of for-profit schools.
2. Within 30 days of the Effective Date, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, shall obtain the following reports from servicers currently servicing the Aequitas Genesis Loans, with data as of the Record Date. Upon obtaining such reports, the Aequitas Parties or the Receiver on behalf of the Aequitas Parties shall provide copies of them to the Attorneys General. The following reports are to be obtained, to the extent the specified loan-level data are available:
  - a. a report of all Aequitas Genesis Loans including for each such Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Aequitas Genesis Loan, the associated Borrower's name, a

unique identifying number, and most currently available postal address, phone number, and email address.

- b. a report of all Active Aequitas Genesis Loans including for each such Active Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Active Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.
- c. a report of all Defaulted Aequitas Genesis Loans, including for each such Defaulted Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Defaulted Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.
- d. a report of all Closed School Loans, including for each such Closed School Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Closed School Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

3. For each Closed School Loan, the Aequitas Parties, and the Receiver on behalf of the Aequitas Parties, shall not after the Effective Date:
  - a. Engage in any collection activity with respect to each such Closed School Loan; however, the Aequitas Parties will not be regarded as in violation of this Assurance if they send out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;
  - b. Accept any future payment on any such Closed School Loan, including any future payment made in connection with any statement or notice permitted by subsection a., provided, however, that in the event that such a payment is discovered to be accepted and processed, the Aequitas Parties, or the Receiver acting on the Aequitas Parties' behalf, will return the payment to the Borrower within a reasonable time; and
  - c. Resell, transfer, or assign any such Closed School Loan.
4. For each Defaulted Aequitas Genesis Loan, the Aequitas Parties, and the Receiver on behalf of the Aequitas Parties, shall not after the Effective Date:
  - a. Engage in any collection activity with respect to each such Defaulted Aequitas Genesis Loan; however, the Aequitas Parties will not be regarded as in violation of this Assurance if they send



out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;

- b. Accept any future payment on any such Defaulted Aequitas Genesis Loan, including any future payment made in connection with any statement or notice permitted by subsection a., provided, however, that in the event that such a payment is discovered to be accepted and processed, the Aequitas Parties, or the Receiver acting on behalf of the Aequitas Parties, will return the payment to the Borrower within a reasonable time; and
  - c. Resell, transfer, or assign any such Defaulted Aequitas Genesis Loan.
5. For each Active Aequitas Genesis Loan, the Aequitas Parties, and the Receiver on behalf of the Aequitas Parties, shall not after the Effective Date:
- a. Resell, transfer, or assign any such Active Aequitas Genesis Loan, unless:
    - i. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, ensure that the principal amount of each such loan sold, transferred or assigned reflects the reduction required in paragraph 10. below;

- ii. Within five business days of reaching an agreement in principle to sell, transfer or assign any Active Aequitas Genesis Loans, in which the terms have been agreed upon by the parties but the Receiver has not yet sought the authority of the Receivership Court to make such a sale, transfer, or assignment, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must provide to the Attorneys General:
  - 1. notice of the fact that such agreement in principle has been reached;
  - 2. the name of the proposed purchaser, transferee or assignee;
  - 3. the list of Active Aequitas Genesis loans to be sold, transferred or assigned; and
  - 4. the proposed written agreement memorializing the terms of the proposed sale, transfer, or assignment.
- iii. Within five business days prior to filing a motion seeking court approval from the Receivership Court for any such sale, transfer or assignment of Active Aequitas Genesis Loans, the Aequitas Parties, or the Receiver on

behalf of the Aequitas Parties, must provide the Attorneys General with:

1. Notice of its intention to file any such motion; and
  2. The proposed motion papers, including any attachments thereto;
- iv. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, ensure that the final agreement memorializing any such sale, transfer or assignment of any Active Aequitas Genesis Loans contains a provision requiring the purchaser, transferee or assignee to adopt or abide by the terms and provisions of this Assurance requiring ongoing performance for the Attorneys General;
- b. Any motion in the Receivership Court seeking approval for any such sale, transfer or assignment of Active Aequitas Genesis Loans shall contain (1) a request to the Receivership Court that the terms of this Assurance requiring ongoing performance for the Attorneys General shall be enforceable against the purchaser, transferee or assignee, and (2) not seek to sell, transfer or assign such loans free and clear of rights, claims or defenses of any borrower, cosigner or guarantor of any such loan.

6. For each Active Aequitas Genesis Loan, the Aequitas Parties, and the Receiver on behalf of the Aequitas Parties, shall not from 60 days after the Effective Date:
  - a. Engage in any collection activity with respect to each such Active Aequitas Genesis Loan which seeks an amount in principal greater than the amount identified in paragraph 10. below, including by:
    - i. calculating interest or fees based on a principal amount greater than the amount identified in paragraph 10. below, however, in the event interest or fees have been calculated on a principal amount greater than the amount identified in paragraph 10. below, the excess amounts that have been paid will be applied to the account's principal balance unless the Borrower seeks a refund of such improperly charged amounts, in which case the Borrower will be supplied a refund; and
    - ii. representing to the Borrower and any cosigner or guarantor of any such Active Aequitas Genesis Loan that the principal amount owed is greater than the amount identified in paragraph 10. below.

7. Within 30 days of the Effective Date, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must request that and use

commercial reasonable efforts to follow up with any servicer that furnished trade line information for Aequitas Genesis Loans to credit reporting agencies to furnish deletion codes to said credit reporting agencies to delete such information from subject Borrowers', cosigners', or guarantors' credit reports. For Borrowers of Active Aequitas Genesis Loans who perform under such Loans after the Effective Date, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, may direct the servicer to report such performance to credit reporting agencies in accordance with applicable law. For any Borrowers who become or continue to be delinquent or in default after the Effective Date, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, may direct the servicer to report such Borrowers' status to credit reporting agencies in accordance with applicable law; however, any such reporting shall reflect the balance as modified by this Assurance.

8. The Aequitas Parties, or the Receiver on behalf the Aequitas Parties, shall direct any person or entity collecting on Active Aequitas Genesis Loans to fully comply with all applicable requirements of the Fair Debt Collection Practices Act ("FDCPA"), 15 U.S.C. §§ 1692 *et seq.*, as well as State debt collection laws, in any such collection.

## **B. BORROWER REDRESS AND REMEDIATION**

9. Within 60 days after the Effective Date, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, will discharge and cancel all

amounts shown as owed in the report provided to the Attorneys General under paragraph 2. above, including principal, interest, fees or any other amounts, in connection with:

- a. all Closed School Loans; and
  - b. all Defaulted Aequis Genesis Loans.
10. Within 60 days after the Effective Date, the Aequis Parties, or the Receiver on behalf of the Aequis Parties, shall reduce the principal amount owed as of the Record Date on each Active Aequis Genesis Loan, as identified in the report provided to the Attorneys General Bureau under paragraph 2. above, by 55% and discharge such principal and any accrued and unpaid interest, fees and charges that are 30 or more days past due as of the Record Date.
11. The Aequis Parties, or the Receiver on behalf of the Aequis Parties, must provide each Borrower of a Closed School Loan and each Borrower of a Defaulted Aequis Genesis Loan with the following written notice within 90 days of the Effective Date. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- a. The outstanding amount that had been owed under each Aequitas Genesis Loan as of the Record Date by such Borrower;
- b. The fact that each such amount has been discharged in full and such Borrower (and any cosigner or guarantor) no longer owes any amounts under his or her Aequitas Genesis Loan;
- c. The fact that the discharge and cancellation of the amounts owed for each such Aequitas Genesis Loan is pursuant to this Assurance;
- d. The fact that the Borrower (and any cosigner or guarantor) will not be subjected to any new debt-collection or credit-reporting activities related to each such Aequitas Genesis Loan;
- e. Any such discharge or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;
- f. No amounts that were due and owing and were paid prior to the Record Date will be returned to the Borrower (or any cosigner or guarantor); and
- g. Notice of contact information at each Attorney General, should the Borrower have questions about the terms of this Assurance.

12. Within 90 days of the Effective Date, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must provide each Borrower of an Active Aequitas Genesis Loan written notice (as described in paragraph 14 below) of his/her option to either continue paying the Current Payment Amount on the lowered principal balance or elect to have the loan re-amortized using the lowered principal balance and remaining term of the subject loan, which will result in a Re-Amortization Payment Amount. No such notice is required to a Borrower and no Re-Amortization Payment Amount will be available to a Borrower, however, if such Borrower's Current Payment Amount before re-amortization is less than \$20; in any event, a Borrower's Re-Amortization Payment Amount will not be less than \$20.
  
13. Each Borrower of an Active Aequitas Genesis Loan will have 90 days from the mailing date of such notice to make his/her election by completing the notice and returning it to the Aequitas Parties, the Receiver (on behalf of the Aequitas Parties) or the applicable servicer. If the Borrower does not make such an election, he or she will be required to pay the Current Payment Amount and the loan will not be re-amortized. For Borrowers as to whom the Aequitas Parties, the Receiver on behalf of the Aequitas Parties or the applicable servicer timely have received affirmative notice of election of the Re-Amortization Payment Amount, within 30 days following the expiration of the 90 day election period, the Aequitas Parties, or the Receiver on



behalf of the Aequitas Parties, will re-amortize loans and adjust the monthly payment amount for all future unbilled and un-accrued loan payments to the Re-Amortization Payment Amount. Notwithstanding the foregoing, for any Active Aequitas Genesis Loan which already has been amended or modified pursuant to a forbearance plan to provide a Borrower with a monthly payment that is less than the applicable Re-Amortization Payment Amount and the Borrower has elected to accept the re-amortization option, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, shall not be required to adjust the monthly payment until the end of the applicable forbearance period. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, will adjust the monthly payment to a Re-Amortization Payment Amount based on the principal balance of the Borrower's loan at the end of the applicable forbearance period.

14. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must provide each Borrower of an Active Aequitas Genesis Loan with the following notice pursuant to paragraphs 12. and 13. above. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- a. Identification information that associates the loan to the Borrower;

- b. The amount of principal owed as of the Record Date of each Active Aequitas Genesis Loan associated with such Borrower;
- c. The amount of principal owed for each such Active Aequitas Genesis Loan after the reduction required in paragraph 10. above has been applied;
- d. A statement notifying the Borrower that the principal has been reduced by 55% pursuant to this Assurance;
- e. A Re-Amortization Payment Amount option whereby the Borrower has 90 days from the mailing date of such notice to inform the servicer of his or her election to opt-in and have his or her loan re-amortized with the minimum monthly payment modified from the Current Payment Amount to a Re-Amortization Payment Amount;
- f. The fact that if the Borrower does not make such an election by the required date, the Current Payment Amount will continue as the amount due on his or her loan each month;
- g. The fact that replacing the Current Payment Amount with the Re-Amortization Payment Amount may reduce the amount such Borrower pays each month but will cost the Borrower more over the life of the loan than if he or she continued with the Current Payment Amount;

- h. The fact that a Borrower's election will not waive any rights, claims or defenses that the Borrower and any co-borrower or guarantor may have with respect to the loan;
- i. The fact that continuing to pay the Current Payment Amount (or more) each month will result in full satisfaction of his or her loan before the payment term has expired, and will cost the Borrower less overall than if he or she elected to use the Re-amortization Payment Amount;
- j. The following specific information individualized for each Borrower on an Active Aequitas Genesis Loan:

- i. The estimated total amount of principal and interest the Borrower will pay if the Borrower pays each current Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequitas Genesis Loan under these circumstances;

- ii. The estimated total amount of principal and interest that the Borrower will pay if the Borrower elects his or her option to pay the Re- Amortization Payment Amount and pays such Re-Amortization Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequitas Genesis Loan under these circumstances;

- k. Any reduction, discharge or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;
- l. A statement notifying the Borrower that, if the Borrower desires, the Borrower at any time may make payments larger than the Re-Amortization Payment Amount, which if the loan is current would result in a shorter payoff period and interest savings;
- m. A statement notifying Borrowers on forbearance plans of their alternative payment options as set forth in paragraph 13 above; and
- n. A statement notifying Borrowers that the relief described does not waive or extinguish any rights, claims or defenses that the Borrower, any co-borrower and/or guarantor may have with respect to his or her loan;
- o. Notice of contact information at each Attorney General, should the Borrower have questions about the terms of this Assurance; and
- p. Notice of contact information of the servicer of Borrowers' loans, for inquiries about collection, servicing and discharge of loans and related questions.

15. A proposed form of the notices required by paragraphs 11. and 14. above shall be provided to the Attorneys General for non-objection within 30 days of the Effective Date.
16. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, shall include no materials other than the notices provided in paragraphs 11. and 14. above in any envelope containing such notices, unless the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, has obtained written confirmation from the Attorneys General that the Attorneys General do not object to the inclusion of such materials.
17. Notwithstanding any provision in this Assurance to the contrary, the Receiver is permitted to prepare and send out Borrower notices on the same forms as required by the Consumer Financial Protection Bureau under the CFPB Order, with the addition of provisions above required by the Attorneys General.
18. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, in carrying out the provisions of this Assurance, are permitted to make such adjustments to loan balance amounts, accrual of interest and Borrower payment amounts and process refunds to Borrowers (including providing Borrower refunds or reimbursements not expressly required by this Assurance) as may be necessary to assure compliance with this Assurance, but in any event in a manner that is fair and

transparent to Borrowers subject to such adjustments and in a manner that is otherwise in compliance with this Assurance.

19. The parties acknowledge and agree, without limiting the duties of the Aequitas Parties and the Receiver on behalf of the Aequitas Parties under this Assurance, the Aequitas Parties or the Receiver on behalf of the Aequitas Parties will be permitted to submit or provide to the Attorneys General, at the address specified below, communications, reports, notices and other materials called for under this Assurance (collectively, “Reports”) in the same form and under the same terms as the Receiver is required to comply with under the Stipulated Final Judgment and Order with the Consumer Financial Protection Bureau entered in the Receivership Proceeding (“the CFPB Order”). The Attorneys General shall be entitled to rely on such Reports as if submitted or provided directly to the Attorneys General.
  
20. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, shall use commercially reasonable efforts to obtain guidance from the Internal Revenue Service indicating that the Receiver is not required to make federal tax filings (including sending 1099 forms to Borrowers) as a result of the debt relief provided in this Assurance, prior to the time such forms would be required to be sent. If the Receiver, in consultation with his counsel, is satisfied that such guidance is reliable, the Receiver shall not make applicable tax filings and shall not send Borrowers 1099 forms.

21. Notwithstanding any other terms, conditions or provisions of this Assurance, pursuant to the Receivership Order, (i) the Receiver and the Retained Personnel are entitled to rely on all outstanding rules of law and the orders of the Receivership Court and shall not be liable to any person or party (including, without limitation, the Attorneys General) for their own good faith compliance with this Assurance; (ii) in no event shall the Receiver or Retained Personnel be liable to any person or party (including, without limitation, the Attorneys General) for their good faith compliance with their duties and responsibilities as Receiver or Retained Personnel; and (iii) the Receiver or Retained Personnel will not be liable for any actions taken or omitted by them under this Settlement except pursuant to an action or proceeding by an Attorney General to enforce such governmental unit's police or regulatory powers as set forth in Section VII. below.

#### **IV. REPORTING AND COMMUNICATING WITH THE STATES**

- A. The Aequitas Parties, or during the pendency of the Receivership Receiver on behalf of the Aequitas Parties, shall notify the Attorneys General of any development that may affect their obligations arising under this Assurance, including, but not limited to, the replacement of the Receiver or the filing of any bankruptcy or insolvency proceeding by or against the Aequitas Parties. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must provide this notice at least 30 days before the development or as soon as practicable after learning about the development, whichever is sooner.

- B. Within 180 days of the Effective Date, and again one year after the Effective Date, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must submit to the Attorneys General an accurate written compliance progress report, which, at a minimum, describes in detail the manner and form in which the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, as applicable, have complied with this Assurance.
- C. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must maintain for 3 years from the Effective Date or the duration of the Receivership, whichever is lesser, all documents and records necessary to demonstrate full compliance with this Assurance, including all submissions to the Attorneys General. The Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must make the documents identified in this Section IV.C. available to the Attorneys General upon the request of the Attorneys General.
- D. For purposes of this Assurance, the communications, reports and correspondence under this Section IV are Reports.
- E. Unless otherwise directed in writing by the Attorneys General, the Aequitas Parties, or the Receiver on behalf of the Aequitas Parties, must provide all submissions, requests, communications, or other documents relating to this Assurance to the Attorneys General as provided in Section IX. below.
- F. To the extent permitted or required by applicable law, reports to the Attorneys General shall constitute “Confidential” information and, to the extent permitted



by applicable law, be subject to the same procedures as other confidential material produced to the States in connection with the States' investigation. To the extent permitted by applicable law, the States and the Receiver acknowledge that Reports shall constitute confidential, proprietary, and trade secret material of the Receiver and, to the extent permitted or required by applicable law, shall be exempted from any applicable state freedom of information laws due to their content and their production in connection with the States' investigation. Nothing in this Paragraph shall require any Attorney General to violate his or her public records or freedom of information act, or to refuse to comply with a lawfully issued subpoena or other demand. Upon receipt of a subpoena or other lawful demand for confidential information, the Attorney General shall provide notice to the Receiver as soon as practicable, such that the Receiver may petition to enjoin the release of any confidential information. If the Receiver fails to obtain an order prohibiting the release of the requested materials by the date upon which the Attorney General is obligated to respond, the Attorney General may produce the requested materials. Nothing herein shall prevent any Attorney General from sharing and discussing confidential materials produced to the Attorneys General in connection with their respective investigations with other State Attorney General Offices and other state law enforcement agencies empowered to investigate laws, regulations or rules to which the Aequitas Parties are subject (provided that any such party, as a condition precedent to disclosure of any confidential information, shall agree to be bound by this Section IV.F), the

Securities and Exchange Commission and the Consumer Financial Protection  
Bureau.

**V. COOPERATION WITH ATTORNEYS GENERAL**

- A. The Aequitas Parties, or during the pendency of the Receivership the Receiver on behalf of the Aequitas Parties, will cooperate fully with the Attorneys General as necessary to achieve the goals and carry out the requirements of this Assurance.
  
- B. The Aequitas Parties, or during the pendency of the Receivership the Receiver on behalf of the Aequitas Parties, will cooperate fully to help the Attorneys General determine the identity and the location of, and the relief provided pursuant to this Assurance for each Affected Consumer, from the information within the Aequitas Parties' or the Receiver's possession and control or a servicer's system of record.
  
- C. Notwithstanding the provisions this Assurance, any time limits for performance fixed by this Assurance may be extended by mutual written agreement of the parties. Additionally, details related to the administration of Sections III. through V.B. of this Assurance may be modified by written agreement of the parties (or, as applicable, the Receiver), subject to any limitations or restrictions as may be imposed by the Receivership Court.

**VI. NO ADMISSION OR DENIAL OF LIABILITY**

The Receiver, on behalf of the Aequitas Parties, neither admits nor denies any violation of and liability arising from any state, federal, or local law, but admits facts exist sufficient to establish jurisdiction over the Aequitas Parties and the subject matter addressed herein in the courts of the resident states of the Attorneys General. Nothing contained in this Assurance shall

be construed as an admission or concession of liability and/or fact by the Receiver or the Aequitas Parties, or create any third-party beneficiary rights or give rise to or support any right of action in favor of any consumer or group of consumers, or confer upon any person other than the parties hereto any rights or remedies. The Receiver, by entering into this Assurance, does not intend to create any legal or voluntary standard of care and expressly denies that any practices, policies, or procedures inconsistent with those set forth in this Assurance violate any applicable legal standard.

## **VII. ENFORCEMENT**

This Assurance, notwithstanding the limitations set forth in Section VIII. below, may be enforced by the Attorneys General in any court of competent jurisdiction. For all necessary purposes, this Assurance shall be considered a formal, binding agreement on the parties hereto, which may be enforced only by the parties hereto in any court of competent jurisdiction. Any violation of this Assurance may result in a State, during the pendency of the Receivership, seeking all available relief to enforce this Assurance, including injunctive relief, damages, and any other relief provided by federal law, the laws of the State, or authorized by a court of competent jurisdiction. [As to the Iowa Attorney General, a violation of this Assurance is a violation of Iowa Code §714.16.]

Except as set forth in Section VIII below., nothing contained in this Assurance shall be deemed to waive, restrict, or limit any of the States' rights to enforce any federal or state law applicable to the Aequitas Parties, and nothing in this Assurance shall be construed as relieving the Aequitas Parties of their obligations to comply with all applicable federal and state laws, regulations, and/or rules. The acceptance of this Assurance by the Attorneys General shall not

be deemed as the Attorneys General's approval of any of the business practices, policies, or procedures of the Aequitas Parties.

### **VIII. RELEASE**

By execution of this Assurance, each of the Attorneys General releases and forever discharges to the fullest extent of the law the Aequitas Parties and the Receiver from the following: all civil claims, causes of action, administrative actions, damages, restitution, fines, costs, and penalties under the Dodd-Frank Act, State Laws, or any other federal or state consumer protection that each of the Attorneys General is empowered to enforce and that each of the Attorneys General could have asserted against the Aequitas Parties and/or the Receiver prior to the Effective Date, based on the allegations described in Section I of this Assurance (collectively, the "Released Claims").

### **IX. GENERAL PROVISIONS**

**A. Notices.** Any and all notices, requests, consents, directives, or communications sent to the Receiver or the States pursuant to this Assurance shall be sent by a nationally recognized overnight courier service to the named person (or such other person who may be designated by the relevant party from time to time) at the following addresses:

For the Receiver:

Ronald F. Greenspan

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For the Attorneys General:

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- B.** By agreeing to this Assurance, the Receiver reaffirms and attests to the material truthfulness and accuracy of all of the information provided by the Receiver to the States prior to entry of this Assurance. The States' agreement to this Assurance is expressly premised upon the material truthfulness and accuracy of the information provided by the Receiver to the Attorneys General throughout the course of the investigation of this matter, which information was relied upon by the States in negotiating and agreeing to the terms and conditions of this Assurance.
- C.** The Receiver shall not participate, directly or indirectly, in any activity, or form a separate corporation or entity, for the purpose of engaging in acts or practices in whole or in part, within the State, that are prohibited by this Assurance for any other purpose that would otherwise circumvent any part of this Assurance.
- D.** The Receiver believes this Assurance fairly and adequately protects the interests of consumers in accepting the terms of this Assurance, and that the obligations imposed by this Assurance represent the most fair and most efficient method for the Receiver to resolve the matters raised in the States' investigation.
- E.** Acceptance of this Assurance by the States shall not be deemed approval by the States of any of the acts or practices of the Acquitas Parties described in this Assurance. Further, neither the Receiver nor anyone acting on its behalf shall state or imply or cause to be stated or implied that the States, or any other

governmental unit, has approved, sanctioned, or authorized any of the Aequitas Parties' acts or practices.

- F.** Nothing in this Assurance is intended to create any private rights, cause of action, third party rights, or remedies for any individual or entity against the Receiver or the Aequitas Parties, except as may be provided by applicable law. Nothing in this Assurance shall be construed to waive or limit any right of action by any individual, person or entity, or by any local state, federal or other governmental entity not a party to this Assurance.
- G.** The loan reductions, discharges and cancellations described in this Assurance are based on alleged infirmities that relate to the original sale of educational services by Corinthian and for the purposes of correcting alleged unlawful business practices by the Aequitas Parties, including alleged unfair, deceptive and abusive practices.
- H.** This Assurance sets forth all of the promises, covenants, agreements, conditions and understandings between the parties, and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied. There are no representations, arrangements, or understandings, oral or written, between the Parties relating to the subject matter of this Assurance that are not fully expressed herein or attached hereto. Each party specifically warrants that this Assurance is executed without reliance upon any statement or representation by any other party hereto, except as expressly stated herein. In the event that any term, provision, or section of this Assurance is determined to be illegal or unenforceable, subject to consultation with all the parties to this

Assurance such determination shall have no effect on the remaining terms, provisions, and sections of this Assurance which shall continue in full force and effect.

- I.** The titles and headers in each section of this Assurance are used for convenience purposes only and are not intended to lend meaning to the actual terms and conditions of this Assurance.
- J.** This Assurance shall not be construed against the “drafter” because all parties participated in the drafting of this Assurance.
- K.** This Assurance may be executed in counterparts, each of which shall constitute an original counterpart hereof and all of which together shall constitute one and the same document. One or more counterparts may be delivered by facsimile or electronic transmission, or a copy thereof, with the intent that it or they shall constitute an original counterpart hereof.
- L.** Nothing to this Assurance shall be construed as relieving the Receiver of its obligations during the pendency of the Receiverships to comply applicable state and federal laws, regulations or rules.
- M.** Notwithstanding the terms and conditions of this Assurance, a State shall not file this Assurance in any court unless the law of the State requires it to do so.
- N.** The parties to this Agreement acknowledge and agree that this Assurance is subject to approval of the Receivership Court and that the Receiver is authorized to present this Assurance to the Receivership Court, in accordance with procedures and practices of the Receivership Court, for such purposes.



- O.** Any failure of the Attorneys General to exercise any of their rights under this Assurance shall not constitute a waiver of their rights hereunder.
- P.** The Receiver agrees during the duration of the Receivership to execute and deliver all authorizations, documents and instruments which are necessary to carry out the terms and conditions of this Assurance, whether required prior to, contemporaneous with, or subsequent to the Effective Date, as defined herein.

**EXECUTION DRAFT [8/15/17]**

**In the Matter of:**

**Ronald F. Greenspan,  
Receiver for Acqitas Capital Management, Inc., *et al.***

**Assurance of Voluntary Compliance/Assurance of Discontinuance**

Dated: \_\_\_\_\_

\_\_\_\_\_ Attorney General

BY: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**In the Matter of:**

**Ronald F. Greenspan,  
Receiver for Aequitas Capital Management, Inc., *et al.***

**Assurance of Voluntary Compliance/Assurance of Discontinuance**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Ronald F. Greenspan,  
Receiver

**Schedule 1 – State Laws**

Conn. Gen. Stat. § 42-110a *et seq.*; Iowa Code §§ 714.16 to 714.16A; 815 ILCS 505/1 – 815 ILCS 505/12 (Illinois); KRS 367.110 *et seq.* (Kentucky); New York General Business Law §§ 349 and 350 and New York Executive Law § 63(12); 73 Pa. Cons. Stat. Ann. §201-1 to 201-9.3 (West); Texas Bus. & Com. Code §§ 17.41, *et seq.*; RCW 19.86.020 (Washington).

## Schedule 2

## Corinthian Closed School OPEID List (Per the Department of Education Listing)

| OPEID   | School Name                      | Location                         | Street Address                  | City             | State | Corinthian School # |
|---------|----------------------------------|----------------------------------|---------------------------------|------------------|-------|---------------------|
| 809000  | Everest College                  | Everest College                  | 2215 Mission Road               | Alhambra         | CA    | 180                 |
| 1110700 | Everest College                  | Everest College                  | 511 North Brookhurst Street     | Anaheim          | CA    | 171                 |
| 1112300 | Everest College                  | Everest College                  | 1045 Wt Redondo Beach Blvd      | Gardena          | CA    | 186                 |
| 3072300 | Everest College                  | Everest College                  | 1460 S. Milliken Ave            | Ontario          | CA    | 245                 |
| 449400  | Everest College                  | Everest College                  | 217 E. Club Center Drive, Ste A | San Bernardino   | CA    | 182                 |
| 449401  | Everest College - Santa Ana      | Everest College - Santa Ana      | 500 West Santa Ana Boulevard    | Santa Ana        | CA    | 172                 |
| 449402  | Everest College - Ontario        | Everest College - Ontario        | 1819 South Excise Avenue        | Ontario          | CA    | 564                 |
| 481100  | Everest Institute                | Everest Institute                | 1630 Portland Avenue            | Rochester        | NY    | 692                 |
| 1110900 | Everest College                  | Everest College                  | 18040 Sherman Way               | Reseda           | CA    | 173                 |
| 2295000 | Everest College                  | Everest College                  | 10400 North 25th Avenue         | Phoenix          | AZ    | 575, 975            |
| 2295002 | Everest College                  | Everest College                  | 5416 East Baseline              | Mesa             | AZ    | 576                 |
| 3195400 | Everest College                  | Everest College                  | 1231 Cabrillo Avenue            | Torrance         | CA    | 155                 |
| 723400  | Heald College                    | Heald College                    | 875 Howard Street               | San Francisco    | CA    | 11101               |
| 723401  | Heald College - Honolulu         | Heald College - Honolulu         | 1500 Kapliolani Boulevard       | Honolulu         | HI    | 11136               |
| 723402  | Heald College                    | Heald College                    | 6035 Northeast 78th Court       | Portland         | OR    | 11138               |
| 723403  | Heald College - Kaneoche MCB     | Heald College - Kaneoche MCB     | Bldg 220, 5th St. Marine Corps  | Kaneoche         | HI    | Unable to identify  |
| 723404  | Heald College - Concord          | Heald College - Concord          | 5130 Commercial Circle          | Concord          | CA    | 11103, 11199        |
| 723405  | Heald College - Milpitas         | Heald College - Milpitas         | 341 Great Mall Parkway          | Milpitas         | CA    | 11105               |
| 723406  | Heald College - Hayward          | Heald College - Hayward          | 25500 Industrial Boulevard      | Hayward          | CA    | 11104               |
| 723407  | Heald College - Modesto          | Heald College - Modesto          | 5260 Pirrone Court              | Salida           | CA    | 11115               |
| 723408  | Heald College - Roseville        | Heald College - Roseville        | Seven Sierra Gate Plaza         | Roseville        | CA    | 11156               |
| 723409  | Heald College - Salinas          | Heald College - Salinas          | 1450 North Main Street          | Salinas          | CA    | 11109               |
| 723410  | Heald College - Stockton         | Heald College - Stockton         | 1605 East March Lane            | Stockton         | CA    | 11114               |
| 723411  | Heald College - Rancho Cordova   | Heald College - Rancho Cordova   | 2910 Prospect Park Drive        | Rancho Cordova   | CA    | 11111               |
| 723412  | Heald College - Fresno           | Heald College - Fresno           | 255 West Bullard                | Fresno           | CA    | 11112               |
| 723413  | Heald College - Fresno Satellite | Heald College - Fresno Satellite | 255 East River Park Circle      | Fresno           | CA    | 11112               |
| 719000  | WyoTech                          | WyoTech                          | 200 Whitney Place               | Fremont          | CA    | 412                 |
| 1287300 | WyoTech                          | WyoTech                          | 2161 Technology Place           | Long Beach       | CA    | 274                 |
| 1287301 | WyoTech                          | WyoTech                          | 3000 S Robertson BLVD #300      | Los Angeles      | CA    | Unable to identify  |
| 1287302 | WyoTech                          | WyoTech                          | 12801 Crossroads Pkwy South     | City of Industry | CA    | Unable to identify  |

## Schedule 3

| Zenith Closed School OPEID List |                    |   |  |                  |       | Corinthian<br>"Zenith" |
|---------------------------------|--------------------|---|--|------------------|-------|------------------------|
| OPEID                           | SCHOOL NAME        | LOCATION  | ADDRESS  | CITY             | STATE | School #               |
| 2100401                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - KALAMAZOO                           | 5177 WEST MAIN STREET  | KALAMAZOO        | MI    | 347                    |
| 982809                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - CHELSEA                             | 70 EVERETT AVENUE  | CHELSEA          | MA    | 315                    |
| 2300105                         | EVEREST COLLEGE    | EVEREST COLLEGE - EARTH CITY                            | 3420 RIDER TRAIL SOUTH   | EARTH CITY       | MO    | 377                    |
| 2617507                         | EVEREST COLLEGE    | EVEREST COLLEGE - EVEREST INSTITUTE - BENSALEM          | 3050 TILLMAN DRIVE   | BENSALEM         | PA    | Unable to Identify     |
| 2100402                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE                     | 8585 BROADWAY SUITE 200  | MERRILLVILLE     | IN    | 349                    |
| 2100400                         | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 1750 WOODWORTH STREET NORTHEAST                                | GRAND RAPIDS     | MI    | 345                    |
| 2298501                         | EVEREST COLLEGE    | EVEREST COLLEGE - FORT WORTH                            | 5237 NORTH RIVERSIDE DRIVE SUITE 200                           | FORT WORTH       | TX    | 613                    |
| 149911                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - MERRIONETTE PARK | 11560 SOUTH KEDZIE AVENUE                                      | MERRIONETTE PARK | IL    | 344                    |
| 2298500                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 3280 WEST 3500 SOUTH   | SALT LAKE CITY   | UT    | 572                    |
| 450301                          | EVEREST COLLEGE    | EVEREST COLLEGE - MCLEAN                                | 8620 WESTWOOD CENTER DRIVE                                     | VIENNA           | VA    | 626                    |
| 1185802                         | EVEREST COLLEGE    | EVEREST COLLEGE - BURR RIDGE                            | 6880 NORTH FRONTAGE ROAD SUITE 400                             | BURR RIDGE       | IL    | 343                    |
| 1185800                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 9811 WOODS DRIVE SUITE 200                                     | SKOKIE           | IL    | 341                    |
| 1185803                         | EVEREST COLLEGE    | EVEREST COLLEGE - MELROSE PARK                          | 1101 WEST NORTH AVENUE SUITE 1                                 | MELROSE PARK     | IL    | Unable to Identify     |
| 982810                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE - BEDFORD PARK      | 7414 SOUTH CICERO AVENUE                                       | BEDFORD PARK     | IL    | Unable to Identify     |
| 709100                          | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 100 FORBES AVENUE KOSSMAN BUILDING SUITE 1200                  | PITTSBURGH       | PA    | 656                    |
| 450701                          | EVEREST COLLEGE    | EVEREST COLLEGE - EVEREST COLLEGE AURORA                | 14280 EAST JEWELL AVENUE SUITE 100                             | AURORA           | CO    | 509                    |
| 982806                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - JONESBORO                           | 6431 TARA BOULEVARD  | JONESBORO        | GA    | 353                    |
| 2606200                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 981 POWELL AVENUE SW SUITE 200                                 | RENTON           | WA    | 116                    |
| 982801                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - DEARBORN                            | 23400 MICHIGAN AVENUE SUITE 200                                | DEARBORN         | MI    | 337                    |
| 907901                          | EVEREST COLLEGE    | EVEREST COLLEGE   | STONEMILL CENTER SUITE 130 120 NORTHEAST 136TH AVENUE          | VANCOUVER        | WA    | 548                    |
| 907900                          | EVEREST COLLEGE    | EVEREST COLLEGE   | 600 SW 10TH AVENUE SUITE 400                                   | PORTLAND         | OR    | 547                    |
| 2617509                         | EVEREST COLLEGE    | EVEREST COLLEGE   | NORTHGATE MERIDIAN BUILDING 2111 NORTH NORTHGATE WAY SUITE 300 | SEATTLE          | WA    | 390                    |
| 2300106                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 155 WASHINGTON AVENUE SUITE 200                                | BREMERTON        | WA    | 397                    |
| 149908                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - LAKELAND                           | 995 EAST MEMORIAL BOULEVARD                                    | LAKELAND         | FL    | 765                    |
| 149912                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - KANSAS CITY      | 1740 WEST 92ND STREET  | KANSAS CITY      | MO    | 320                    |

DRAFT – CAAG 2017-08-08

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

**THE PEOPLE OF THE STATE OF  
CALIFORNIA,**

Plaintiff,

**v.**

**AEQUITAS CAPITAL MANAGEMENT,  
INC.; AEQUITAS MANAGEMENT, LLC;  
AEQUITAS HOLDINGS, LLC;  
AEQUITAS COMMERCIAL FINANCE,  
LLC; CAMPUS STUDENT FUNDING,  
LLC; CSF LEVERAGE I, LLC;  
AEQUITAS INCOME OPPORTUNITY  
FUND; AEQUITAS INCOME  
PROTECTION FUND,**

Defendants.

Case No.

**[PROPOSED] FINAL JUDGMENT AND  
PERMANENT INJUNCTION**

Plaintiff, the PEOPLE OF THE STATE OF CALIFORNIA (“People”), appearing through their attorney, Xavier Becerra, Attorney General of the State of California, by Deputy Attorney General Bernard A. Eskandari, and Ronald Greenspan, appointed receiver of the above-captioned defendants (collectively, “Defendants”), appearing through the Receiver’s attorneys, [XXXXXX XXXXXX] of [XXX, XXX LLP], and [XXXXXXX XXXXXX] of [XXX, XXX LLP], having stipulated to the entry of this Judgment by the Court without the taking of proof and without trial or adjudication of any fact or law, without Defendants admitting or denying any liability, and

1 with all parties having waived their right to appeal, and the Court having considered the matter  
 2 and good cause appearing:

3 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:**

4 1. This Court has jurisdiction over the allegations and subject matter of the People’s  
 5 Complaint filed in this action, and the parties to this action; venue is proper in this County; and  
 6 this Court has jurisdiction to enter this Judgment. This Judgment is entered under and subject to  
 7 Business and Professions Code section 17200 et seq.

8 **I. FINDINGS**

9 2. The parties agree to entry of this Judgment to settle and resolve all matters in  
 10 dispute arising from the conduct of Defendants alleged in the Complaint.

11 3. The People make no allegations against the Receiver, but only against Defendants.  
 12 The Receiver is obligated under this Judgment for the sole purpose of acting on behalf of the  
 13 Defendants to grant certain monetary relief from the assets of the Receivership and to perform  
 14 certain obligations to the People set forth in this Judgment. Defendants neither admit nor deny  
 15 any allegation in the Complaint, except that for purposes of this Judgment, Defendants admit the  
 16 facts necessary to establish the Court’s jurisdiction over Defendants and the subject matter of this  
 17 action.

18 4. The loan reductions, discharges, and cancellations described in this Judgment are  
 19 based on alleged infirmities that relate back to the original sale of educational services by  
 20 Corinthian and are for the purpose of correcting alleged unlawful business practices by the  
 21 Defendants, including alleged unfair, deceptive, and abusive acts and practices.

22 5. Defendants waive service and waive all rights to seek judicial review or otherwise  
 23 challenge or contest the validity of this Judgment. Each party will bear its own costs and expenses,  
 24 including, without limitation, attorneys’ fees.

25 6. Entry of this Judgment is in the public interest.

26 **II. DEFINITIONS**

27 7. The following definitions shall apply for purposes of this Judgment:

28 A. “Affected Consumers” means all consumers who were Borrowers of



**DRAFT – CAAG 2017-08-08**

1 Aequitas Genesis Loans and have remaining unpaid amounts on such loans as of the Record Date.

2 B. “Active Aequitas Genesis Loans” means, as of the Record Date, all  
3 Aequitas Genesis Loans, with the exception of Defaulted Genesis Loans and Aequitas Closed  
4 School Loans.

5 C. “Defendants” means Aequitas Capital Management Inc.; Aequitas  
6 Management LLC; Aequitas Holdings LLC; Aequitas Commercial Finance LLC; Campus  
7 Student Funding LLC; CSF Leverage I, LLC; Aequitas Income Opportunity Fund; and Aequitas  
8 Income Protection Fund, as named in the Complaint.

9 D. “Aequitas Genesis Loan” means any private student loan referred to in the  
10 Complaint as either a Genesis loan or EducationPlus loan, which was made to a Borrower to pay  
11 for tuition, cost of living expenses, or fees to attend a Corinthian school, and which as of the  
12 Record Date is still outstanding on the books and records of Defendants in the possession of the  
13 Receiver (or on the books and records of servicers of said loans).

14 E. “Borrower” means a consumer who was a borrower of an Aequitas Genesis  
15 Loan, and his/her/its successors or assigns.

16 F. “Closed School Loan” means an Aequitas Genesis Loan to a Borrower who  
17 did not graduate or complete his/her course work and who (a) attended one of the Corinthian  
18 schools that Corinthian announced on April 27, 2015, would be closed (listed on Schedule 1 to  
19 this Judgment) and was either attending such school when it closed or withdrew from such school  
20 on or after June 1, 2014, or (b) attended one of the Corinthian schools sold to Zenith (listed on  
21 Schedule 2 to this Judgment) and whose loan is included on a list agreed upon between the  
22 Receiver and the People prior to the filing of the Complaint.

23 G. “Corinthian” means Corinthian Colleges, Inc., and all predecessors,  
24 successors, subsidiaries, affiliates, and parents, including Heald, WyoTech, and Everest Colleges.

25 H. “Defaulted Aequitas Genesis Loan” means an Aequitas Genesis Loan that  
26 is 270 days or more past due, charged off, or cancelled as of the Record Date.

27 I. “Current Payment Amount” is the monthly payment amount designated for  
28 each Active Aequitas Genesis Loan in order to keep the account current and non-delinquent.

DRAFT – CAAG 2017-08-08

J. “Effective Date” means the date on which this Judgment is entered by the Court.

K. “Re-Amortization Payment Amount” is a new payment amount per month for each Active Aequitas Genesis Loan, calculated based on the principal reduction provided for in paragraph 19 as of the Effective Date such that the Active Aequitas Genesis Loan will be fully paid if the Re-Amortization Payment Amount is paid by the Borrower each month on time, by the end of that loan’s actual or, in the case of loans that have ever been in or are currently in a forbearance plan, estimated remaining term.

L. “Receiver” means Ronald Greenspan, receiver of Aequitas, named as such in the Receivership Order, or any other receiver that is appointed by a superseding order in the same litigation.

M. “Receivership Action” means the matter of *SEC v. Aequitas Management, LLC, et al.*, No. 3:16-cv-438(PK), in the Receivership Court.

N. “Receivership Court” means the United States District Court for the District of Oregon.

O. “Receivership Order” means the Order Appointing Receiver, ECF No. 156, in the Receivership Action.

P. “Record Date” means March 31, 2017.

Q. “Retained Personnel” means the agents of the Receiver, as defined by the Receivership Order.

### **III. OVERVIEW AND BACKGROUND**

8. The People commenced this civil action on [DATE] to obtain consumer redress, injunctive relief, and other relief, from the Defendants. The Complaint alleges violations of Business and Professions Code section 17200 et seq., in connection with Defendants’ funding, purchasing, and maintaining loans made to students at Corinthian. Specifically, the Complaint alleges Defendants funded and maintained the private student-loan program offered to Corinthian students as part of a scheme to allow Corinthian to present a façade of compliance with state and federal laws requiring that a certain portion of a for-profit school’s revenue come from sources

DRAFT – CAAG 2017-08-08

1 other than federal student aid. The Complaint also alleges that Defendants profited from this  
2 scheme, and in doing so, took unreasonable advantage of Corinthian's student borrowers who  
3 were unaware of the scheme associated with this loan program, and therefore were unable to  
4 protect their interests in taking out such loans.

5 9. The United States Securities and Exchange Commission commenced the  
6 Receivership Action in the Receivership Court on March 10, 2016, to, among other things, obtain  
7 injunctive relief against Defendants for violation of certain federal securities laws, and place  
8 Defendants and certain other related parties in receivership for purposes of orderly liquidation.  
9 The Receivership Court entered a preliminary injunction against Defendants on March 14, 2016,  
10 and by Order dated April 14, 2016, appointed the Receiver for Defendants and certain other  
11 related parties. Pursuant to the Receivership Order, the Receiver has the power and authority to  
12 enter into this Judgment and to perform certain duties set forth in this Judgment during the  
13 pendency of the Receivership.

#### 14 **IV. CONDUCT PROVISIONS**

15 10. Defendants and their respective officers, agents, servants, employees, and  
16 attorneys, who have actual notice of this Judgment, whether acting directly or indirectly, may not  
17 violate Business and Professions Code section 17200, et seq., including by engaging in abusive  
18 acts or practices in connection with lending to students of for-profit schools.

19 11. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of  
20 Defendants, shall obtain the following reports from servicers currently servicing the Aequitas  
21 Genesis Loans, with data as of the Record Date. Upon obtaining such reports, the Defendants or  
22 the Receiver on behalf of the Defendants shall provide copies of them to the People. The  
23 following reports are to be obtained, to the extent the specified loan-level data are available:

24 A. A report of all Aequitas Genesis Loans including for each such Aequitas  
25 Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of  
26 the Record Date on such Aequitas Genesis Loan, the associated Borrower's name, a unique  
27 identifying number, and most currently available postal address, phone number, and email  
28 address.

**DRAFT – CAAG 2017-08-08**

1           B.       A report of all Active Aequitas Genesis Loans including for each such  
 2 Active Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due  
 3 and owing as of the Record Date on such Active Aequitas Genesis Loan, the associated  
 4 Borrower's name, a unique identifying number, and most currently available postal address,  
 5 phone number, and email address.

6           C.       A report of all Defaulted Aequitas Genesis Loans, including for each such  
 7 Defaulted Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount  
 8 due and owing as of the Record Date on such Defaulted Aequitas Genesis Loan, the associated  
 9 Borrower's name, a unique identifying number, and most currently available postal address,  
 10 phone number, and email address.

11           D.       A report of all Closed School Loans, including for each such Closed  
 12 School Loan, the amount of principal, interest, fees, and any other amount due and owing as of  
 13 the Record Date on such Closed School Loan, the associated Borrower's name, a unique  
 14 identifying number, and most currently available postal address, phone number, and email  
 15 address.

16           12.     For each Closed School Loan, Defendants, and the Receiver on behalf of  
 17 Defendants, are permanently restrained and enjoined as of the Effective Date from the following:

18           A.       Engaging in any collection activity with respect to each such Closed  
 19 School Loan; however, Defendants will not be regarded as in violation of this Judgment if they  
 20 send out routine statements or notices that could be considered collection activity within 20 days  
 21 after the Effective Date;

22           B.       Accepting any future payment on any such Closed School Loan, including  
 23 any future payment made in connection with any statement or notice permitted by subparagraph  
 24 (a), provided, however, that in the event that such a payment is discovered to be accepted and  
 25 processed, Defendants, or the Receiver acting on Defendants' behalf, will return the payment to  
 26 the Borrower within a reasonable time; and

27           C.       Reselling, transferring, or assigning any such Closed School Loan.

28           13.     For each Defaulted Aequitas Genesis Loan, Defendants, and the Receiver on

DRAFT – CAAG 2017-08-08

1 behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from the  
 2 following:

3 A. Engaging in any collection activity with respect to each such Defaulted  
 4 Aequitas Genesis Loan; however, Defendants will not be regarded as in violation of this  
 5 Judgment if they send out routine statements or notices that could be considered collection  
 6 activity within 20 days after the Effective Date;

7 B. Accepting any future payment on any such Defaulted Aequitas Genesis  
 8 Loan, including any future payment made in connection with any statement or notice permitted  
 9 by subparagraph (a), provided, however, that in the event that such a payment is discovered to be  
 10 accepted and processed, Defendants, or the Receiver acting on Defendants' behalf, will return the  
 11 payment to the Borrower within a reasonable time; and

12 C. Reselling, transferring, or assigning any such Defaulted Aequitas Genesis  
 13 Loan.

14 14. For each Active Aequitas Genesis Loan, Defendants, and the Receiver on behalf of  
 15 Defendants, are permanently restrained and enjoined as of the Effective Date from the following:

16 A. Reselling, transferring, or assigning any such Active Aequitas Genesis  
 17 Loan, unless the following:

18 i. Defendants, or the Receiver on behalf of Defendants, ensure that  
 19 the principal amount of each such loan sold, transferred or assigned reflects the  
 20 reduction required in paragraph 19;

21 ii. Within five business days of reaching an agreement in principle to  
 22 sell, transfer, or assign any Active Aequitas Genesis Loans, in which the terms  
 23 have been agreed upon by the parties but the Receiver has not yet sought the  
 24 authority of the Receivership Court to make such a sale, transfer, or assignment,  
 25 Defendants, or the Receiver on behalf of Defendants, must provide the People with  
 26 the following:

27 1. Notice of the fact that such agreement in principle has been  
 28 reached;

DRAFT – CAAG 2017-08-08

2. The name of the proposed purchaser, transferee or assignee;
3. The list of Active Aequis Genesis loans to be sold, transferred, or assigned; and
4. The proposed written agreement memorializing the terms of the proposed sale, transfer, or assignment.

iii. Within five business days prior to filing a motion seeking court approval for any such sale, transfer, or assignment of Active Aequis Genesis Loans, Defendants, or the Receiver on behalf of Defendants, must provide the People with the following:

1. Notice of its intention to file any such motion; and
2. The proposed motion papers, including any attachments thereto;

iv. Defendants, or the Receiver on behalf of Defendants, ensure that the final agreement memorializing any such sale, transfer or assignment of any Active Aequis Genesis Loans contains a provision requiring the purchaser, transferee or assignee to adopt or abide by the terms and provisions of this Judgment requiring ongoing performance for the People;

B. Any motion seeking approval for any such sale, transfer or assignment of Active Aequis Genesis Loans shall (1) contain a request to the Receivership Court that the terms of this Judgment requiring ongoing performance for the People shall be enforceable against the purchaser, transferee or assignee; and (2) not seek to sell, transfer, or assign such loans free and clear of rights, claims, or defenses of any borrower, co-borrower, or guarantor on any such Loan.

15. For each Active Aequis Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of 60 days after the Effective Date from the following:

A. Engaging in any collection activity with respect to each such Active Aequis Genesis Loan that seeks an amount in principal greater than the amount identified in

DRAFT – CAAG 2017-08-08

1 paragraph 19, including by means of the following:

2 i. Calculating interest or fees based on a principal amount greater than  
 3 the amount identified in paragraph 19, however, in the event interest or fees have  
 4 been calculated on a principal amount greater than the amount identified in  
 5 paragraph 19, the excess amounts that have been paid by the Borrower will be  
 6 applied to the Borrower's principal balance unless the Borrower seeks a refund of  
 7 such improperly charged amounts, in which case the Borrower will be supplied a  
 8 refund; and

9 ii. Representing to the Borrower of any such Active Aequitas Genesis  
 10 Loan that the principal amount owed is greater than the amount identified in  
 11 paragraph 19.

12 16. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of  
 13 Defendants, must request that and use reasonable efforts to follow up with any servicer that  
 14 furnished trade line information for Aequitas Genesis Loans to credit reporting agencies to  
 15 furnish deletion codes to said credit reporting agencies to delete such information from subject  
 16 Borrowers' credit reports. For Borrowers of Active Aequitas Genesis Loans who perform under  
 17 such Loans after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may  
 18 direct the servicer to report such performance to credit reporting agencies in accordance with  
 19 applicable law. For any Borrowers who become or continue to be delinquent or in default after  
 20 the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer  
 21 to report such Borrowers' status to credit reporting agencies in accordance with applicable law;  
 22 however, any such reporting shall reflect the balance as modified by this Judgment.

23 17. Defendants, or the Receiver on behalf Defendants, shall direct any person or entity  
 24 collecting on Active Aequitas Genesis Loans to fully comply with all applicable requirements of  
 25 the Rosenthal Fair Debt Collection Practices Act, Civil Code section 1788 et seq., in any such  
 26 collection.

## 27 **V. REMEDIATION AND REDRESS**

28 18. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of



DRAFT – CAAG 2017-08-08

1 Defendants, shall discharge and cancel all amounts shown as owed in the report provided to the  
2 People under paragraph 11, including principal, interest, fees, or any other amounts, in connection  
3 with the following:

4 A. All Closed School Loans; and

5 B. All Defaulted Aequitas Genesis Loans.

6 Moreover, for these loans, Defendants, or the Receiver on behalf of Defendants, shall return to  
7 the Borrower, within a reasonable time, any payment accepted and received on or after the  
8 Record Date.

9 19. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of  
10 Defendants, shall reduce the principal amount owed as of the Record Date on each Active  
11 Aequitas Genesis Loan, as identified in the report provided to the People under paragraph 11, by  
12 55% and discharge and cancel such principal and any accrued and unpaid interest, fees and  
13 charges that are 30 or more days past due as of the Record Date.

14 20. Defendants, or the Receiver on behalf of Defendants, shall use commercially  
15 reasonable efforts to obtain appropriate guidance from the Internal Revenue Service indicating  
16 that the Receiver is not required to make federal tax filings (including sending 1099 forms to  
17 Borrowers) as a result of the debt relief provided in this Judgment, prior to the time such forms  
18 would be required to be sent. If the Receiver, in good-faith consultation with his counsel  
19 determines that he may lawfully rely upon the Internal Revenue Service's guidance and proceed  
20 accordingly, the Receiver shall not make applicable tax filings and shall not send Borrowers 1099  
21 forms.

22 21. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower  
23 of a Closed School Loan and each Borrower of a Defaulted Aequitas Genesis Loan with the  
24 following notice within 90 days of the Effective Date. Nothing else but such notice shall be sent  
25 in combination with the mailing of this notice and such mailing will be sent to the most recently  
26 available postal address as contained on the servicer's system of record. The notice shall contain  
27 the following information:

28 A. The outstanding amount that had been owed under each Aequitas Genesis



**DRAFT – CAAG 2017-08-08**

1 Loan as of the Effective Date by such Borrower;

2 B. The fact that each such amount has been reduced, discharged, and canceled  
3 in full and such Borrower no longer owes any amounts under his or her Aequis Genesis Loan;

4 C. The fact that the reduction, discharge, and cancellation of the amounts  
5 owed for each such Aequis Genesis Loan is pursuant to this Judgment;

6 D. The fact that the Borrower will not be subjected to any new debt-collection  
7 or credit-reporting activities related to each such Genesis Loan;

8 E. Any such reduction, discharge, or cancellation of principal may result in  
9 tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities; and

10 F. No amounts that were due and owing and were paid prior to the Record  
11 Date will be returned to the Borrower.

12 22. Within 90 days of the Effective Date, Defendants, or the Receiver on behalf of  
13 Defendants, must provide each Borrower of an Active Aequis Genesis Loan written notice (as  
14 described in paragraph 24) of his/her option to either continue paying the Current Payment  
15 Amount on the lowered principal balance or elect to have the loan re-amortized using the lowered  
16 principal balance and remaining term of the subject loan, which will result in a Re-Amortization  
17 Payment Amount. No such notice is required to a Borrower and no Re-Amortization Payment  
18 Amount will be available to a Borrower, however, if such Borrower's Current Payment Amount  
19 before re-amortization is less than \$20; in any event, a Borrower's Re-Amortization Payment  
20 Amount will not be less than \$20.

21 23. Each Borrower of an Active Aequis Genesis Loan will have 90 days from the  
22 mailing date of such notice to make his/her election by completing the notice and returning it to  
23 Defendants, the Receiver (on behalf of Defendants) or the applicable servicer. If the Borrower  
24 does not make such an election, he or she will be required to pay the Current Payment Amount  
25 and the loan will not be re-amortized. For Borrowers as to whom Defendants, the Receiver on  
26 behalf of Defendants or the applicable servicer timely have received affirmative notice of election  
27 of the Re-Amortization Payment Amount, within 30 days following the expiration of the 90-day  
28 election period, Defendants, or the Receiver on behalf of Defendants, will re-amortize loans and

DRAFT – CAAG 2017-08-08

1 adjust the monthly payment amount for all future unbilled and un-accrued loan payments to the  
2 Re-Amortization Payment Amount. Notwithstanding the foregoing, for any Active Aequitas  
3 Genesis Loan which already has been amended or modified pursuant to a forbearance plan to  
4 provide a Borrower with a monthly payment that is less than the applicable Re-Amortization  
5 Payment Amount and the Borrower has elected to accept the re-amortization option, Defendants,  
6 or the Receiver on behalf of Defendants, shall not be required to adjust the monthly payment until  
7 the end of the applicable forbearance period. Defendants, or the Receiver on behalf of Defendants,  
8 will adjust the monthly payment to a Re-Amortization Payment Amount based on the principal  
9 balance of the Borrower's loan at the end of the applicable forbearance period.

10 24. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower  
11 of an Active Aequitas Genesis Loan with the following notice pursuant to in paragraph 22.  
12 Nothing else but such notice shall be sent in combination with the mailing of this notice and such  
13 mailing will be sent to the most recently available postal address as contained on the servicer's  
14 system of record. The notice shall contain the following information:

- 15 A. Identification information that associates the loan to the Borrower;
- 16 B. The amount of principal owed as of the Record Date of each Active  
17 Aequitas Genesis Loan associated with such Borrower;
- 18 C. The amount of principal owed for each such Active Aequitas Genesis Loan  
19 after the reduction required in paragraph 19 has been applied;
- 20 D. A statement notifying the Borrower that the principal has been reduced by  
21 55% pursuant to this Judgment;
- 22 E. A Re-Amortization Payment Amount option whereby the Borrower has 90  
23 days from the mailing date of such notice to inform the servicer of his or her election to opt-in  
24 and have his or her loan re-amortized with the minimum monthly payment modified from the  
25 Current Payment Amount to a Re-Amortization Payment Amount;
- 26 F. The fact that if the Borrower does not make such an election by the  
27 required date, the Current Payment Amount will continue as the amount due on his or her loan  
28 each month;

DRAFT – CAAG 2017-08-08

1           G.     The fact that replacing the Current Payment Amount with the Re-  
2     Amortization Payment Amount may reduce the amount such Borrower pays each month but will  
3     cost the Borrower more over the life of the loan than if he or she continued with the Current  
4     Payment Amount;

5           H.     The fact that a Borrower's election will not waive any rights, claims, or  
6     defenses that the Borrower and any co-borrower or guarantor may have with respect to the loan;

7           I.     The fact that continuing to pay the Current Payment Amount (or more)  
8     each month will result in full satisfaction of his or her loan before the payment term has expired,  
9     and will cost the Borrower less overall than if he or she elected to use the Re-Amortization  
10    Payment Amount;

11          J.     The following specific information individualized for each Borrower on an  
12    Active Aequitas Genesis Loan:

13           i.     The estimated total amount of principal and interest the Borrower  
14     will pay if the Borrower pays each current Payment Amount as scheduled, as well  
15     as the estimated date of pay-off of the Active Aequitas Genesis Loan under these  
16     circumstances;

17           ii.    The estimated total amount of principal and interest that the  
18     Borrower will pay if the Borrower elects his or her option to pay the Re-  
19     Amortization Payment Amount and pays such Re-Amortization Payment Amount  
20     as scheduled, as well as the estimated date of pay-off of the Active Aequitas  
21     Genesis Loan under these circumstances;

22          K.     Any reduction, discharge, or cancellation of principal may result in tax  
23     liabilities of the borrower to the Internal Revenue Service and state taxing authorities;

24          L.     A statement notifying the Borrower that, if the Borrower desires, the  
25     Borrower at any time may make payments larger than the Re-Amortization Payment Amount,  
26     which if the loan is current would result in a shorter payoff period and interest savings;

27          M.     A statement notifying Borrowers on forbearance plans of their alternative  
28     payment options as set forth in paragraph 23;

DRAFT – CAAG 2017-08-08

1 N. A statement (1) notifying Borrowers that the relief described does not  
 2 waive or extinguish any rights, claims, or defenses that the Borrower, any co-borrower, or  
 3 guarantor may have with respect to his or her loan; and (2) directing Borrowers that for legal  
 4 advice or representation, the Borrower may wish to contact a local legal-aid office, and for a  
 5 referral, the Borrower should visit <http://lawhelpca.org/> and click on the “Find Legal Help” tab.

6 25. A proposed form of the notices required by paragraph 21 and 22 shall be provided  
 7 to the People for their non-objection within 30 days of the Effective Date.

8 26. Defendants, or the Receiver on behalf of Defendants, shall include no materials  
 9 other than the notices provided in paragraphs 21 and 22 in any envelope containing such notices,  
 10 unless Defendants, or the Receiver on behalf of Defendants, has obtained written confirmation  
 11 from the Office of the California Attorney General that the People do not object to the inclusion  
 12 of such materials

### 13 VI. REPORTING REQUIREMENTS

14 27. Defendants, or during the pendency of the Receivership, the Receiver on behalf of  
 15 Defendants, shall notify the People of any development that may affect their obligations arising  
 16 under this Judgment, including, but not limited to, the replacement of the Receiver or the filing of  
 17 any bankruptcy or insolvency proceeding by or against Defendants. Defendants, or the Receiver  
 18 on behalf of Defendants, must provide this notice at least 30 days before the development or as  
 19 soon as practicable after learning about the development, whichever is sooner.

20 28. Within 180 days of the Effective Date, and again one year after the Effective Date,  
 21 Defendants, or the Receiver on behalf of Defendants, must submit to the People an accurate  
 22 written compliance progress report, which, at a minimum shall include the following:

23 A. A detailed description of the manner and form in which Defendants, or the  
 24 Receiver on behalf of Defendants, as applicable, have complied with this Judgment; and

25 B. A copy of each Judgment Acknowledgment obtained under Section VII,  
 26 unless previously submitted to the People.

27 29. Defendants, or the Receiver on behalf of Defendants, in carrying out the  
 28 provisions of this Judgment, are permitted to make such adjustments to loan balance amounts,

**DRAFT – CAAG 2017-08-08**

1 accrual of interest and Borrower payment amounts and process refunds to Borrowers (including  
 2 providing Borrower refunds or reimbursements not expressly required by this Judgment) as may  
 3 be necessary to assure compliance with this Judgment, but in any event in a manner that is fair  
 4 and transparent to Borrowers subject to such adjustments and in a manner that is otherwise in  
 5 compliance with this Judgment.

**VII. JUDGMENT DISTRIBUTION AND ACKNOWLEDGEMENT**

7 30. Within 15 days of the Effective Date, Defendants, or the Receiver on behalf of  
 8 Defendants, must deliver a copy of this Judgment to each employee or agent of the Receiver who  
 9 or which is, as of the Effective Date, employed or retained by the Receiver and who or which has  
 10 responsibilities that extend beyond the Effective Date related to the subject matter of this  
 11 Judgment.

12 31. Within 30 days of the Effective Date, the Receiver shall provide a signed and  
 13 dated statement to the People of the Receiver's compliance with paragraph 30, and shall provide a  
 14 signed and dated statement from the servicer, or any other third-party service provider tasked with  
 15 carrying out responsibilities under this Judgment, acknowledging receipt of this Judgment,  
 16 ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15  
 17 U.S.C. § 7001 et. seq.

**VIII. RECORDKEEPING**

19 32. Defendants, or the Receiver on behalf of Defendants, must maintain for three years  
 20 from the Effective Date or the duration of the Receivership, whichever is lesser, all documents  
 21 and records necessary to demonstrate full compliance with this Judgment, including all  
 22 submissions to the People.

23 33. Aequis, or the Receiver on Aequis's behalf, must make the documents  
 24 identified in paragraph 32 available to the Office of the California Attorney General upon the  
 25 People's request

**IX. NOTICES**

27 34. Unless otherwise directed in writing by the People, Defendants, or the Receiver on  
 28 behalf of Defendants, must provide all submissions, requests, communications, or other

**DRAFT – CAAG 2017-08-08**

documents relating to this Judgment in writing, with the subject line *People v. Aequitas Management, LLC*, and shall be sent both by a nationally recognized overnight-courier service and by email to the named person (or such other person who may be designated by the relevant party from time to time) at the following address:

Michael E. Ellison,  
Supervising Deputy Attorney General  
Bernard A. Eskandari  
Daniel A. Osborn  
Deputy Attorneys General  
Office of the California Attorney General  
300 South Spring Street, Suite 1702  
Los Angeles, CA 90013  
michael.elisofon@doj.ca.gov  
bernard.eskandari@doj.ca.gov  
daniel.osborn@doj.ca.gov

**X. COOPERATION WITH THE PEOPLE**

35. Defendants, or during the pendency of the Receivership, the Receiver on behalf of Defendants, will cooperate fully with the People as necessary to achieve the goals and carry out the requirements of this Judgment.

36. Defendants, or during the pendency of the Receivership, the Receiver on behalf of Defendants, will cooperate fully to help the People to determine the identity and the location of, and the relief provided pursuant to this Judgment for each Affected Consumer, from the information within Defendants' or the Receiver's possession and control or a servicer's system of record

**XI. MODIFICATIONS TO NON-MATERIAL REQUIREMENTS**

37. Notwithstanding the provisions of paragraph 40 (section XIV), any time limits for performance fixed by this Judgment may be extended by mutual written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Additionally, details related to the administration of Sections VI through X of this Order may be modified by written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Any other modifications to this Order may be made only upon approval of the Court, upon motion by any party.

**XII. RES JUDICATA EFFECT**

**DRAFT – CAAG 2017-08-08**

38. This Judgment shall have res judicata effect and shall resolve any claim by the People against Defendants that the People have or might have asserted based on the acts or practices described in the Complaint, to the extent such acts or practices occurred before the Effective Date and the People know about them as of the Effective Date. The People may use the acts or practices described in this Judgment in future enforcement actions against Defendants, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. Nothing herein precludes or affects any right of the People to determine and ensure compliance with this Judgment, or to seek penalties for any violations of this Judgment.

### **XIII. LIMITATION OF LIABILITY UNDER RECEIVERSHIP ORDER**

39. Notwithstanding any other terms, conditions, or provisions of this Judgment, pursuant to the Receivership Order, the Receiver and the Retained Personnel are entitled to rely on all outstanding rules of law and the orders of the Receivership Court and shall not be liable to any person or party (including, without limitation, the People) for their own good-faith compliance with this Judgment. Under the Receivership Order, in no event shall the Receiver or Retained Personnel be liable to any person or party (including, without limitation, the People) for their good-faith compliance with their duties and responsibilities as Receiver or Retained Personnel, nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted by them except upon a finding by the Receivership Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties

### **XIV. RETENTION OF JURISDICTION**

40. This Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Judgment.

41. The clerk is ordered to enter this Judgment forthwith.

ORDERED AND ADJUDGED at Los Angeles, California.

DATED: \_\_\_\_\_

\_\_\_\_\_  
JUDGE OF THE SUPERIOR COURT



## Schedule 1

## Corinthian Closed School OPEID List (Per the Department of Education Listing)

| OPEID   | School Name                      | Location                         | Street Address                  | City             | State | Corinthian School # |
|---------|----------------------------------|----------------------------------|---------------------------------|------------------|-------|---------------------|
| 809000  | Everest College                  | Everest College                  | 2215 Mission Road               | Alhambra         | CA    | 180                 |
| 1110700 | Everest College                  | Everest College                  | 511 North Brookhurst Street     | Anaheim          | CA    | 171                 |
| 1112300 | Everest College                  | Everest College                  | 1045 Wt Redondo Beach Blvd      | Gardena          | CA    | 186                 |
| 3072300 | Everest College                  | Everest College                  | 1460 S. Milliken Ave            | Ontario          | CA    | 245                 |
| 449400  | Everest College                  | Everest College                  | 217 E. Club Center Drive, Ste A | San Bernardino   | CA    | 182                 |
| 449401  | Everest College - Santa Ana      | Everest College - Santa Ana      | 500 West Santa Ana Boulevard    | Santa Ana        | CA    | 172                 |
| 449402  | Everest College - Ontario        | Everest College - Ontario        | 1819 South Excise Avenue        | Ontario          | CA    | 564                 |
| 481100  | Everest Institute                | Everest Institute                | 1630 Portland Avenue            | Rochester        | NY    | 692                 |
| 1110900 | Everest College                  | Everest College                  | 18040 Sherman Way               | Reseda           | CA    | 173                 |
| 2295000 | Everest College                  | Everest College                  | 10400 North 25th Avenue         | Phoenix          | AZ    | 575, 975            |
| 2295002 | Everest College                  | Everest College                  | 5416 East Baseline              | Mesa             | AZ    | 576                 |
| 3195400 | Everest College                  | Everest College                  | 1231 Cabrillo Avenue            | Torrance         | CA    | 155                 |
| 723400  | Heald College                    | Heald College                    | 875 Howard Street               | San Francisco    | CA    | 11101               |
| 723401  | Heald College - Honolulu         | Heald College - Honolulu         | 1500 Kapliolani Boulevard       | Honolulu         | HI    | 11136               |
| 723402  | Heald College                    | Heald College                    | 6035 Northeast 78th Court       | Portland         | OR    | 11138               |
| 723403  | Heald College - Kaneoche MCB     | Heald College - Kaneoche MCB     | Bldg 220, 5th St. Marine Corps  | Kaneohe          | HI    | Unable to Identify  |
| 723404  | Heald College - Concord          | Heald College - Concord          | 5130 Commercial Circle          | Concord          | CA    | 11103, 11199        |
| 723405  | Heald College - Milpitas         | Heald College - Milpitas         | 341 Great Mall Parkway          | Milpitas         | CA    | 11105               |
| 723406  | Heald College - Hayward          | Heald College - Hayward          | 25500 Industrial Boulevard      | Hayward          | CA    | 11104               |
| 723407  | Heald College - Modesto          | Heald College - Modesto          | 5260 Pirrone Court              | Salida           | CA    | 11115               |
| 723408  | Heald College - Roseville        | Heald College - Roseville        | Seven Sierra Gate Plaza         | Roseville        | CA    | 11156               |
| 723409  | Heald College - Salinas          | Heald College - Salinas          | 1450 North Main Street          | Salinas          | CA    | 11109               |
| 723410  | Heald College - Stockton         | Heald College - Stockton         | 1605 East March Lane            | Stockton         | CA    | 11114               |
| 723411  | Heald College - Rancho Cordova   | Heald College - Rancho Cordova   | 2910 Prospect Park Drive        | Rancho Cordova   | CA    | 11111               |
| 723412  | Heald College - Fresno           | Heald College - Fresno           | 255 West Bullard                | Fresno           | CA    | 11112               |
| 723413  | Heald College - Fresno Satellite | Heald College - Fresno Satellite | 255 East River Park Circle      | Fresno           | CA    | 11112               |
| 719000  | WyoTech                          | WyoTech                          | 200 Whitney Place               | Fremont          | CA    | 412                 |
| 1287300 | WyoTech                          | WyoTech                          | 2161 Technology Place           | Long Beach       | CA    | 274                 |
| 1287301 | WyoTech                          | WyoTech                          | 3000 S Robertson BLVD #300      | Los Angeles      | CA    | Unable to Identify  |
| 1287302 | WyoTech                          | WyoTech                          | 12801 Crossroads Pkwy South     | City of Industry | CA    | Unable to Identify  |



| Schedule 2                      |                    |   |  |                  |       |                                    |
|---------------------------------|--------------------|---|--|------------------|-------|------------------------------------|
| Zenith Closed School OPEID List |                    |   |  |                  |       | Corinthian<br>"Zenith"<br>School # |
| OPEID                           | SCHOOL NAME        | LOCATION  | ADDRESS  | CITY             | STATE |                                    |
| 2100401                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - KALAMAZOO                           | 5177 WEST MAIN STREET  | KALAMAZOO        | MI    | 347                                |
| 982809                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - CHELSEA                             | 70 EVERETT AVENUE  | CHELSEA          | MA    | 315                                |
| 2300105                         | EVEREST COLLEGE    | EVEREST COLLEGE - EARTH CITY                            | 3420 RIDER TRAIL SOUTH   | EARTH CITY       | MO    | 377                                |
| 2617507                         | EVEREST COLLEGE    | EVEREST COLLEGE - EVEREST INSTITUTE - BENSALEM          | 3050 TILLMAN DRIVE   | BENSALEM         | PA    | Unable to Identify                 |
| 2100402                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE                     | 8585 BROADWAY SUITE 200  | MERRILLVILLE     | IN    | 349                                |
| 2100400                         | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 1750 WOODWORTH STREET NORTHEAST                                | GRAND RAPIDS     | MI    | 345                                |
| 2298501                         | EVEREST COLLEGE    | EVEREST COLLEGE - FORT WORTH                            | 5237 NORTH RIVERSIDE DRIVE SUITE 200                           | FORT WORTH       | TX    | 613                                |
| 149911                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - MERRIONETTE PARK | 11560 SOUTH KEDZIE AVENUE                                      | MERRIONETTE PARK | IL    | 344                                |
| 2298500                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 3280 WEST 3500 SOUTH   | SALT LAKE CITY   | UT    | 572                                |
| 450301                          | EVEREST COLLEGE    | EVEREST COLLEGE - MCLEAN                                | 8620 WESTWOOD CENTER DRIVE                                     | VIENNA           | VA    | 626                                |
| 1185802                         | EVEREST COLLEGE    | EVEREST COLLEGE - BURR RIDGE                            | 6880 NORTH FRONTAGE ROAD SUITE 400                             | BURR RIDGE       | IL    | 343                                |
| 1185800                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 9811 WOODS DRIVE SUITE 200                                     | SKOKIE           | IL    | 341                                |
| 1185803                         | EVEREST COLLEGE    | EVEREST COLLEGE - MELROSE PARK                          | 1101 WEST NORTH AVENUE SUITE 1                                 | MELROSE PARK     | IL    | Unable to Identify                 |
| 982810                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE- BEDFORD PARK       | 7414 SOUTH CICERO AVENUE                                       | BEDFORD PARK     | IL    | Unable to Identify                 |
| 709100                          | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 100 FORBES AVENUE KOSSMAN BUILDING SUITE 1200                  | PITTSBURGH       | PA    | 656                                |
| 450701                          | EVEREST COLLEGE    | EVEREST COLLEGE- EVEREST COLLEGE AURORA                 | 14280 EAST JEWELL AVENUE SUITE 100                             | AURORA           | CO    | 509                                |
| 982806                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - JONESBORO                           | 6431 TARA BOULEVARD  | JONESBORO        | GA    | 353                                |
| 2606200                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 981 POWELL AVENUE SW SUITE 200                                 | RENTON           | WA    | 116                                |
| 982801                          | EVEREST INSTITUTE  | EVEREST INSTITUTE- DEARBORN                             | 23400 MICHIGAN AVENUE SUITE 200                                | DEARBORN         | MI    | 337                                |
| 907901                          | EVEREST COLLEGE    | EVEREST COLLEGE   | STONEMILL CENTER SUITE 130 120 NORTHEAST 136TH AVENUE          | VANCOUVER        | WA    | 548                                |
| 907900                          | EVEREST COLLEGE    | EVEREST COLLEGE   | 600 SW 10TH AVENUE SUITE 400                                   | PORTLAND         | OR    | 547                                |
| 2617509                         | EVEREST COLLEGE    | EVEREST COLLEGE   | NORTHGATE MERIDIAN BUILDING 2111 NORTH NORTHGATE WAY SUITE 300 | SEATTLE          | WA    | 390                                |
| 2300106                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 155 WASHINGTON AVENUE SUITE 200                                | BREMERTON        | WA    | 397                                |
| 149908                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - LAKELAND                           | 995 EAST MEMORIAL BOULEVARD                                    | LAKELAND         | FL    | 765                                |
| 149912                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - KANSAS CITY      | 1740 WEST 92ND STREET  | KANSAS CITY      | MO    | 320                                |

**DRAFT – CAAG 2017-08-09**

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

Attorneys for Plaintiff,  
The People of the State of California

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

**THE PEOPLE OF THE STATE OF  
CALIFORNIA,**

Plaintiff,

**v.**

**AEQUITAS CAPITAL MANAGEMENT,  
INC.; AEQUITAS MANAGEMENT, LLC;  
AEQUITAS HOLDINGS, LLC;  
AEQUITAS COMMERCIAL FINANCE,  
LLC; CAMPUS STUDENT FUNDING,  
LLC; CSF LEVERAGE I, LLC;  
AEQUITAS INCOME OPPORTUNITY  
FUND; AEQUITAS INCOME  
PROTECTION FUND,**

Defendants.

Case No.

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

(BUS. & PROF. CODE, § 17200 et seq.)

Plaintiff, the PEOPLE OF THE STATE OF CALIFORNIA, by Xavier Becerra, Attorney General of the State of California, (“People”) brings this action against AEQUITAS CAPITAL MANAGEMENT, INC.; AEQUITAS MANAGEMENT, LLC; AEQUITAS HOLDINGS, LLC; AEQUITAS COMMERCIAL FINANCE, LLC; CAMPUS STUDENT FUNDING, LLC; CSF LEVERAGE I, LLC; AEQUITAS INCOME OPPORTUNITY FUND; AEQUITAS INCOME

**DRAFT – CAAG 2017-08-09**

1 PROTECTION FUND (collectively, “Aequitas”) for violating the Unfair Competition Law (Bus.  
2 & Prof. Code, § 17200 et seq.), and alleges the following on information and belief:

**INTRODUCTION**

3  
4 1. The People bring this action against Aequitas for its abusive acts and practices in  
5 connection with private loans made to students at Corinthian Colleges, Inc. (“Corinthian”), which  
6 were funded or purchased by Aequitas. By funding these private loans, Aequitas enabled  
7 Corinthian to present a façade of compliance with state and federal laws requiring that a certain  
8 portion of a for-profit school’s revenue come from sources other than federal student aid. At the  
9 same time, Aequitas’s funding of the private loans facilitated by Corinthian caused injury to  
10 Corinthian students by saddling them with what both Aequitas and Corinthian knew was high-  
11 priced debt with a high likelihood of default, which students had no way of knowing was only for  
12 a sham tuition charge solely to gain access to Title IV funds. Aequitas has collected, and  
13 continues to collect, on these loans.

14 2. Until 2014, Corinthian was one of the largest for-profit, post-secondary education  
15 companies in the United States, boasting more than 100 school campuses. Corinthian offered  
16 career-oriented programs that were marketed to potential students as a way to obtain jobs in their  
17 fields of study, including health care, business, criminal justice, and information technology.  
18 Crucial to persuading students to sign up for these programs and attend were Corinthian’s  
19 deceptive promises of strong job placement and life-long career services.

20 3. Corinthian was a public company that derived nearly all of its revenue from  
21 federal student aid—mostly loans—taken out by its students under Title IV of the Higher  
22 Education Act of 1965 (“Title IV”). To qualify for Title IV funds, the federal government  
23 requires that schools like Corinthian obtain a portion of their revenue—10% during the period  
24 relevant to this action—from outside sources besides Title IV funds. This is known as the “90/10  
25 rule.” Corinthian complied with the 90/10 rule by raising its tuition beyond what Title IV loans  
26 would cover, so that students were forced to finance a portion of the tuition from another source.  
27 Knowing that its generally low-income students could not afford to pay this amount out of  
28 pocket, Corinthian established a private loan program, known as the “Genesis Loan Program,”

DRAFT – CAAG 2017-08-09

1 available only to its students. Corinthian devised the Genesis Loan Program and presented it to  
2 Aequis as a means of attracting Aequis's investment in it. The Genesis Loan Program was  
3 expensive. It featured interest rates as high as 18% and significant origination fees.

4 4. Under a 2012 change to the 90/10 rule, however, loan programs could no longer be  
5 financed by the school in order to qualify as an outside source of revenue for the purposes of  
6 obtaining Title IV funding. So, starting in 2011, Corinthian made an arrangement with Aequis  
7 in which Aequis purchased existing student-loan portfolios and began funding or purchasing  
8 new Genesis Loans originated by depository institutions. This arrangement made it appear as if  
9 Corinthian was not funding the loans. Yet, central to the arrangement was an agreement by  
10 Corinthian to purchase all the Genesis Loans that became delinquent more than 90 days,  
11 essentially shifting the risk of the program from Aequis back to Corinthian.

12 5. Aequis knew that the underlying tuition charge that the Genesis loans funded, as  
13 well as the Genesis Loans themselves, was intended to provide no economic benefit to Corinthian  
14 except access to Title IV funds. Default rates in the Genesis Loan Program were historically  
15 high—between 50% and 70%. Thus, the Genesis Loan Program essentially functioned as a loss  
16 leader for Corinthian, regardless of the outcomes for student borrowers.

17 6. Aequis was a necessary player in this scheme, which enriched Aequis with  
18 performing loans at high interest rates and enabled Corinthian to continue in existence by keeping  
19 Title IV revenue flowing.

20 7. Corinthian students, however, were never told that the portion of tuition funded by  
21 the Genesis Loans, as well as the loans themselves, were a sham to get access to federal funds.  
22 Indeed, Corinthian students were the ones left holding the bag, often with expensive debt that  
23 many could not repay.

24 8. Corinthian's deceptive scheme ended in ruin. In October 2013, the People filed a  
25 complaint against Corinthian in the Superior Court of the State of California, County of San  
26 Francisco, which the People amended in February 2014 and January 2016, for, among other  
27 things, engaging in unlawful acts and practices in connection with the Genesis Loan Program by  
28 inducing its students to take out loans by means of misrepresentations regarding the school's job

**DRAFT – CAAG 2017-08-09**

1 placement rates and career-services programs.

2 9. In February 2015, amid numerous, mounting governmental enforcement actions  
3 concerning its allegedly unlawful practices in marketing its educational and job placement  
4 support and in connection with the Genesis Loan Program, Corinthian sold more than 50  
5 campuses outside of California.

6 10. In April 2015, the U.S. Department of Education found, based on a joint  
7 investigation with the California Attorney General, that Corinthian had misrepresented job  
8 placement rates to students at Corinthian's Heald College system, and fined the company \$30  
9 million. In May 2015, Corinthian permanently closed its remaining California campuses and filed  
10 for Chapter 11 bankruptcy protection.

11 11. In November 2015, the California Attorney General and the U.S. Department of  
12 Education together announced findings from their joint investigation that Corinthian, in hundreds  
13 of programs at Everest and WyoTech campuses in California and Florida, misled students about  
14 their job prospects after graduation, adding to the existing findings concerning programs at Heald  
15 College.

16 12. In March 2016, the U.S. Department of Education announced additional findings  
17 that Corinthian misled students attending Everest and WyoTech campuses in 20 states about their  
18 job prospects after graduation. These campuses were located in Massachusetts, California,  
19 Illinois, Texas, Georgia, Pennsylvania, Florida, Washington, Virginia, Ohio, West Virginia,  
20 Michigan, Minnesota, Nevada, Missouri, Indiana, Wisconsin, Oregon, New York, Utah,  
21 Maryland, New Jersey, and Wyoming.

22 13. In March 2016, the Superior Court of the State of California, County of San  
23 Francisco, entered a \$1.1 billion default judgment against Corinthian in favor of the People,  
24 which include findings, among numerous others, that Corinthian unlawfully failed to disclose its  
25 role in the Genesis Loan Program.

26 14. As of March 31, 2017, Aequitas held a portfolio of these student loans with an  
27 unpaid balance of more than \$190 million, including approximately 46,300 loans made to  
28 approximately 41,300 borrowers. Aequitas continues to collect payments on performing loans.

**JURISDICTION AND VENUE**

15. This Court has jurisdiction over the allegations and subject matter of the People’s Complaint filed in this action, and the parties to this action; venue is proper in this County; and this Court has jurisdiction to enter this Judgment. This Judgment is entered under and subject to Business and Professions Code section 17200 et seq.

**DEFENDANTS****I. AEQUITAS ENTITIES**

16. Aequis Capital Management, Inc. (“Aequis Capital”) is an Oregon corporation formed in 1993 with a principal place of business in Lake Oswego, Oregon. Aequis Capital is the manager of ACF. As the manager of ACF, Aequis Management is responsible for the overall operations of ACF, including the management of ACF’s loan and investment portfolio.

17. Aequis Management, LLC (“Aequis Management”) is an Oregon limited-liability company with a principal place of business in Lake Oswego, Oregon. Aequis Management owns 84% and exercises exclusive control over Aequis Holdings, the sole owner and member of ACF and the sole shareholder of ACM.

18. Aequis Holdings, LLC (“Aequis Holdings”) is an Oregon limited liability-company with a principal place of business in Lake Oswego, Oregon. Aequis Holdings is the sole owner and member of ACF and the sole shareholder of ACM.

19. Aequis Commercial Finance, LLC (“ACF”) is an Oregon limited liability-company with a principal place of business in Lake Oswego, Oregon. ACF is the sole owner and member of at least seven subsidiaries that engage in the business of acquiring or investing in portfolios of trade receivables in the healthcare, education, transportation, and consumer-credit sectors. ACF also holds ownership stakes in the Aequis Funds and a number of other Aequis-affiliated companies. ACF also has directly held or currently holds title to Genesis student-loan promissory notes and the right to collect and receive existing and future principal and interest payments.

20. Campus Student Funding, LLC (“CSF”), formerly known as AFSG, LLC, is an Oregon limited-liability company with a principal place of business in Lake Oswego, Oregon.

DRAFT – CAAG 2017-08-09

1 CSF is owned by ACF and was created by Aequitas as a special-purpose entity for purchasing  
2 student loans. CSF originally purchased all Genesis Loan notes sold to Aequitas entities, whether  
3 directly from Corinthian, the loan servicer, or the issuing bank. CSF was the seller of the notes  
4 under Corinthian's commitment to purchase delinquent loans from Aequitas. Thus, CSF has held  
5 or currently holds title to Genesis student-loan promissory notes.

6 21. CSF Leverage I, LLC ("CSF Leverage") was an Oregon limited-liability company  
7 with a principal place of business in Lake Oswego, Oregon. CSF Leverage was owned by ACF  
8 and at one time held Genesis student-loan promissory notes. CSF Leverage merged into CSF and  
9 no longer exists as a separate entity.

10 22. The Aequitas Funds are various funds owned by the Aequitas entities described  
11 above. Aequitas Income Opportunity Fund is owned by ACF and holds, or has held, the right to  
12 collect and receive Genesis student-loan receivables. Aequitas Income Protection Fund is owned  
13 by ACF and CSF and holds, or has held, the right to collect and receive Genesis student-loan  
14 receivables. CSF Leverage I, LLC (f/k/a ASFG Leverage I, LLC) is, upon information and belief,  
15 owned by ACF and CSF and has held the right to collect and receive Genesis student-loan  
16 receivables.

## 17 **II. COMMON ENTERPRISE**

18 23. At all times material to this complaint, Aequitas has operated as a common  
19 enterprise while engaging in the violations of state law set forth herein. Aequitas has conducted  
20 the business acts and practices described herein through its interrelated network of companies  
21 described above that have common business functions, employees, and office locations.

22 24. Aequitas has also shared operations and proceeds of the relevant activities  
23 associated with the allegations in this complaint. For example, even though CSF initially  
24 purchased the Genesis Loans, the loans were sold to various other Aequitas funds or entities,  
25 including Aequitas Income Opportunity Fund, Aequitas Income Protection Fund, CSF Leverage  
26 Fund I, or ACF. Because Aequitas has operated as a common enterprise, each of the Aequitas  
27 entities is jointly and severally liable for the acts and practices described below.  
28



DRAFT – CAAG 2017-08-09**III. RECEIVERSHIP OF AEQUITAS**

25. Corinthian's repurchase of the delinquent Genesis loans was an important source of revenue for Aequis. Corinthian's failure, and the cessation of the loan repurchases, caused Aequis significant distress. Early in 2016, the lack of that revenue coupled with, among other things, alleged improprieties by Aequis management led the company to curtail operations.

26. On March 10, 2016, the U.S. Securities and Exchange Commission ("SEC") brought an action in the U.S. District Court for the District of Oregon, alleging violations of the securities laws, including a scheme to defraud and misuse investor funds. Pursuant to the SEC's request, the court on April 15, 2016, appointed a receiver to wind down the companies and distribute the remaining assets. The receiver is not a party to this action.

**FACTUAL BACKGROUND**

27. In 2011, Aequis became involved in private student lending by purchasing private student loans from Corinthian and participating in the operation of Corinthian's Genesis Loan Program.

28. At that time, Corinthian was one of the largest for-profit, post-secondary education companies in the United States. With more than 100 school campuses nationwide, including more than 30 campuses in California that enrolled tens of thousands of students, Corinthian operated schools under the following names: Everest College, Everest Institute, Everest University Online, Everest University, Everest College Phoenix, Heald College, and WyoTech. Corinthian offered career-oriented programs that were marketed to potential students as a way to obtain jobs in their fields of study, including health care, business, criminal justice, mechanical, and information technology.

29. Most students attending Corinthian's schools were low-income or the first in their families to seek an education beyond a high-school diploma. Many Corinthian students struggled economically. For example, a 2011 Corinthian survey of campus operations indicated that over 57% of Corinthian's student population had a household income of \$19,000 or less, and 35% of Corinthian's student population had a household income of less than \$10,000.

30. The great majority of students attending Corinthian's schools could not afford to



DRAFT – CAAG 2017-08-09

1 pay the school's tuition out-of-pocket. Students needed financial aid—mostly loans from either  
2 the federal government under Title IV or private sources—to pay Corinthian's tuition and fees.  
3 This was well known to Corinthian.

4 **I. CORINTHIAN INDUCED STUDENTS TO TAKE OUT LOANS WITH DECEPTIVE**  
5 **REPRESENTATIONS ABOUT JOB PLACEMENT STATISTICS AND CAREER-SERVICES**  
6 **OFFERINGS**

7 31. Corinthian needed to convince students that paying its tuition, and taking on  
8 substantial debt to do so, would be a worthwhile investment in their future. Corinthian's internal  
9 marketing studies showed that student "[e]nrollment largely hinges on selling affordability &  
10 [job] placement." Accordingly, Corinthian deployed a series of misrepresentations about the  
11 employment outcomes for Corinthian students and the services Corinthian would provide to help  
12 them find jobs.

13 32. The People's October 2013 civil enforcement action against Corinthian was  
14 predicated in large part on such misrepresentations regarding the school's job placement rates and  
15 career-services programs. That action resulted in a \$1.1 billion default judgment entered against  
16 Corinthian in favor of the People in March 2016.

17 33. Based on substantial evidence developed by the People, the Court made a number  
18 of specific findings in the judgment that Corinthian engaged in widespread misconduct by  
19 systematically making false, misleading, and erroneous statements regarding the career prospects  
20 of its students.

21 **A. Misrepresentations Concerning Job Placement Statistics**

22 34. From at least 2009 until the closure of its schools, many of Corinthian's  
23 representations and advertisements related to job placement were untrue or misleading. To sell its  
24 programs to prospective students and to keep those already enrolled, Corinthian issued  
25 standardized disclosures for each campus related to job placement, including placement rates for  
26 each program offered at that campus, which Corinthian published online and provided to students  
27 in hard copy as part of the enrollment process.

28 35. The placement rates that Corinthian published were systematically false,  
misleading, erroneous, and failed to comply with applicable state and federal regulations, and

DRAFT – CAAG 2017-08-09

1 accreditor standards. These purported placements were at times as high as 100%, leading students  
2 to believe that if they graduated they were guaranteed to get a job. Yet, in some cases, there was  
3 no evidence that even a single student in a program obtained a job during the time frame specified  
4 in the disclosures.

5 36. Among other tactics, Corinthian inflated its job placement rates by including  
6 graduates placed in temporary jobs that lasted just one or two days, and jobs in which Corinthian  
7 had paid temporary agencies to place graduates for brief periods to meet accreditation deadlines.  
8 Additionally, Corinthian deliberately overstated the number of jobs that students obtained and  
9 undercounted the pool of “employable” graduates, thereby increasing the percentage of employed  
10 graduates out of all the “employable graduates.”

11 37. Corinthian’s senior management had firsthand knowledge of this misconduct and  
12 specifically that placement rates were being falsified and overstated. For example, in September  
13 2011, Corinthian’s CEO, Jack Massimino, emailed a presentation to the Executive Leadership  
14 Team that stated, “We have a placement compliance problem now.” And in May 2012,  
15 Corinthian’s Executive Vice President of Operations emailed the Chief Administrative Officer  
16 and the Senior Vice President of Online Learning a copy of a presentation regarding placements  
17 that stated, “No current guidelines and training to define a placement - mistakes are repeated  
18 constantly because no clear definition of a placement exists;” and “inconsistent processes on what  
19 passes as infield or related [placement].”

20 **B. Misrepresentations Concerning Career Services**

21 38. Corinthian represented to prospective and current students that its education would  
22 offer a “career,” not “just another job.” As Bob Bosic, Corinthian’s former Executive Vice  
23 President of Operations, stated, “Our students come to us primarily to gain skills and find a  
24 position that will help them launch a successful career.” To convince students that they would  
25 achieve career success by taking out loans to pay for a Corinthian education, Corinthian  
26 misrepresented the availability and the utility of its career services. Corinthian portrayed its  
27 educational programs as a way for students to secure better-quality careers. For example, in  
28 promoting Heald College, Corinthian advertised, “[y]our education might mean the difference

DRAFT – CAAG 2017-08-09

1 between a rewarding career or just another job.” Similarly, Everest Colleges, Universities, and  
2 Institutes advertised on its websites that it provided students “[a] better career, a better life, a  
3 better way to get there.”

4 39. Corinthian falsely promised prospective students that they would receive career  
5 assistance while enrolled and lifetime career assistance after graduation. Corinthian promoted  
6 “career-focused education” and career services that were available “whenever you need help  
7 finding a job, or want some advice on improving your resume or interviewing skills.” Corinthian  
8 further promoted that it “not only help[s] you find a job after you graduate, we help you find a job  
9 any time you need one, throughout your career . . . . From graduation to retirement, we’ll help  
10 you advance your career whenever you need it.” Corinthian emphasized its nationwide network  
11 of employers.

12 40. The actual services provided were limited, such as providing postings already  
13 publicly available from services like Craigslist. Moreover, after graduates obtained initial  
14 placements, Corinthian refused to provide any further assistance to them. This was particularly  
15 significant for students who received temporary placements only.

16 **C. The “90/10 Rule”**

17 41. Corinthian engaged in these deceptions because it wanted to convince students to  
18 take out the loans and use whatever aid they could to pay its tuition. Nearly all of its revenue was  
19 derived from Title IV federal student loans, which were Corinthian’s “life blood,” without which  
20 the school could not continue to operate. In its Annual Report Form 10-K for fiscal year 2013,  
21 filed with the SEC, Corinthian reported that its operations in the United States derived 84.8% of  
22 net revenue from Title IV aid programs.

23 42. A for-profit company that owns a school receiving federal student aid funds is  
24 subject to the “90/10 rule,” 34 C.F.R. § 668.14(b)(16). Under this rule, a for-profit college must  
25 not receive more than 90% of its net revenue from Title IV aid. A minimum of 10% of these  
26 entities’ revenue must come from non-Title IV aid, such as state aid, ordinary tuition payments  
27 from students, or private student loans. Schools that do not comply with the “90/10 rule” risk  
28 losing their eligibility to participate in federal student aid programs; for Corinthian, this would

DRAFT – CAAG 2017-08-09

1 have meant losing the source of nearly 90% of its revenue.

2 43. In order to appear to satisfy the 90/10 rule, Corinthian made sure that the cost of  
3 attending its schools was high enough that students would not be able to pay solely through using  
4 Title IV aid. In September 2011, Corinthian's CEO distributed a presentation to his executive  
5 team, describing efforts by Corinthian to meet the requirements of the 90/10 rule by instituting  
6 "above market price increases to create 'funding gaps.'"

7 44. Corinthian knew, however, that few of its students would be able to pay the  
8 "funding gap" out of pocket, and thus most would require additional loans for this purpose. Thus,  
9 by increasing tuition, Corinthian caused students, who otherwise would have been able to pay for  
10 the entire cost of tuition through Title IV aid, to take out private student loans. Regardless of  
11 whether students were able to repay the private student loans, Corinthian would profit from the  
12 increased availability of Title IV monies. The private student loans filling this "funding gap"  
13 essentially would function as a loss leader for Corinthian.

14 **II. CORINTHIAN IMPLEMENTED THE GENESIS LOAN PROGRAM TO FILL THE**  
15 **"FUNDING GAP" THAT CORINTHIAN CREATED**

16 45. Before 2008, third-party providers of private education loans offered Corinthian  
17 students the opportunity to apply for loans to fund their educational expenses.

18 46. In or about January 2008, as a result of the economic downturn, these third-party  
19 lenders ceased making private student loans available to students at high risk of default due to  
20 poor credit profiles or low income. Therefore, these sources of funding became unavailable to  
21 Corinthian students.

22 47. In order to continue the flow of the needed "10%" of funds from non-Title IV  
23 sources, Corinthian launched its own institutional loan program—the Genesis Loan Program—  
24 which it developed together with a third-party entity ("Company A") already engaged in  
25 financing and servicing "funding gap" loans for other educational institutions.

26 48. Beginning in approximately March 2008, Corinthian actively marketed, promoted,  
27 and offered Genesis Loans to its prospective and current students to pay tuition and fees that were  
28 not covered by federal aid or other sources. Corinthian's financial-aid staff promoted the loan

DRAFT – CAAG 2017-08-09

1 program by introducing it to prospective and current students, and by encouraging them to apply  
2 for Genesis Loans to pay for tuition and fees that were not covered by federal financial aid.

3 49. The interest rates for Genesis Loans were typically substantially higher than the  
4 interest rate for federal loans. In 2011, the Genesis Loan interest rate was as high as 18% with an  
5 origination fee of 6%. Meanwhile, the interest rate for federal student loans during this time  
6 period was 3.4% to 6.8% with an origination fee of 1%.

7 50. Under the Genesis Loan Program, nearly all student borrowers were required to  
8 make monthly loan payments while attending school. The most common payment plan was called  
9 “Plan A,” which required a monthly loan payment while the student was attending school. The  
10 interest began accruing after the student left school.

11 51. Under the original Genesis Loan Program, under written agreements, Corinthian  
12 marketed the loan and a partner bank acted as the originator for each Genesis loan, disbursing the  
13 loan funds to Corinthian after each student’s loan application was approved. Shortly after a  
14 student’s loan funds were disbursed to Corinthian on the student’s behalf, Company A purchased  
15 the loans from the bank. Corinthian then paid a “discount fee” to Company A equal to 50% of the  
16 face value of the loans that Company A purchased from the bank.

17 52. Under the agreement with Company A, typically within two weeks after Company  
18 A purchased the loans from the bank, Corinthian purchased all of the loans from Company A.  
19 Corinthian paid Company A the face value of the loans minus any discount fee that it had already  
20 paid and Company A operated as the servicer of the loans. Accordingly, from in or about 2008  
21 through approximately July 2011, Corinthian would own all Genesis loans that its students took  
22 out within a period of approximately two weeks after the loan funds were disbursed.

23 53. In 2011, the third-party lenders who had previously been extending private loans  
24 to the small portion of Corinthian’s students who were considered prime borrowers ceased  
25 lending to Corinthian students altogether. As a result, the Genesis Loan Program then became  
26 effectively the only available source of private financing to Corinthian students.

27 **III. HIGH DEFAULT RATES ON THE GENESIS LOANS**

28 54. Although Corinthian engaged in aggressive collection efforts, the default rate on

DRAFT – CAAG 2017-08-09

1 Genesis Loans was consistently extremely high. Corinthian charged off a Genesis Loan when the  
2 student borrower was more than 270 days delinquent in making required loan payments. Using  
3 the period in which Corinthian would classify a Genesis loan as more than 270 days delinquent  
4 and calculating the default rate based upon the number of student loans, the default rate on  
5 Genesis Loans was typically greater than 50% for all loans more than two years old, and above  
6 60% for all loans more than three years old.

7 55. Corinthian knew of the high default rates for its Genesis Loans, and at all times  
8 during operation of the Genesis Loan Program, Corinthian anticipated that the default rates would  
9 remain at these high levels. As the Genesis Loan Program was simply a tool to achieve  
10 compliance with the 90/10 rule, Corinthian was willing to take the losses resulting from the high  
11 level of defaults for the greater reward of keeping Title IV revenue flowing to the school.

12 56. Moreover, Corinthian knew the characteristics of students who were most likely to  
13 default. Corinthian required that “Schools should gather information to discern who is defaulting  
14 and why . . . . Internal data includes key information such as high school attended, program of  
15 study, demographics, grades, etc.”

16 **IV. THE 90/10 RULE CHANGES AND AEQUITAS SEES A BUSINESS OPPORTUNITY BY**  
17 **HELPING CORINTHIAN CONTINUE TO QUALIFY FOR FEDERAL FUNDS**

18 57. Effective July 1, 2012, the 90/10 rule was changed to eliminate institutional loans  
19 like the Genesis Loans from counting toward the private revenue required to maintain Title IV  
20 eligibility. With third-party private lenders no longer making loans available to its students by  
21 that time, Corinthian had to find another source of funding for the “10%.”

22 58. Corinthian determined that as long as it moved the Genesis Loans “off its books,”  
23 it could still count the revenue from the Genesis Loan Program toward the 10%. Well before the  
24 rule change became effective, Corinthian sought a third party to purchase the loans after  
25 origination.

26 59. Aequitas’s involvement in the Corinthian private loan program formally began in  
27 June 2011, when CSF entered into an agreement to pay approximately \$24 million to purchase a  
28 portfolio of existing Corinthian student loans with a face value of \$30,576,549 on a non-recourse



DRAFT – CAAG 2017-08-09

1 basis.

2 60. Aequitas understood from the outset that Corinthian’s business model, indeed its  
3 very existence, depended on its satisfaction of the 90/10 rule as a condition of obtaining federal  
4 funds. In July 2011, in its Deal Summary and Underwriting Report for Student Receivable  
5 Portfolio Purchase from Corinthian, Aequitas explained Corinthian’s challenges complying with  
6 the 90/10 rule and how Aequitas could alleviate this compliance problem:

7 Corinthian . . . has been under regulatory pressure to stay compliant with the 90/10  
8 economics. . . . Thus, an opportunity presented itself to alleviate the regulatory  
9 pressure for Corinthian by acquiring their existing student loans, as well as to enter  
10 into a longer forward flow relationship to purchase more recently originated student  
11 loans. Corinthian needs to get their student loans off their balance sheet and to stop  
12 originating student loans.

13 61. As the relationship between Aequitas and Corinthian progressed, Aequitas  
14 reported internally statements by Corinthian that it was “[m]anaging to 90/10, not under” and that  
15 federal loans were Corinthian’s “life blood.”

16 62. Aequitas further understood that Corinthian raised its tuition not to make  
17 additional money but rather to create the obligation for additional “10%” in revenues that would  
18 give it access to the needed Title IV funds. Aequitas told its investors that that “increasing tuition  
19 is the simplest way a school can mitigate risk from the 90/10 Rule.” Indeed, Corinthian even told  
20 Aequitas that the 90/10 rule had “required” Corinthian to raise tuition. Aequitas knew that the  
21 additional tuition charge, as well as the Genesis Loans that funded them, were a sham to get  
22 federal funds.

23 63. In September 2011, CSF agreed to pay approximately \$10 million to purchase  
24 another portfolio of existing loans with a face value of \$16,792,381 on a recourse basis, meaning  
25 that if the loans became more than 90 days past due, Corinthian would purchase the loans back  
26 from CSF.

27 64. Pleased with the money it was making for itself and its investors on the student-  
28 loan portfolio, Aequitas sought to “deepen” its relationship with Corinthian. In September 2011,  
29 CSF entered into an agreement with Corinthian to create a “forward flow” program, called  
30 “Corinthian 1.0.” Under that agreement, CSF purchased Genesis loans at a 40% discount on the

DRAFT – CAAG 2017-08-09

1 face value of each purchased loan, and Corinthian also committed to purchase all loans back from  
2 CSF that were more than 90 days past due. CSF agreed that each month it would purchase  
3 approximately \$15 million in face value of loans shortly after origination on a full recourse basis.  
4 The loans would be originated by a bank and immediately purchased after origination by  
5 Aequitas. Under the forward flow agreements, Aequitas had the right to purchase loans but not  
6 the obligation, and could terminate its relationship upon 14 days' notice to Corinthian.

7 65. In April 2012, Aequitas sent Corinthian a list of points for discussion. The list  
8 included allegations made by others about the for-profit education industry generally and  
9 Corinthian specifically, including that for-profit schools "game" the 90/10 regulations by inflating  
10 tuition costs and creating a funding gap, despite knowing that most of the private loans provided  
11 would not perform. Yet Aequitas continued to participate in and seek profit from the Genesis  
12 Loan Program scheme.

13 66. Indeed, Aequitas regularly monitored the status of the various, multiplying state  
14 and federal government investigations and litigation concerning Corinthian's student lending  
15 practices, marketing to students, and job placement data post-graduation. Knowledge of these  
16 investigations and litigation did not deter Aequitas from continuing to seek profit from the  
17 Genesis Loan Program scheme.

18 67. In July 2012, Aequitas and Corinthian discussed additional ways for Corinthian to  
19 maximize its Title IV revenue. In its internal notes of the meeting, Aequitas noted Corinthian's  
20 plans to shift more students enrolled in on-line course programs from part-time to full-time status,  
21 because "part time online students don't need gap financing" and "shifting students from part-  
22 time to full-time will create gap financing needs."

23 68. Aequitas understood that Corinthian was "highly focused on maximizing starts to  
24 generate Title IV revenue flow" and that Corinthian's "quality bar [was] low."

25 69. On August 14, 2012, an Aequitas executive observed that "[i]t appears as if the for  
26 profits are spending an inordinate amount of money to put anyone (qualified or unqualified) into a  
27 seat on their campus."

28 70. In September 2012, the parties launched the "Corinthian 2.0" program, which was



DRAFT – CAAG 2017-08-09

1 a continuation of the original forward flow program, with slightly different terms.

2 **V. AEQUITAS SAW CORINTHIAN STUDENTS AS EASY PREY AND KNEW THAT**  
3 **CORINTHIAN EXERCISED UNDUE INFLUENCE OVER THEM**

4 71. At a meeting with Corinthian executives in Santa Ana, California in June 2012,  
5 Aequitas noted that Corinthian described its competition for students as “the couch, inertia, and  
6 gangs” and that its students were “looking to get a life, looking for a mother figure and father  
7 figure.”

8 72. In a January 2013 marketing presentation to Aequitas, Corinthian described its  
9 prospective student population as individuals who have “low self-esteem” and “[f]ew people in  
10 their lives who care about them”; who are “isolated,” “stuck, unable to see and plan well for  
11 future”; and “impatient, [and] want quick solutions.”

12 73. Aequitas knew that Corinthian brokered the Genesis Loans to its students by  
13 arranging for the loans and serving as the students’ single point of contact in doing so.

14 74. Aequitas knew that Corinthian was advising students regarding the loans offered  
15 through the Genesis Loan scheme and that Corinthian was actively engaged in promoting Genesis  
16 Loans.

17 **VI. AEQUITAS KNEW THAT CORINTHIAN STUDENTS WERE BEING HARMED BY HIGH**  
18 **DEFAULT RATES BUT SOUGHT ONLY TO MITIGATE ITS OWN EXPOSURE TO THE**  
19 **DEFAULTS**

20 75. Aequitas understood that default rates on the Genesis Loan Program were high. In  
21 March 2012, an Aequitas employee noted that Corinthian continued making institutional loans,  
22 despite the high default rates that resulted in Corinthian writing off many of the loans,  
23 “presumably because the loans lure students to its schools and give[] it access to federal student  
24 aid dollars.” In other words, Aequitas understood the Genesis Loan Program was intended to be a  
25 loss leader for Corinthian.

26 76. Aequitas understood that Corinthian expected students would, more often than not,  
27 be unable to repay their Genesis Loans. In conducting diligence, Aequitas noted that “[d]espite  
28 the dismal performance of [the Genesis] loans, Corinthian executives told investors in summer  
2011 that they planned to double the volume of private loans made through the institutional loan

DRAFT – CAAG 2017-08-09

1 program . . . .”

2 77. The same Aequitas employee noted “with defaults this high, how can we defend  
3 our practices?”

4 78. Indeed, despite the fact that Aequitas knew that the tuition charge funded by the  
5 Genesis Loans, as well as the Program itself, was merely a ploy to obtain access to federal funds,  
6 Aequitas disregarded the high default rates on these sham loans.

7 79. Aequitas understood the harmful impact of student-loan defaults on students. For  
8 example, Aequitas learned that private student loans like the Genesis Loans were difficult to  
9 discharge in bankruptcy, “making them more onerous than credit-card debt or subprime  
10 mortgages.”

11 80. Aequitas was well aware that when Corinthian began its loan program in 2008, the  
12 default rates for these loans were between 50% and 70%.

13 81. Aequitas’s initial models in 2011 predicted a 45% default rate. In October 2012,  
14 Aequitas revised its models upon a finding that default rates were in the mid-50% range. Aequitas  
15 estimated that it could cover the cost of investor funds if the cumulative default rate reached 63%  
16 even if Corinthian defaulted on its obligations to purchase the loans.

17 82. In December 2012, Aequitas’s Underwriting Report recommended Aequitas  
18 continue purchasing Corinthian’s loans, despite an expected default rate of 57% for the loans  
19 purchased as part of the 2.0 forward-flow agreement with Corinthian.

20 83. In October 2013, Aequitas concluded that the loans purchased in June 2011 had a  
21 default rate of 63%. Aequitas estimated that the default rate for the full term of these loans would  
22 be 66%. Moreover, Aequitas determined a default rate of 50.9% for loans in the Corinthian 1.0  
23 program and an estimated default rate of 61% for the full term of the loans.

24 84. Aequitas understood Corinthian was not concerned about the high default rates  
25 because, from Corinthian’s perspective, the purpose of the Genesis Loan Program was to receive  
26 Title IV funds and avoid 90/10 Rule compliance problems.

27 85. For Aequitas, the high default rates were simply an investment risk to be  
28 mitigated. As long as the loans performed within Aequitas’s projections and Corinthian assumed

DRAFT – CAAG 2017-08-09

1 the risk of purchasing delinquent and defaulted loans, Aequitas made money on the loans.  
2 Corinthian was willing to assume that risk because the pretense of a third-party funding the  
3 Genesis Loan Program allowed the school to stay in compliance with the 90/10 rule.

4 86. Despite its knowledge of the high default rates and the effect of defaults on  
5 students, Aequitas continued funding the Genesis Loan Program. Aequitas continued to seek out  
6 ways in which it could work more closely with and fund more loans for Corinthian, ultimately  
7 agreeing to do so several times via renewed funding agreements.

8 87. In the meantime, Corinthian students who defaulted on Genesis Loans suffered  
9 harmful consequences including negative credit reporting, along with consequences that flow  
10 from that. Negative items on a credit report like defaults can result in difficulty in renting an  
11 apartment, denial of employment, ineligibility for other forms of financing, or eligibility only on  
12 less favorable terms than would otherwise have been available.

13 88. In addition, Corinthian students were and are harmed by Aequitas's continued  
14 collection of payments on loans that carried interest rates as high as 18% and origination fees as  
15 high as 6%.

16 **VII. AEQUITAS WAS AWARE OF AND DISREGARDED INCREASING SCRUTINY OF**  
17 **CORINTHIAN'S BUSINESS PRACTICES**

18 89. Aequitas was aware of allegations of wrongdoing by Corinthian and ignored  
19 numerous red flags regarding Corinthian's deceptive acts and practices.

20 90. In a 2011 Deal Summary and Underwriting Report to investors concerning  
21 Aequitas's purchase of a portfolio of loans in 2011, Aequitas summarized the numerous lawsuits  
22 against Corinthian.

23 91. For example, the summary noted that Corinthian was facing three qui tam false  
24 claims actions alleging violations of the Higher Education Act regarding the manner in which  
25 admissions personnel were compensated.

26 92. The summary also observed that Corinthian had experienced an "unprecedented  
27 increase" in putative class actions brought by former students in the second, third, and fourth  
28 quarters of the 2011 fiscal year. Aequitas explained that Corinthian "believes these lawsuits are

DRAFT – CAAG 2017-08-09

1 largely the result of negative publicity” and noted that binding arbitration clauses required nearly  
2 all of the students to resolve their cases through individual arbitration.

3 93. Aequitas was aware that in 2012, Corinthian was being investigated by state  
4 attorneys general for California, Florida, Massachusetts, Illinois, New York, and Oregon for  
5 alleged wrongdoing including misrepresentations regarding job placement and career prospects.

6 94. In 2012, Aequitas was aware of the U.S. Consumer Financial Protection Bureau’s  
7 investigation into Corinthian’s practices.

8 95. Aequitas was also aware that in October 2013, the People sued Corinthian,  
9 alleging “false and predatory advertising, intentional misrepresentations to students, securities  
10 fraud and unlawful use of military seals in advertisements.” According to the People’s complaint,  
11 Corinthian’s “predatory marketing efforts specifically target[ed] vulnerable, low-income job  
12 seekers and single parents who have annual incomes near the federal poverty line.”

13 96. Aequitas’s periodic written internal memoranda about its business relationship  
14 with Corinthian indicate Aequitas failed to perform any meaningful due diligence concerning  
15 Corinthian’s marketing and representations to its students. Instead, Aequitas took at face value  
16 Corinthian’s assertions that the lawsuits and investigations were without merit or easily disposed  
17 of.

18 **VIII. DESPITE THE MANY RED FLAGS, AEQUITAS CONTINUED ITS PARTNERSHIP WITH**  
19 **CORINTHIAN AND ITS EXPANSION EFFORTS FOR THE “EDUCATIONPLUS” LOAN**  
20 **PROGRAM**

21 97. In June 2012, at Aequitas’s request, the agreement between Corinthian and  
22 Aequitas was amended to include a provision that barred Corinthian from endorsing any tuition  
23 loan program other than Aequitas’s.

24 98. In a December 2012 internal report, Aequitas noted “we enjoy regular interactions  
25 with Corinthian’s CEO and CFO, allowing us to increasingly become a strategic partner to  
26 Corinthian.”

27 99. In or about 2013, Corinthian and Aequitas renamed the Genesis Loan Program the  
28 “EducationPlus” loan program. The EducationPlus loan program resulted in lower interest rates  
being offered to Corinthian students, but was the functional equivalent of the Genesis Loan

**DRAFT – CAAG 2017-08-09**

1 Program, and Aequitas's and Corinthian's respective roles did not change. Corinthian  
 2 management and staff often referred to the EducationPlus loan program as the Genesis Loan  
 3 Program. (References in this Complaint to the Genesis Loan Program and Genesis Loans include  
 4 EducationPlus loans.)

5 100. Aequitas began marketing the EducationPlus program to other for-profit schools as  
 6 a "turnkey solution" to provide funding for their institutional loan programs. Aequitas did this  
 7 because it saw the scheme it was running with Corinthian as a profit center, disregarding the fact  
 8 that it was a sham that harmed the student borrowers who were caught up in it.

9 **IX. ONLY WHEN AEQUITAS DEEMED THE FORWARD-FLOW PROGRAM TOO RISKY TO**  
 10 **AEQUITAS DID IT CEASE FUNDING LOANS**

11 101. In January 2014, Aequitas exercised its option to withdraw from the loan program  
 12 and stop purchasing Genesis Loans originated through Corinthian.

13 102. Aequitas management made the decision based on "increased operational risk at  
 14 Corinthian" and "headline risk to Aequitas." Aequitas was concerned that state and federal  
 15 investigations of Corinthian could ultimately affect the underlying value of the Genesis Loans  
 16 they were funding.

17 103. However, from February 2014 through May 2014, Aequitas and Corinthian  
 18 continued to discuss additional opportunities to continue working together, which Aequitas said  
 19 would require additional insulation from defaults and other risk in the loan portfolios.

20 104. In May 2014, Corinthian stopped honoring its obligation to purchase all loans  
 21 from CSF that were more than 90 days past due

22 **FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS**  
 23 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200**  
 24 **(UNFAIR COMPETITION)**

25 105. The allegations in paragraphs 1 through 104 are incorporated here by reference.

26 106. Aequitas engaged in business acts or practices that were unlawful, unfair, or  
 27 deceptive, or misleading, and therefore violated section 17200 of the California Unfair  
 28 Competition Law (Bus. & Prof. Code, § 17200).

DRAFT – CAAG 2017-08-09

1           107. In particular, Aequitas partnered with Corinthian in a scheme so that Corinthian  
2 could defeat the 90/10 rule, and Aequitas was richly rewarded for its participation.

3           108. Aequitas knew that the Genesis Loan Program, and the tuition charge it funded for  
4 Corinthian student-borrowers, was a sham.

5           109. Aequitas participated in the loan programs in order to earn the profit from the  
6 performing loans it expected to keep.

7           110. Aequitas knew but disregarded the harm to Corinthian student borrowers caused  
8 by this scheme. While Aequitas made what appeared to be an easy profit, with Corinthian buying  
9 back delinquent loans, student-borrowers would have to pay high-interest, high-origination-fee  
10 loans back for illusory tuition that Corinthian never expected to recoup. Aequitas knew but  
11 disregarded the fact that most Corinthian student-borrowers would default on these loans and  
12 would suffer the consequences of such defaults.

13           111. Student-borrowers were unable to protect their interests in selecting or using the  
14 Genesis Loans because they could not have known or understood that Corinthian and Aequitas  
15 were using the Genesis Loans, and the tuition charge they funded, as a loss leader and a ruse  
16 designed to generate Title IV federal loan revenue for Corinthian, and because most borrowers  
17 did not have other options to pay for Corinthian's artificially inflated tuition.

18           112. Aequitas took unreasonable advantage of student borrowers' inability to protect  
19 their interests in selecting or using the Genesis Loans by funding, supporting, and maintaining its  
20 purchase of Corinthian student-loan portfolios and by participating in the Genesis Loan Program  
21 through the "forward flow" agreements with Corinthian, all while continuing to reap significant  
22 profits from the scheme.

23           113. Corinthian students, the great majority of whom had few financial resources to  
24 begin with, were and are harmed by Aequitas's continued collection of unaffordable payments on  
25 loans that carried interest rates as high as 18% and origination fees as high as 6%, which  
26 translates to thousands of dollars for each student over the life of the loan.

27           114. Many Corinthian students were and are harmed by defaults on their student loans,  
28 which exacerbate their financial distress, are difficult to discharge in bankruptcy, and will

DRAFT – CAAG 2017-08-09

1 detrimentally affect their credit ratings for years.

2 115. Aequitas's conduct was in continuing violation of the Unfair Competition Law,  
3 beginning at a time unknown to the People and continuing to within four years of the filing of this  
4 Complaint.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, the People pray for judgment as follows:

7 1. Under Business and Professions Code section 17203, that Aequitas, its affiliates,  
8 subsidiaries, successors and assigns, its officers and employees, and all persons who act in  
9 concert with Aequitas, be permanently enjoined from committing any unlawful, unfair, or  
10 fraudulent acts of unfair competition in violation of Business and Professions Code section 17200  
11 as alleged in this Complaint;

12 2. That the Court make such orders or judgments as may be necessary to prevent the  
13 use or employment by any Defendant of any practice that constitutes unfair competition or as may  
14 be necessary to restore to any person in interest any money or property that may have been  
15 acquired by means of such unfair competition, under the authority of Business and Professions  
16 Code section 17203;

17 3. That the Court assess a civil penalty of \$2,500 against each Defendant for each  
18 violation of Business and Professions Code section 17200 in an amount according to proof, under  
19 the authority of Business and Professions Code section 17206;

20 4. That the People recover its costs of suit, including costs of its investigation; and

21 ///



**DRAFT – CAAG 2017-08-09**

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

Dated: \_\_\_\_\_, 2017

Respectfully Submitted,

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The People of the State of California



CONSUMER PROTECTION DIVISION,  
OFFICE OF THE ATTORNEY GENERAL

Plaintiff,

v.

AEQUITAS CAPITAL MANAGEMENT INC.,  
*et al.*

Defendants.

\* IN THE  
\* CIRCUIT COURT  
\* FOR  
\* BALTIMORE CITY  
\* Case No.

\* \* \* \* \*

### **CONSENT JUDGMENT**

This Consent Judgment is entered into between the Plaintiff, Consumer Protection Division of the Office of the Attorney General (the “Division”), and the Defendants, Aequitas Capital Management, Inc., Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Campus Student Funding, LLC, CSF Leverage I, LLC, Aequitas Income Opportunity Fund, LLC, and Aequitas Income Protection Fund, LLC including, except as otherwise provided herein, all of their respective subsidiaries, affiliates, successors, and assigns (collectively, “Aequitas” or “Defendants,” and, together with the Division, the “Parties”). This Consent Judgment resolves the Division’s concerns regarding Aequitas’s compliance with the Maryland Consumer Protection Act, Md. Code Ann., Com. Law §§ 13-101-13-501, with respect to Defendants’ funding, purchasing, and maintaining loans made to students at Corinthian Colleges, Inc. (Corinthian).

### **I. PARTIES**

1. The Plaintiff is the Consumer Protection Division of the Office of the Maryland Attorney General. The Division is responsible for enforcement of Maryland consumer

protection laws including, but not limited to, the Maryland Consumer Protection Act, Md. Code Ann., Com. Law §§ 13-101 through 13-501.

2. Aequitas Capital Management, Inc. (“Aequitas Capital”) is an Oregon corporation formed in 1993 with a principal place of business in Lake Oswego, Oregon. Aequitas Capital is the manager of Aequitas Commercial Finance, LLC. As the manager of Aequitas Commercial Finance, LLC, Aequitas Capital is responsible for the overall operations of Aequitas Commercial Finance, LLC, including the management of Aequitas Commercial Finance, LLC’s loan and investment portfolio.

3. Aequitas Management, LLC (“Aequitas Management”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Management owns 84% of and exercises exclusive control over Aequitas Holdings, LLC, the sole owner and member of Aequitas Commercial Finance, LLC and the sole shareholder of Aequitas Capital.

4. Aequitas Holdings, LLC (“Aequitas Holdings”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Holdings is the sole owner and member of Aequitas Commercial Finance, LLC and the sole shareholder of Aequitas Capital.

5. Aequitas Commercial Finance, LLC (“ACF”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. ACF is the sole owner and member of at least seven subsidiaries that engage in the business of acquiring or investing in portfolios of trade receivables in the healthcare, education, transportation, and consumer credit sectors. ACF also holds ownership stakes in Aequitas Income Opportunity Fund, LLC and Aequitas Income Protection Fund, LLC (the “Aequitas Funds”) and a number of other Aequitas-affiliated companies. ACF also has directly held or currently holds title to Genesis student loan promissory

notes and/or the right to collect and receive existing and future principal and interest payments from the Genesis student loan promissory notes.

6. Campus Student Funding, LLC (“CSF”), formerly known as AFSG LLC, is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF is owned by ACF and was created as a special-purpose entity for purchasing student loans. CSF originally purchased all Genesis loan notes sold to Aequitas entities, whether directly from Corinthian, the loan servicer, or the issuing bank. Pursuant to Corinthian’s commitment to purchase delinquent loans from Defendants, CSF was also the seller of Genesis loan notes in the sale back to Corinthian. Thus, CSF has held or currently holds title to Genesis student loan promissory notes.

7. CSF Leverage I, LLC (“CSF Leverage”) was an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF Leverage was owned by ACF and at one time held Genesis student loan promissory notes. CSF Leverage merged into CSF and no longer exists as a separate entity.

8. The Aequitas Funds are various funds owned by the Aequitas entities described above. Aequitas Income Opportunity Fund, LLC is owned by ACF and holds, or has held, the right to collect and receive Genesis student loan receivables. Aequitas Income Protection Fund, LLC is owned by ACF and CSF and holds, or has held, the right to collect and receive Genesis student loan receivables. CSF Leverage I, LLC f.k.a ASFG Leverage I, LLC is, upon information and belief, owned by ACF and CSF and has held the right to collect and receive Genesis student loan receivables.

**II. COORDINATION WITH OTHER ACTIONS  
BY OTHER STATES ATTORNEYS GENERAL AND THE CONSUMER FINANCIAL  
PROTECTION BUREAU**

9. The Parties acknowledge that this Consent Judgment is being filed simultaneously with similar judgments or settlements in other States and in the United States District Court for the District of Oregon. The Parties intend to coordinate implementation of the terms of this Consent Judgment with those referenced above.

**III. DEFINITIONS**

10. “**Affected Consumers**” means all Maryland consumers who were Borrowers of Aequitas Genesis Loans and have remaining unpaid amounts on such loans as of the Record Date.

11. “**Active Aequitas Genesis Loans**” means, as of the Record Date, all Aequitas Genesis Loans, with the exception of Defaulted Genesis Loans and Aequitas Closed School Loans.

12. “**Defendants**” means Aequitas Capital Management, Inc., Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Campus Student Funding, LLC, CSF Leverage I, LLC, Aequitas Income Opportunity Fund, LLC, and Aequitas Income Protection Fund, LLC as named in the Complaint.

13. “**Aequitas Genesis Loan**” means any private student loan referred to in the Complaint as either a Genesis loan or EducationPlus loan, which was made to a Borrower to pay for tuition, cost of living expenses and/or fees to attend a Corinthian school, and which as of the Record Date is still outstanding on the books and records of Defendants in the possession of the Receiver (or on the books and records of servicers of said loans).

14. “**Borrower**” means a Maryland consumer who was a borrower of an Aequitas Genesis Loan, and his/her/its successors or assigns.

15. **“Closed School Loan”** means an Aequitas Genesis Loan to a Borrower who did not graduate or complete his/her course work and who (a) attended one of the Corinthian schools that Corinthian announced on April 27, 2015 would be closed and described on Schedule 1 to this Consent Judgment and was either attending such school when it closed or withdrew from such school on or after June 1, 2014, or (b) attended one of the Corinthian schools sold to Zenith as denoted on Schedule 2 to this Consent Judgment and whose loan is depicted on a list agreed upon between the Receiver, the Bureau, and the Division prior to the filing of the Complaint.

16. **“Bureau”** means the Consumer Financial Protection Bureau.

17. **“Defaulted Aequitas Genesis Loan”** means an Aequitas Genesis Loan that is 270 days or more past due, charged off, or cancelled as of the Record Date.

18. **“Current Payment Amount”** is the monthly payment amount designated for each Active Aequitas Genesis Loan in order to keep the account current and non-delinquent.

19. **“Effective Date”** means the date on which this Consent Judgment is entered on the docket.

20. **“Re-Amortization Payment Amount”** is a new payment amount per month for each Active Aequitas Genesis Loan, calculated based on the principal reduction provided for in paragraph 45 as of the Effective Date such that the Active Aequitas Genesis Loan will be fully paid if the Re-Amortization Payment Amount is paid by the Borrower each month on time, by the end of that loan’s actual or, in the case of loans that have ever been in or are currently in a forbearance plan, estimated remaining term.

21. **“Receiver”** means Ronald Greenspan, receiver of Aequitas, named as such in the Receivership Order, or any other receiver that is appointed by a superseding order in the same litigation.

22. “**Receivership Action**” means the matter of *SEC v. Aequitas Management, LLC, et al.*, No. 3:16-cv-438(PK) (D. Or.).

23. “**Receivership Court**” means the U.S. Federal District Court, D. Or., in which the Receivership Action is pending.

24. “**Receivership Order**” means the Order Appointing Receiver, ECF No. 156, *SEC v. Aequitas Management, LLC, et al.*, No. 3:16-cv-438(PK) (D. Or. Apr. 14, 2016).

25. “**Record Date**” means March 31, 2017.

26. “**Retained Personnel**” means the agents of the Receiver, as defined by the Receivership Order.

#### IV. FINDINGS

27. The Division’s Complaint alleges Defendants funded, maintained, and collected upon the private student loan program offered to Corinthian students as part of a scheme to allow Corinthian to present a façade of compliance with federal laws requiring that a certain portion of a for-profit school’s revenue come from sources other than federal student aid.

28. The Complaint also alleges that Defendants profited from this scheme, and in doing so, took unreasonable advantage of Corinthian’s student borrowers who were unaware of the scheme associated with this loan program, and therefore were unable to protect their interests in taking out such loans.

29. The Securities and Exchange Commission commenced the Receivership Action on March 10, 2016 to, among other things, obtain injunctive relief against Defendants for violation of certain federal securities laws, and place Defendants and certain other related parties in receivership for purposes of orderly liquidation.

30. The Receivership Court entered a preliminary injunction against Defendants on March 14, 2016, and by Order dated April 14, 2016 (Receivership Order) appointed the Receiver for

Defendants and certain other related parties. Pursuant to the Receivership Order, the Receiver has the power and authority to enter into this Consent Judgment and to perform certain duties set forth in this Consent Judgment during the pendency of the Receivership.

31. The Division makes no allegations against the Receiver, but only against Defendants. The Receiver is obligated under this Consent Judgment for the sole purpose of acting on behalf of the Defendants to grant certain monetary relief from the assets of the Receivership and to perform certain obligations to the Division set forth in this Consent Judgment.

32. Defendants neither admit nor deny any allegation in the Complaint, except that for purposes of this Consent Judgment, Defendants admit the facts necessary to establish the Court's jurisdiction over Defendants and the subject matter of this action. The loan reductions, discharges and cancellations described in this judgment are based on alleged infirmities that relate back to the original sale of educational services by Corinthian and are for the purpose of correcting alleged unlawful business practices by the Defendants, including alleged unfair and deceptive acts and practices.

33. The parties, by and through respective counsel, have requested the Circuit Court for Baltimore City to enter this Consent Judgment to resolve all matters in dispute arising from the conduct alleged in the Complaint.

## **V. CONDUCT PROVISIONS**

34. Defendants and their respective officers, agents, servants, employees and attorneys, shall cease and desist from engaging in any unfair or deceptive trade practices in violation of the Consumer Protection Act.

35. Defendants shall not make any express or implied representations that have the capacity, tendency or effect of deceiving or misleading consumers in connection with lending to students of for-profit schools.

36. Defendants shall inform consumers of any material facts, the omission of which would deceive or tend to deceive consumers, in connection with lending to students of for-profit schools.

37. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, shall obtain the following reports from servicers currently servicing the Aequitas Genesis Loans, with data as of the Record Date. Upon obtaining such reports, the Defendants or the Receiver on behalf of the Defendants shall provide copies of them to the Division. The following reports are to be obtained, to the extent the specified loan-level data are available:

- a. a report of all Aequitas Genesis Loans including for each such Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

- b. a report of all Active Aequitas Genesis Loans including for each such Active Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Active Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

- c. a report of all Defaulted Aequitas Genesis Loans, including for each such Defaulted Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Defaulted Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.



d. a report of all Closed School Loans, including for each such Closed School Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Closed School Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

38. For each Closed School Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from:

a. Engaging in any collection activity with respect to each such Closed School Loan; however, Defendants (or the Receiver on behalf of the Defendants) will not be regarded as in violation of this Consent Judgment if they send out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;

b. Accepting any future payment on any such Closed School Loan, including any future payment made in connection with any statement or notice permitted by subparagraph (a), provided, however, that in the event that such a payment is discovered to be accepted and processed, Defendants, or the Receiver acting on Defendants' behalf, will return the payment to the Borrower within a reasonable time; and

c. Reselling, transferring, or assigning any such Closed School Loan.

39. For each Defaulted Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from:

a. Engaging in any collection activity with respect to each such Defaulted Aequitas Genesis Loan; however, Defendants will not be regarded as in violation of this Consent Judgment if they send out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;

b. Accepting any future payment on any such Defaulted Aequitas Genesis Loan, including any future payment made in connection with any statement or notice permitted by subparagraph (a), provided, however, that in the event that such a payment is discovered to be accepted and processed, Defendants, or the Receiver acting on Defendants' behalf, will return the payment to the Borrower within a reasonable time; and

c. Reselling, transferring, or assigning any such Defaulted Aequitas Genesis Loan.

40. For each Active Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from:

a. Reselling, transferring, or assigning any such Active Aequitas Genesis Loan, unless:

i. Defendants, or the Receiver on behalf of Defendants, ensure that the principal amount of each such loan sold, transferred or assigned reflects the reduction required in paragraph 45;

ii. Within five business days of reaching an agreement in principle to sell, transfer or assign any Active Aequitas Genesis Loans, in which the terms have been agreed upon by the parties but the Receiver has not yet sought the authority of the Receivership Court to make such a sale, transfer, or assignment, Defendants, or the Receiver on behalf of Defendants, must provide the Division:

1. notice of the fact that such agreement in principle has been reached;

2. the name of the proposed purchaser, transferee or assignee;

3. the list of Active Aequis Genesis loans to be sold, transferred or assigned; and

4. the proposed written agreement memorializing the terms of the proposed sale, transfer, or assignment.

iii. Within five business days prior to filing a motion seeking court approval for any such sale, transfer or assignment of Active Aequis Genesis Loans, Defendants, or the Receiver on behalf of Defendants, must provide the Division:

1. notice of its intention to file any such motion; and

2. the proposed motion papers, including any attachments thereto;

iv. Defendants, or the Receiver on behalf of Defendants, ensure that the final agreement memorializing any such sale, transfer or assignment of any Active Aequis Genesis Loans contains a provision requiring the purchaser, transferee or assignee to adopt or abide by the terms and provisions of this Consent Judgment requiring ongoing performance for the Division ;

b. Any motion seeking approval for any such sale, transfer or assignment of Active Aequis Genesis Loans shall (1) contain a request to the Receivership Court that the terms of this Consent Judgment requiring ongoing performance for the Division shall be enforceable against the purchaser, transferee or assignee; and (2) not seek to sell, transfer or assign such loans free and clear of rights, claims or defenses of any Borrower, co-borrower or guarantor on any such Loan.

41. For each Active Aequis Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of 60 days after the Effective Date from:

a. Engaging in any collection activity with respect to each such Active Aequitas Genesis Loan that seeks an amount in principal greater than the amount identified in paragraph 47, including by:

- i. calculating interest or fees based on a principal amount greater than the amount identified in paragraph 47, however, in the event interest or fees have been calculated on a principal amount greater than the amount identified in paragraph 47 the excess amounts that have been paid by the Borrower will be applied to the Borrower's principal balance unless the Borrower seeks a refund of such improperly charged amounts, in which case the Borrower will be supplied a refund; and
- ii. representing to the Borrower of any such Active Aequitas Genesis Loan that the principal amount owed is greater than the amount identified in paragraph 47.

42. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must request and use commercially reasonable efforts to follow up with any servicer that furnished trade line information for Aequitas Genesis Loans to credit reporting agencies to furnish deletion codes to said credit reporting agencies to delete such information from subject Borrowers' credit reports. For Borrowers of Active Aequitas Genesis Loans who perform under such Loans after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer to report such performance to credit reporting agencies in accordance with applicable law. For any Borrowers who become or continue to be delinquent or in default after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer

to report such Borrowers' status to credit reporting agencies in accordance with applicable law; however, any such reporting shall reflect the balance as modified by this Consent Judgment.

43. Defendants, or the Receiver on behalf Defendants, shall direct any person or entity collecting on Active Aequitas Genesis Loans to fully comply with all applicable requirements of Maryland law in any such collection.

## **VI. REDRESS AND REMEDIATION**

44. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, will discharge and cancel all amounts shown as owed in the report provided to the Bureau and to the Division under paragraph 37, including principal, interest, fees or any other amounts, in connection with:

- a. all Closed School Loans; and
- b. all Defaulted Aequitas Genesis Loans.

45. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, shall reduce the principal amount owed as of the Record Date on each Active Aequitas Genesis Loan, as identified in the report provided to the Bureau and to the Division under paragraph 37, by 55% and discharge and cancel such principal and any accrued and unpaid interest, fees and charges that are 30 or more days past due as of the Record Date.

46. Defendants, or the Receiver on behalf of Defendants, shall use commercially reasonable efforts to obtain guidance from the Internal Revenue Service that Receiver is not required to make federal tax filings (including sending 1099 forms to Borrowers) as a result of the debt relief provided in this Consent Judgment, prior to the time such forms would be required to be sent. If the Receiver, in consultation with his counsel, is satisfied that such guidance is reliable, the Receiver shall not make applicable federal tax filings and shall not send Borrowers 1099 forms.

47. Defendants, or the Receiver on behalf of Defendants, must provide each

Borrower of a Closed School Loan and each Borrower of a Defaulted Aequitas Genesis Loan with the following notice within 90 days of the Effective Date. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- a. The outstanding amount that had been owed under each Aequitas Genesis Loan as of the Record Date by such Borrower;
- b. The fact that each such amount has been reduced, discharged and canceled in full and such Borrower no longer owes any amounts under his or her Aequitas Genesis Loan;
- c. The fact that the cancellation of the amounts owed for each such Aequitas Genesis Loan is pursuant to this Consent Judgment ;
- d. The fact that the Borrower will not be subjected to any new debt-collection or credit-reporting activities related to each such Aequitas Genesis Loan;
- e. Any such discharge or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;
- f. No amounts that were due and owing and were paid prior to the Record Date will be returned to the Borrower.

48. Within 90 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of an Active Aequitas Genesis Loan written notice of his/her option to either continue paying the Current Payment Amount on the lowered principal balance or elect to have the loan re-amortized using the lowered principal balance and remaining term of the subject loan, which will result in a Re-Amortization Payment Amount. No such notice is required to a Borrower and no Re-Amortization Payment Amount will be available to a

Borrower, however, if such Borrower's Current Payment Amount before re-amortization is less than \$20; in any event, a Borrower's Re-Amortization Payment Amount will not be less than \$20.

49. Each Borrower of an Active Aequitas Genesis Loan will have 90 days from the mailing date of such notice to make his/her election by completing the notice and returning it to Defendants, the Receiver (on behalf of Defendants) or the applicable servicer. If the Borrower does not make such an election, he or she will be required to pay the Current Payment Amount and the loan will not be re-amortized. For Borrowers as to whom Defendants, the Receiver on behalf of Defendants or the applicable servicer timely have received affirmative notice of election of the Re-Amortization Payment Amount, within 30 days following the expiration of the 90 day election period, Defendants, or the Receiver on behalf of Defendants, will re-amortize loans and adjust the monthly payment amount for all future unbilled and un-accrued loan payments to the Re-Amortization Payment Amount. Notwithstanding the foregoing, for any Active Aequitas Genesis Loan which already has been amended or modified pursuant to a forbearance plan to provide a Borrower with a monthly payment that is less than the applicable Re-Amortization Payment Amount and the Borrower has elected to accept the re-amortization option, Defendants, or the Receiver on behalf of Defendants, shall not be required to adjust the monthly payment until the end of the applicable forbearance period. Defendants, or the Receiver on behalf of Defendants, will adjust the monthly payment to a Re-Amortization Payment Amount based on the principal balance of the Borrower's loan at the end of the applicable forbearance period.

50. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of an Active Aequitas Genesis Loan with the following notice. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most

recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- a. Identification information that associates the loan to the Borrower;
- b. The amount of principal owed as of the Record Date of each Active Aequitas Genesis Loan associated with such Borrower;
- c. The amount of principal owed for each such Active Aequitas Genesis Loan after the reduction required in paragraph 45 has been applied;
- d. A statement notifying the Borrower that the principal has been reduced by 55% pursuant to this Consent Judgment;
- e. A Re-Amortization Payment Amount option whereby the Borrower has 90 days from the mailing date of such notice to inform the servicer of his or her election to opt-in and have his or her loan re-amortized with the minimum monthly payment modified from the Current Payment Amount to a Re-Amortization Payment Amount;
- f. The fact that if the Borrower does not make such an election by the required date, the Current Payment Amount will continue as the amount due on his or her loan each month;
- g. The fact that replacing the Current Payment Amount with the Re-Amortization Payment Amount may reduce the amount such Borrower pays each month but will cost the Borrower more over the life of the loan than if he or she continued with the Current Payment Amount;
- h. The fact that a Borrower's election will not waive any rights, claims or defenses that the Borrower and any co-borrower, co-signer or guarantor may have with respect to the loan.



- i. The fact that continuing to pay the Current Payment Amount (or more) each month will result in full satisfaction of his or her loan before the payment term has expired, and will cost the Borrower less overall than if he or she elected to use the Re-amortization Payment Amount;
- j. The following specific information individualized for each Borrower on an Active Aequitas Genesis Loan:
  - i. The estimated total amount of principal and interest the Borrower will pay if the Borrower pays each current Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequitas Genesis Loan under these circumstances;
  - ii. The estimated total amount of principal and interest that the Borrower will pay if the Borrower elects his or her option to pay the Re-Amortization Payment Amount and pays such Re-Amortization Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequitas Genesis Loan under these circumstances;
- k. Any reduction, discharge or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;
- l. A statement notifying the Borrower that, if the Borrower desires, the Borrower at any time may make payments larger than the Re-Amortization Payment Amount, which if the loan is current would result in a shorter payoff period and interest savings; and
- m. A statement notifying Borrowers on forbearance plans of their alternative payment options as set forth in paragraph 47.

n. A statement notifying Borrowers that the relief described does not waive or extinguish any rights, claims or defenses that the Borrower, any co-borrower and/or guarantor may have with respect to his or her loan.

51. A proposed form of the notices required by paragraph 47 and 48 shall be provided to the Division for non-objection within 30 days of the Effective Date.

52. Defendants, or the Receiver on behalf of Defendants, shall include no materials other than the notices provided in paragraphs 45 and 48 in any envelope containing such notices, unless Defendants, or the Receiver on behalf of Defendants, has obtained written confirmation from the Division that it does not object to the inclusion of such materials.

## **VII. REPORTING REQUIREMENTS**

53. Defendants, or during the pendency of the Receivership Receiver on behalf of Defendants, shall notify the Division of any development that may affect their obligations arising under this Consent Judgment, including, but not limited to, the replacement of the Receiver or the filing of any bankruptcy or insolvency proceeding by or against Defendants. Defendants, or the Receiver on behalf of Defendants, must provide this notice at least 30 days before the development or as soon as practicable after learning about the development, whichever is sooner.

54. Within 180 days of the Effective Date, and again one year after the Effective Date, Defendants, or the Receiver on behalf of Defendants, must submit to the Division an accurate written compliance progress report, which, at a minimum:

- a. Describes in detail the manner and form in which Defendants, or the Receiver on behalf of Defendants, as applicable, have complied with this Consent Judgment; and
- b. Attaches a copy of each Acknowledgment obtained under Paragraph 58 and 59, unless previously submitted to the Division.

55. Defendants, or the Receiver on behalf of Defendants, in carrying out the provisions of this Consent Judgment, are permitted to make such adjustments to loan balance amounts, accrual of interest and Borrower payment amounts and process refunds to Borrowers (including providing Borrower refunds or reimbursements not expressly required by this Consent Judgment) as may be necessary to assure compliance with this Consent Judgment, but in any event in a manner that is fair and transparent to Borrowers subject to such adjustments and in a manner that is otherwise in compliance with this Consent Judgment.

### **VIII. RELEASE**

56. The Division releases and discharges Defendants from all potential liability for law violations related to the allegations of the Complaint in this action that the Division has brought or could have brought against Defendants or any of their respective current or former affiliates, agents, representatives, or employees pursuant to Maryland's consumer protection statute (Md. Code Ann., Com. Law §§ 13-101 through 13-501 (2013 Repl. Vol. and 2015 Supp.)), to the extent such practices occurred before the Effective Date and the Division knows about them as of the Effective Date. The Division may use the practices described in this Consent Judgment in future enforcement actions against Defendants, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Division to determine and ensure compliance with the Consent Judgment, or to seek penalties for any violations of the Consent Judgment.

57. The Parties agree that this Consent Judgment does not constitute an approval by the Division of any of Defendants' past or future practices, and Defendants shall not make any representation to the contrary.

## **IX. MISCELLANEOUS PROVISIONS**

58. Within 15 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must deliver a copy of this Consent Judgment to each employee or agent of the Receiver who or which is, as of the Effective Date, employed or retained by the Receiver and who or which has responsibilities that extend beyond the Effective Date related to the subject matter of this Consent Judgment.

59. Within 30 days of the Effective Date, the Receiver shall provide a signed and dated statement to the Division of the Receiver's compliance with paragraph 58, and shall provide a signed and dated statement from the servicer, or any other third-party service provider tasked with carrying out responsibilities under this Consent Judgment, acknowledging receipt of this Consent Judgment, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. §§ 7001 et. seq.

60. Defendants, or the Receiver on behalf of Defendants, must maintain for 3 years from the Effective Date or the duration of the Receivership, whichever is lesser, all documents and records necessary to demonstrate full compliance with this Consent Judgment, including all submissions to the Division.

61. Aequis, or the Receiver on Aequis's behalf, must make the documents identified in this Consent Judgment available to the Division upon the Division's request.

62. Unless otherwise agreed in writing by the Division, Defendants, or the Receiver on behalf of the Defendants, shall provide to the Division all submissions, requests, communications or other documents relating to this Consent Judgment in writing, via email and Overnight Mail to:

William Gruhn  
Chief  
Consumer Protection Division

200 St. Paul Place, 16<sup>th</sup> Floor  
Baltimore, MD 21202  
Email: cmadaio@oag.state.md.us

63. Defendants, or during the pendency of the Receivership the Receiver on behalf of Defendants, will cooperate fully with the Division as necessary to achieve the goals and carry out the requirements of this Consent Judgment.

64. Defendants, or during the pendency of the Receivership the Receiver on behalf of Defendants, will cooperate fully to help the Division determine the identity and the location of, and the relief provided pursuant to this Consent Judgment for each Affected Consumer, from the information within Defendants' or the Receiver's possession and control or a servicer's system of record.

65. Notwithstanding any other provision of this agreement, any time limits for performance fixed by this Consent Judgment may be extended by mutual written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Additionally, details related to the administration of Sections V. through VII. of this Consent Judgment may be modified by written agreement of the parties (or, as applicable, the Receiver) and without further Circuit Court approval. Any other modifications to this Consent Judgment may be made only upon approval of the Circuit Court, upon motion by any party.

66. Notwithstanding any other terms, conditions or provisions of this Consent Judgment, pursuant to the Receivership Order, the Receiver and the Retained Personnel are entitled to rely on all outstanding rules of law and the orders of the Receivership Court and shall not be liable to any person or party (including, without limitation, the Division) for their own good faith compliance with this Consent Judgment. Pursuant to the Receivership Order, in no event shall the Receiver or Retained Personnel be liable to any person or party (including, without

limitation, the Division) for their good faith compliance with their duties and responsibilities as Receiver or Retained Personnel, nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted by them except upon a finding by the Receivership Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties.

67. This Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Consent Judgment.

68. Defendants shall be liable for all court costs.

69. The section headings and subheadings contained in this Consent Judgment are included for convenience of reference only and shall be ignored in the construction or interpretation of this Consent Judgment.

70. If any clause, provision or section of this Consent Judgment shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Consent Judgment and this Consent Judgment shall be construed and enforced as if such illegal, invalid, or unenforceable clause, section, or other provision had not been contained herein.

71. Nothing contained in this Consent Judgment shall be construed to create or waive any individual private right of action.

72. The requirements of this Consent Judgment are in addition to, and not in lieu of, any other requirements of state or federal law. Nothing in this Consent Judgment shall be construed as relieving Defendants of the obligation to comply with all local, state, and federal laws, regulations, or rules, nor shall any of the provisions of this Consent Judgment be deemed as

permission for Defendants to engage in any acts or practices prohibited by such laws,  
regulations, or rules

AGREED TO:  
FOR DEFENDANTS

RONALD F. GREENSPAN, IN HIS SOLE CAPACITY AS RECEIVER

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FOR PLAINTIFF

BRIAN E. FROSH  
Maryland Attorney General

By:

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William D. Gruhn  
Chief, Consumer Protection Division  
200 St. Paul Place, 16<sup>th</sup> Floor  
Baltimore, MD 21202  
(410) 576-6374

**IT IS SO ORDERED, ADJUDGED AND DECREED** this \_\_\_\_ day of

\_\_\_\_\_, 2017

\_\_\_\_\_  
**JUDGE**



## Schedule 1

## Corinthian Closed School OPEID List (Per the Department of Education Listing)

| OPEID   | School Name                      | Location                         | Street Address                  | City             | State | Corinthian School # |
|---------|----------------------------------|----------------------------------|---------------------------------|------------------|-------|---------------------|
| 809000  | Everest College                  | Everest College                  | 2215 Mission Road               | Alhambra         | CA    | 180                 |
| 1110700 | Everest College                  | Everest College                  | 511 North Brookhurst Street     | Anaheim          | CA    | 171                 |
| 1112300 | Everest College                  | Everest College                  | 1045 Wt Redondo Beach Blvd      | Gardena          | CA    | 186                 |
| 3072300 | Everest College                  | Everest College                  | 1460 S. Milliken Ave            | Ontario          | CA    | 245                 |
| 449400  | Everest College                  | Everest College                  | 217 E. Club Center Drive, Ste A | San Bernardino   | CA    | 182                 |
| 449401  | Everest College - Santa Ana      | Everest College - Santa Ana      | 500 West Santa Ana Boulevard    | Santa Ana        | CA    | 172                 |
| 449402  | Everest College - Ontario        | Everest College - Ontario        | 1819 South Excise Avenue        | Ontario          | CA    | 564                 |
| 481100  | Everest Institute                | Everest Institute                | 1630 Portland Avenue            | Rochester        | NY    | 692                 |
| 1110900 | Everest College                  | Everest College                  | 18040 Sherman Way               | Reseda           | CA    | 173                 |
| 2295000 | Everest College                  | Everest College                  | 10400 North 25th Avenue         | Phoenix          | AZ    | 575, 975            |
| 2295002 | Everest College                  | Everest College                  | 5416 East Baseline              | Mesa             | AZ    | 576                 |
| 3195400 | Everest College                  | Everest College                  | 1231 Cabrillo Avenue            | Torrance         | CA    | 155                 |
| 723400  | Heald College                    | Heald College                    | 875 Howard Street               | San Francisco    | CA    | 11101               |
| 723401  | Heald College - Honolulu         | Heald College - Honolulu         | 1500 Kapliolani Boulevard       | Honolulu         | HI    | 11136               |
| 723402  | Heald College                    | Heald College                    | 6035 Northeast 78th Court       | Portland         | OR    | 11138               |
| 723403  | Heald College - Kaneoche MCB     | Heald College - Kaneoche MCB     | Bldg 220, 5th St. Marine Corps  | Kaneohe          | HI    | Unable to Identify  |
| 723404  | Heald College - Concord          | Heald College - Concord          | 5130 Commercial Circle          | Concord          | CA    | 11103, 11199        |
| 723405  | Heald College - Milpitas         | Heald College - Milpitas         | 341 Great Mall Parkway          | Milpitas         | CA    | 11105               |
| 723406  | Heald College - Hayward          | Heald College - Hayward          | 25500 Industrial Boulevard      | Hayward          | CA    | 11104               |
| 723407  | Heald College - Modesto          | Heald College - Modesto          | 5260 Pirrone Court              | Salida           | CA    | 11115               |
| 723408  | Heald College - Roseville        | Heald College - Roseville        | Seven Sierra Gate Plaza         | Roseville        | CA    | 11156               |
| 723409  | Heald College - Salinas          | Heald College - Salinas          | 1450 North Main Street          | Salinas          | CA    | 11109               |
| 723410  | Heald College - Stockton         | Heald College - Stockton         | 1605 East March Lane            | Stockton         | CA    | 11114               |
| 723411  | Heald College - Rancho Cordova   | Heald College - Rancho Cordova   | 2910 Prospect Park Drive        | Rancho Cordova   | CA    | 11111               |
| 723412  | Heald College - Fresno           | Heald College - Fresno           | 255 West Bullard                | Fresno           | CA    | 11112               |
| 723413  | Heald College - Fresno Satellite | Heald College - Fresno Satellite | 255 East River Park Circle      | Fresno           | CA    | 11112               |
| 719000  | WyoTech                          | WyoTech                          | 200 Whitney Place               | Fremont          | CA    | 412                 |
| 1287300 | WyoTech                          | WyoTech                          | 2161 Technology Place           | Long Beach       | CA    | 274                 |
| 1287301 | WyoTech                          | WyoTech                          | 3000 S Robertson BLVD #300      | Los Angeles      | CA    | Unable to Identify  |
| 1287302 | WyoTech                          | WyoTech                          | 12801 Crossroads Pkwy South     | City of Industry | CA    | Unable to Identify  |

## Schedule 2

| Zenith Closed School OPEID List |                    |   |  |                  |       | Corinthian<br>"Zenith"<br>School # |
|---------------------------------|--------------------|---|--|------------------|-------|------------------------------------|
| OPEID                           | SCHOOL NAME        | LOCATION  | ADDRESS  | CITY             | STATE |                                    |
| 2100401                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - KALAMAZOO                           | 5177 WEST MAIN STREET  | KALAMAZOO        | MI    | 347                                |
| 982809                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - CHELSEA                             | 70 EVERETT AVENUE  | CHELSEA          | MA    | 315                                |
| 2300105                         | EVEREST COLLEGE    | EVEREST COLLEGE - EARTH CITY                            | 3420 RIDER TRAIL SOUTH   | EARTH CITY       | MO    | 377                                |
| 2617507                         | EVEREST COLLEGE    | EVEREST COLLEGE - EVEREST INSTITUTE - BENSLEM           | 3050 TILLMAN DRIVE   | BENSLEM          | PA    | Unable to Identify                 |
| 2100402                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE                     | 8585 BROADWAY SUITE 200  | MERRILLVILLE     | IN    | 349                                |
| 2100400                         | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 1750 WOODWORTH STREET NORTHEAST                                | GRAND RAPIDS     | MI    | 345                                |
| 2298501                         | EVEREST COLLEGE    | EVEREST COLLEGE - FORT WORTH                            | 5237 NORTH RIVERSIDE DRIVE SUITE 200                           | FORT WORTH       | TX    | 613                                |
| 149911                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - MERRIONETTE PARK | 11560 SOUTH KEDZIE AVENUE                                      | MERRIONETTE PARK | IL    | 344                                |
| 2298500                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 3280 WEST 3500 SOUTH   | SALT LAKE CITY   | UT    | 572                                |
| 450301                          | EVEREST COLLEGE    | EVEREST COLLEGE - MCLEAN                                | 8620 WESTWOOD CENTER DRIVE                                     | VIENNA           | VA    | 626                                |
| 1185802                         | EVEREST COLLEGE    | EVEREST COLLEGE - BURR RIDGE                            | 6880 NORTH FRONTAGE ROAD SUITE 400                             | BURR RIDGE       | IL    | 343                                |
| 1185800                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 9811 WOODS DRIVE SUITE 200                                     | SKOKIE           | IL    | 341                                |
| 1185803                         | EVEREST COLLEGE    | EVEREST COLLEGE - MELROSE PARK                          | 1101 WEST NORTH AVENUE SUITE 1                                 | MELROSE PARK     | IL    | Unable to Identify                 |
| 982810                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE- BEDFORD PARK       | 7414 SOUTH CICERO AVENUE                                       | BEDFORD PARK     | IL    | Unable to Identify                 |
| 709100                          | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 100 FORBES AVENUE KOSSMAN BUILDING SUITE 1200                  | PITTSBURGH       | PA    | 656                                |
| 450701                          | EVEREST COLLEGE    | EVEREST COLLEGE- EVEREST COLLEGE AURORA                 | 14280 EAST JEWELL AVENUE SUITE 100                             | AURORA           | CO    | 509                                |
| 982806                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - JONESBORO                           | 6431 TARA BOULEVARD  | JONESBORO        | GA    | 353                                |
| 2606200                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 981 POWELL AVENUE SW SUITE 200                                 | RENTON           | WA    | 116                                |
| 982801                          | EVEREST INSTITUTE  | EVEREST INSTITUTE- DEARBORN                             | 23400 MICHIGAN AVENUE SUITE 200                                | DEARBORN         | MI    | 337                                |
| 907901                          | EVEREST COLLEGE    | EVEREST COLLEGE   | STONEMILL CENTER SUITE 130 120 NORTHEAST 136TH AVENUE          | VANCOUVER        | WA    | 548                                |
| 907900                          | EVEREST COLLEGE    | EVEREST COLLEGE   | 600 SW 10TH AVENUE SUITE 400                                   | PORTLAND         | OR    | 547                                |
| 2617509                         | EVEREST COLLEGE    | EVEREST COLLEGE   | NORTHGATE MERIDIAN BUILDING 2111 NORTH NORTHGATE WAY SUITE 300 | SEATTLE          | WA    | 390                                |
| 2300106                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 155 WASHINGTON AVENUE SUITE 200                                | BREMERTON        | WA    | 397                                |
| 149908                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - LAKELAND                           | 995 EAST MEMORIAL BOULEVARD                                    | LAKELAND         | FL    | 765                                |
| 149912                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - KANSAS CITY      | 1740 WEST 92ND STREET  | KANSAS CITY      | MO    | 320                                |

CONSUMER PROTECTION DIVISION,  
OFFICE OF THE ATTORNEY GENERAL  
200 St. Paul Place, 16<sup>th</sup> Floor  
Baltimore, MD 21202

Plaintiff,

v.

AEQUITAS CAPITAL MANAGEMENT, INC.,  
5300 Meadows Rd Ste 300  
Lake Oswego, OR 97035,

AEQUITAS MANAGEMENT, LLC  
5300 Meadows Rd Ste 300  
Lake Oswego, OR 97035,

AEQUITAS HOLDINGS, LLC  
5300 Meadows Rd Ste 300  
Lake Oswego, OR 97035,

AEQUITAS COMMERCIAL FINANCE, LLC  
5300 Meadows Rd Ste 300  
Lake Oswego, OR 97035,

CAMPUS STUDENT FUNDING, LLC  
5300 Meadows Rd Ste 300  
Lake Oswego, OR 97035,

CSF LEVERAGE I, LLC  
5300 Meadows Rd Ste 400  
Lake Oswego, OR 97035,

AEQUITAS INCOME OPPORTUNITY FUND, LLC  
5300 Meadows Rd Ste 300  
Lake Oswego, OR 97035,

and

AEQUITAS INCOME PROTECTION FUND, LLC  
5300 Meadows Rd Ste 400  
Lake Oswego, OR 97035,

Defendants.

IN THE  
CIRCUIT COURT  
FOR  
BALTIMORE CITY  
Case No.

\* \* \* \* \*

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF**

The Consumer Protection Division of the Office of the Attorney General of Maryland (the “Division”), pursuant to its authority under the Maryland Consumer Protection Act, Md. Code Ann., Com. Law §§ 13-101 through 13-501 (2013 Repl. Vol. and 2016 Supp.) (the “Consumer Protection Act”), files this action against Aequis Capital Management, Inc., Aequis Management, LLC, Aequis Holdings, LLC, Aequis Commercial Finance, LLC, Campus Student Funding, LLC, CSF Leverage I, LLC, Aequis Income Opportunity Fund, LLC, and Aequis Income Protection Fund, LLC (referred to collectively as “Defendants” or “Aequis”) for violating the Consumer Protection Act, and states as follows:

**INTRODUCTION**

1. The Division brings this action against Aequis for its unfair and deceptive trade practices in connection with private loans made to students at Corinthian Colleges, Inc. (“Corinthian”), which were funded or purchased by Aequis. By funding these private loans, Aequis enabled Corinthian to present a façade of compliance with federal laws requiring that a certain portion of a for-profit school’s revenue come from sources other than federal student aid. At the same time, Aequis’s funding of the private loans facilitated by Corinthian caused injury to Corinthian students by saddling them with what both Aequis and Corinthian knew was high-level of student loan debt, but students had no way of knowing was artificially inflated for the primary purpose of allowing Corinthian to gain access to Title IV funds. Aequis has collected and continues to collect on these loans.

2. Until 2014, Corinthian was one of the largest for-profit, post-secondary education companies in the United States, boasting more than 100 school campuses. Corinthian offered career-oriented programs which were marketed to potential students as a way to obtain jobs in

their fields of study, including health care, business, criminal justice, and information technology. Crucial to persuading students to sign up for these programs and attend were Corinthian's deceptive promises of strong job placement and life-long career services.

3. Corinthian was a public company that derived nearly all of its revenue from federal student aid – mostly loans -- taken out by its students under Title IV of the Higher Education Act of 1965 ("Title IV"). To qualify for Title IV funds, the federal government required that schools like Corinthian obtain a portion of their revenue – 10 percent during the period relevant to this action -- from outside sources besides Title IV funds. This is known as the "90/10 rule." Corinthian complied with the 90/10 rule by raising its tuition beyond what Title IV loans would cover, so that students were forced to finance a portion of the tuition from another source. Knowing that its generally low-income students could not afford to pay this amount out of pocket, Corinthian established a private loan program, known as the "Genesis Loan Program," available only to its students. Corinthian devised the Genesis Loan Program and presented it to Aequitas as a means of attracting Aequitas's investment in it. The Genesis Loan Program was expensive. It featured interest rates as high as 18% and significant origination fees.

4. Under a 2012 change to the 90/10 rule, however, such a loan program could no longer be financed by the school in order to qualify as an outside source of revenue for the purposes of obtaining Title IV funding. So, starting in 2011, Corinthian made an arrangement with Aequitas in which Aequitas purchased existing student loan portfolios and began funding or purchasing new Genesis loans originated by depository institutions. Such an arrangement made it appear as if Corinthian were not funding the loans. Yet, central to the arrangement was an agreement by Corinthian to purchase all the Genesis loans that became delinquent more than 90 days, essentially shifting the risk of the program from Aequitas back to Corinthian.

5. Aequitas knew that the underlying tuition charge that the Genesis loans funded, as well as the Genesis loans themselves, was intended to provide no economic benefit to Corinthian except access to Title IV funds. Default rates in the Genesis Loan Program were historically high – between 50 and 70 percent. Thus, the Genesis Loan Program essentially functioned as a loss leader for Corinthian, regardless of the outcomes for student borrowers.

6. Aequitas was a necessary player in this scheme, which enriched Aequitas with performing loans at high interest rates and enabled Corinthian to continue in existence by keeping Title IV revenue flowing.

7. Corinthian students, however, were never told that the portion of tuition funded by the Genesis loans, as well as the loans themselves, were a sham to get access to federal funds. Indeed, Corinthian students were the ones left holding the bag, often with expensive debt that many would not be able to repay.

8. In February of 2015, amid governmental enforcement actions concerning its allegedly unlawful practices in marketing its educational and job placement support and in connection with the Genesis Loan Program, Corinthian sold more than 50 campuses. In April of 2015, the U.S. Department of Education found that Corinthian had misrepresented job placement rates to students at certain Corinthian schools, and fined the company \$30 million. In May of 2015, Corinthian then closed its remaining campuses and filed for Chapter 11 bankruptcy protection.

9. As of March 31, 2017, Aequitas held a portfolio of these student loans with an unpaid balance of approximately \$190.5 million, including approximately 46,327 loans made to approximately 41,290 borrowers.

10. The Division brings this action pursuant to the Maryland Consumer Protection Act, Md. Code Ann., Com. Law §§ 13-101 through 13-501 (2013 Repl. Vol. and 2016 Supp.) (the “Consumer Protection Act”) to seek a court order barring Aequitas from committing unfair and deceptive practices that are harming Maryland students because it has reason to believe that the above-named Defendants have violated and are continuing to violate the Consumer Protection Act due to their past and continued collection of loans facilitated, originated, or issued by Corinthian.

### **PARTIES**

11. The Plaintiff is the Consumer Protection Division of the Office of the Attorney General of Maryland. The Division is responsible for, among other things, enforcing and seeking redress for violations of Maryland consumer protection laws including, but not limited to, the Maryland Consumer Protection Act.

12. Aequitas Capital Management, Inc. (“Aequitas Capital”) is an Oregon corporation formed in 1993 with a principal place of business in Lake Oswego, Oregon. Aequitas Capital is the manager of Aequitas Commercial Finance, LLC. As the manager of Aequitas Commercial Finance, LLC, Aequitas Capital is responsible for the overall operations of Aequitas Commercial Finance, LLC, including the management of Aequitas Commercial Finance, LLC’s loan and investment portfolio.

13. Aequitas Management, LLC (“Aequitas Management”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Management owns 84% of and exercises exclusive control over Aequitas Holdings, LLC, the sole owner and member of Aequitas Commercial Finance, LLC and the sole shareholder of Aequitas Capital.

14. Aequitas Holdings, LLC (“Aequitas Holdings”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Holdings is the sole owner and member of Aequitas Commercial Finance, LLC and the sole shareholder of Aequitas Capital.

15. Aequitas Commercial Finance, LLC (“ACF”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. ACF is the sole owner and member of at least seven subsidiaries that engage in the business of acquiring or investing in portfolios of trade receivables in the healthcare, education, transportation, and consumer credit sectors. ACF also holds ownership stakes in Aequitas Income Opportunity Fund, LLC and Aequitas Income Protection Fund, LLC (the “Aequitas Funds”) and a number of other Aequitas-affiliated companies. ACF also has directly held or currently holds title to Genesis student loan promissory notes and/or the right to collect and receive existing and future principal and interest payments from the Genesis student loan promissory notes.

16. Campus Student Funding, LLC (“CSF”), formerly known as AFSG LLC, is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF is owned by ACF and was created as a special-purpose entity for purchasing student loans. CSF originally purchased all Genesis loan notes sold to Aequitas entities, whether directly from Corinthian, the loan servicer, or the issuing bank. Pursuant to Corinthian’s commitment to purchase delinquent loans from Defendants, CSF was also the seller of Genesis loan notes in the sale back to Corinthian. Thus, CSF has held or currently holds title to Genesis student loan promissory notes.

17. CSF Leverage I, LLC (“CSF Leverage”) was an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF Leverage was owned by ACF



and at one time held Genesis student loan promissory notes. CSF Leverage merged into CSF and no longer exists as a separate entity.

18. The Aequitas Funds are various funds owned by the Aequitas entities described above. Aequitas Income Opportunity Fund, LLC is owned by ACF and holds, or has held, the right to collect and receive Genesis student loan receivables. Aequitas Income Protection Fund, LLC is owned by ACF and CSF and holds, or has held, the right to collect and receive Genesis student loan receivables. CSF Leverage I, LLC f.k.a ASFG Leverage I, LLC is, upon information and belief, owned by ACF and CSF and has held the right to collect and receive Genesis student loan receivables.

19. On March 10, 2016, the Securities and Exchange Commission (“SEC”) brought an action in this court against Aequitas Management, Aequitas Holdings, ACF, Aequitas Capital, and other parties alleging violations of securities laws, including a scheme to defraud investors and misuse investor funds. Pursuant to the SEC’s request, the court appointed a receiver to wind down certain Aequitas companies and distribute the remaining assets. The receiver is not a party to the SEC’s action.

### **JURISDICTION**

20. The Division has the authority to initiate an action in this Court to enjoin a person from engaging in unfair or deceptive trade practices pursuant to § 13-406 of the Consumer Protection Act.

21. This Court has jurisdiction over the Defendants pursuant to Md. Code Ann., Cts. & Jud. Proc. § 6-103 (2013 Repl. Vol. & 2016 Supp.) because the Defendants have transacted business within the State of Maryland at all times relevant to this complaint.

**VENUE**

22. Venue is proper in Baltimore City pursuant to Md. Code Ann., Cts. & Jud. Proc. §§ 6-201(a) and 6-202(8) because the Defendants regularly transact business in Baltimore City and the conduct that gave rise to this action occurred in Baltimore City.

**COMMERCE**

23. Aequitas, at all times relative hereto, acted as a merchant by working in conjunction with Corinthian in the offer and sale of consumer goods and services and the extension of consumer credit to Maryland residents.

**FACTUAL ALLEGATIONS**

24. In 2011, Aequitas became involved in private student lending by purchasing private student loans from Corinthian and participating in the operation of Corinthian's Genesis Loan Program.

25. At that time, Corinthian was one of the largest for-profit, post-secondary education companies in the United States. With more than 100 school campuses, Corinthian operated schools under the following names: Everest College, Everest Institute, Everest University Online, Everest University, Everest College Phoenix, Heald College, and WyoTech. Corinthian offered career-oriented programs that were marketed to potential students as a way to obtain jobs in various sectors, including health care, business, criminal justice, mechanical, and information technology.

26. Most students attending Corinthian's schools were low-income individuals and/or the first in their families to seek an education beyond a high school diploma. Many Corinthian students struggled economically. For example, a 2011 Corinthian survey of campus operations indicated that over 57% of Corinthian's student population had a household income of \$19,000

or less, and 35% of Corinthian's student population had a household income of less than \$10,000.

27. The great majority of students attending Corinthian's schools could not afford to pay the school's tuition out-of-pocket. Students needed financial aid – mostly loans from either the federal government under Title IV or private sources – to pay Corinthian's tuition and fees. This was well known to Corinthian.

***Corinthian Induced Students to Take Out Loans With Deceptive Representations About Job Placement Statistics and Career Services Offerings***

28. Corinthian needed to convince students that paying its tuition, and taking on substantial debt to do so, would be a worthwhile investment in their future. Therefore, Corinthian deployed a series of misrepresentations about the likely employment outcomes for Corinthian students and the services Corinthian would provide to help them find jobs.

29. Corinthian portrayed its educational programs as a way for people to secure better-quality careers. For example, in promoting Heald College, Corinthian advertised, “[y]our education might mean the difference between a rewarding career or just another job.” Similarly, Everest Colleges, Universities, and Institutes advertised on its websites that it provided students “[a] better career, a better life, a better way to get there.”

Misrepresentations Concerning Job Placement Statistics

30. Corinthian presented job placement rates that were misleading to consumers in several ways. For example, Corinthian represented to prospective and current students that its education would offer a “career,” not “just another job,” but in calculating and disseminating alleged job placement rates for graduates, Corinthian included jobs that lasted for just one day.

31. In addition, Corinthian presented to students and prospective students falsified and overstated job placement rates. Corinthian deliberately overstated the number of jobs that

students obtained, intentionally undercounted the pool of graduates that it considered to be “employable,” which increased the percentage of employed graduates out of all the “employable graduates,” and deliberately engaged in a practice of paying employers to hire its graduates temporarily in order to inflate its job placement statistics.

32. One way Corinthian inflated its job placement statistics was by counting a person as having been placed in employment when the person only got a temporary assignment for one day along with a promise (but not an actual offer) of a second day of work. Corinthian counted that person within its employment statistics even if that person only worked for just one day.

33. Corinthian took this deception one step farther by paying employers to hire its graduates for brief periods so that Corinthian could improve its job placement statistics.

#### Misrepresentations Concerning Career Services

34. To further convince students that they would achieve career success by taking out loans to pay for a Corinthian education, Corinthian also misrepresented the availability and the utility of its career services.

35. Corinthian falsely promised prospective students that they would receive career assistance while enrolled at a Corinthian school, and lifetime career assistance after graduation. Corinthian promoted “career-focused education” and career services that were available “whenever you need help finding a job, or want some advice on improving your resume or interviewing skills.” Corinthian further promoted that it “not only help[s] you find a job after you graduate, we help you find a job any time you need one, throughout your career... From graduation to retirement, we’ll help you advance your career whenever you need it.” Additionally, Corinthian emphasized its nationwide network of employers.

36. The actual career services provided were limited, such as providing postings already publicly available from services like Craigslist.

37. Moreover, after graduates obtained initial placements, Corinthian refused to provide any further assistance to them. This refusal was particularly significant for students who received only temporary placements.

***The “90/10” Rule***

38. Corinthian engaged in these deceptions because it wanted to convince students to take out loans and use whatever aid they could to pay its tuition. Nearly all of Corinthian’s revenue was derived from Title IV federal student loans, which were Corinthian’s “life blood,” without which the school could not continue to operate. In its Annual Report Form 10-K filed with the SEC for fiscal year 2013, Corinthian reported that it derived 84.8% of its net revenue for operations in the United States from Title IV aid programs.

39. A for-profit company that owns a school receiving federal student aid funds is subject to the “90/10 rule,” 34 C.F.R. § 668.14(b)(16). Under this rule, a for-profit college must not receive more than 90% of its net revenue from Title IV aid. A minimum of 10% of such an entity’s revenue must come from non-Title IV aid, such as state aid, ordinary tuition payments from students, or private student loans. Schools that do not comply with the “90/10” rule risk losing their eligibility to participate in federal student aid programs; for Corinthian, this would have meant losing the source of nearly 90% of its revenue.

40. In order to appear to satisfy the 90/10 rule, Corinthian made sure that the cost of attending its schools was high enough that students would not be able to pay solely through using Title IV aid. In September, 2011, Corinthian’s CEO distributed a presentation to his executive

team, describing efforts by Corinthian to meet the requirements of the 90/10 rule by instituting “above market price increases to create ‘funding gaps.’”

41. Corinthian knew, however, that few of its students would be able to cover the “funding gap” out-of-pocket, and thus most would require additional loans for this purpose. Thus, by increasing tuition, Corinthian caused students, who otherwise would have been able to pay for the entire cost of tuition through Title IV aid, to take out private student loans. Regardless of whether students were able to repay the private student loans, Corinthian would profit from the increased availability of Title IV monies. In many instances, the private student loans filling this “funding gap” essentially would function as a loss leader for Corinthian.

***Corinthian Implemented the Genesis Loan Program to Fill the “Funding Gap” That Corinthian Created***

42. Before 2008, third-party providers of private education loans offered Corinthian students the opportunity to apply for loans to fund their educational expenses.

43. In or about January 2008, as a result of the economic downturn, these third-party lenders ceased making private student loans available to students it deemed to be at high risk of default due to poor credit profiles or low income. Therefore, these sources of funding became largely unavailable to Corinthian students.

44. In order to continue the flow of the needed “10 percent” of funds from non-Title IV sources, Corinthian launched its own institutional loan program – the Genesis Loan Program – which it developed together with a third-party entity (“Company A”) already engaged in financing and servicing “funding gap” loans for other educational institutions.

45. Beginning in approximately March of 2008, Corinthian actively marketed, promoted, and offered Genesis loans to its prospective and current students to pay tuition and fees that were not covered by federal aid or other sources.

46. The interest rates for Genesis loans were typically substantially higher than the interest rates for federal loans. In 2011, the Genesis loan interest rate was as high as 18% with an origination fee of 6%. Meanwhile, the interest rate for federal student loans during this time period was 3.4% to 6.8% with an origination fee of 1%.

47. Under the Genesis Loan Program, nearly all student borrowers were required to make monthly loan payments while attending school. The interest began accruing after the student left school.

48. Under the original Genesis Loan Program, pursuant to written agreements, Corinthian marketed the loan and a partner bank acted as the originator for each Genesis loan, disbursing the loan funds to Corinthian after each student's loan application was approved. Shortly after a student's loan funds were disbursed to Corinthian on the student's behalf, Company A purchased the loans from the bank. Corinthian then paid a "discount fee" to Company A equal to 50% of the face value of the loans that Company A purchased from the bank.

49. Under the agreement with Company A, typically within two weeks after Company A purchased the loans from the bank, Corinthian purchased all of the loans from Company A. Corinthian paid Company A the face value of the loans minus any discount fee that it had already paid, and Company A operated as the servicer of the loans.

50. Accordingly, from or about 2008 through approximately July 2011, Corinthian would own all Genesis loans that its students took out within a period of approximately two weeks after the loan funds were disbursed.

51. In 2011, the third-party lenders who had previously been extending private loans to the small portion of Corinthian's students who were considered prime borrowers ceased lending

to Corinthian students altogether. As a result, the Genesis Loan Program then became effectively the only available source of private financing to Corinthian students.

***High Default Rates on the Genesis loans***

52. Although Corinthian engaged in aggressive collection efforts, the default rate on Genesis loans was consistently extremely high. Corinthian charged off a Genesis loan when the student borrower was more than 270 days delinquent in making required loan payments. Using the period in which Corinthian would classify a Genesis loan as more than 270 days delinquent and calculating the default rate based upon the number of student loans, the default rate on Genesis loans was typically greater than 50% for all loans more than two years old, and above 60% for all loans more than three years old.

53. Corinthian knew of the high default rates for its Genesis loans, and at all times during the operation of the Genesis Loan Program, Corinthian anticipated that the default rates would remain at these high levels. As the Genesis Loan Program was simply a tool to achieve compliance with the 90-10 rule, Corinthian was willing to take the losses resulting from the high level of defaults for the greater reward of keeping Title IV revenue flowing to the school.

54. Moreover, Corinthian knew the characteristics of students who were most likely to default. Corinthian had required schools to “gather information to discern who is defaulting and why ... Internal data includes key information such as high school attended, program of study, demographics, grades, etc.”.

***The 90/10 Rule Changes and Aequitas Sees A Business Opportunity By Helping Corinthian Continue To Qualify For Federal Funds***

55. Effective July 1, 2012, the 90/10 rule was changed to eliminate institutional loans like the Genesis loans from counting toward the private revenue required to maintain Title IV



eligibility. With third-party private lenders no longer making loans available to its students by that time, Corinthian had to find another source of funding for the “10%.”

56. Corinthian determined that as long as it moved the Genesis loans “off its books,” it could still count the revenue from the Genesis Loan Program toward the 10%. Well before the rule change became effective, Corinthian sought a third party to purchase the loans after origination.

57. Aequitas’s involvement in the Corinthian private loan program formally began in June of 2011, when CSF entered into an agreement to pay approximately \$24 million to purchase a portfolio of existing Corinthian student loans with a face value of \$30,576,549 on a non-recourse basis.

58. Aequitas understood from the outset that Corinthian’s business model depended on its satisfaction of the 90/10 Rule as a condition of obtaining federal funds. In July 2011, in its Deal Summary and Underwriting Report for Student Receivable Portfolio Purchase from Corinthian, Aequitas explained Corinthian’s challenges in complying with the 90/10 rule and how Aequitas could alleviate this compliance problem:

Corinthian . . . has been under regulatory pressure to stay compliant with the 90/10 economics. . . Thus, an opportunity presented itself to alleviate the regulatory pressure for Corinthian by acquiring their existing student loans, as well as to enter into a longer forward flow relationship to purchase more recently originated student loans. Corinthian needs to get their student loans off their balance sheet and to stop originating student loans.

59. As the relationship between Aequitas and Corinthian progressed, Aequitas reported internally statements by Corinthian that it was “[m]anaging to 90/10, not under” and that federal loans were Corinthian’s “life blood.”

60. Aequis further understood that Corinthian raised its tuition not to make additional money but rather to create the obligation for non-Title IV revenues that would give it access to the needed Title IV funds. Aequis told its investors that that “increasing tuition is the simplest way a school can mitigate risk from the 90/10 Rule.” Indeed, Corinthian even told Aequis that the 90/10 Rule had “required” Corinthian to raise tuition. Aequis knew that the additional tuition charge, as well as the Genesis loans that funded them, were a sham to get federal funds.

61. In September of 2011, CSF agreed to pay approximately \$10 million to purchase another portfolio of existing loans with a face value of \$16,792,381 on a recourse basis, meaning that for any loans became more than 90 days past due, Corinthian would purchase those loans back from CSF.

62. Pleased with the money it was making for itself and its investors on the student loan portfolio, Aequis sought to “deepen” its relationship with Corinthian. In September of 2011, CSF entered into an agreement with Corinthian to create a “forward flow” program, called “Corinthian 1.0.” Pursuant to that agreement, CSF purchased Genesis loans at a 40% discount on the face value of each purchased loan, and Corinthian also committed to purchase all loans back from CSF that were more than 90 days past due. CSF agreed that each month it would purchase approximately \$15 million in face value of loans shortly after origination on a full recourse basis. The loans would be originated by a bank and immediately purchased after origination by Aequis. Under the forward flow agreements, Aequis had the right to purchase loans but not the obligation, and could terminate its relationship upon 14 days’ notice to Corinthian.

63. In April of 2012, Aequis sent Corinthian a list of points for discussion. The list included allegations made by others about the for-profit education industry generally and

Corinthian specifically, including that for-profit schools “game” the 90/10 regulations by inflating tuition costs and creating a funding gap, despite knowing that most of the private loans provided would not perform. Yet Aequitas continued to participate in and seek profit from the Genesis Loan Program scheme.

64. Indeed, Aequitas regularly monitored the status of the various, multiplying state and federal government investigations and litigation concerning Corinthian’s student lending practices, marketing to students, and job placement data post-graduation. Knowledge of these investigations and litigation did not deter Aequitas from continuing to seek profit from the Genesis Loan Program scheme by collecting upon the loans.

65. In July of 2012, Aequitas and Corinthian discussed additional ways for Corinthian to maximize its Title IV revenue. In its internal notes of the meeting, Aequitas noted Corinthian’s plans to shift more students enrolled in on-line course programs from part-time to full-time status, because “part time online students don’t need gap financing” and “shifting students from part-time to full-time will create gap financing needs.”

66. Aequitas understood that Corinthian was “highly focused on maximizing starts to generate Title IV revenue flow” and that Corinthian’s “quality bar [was] low.”

67. On August 14, 2012, an Aequitas executive observed that “[i]t appears as if the for profits are spending an inordinate amount of money to put anyone (qualified or unqualified) into a seat on their campus.”

68. In September of 2012, Aequitas and Corinthian launched the “Corinthian 2.0” program, which was a continuation of the original forward flow program, with slightly different terms.

***Aequitas Saw Corinthian Students As Easy Prey and Knew That Corinthian Exercised Undue Influence Over Them***

69. At a meeting with Corinthian executives in Santa Ana, California in June of 2012, Aequitas noted that Corinthian described its competition for students as “the couch, inertia, and gangs” and that its students were “looking to get a life, looking for a mother figure and father figure.”

70. In a January of 2013 marketing presentation to Aequitas, Corinthian described its prospective student population as individuals who have “low self-esteem” and “[f]ew people in their lives who care about them;” who are “isolated,” “stuck, unable to see and plan well for [their] future;” and “impatient, [and] want quick solutions.”

71. Aequitas knew that Corinthian brokered the Genesis loans to its students by arranging for the loans and serving as the students’ single point of contact in doing so.

72. Aequitas knew that Corinthian was advising students regarding the loans offered through the Genesis loan scheme and that Corinthian was actively engaged in promoting Genesis loans.

***Aequitas Knew that Corinthian Students Were Being Harmed by High Default Rates but Sought Only to Mitigate Its Own Exposure to the Defaults***

73. Aequitas understood that default rates on the Genesis Loan Program were high. In March of 2012, an Aequitas employee noted that Corinthian continued to make institutional loans, despite the high default rates that resulted in Corinthian writing many of the loans off, “presumably because the loans lure students to its schools and give[] it access to federal student aid dollars.” In other words, Aequitas understood the Genesis Loan Program was intended to be a loss leader for Corinthian.

74. Aequitas understood that Corinthian expected students would, more often than not, be unable to repay their Genesis loans. In conducting diligence, Aequitas noted that “[d]espite the dismal performance of [the Genesis] loans, Corinthian executives told investors in summer

2011 that they planned to double the volume of private loans made through the institutional loan program . . . .”

75. The same Aequis employee noted “with defaults this high, how can we defend our practices?”

76. Indeed, despite the fact that Aequis knew that the tuition charge funded by the Genesis loans, as well as the Program itself, was merely a ploy to obtain access to federal funds, Aequis disregarded the high default rates on these sham loans and continued to collect on the loans.

77. Aequis understood the harmful impact of student loan defaults on students, but continued to collect on the loans. For example, Aequis learned that private student loans like the Genesis loans were difficult to discharge in bankruptcy, “making them more onerous than credit-card debt or subprime mortgages.”

78. Aequis was well aware that, in 2008, when Corinthian began its loan program, the default rates for these loans were between 50% and 70%, but it continued to collect on the loans.

79. Aequis’s initial models in 2011 predicted a 45% default rate. In October of 2012, however, Aequis revised its models upon a finding that default rates were in the mid-50% range. Aequis estimated that it could cover the cost of investor funds if the cumulative default rate reached 63% even if Corinthian defaulted on its obligations to purchase the loans.

80. In December of 2012, Aequis’s Underwriting Report recommended Aequis continue purchasing Corinthian’s loans, despite an expected default rate of 57% for the loans purchased as part of the 2.0 forward flow agreement with Corinthian.

81. In October of 2013, Aequis concluded that the loans purchased in June of 2011 had a default rate of 63%, with the estimated default rate at the full term of those loans of 66%.

Moreover, Aequitas determined a default rate of 50.9% for loans in the Corinthian 1.0 program with an estimated default rate of 61% for the full term of the loans.

82. Aequitas understood Corinthian was not concerned about the high default rates because, from Corinthian's perspective, the purpose of the Genesis Loan Program was to receive Title IV funds and avoid 90/10 Rule compliance problems.

83. For Aequitas, the high default rates were simply an investment risk to be mitigated. As long as the loans performed within Aequitas's projections and Corinthian assumed the risk of purchasing delinquent and defaulted loans, Aequitas made money on the loans. Corinthian was willing to assume that risk because the pretense of a third party funding the Genesis Loan Program allowed the school to stay in compliance with the 90/10 rule.

84. Despite its knowledge of the high default rates and the effect of defaults on students, Aequitas continued purchasing the loans from Corinthian and collecting on the loans. Aequitas continued to seek out ways in which it could work more closely with and purchase more loans from Corinthian, ultimately agreeing to do so several times via renewed agreements.

85. In the meantime, Corinthian students who defaulted on Genesis loans suffered harmful consequences including negative credit reporting, along with consequences that flow from that. Negative items on a credit report like defaults can result in difficulty in renting an apartment, the denial of employment, ineligibility for other forms of financing, or eligibility only on less favorable terms than would otherwise have been available.

86. In addition, Corinthian students were and continue to be harmed by Aequitas's continued collection of payments on loans that carry interest rates as high as 18% and origination fees as high as 6%.

***Aequitas Was Aware of and Disregarded Increasing Scrutiny of Corinthian's Business Practices***

87. Aequitas was aware of allegations of wrongdoing by Corinthian and ignored numerous red flags regarding Corinthian's deceptive acts and practices.

88. In a 2011 Deal Summary and Underwriting Report to investors concerning Aequitas's purchase of a portfolio of loans in 2011, Aequitas summarized the numerous lawsuits against Corinthian.

89. For example, the summary noted that Corinthian was facing three *qui tam* false claims actions alleging violations of the Higher Education Act regarding the manner in which admissions personnel were compensated.

90. The summary also observed that Corinthian had experienced an "unprecedented increase" in putative class action lawsuits brought by former students in the second, third, and fourth quarters of the 2011 fiscal year. Aequitas explained that Corinthian "believes these lawsuits are largely the result of negative publicity" and noted that binding arbitration clauses required nearly all of the students to resolve their cases through individual arbitration.

91. Aequitas was aware that in 2012, Corinthian was being investigated by state attorneys general for Florida, California, Massachusetts, Illinois, New York, and Oregon for alleged wrongdoing including misrepresentations regarding job placement and career prospects.

92. Aequitas was also aware that in October of 2013, the State of California sued Corinthian, alleging "false and predatory advertising, intentional misrepresentations to students, securities fraud and unlawful use of military seals in advertisements." According to the California complaint, Corinthian's "predatory marketing efforts specifically target[ed] vulnerable, low-income job seekers and single parents who have annual incomes near the federal poverty line."

93. Aequitas's periodic written internal memoranda about its business relationship with Corinthian indicate Aequitas failed to perform any meaningful due diligence concerning Corinthian's marketing and representations to its students. Instead, Aequitas took at face value Corinthian's assertions that the lawsuits and investigations were without merit or easily disposed of.

***Despite The Many Red Flags, Aequitas Continued Its Partnership With Corinthian and Its Expansion Efforts For the "EducationPlus" Loan Program***

94. In June of 2012, at Aequitas's request, the agreement between Corinthian and Aequitas was amended to include a provision that barred Corinthian from endorsing any tuition loan program other than Aequitas's.

95. In a December 2012 internal report, Aequitas noted "we enjoy regular interactions with Corinthian's CEO and CFO, allowing us to increasingly become a strategic partner to Corinthian."

96. In or about 2013, Corinthian and Aequitas renamed the Genesis Loan Program the "EducationPlus" loan program. The EducationPlus loan program resulted in lower interest rates being offered to Corinthian students, but was the functional equivalent of the Genesis Loan Program and Aequitas's and Corinthian's respective roles did not change. Corinthian management and staff often referred to the EducationPlus loan program as the Genesis Loan Program. (References in this Complaint to the Genesis Loan Program and Genesis loans include EducationPlus loans.)

97. Aequitas began marketing the EducationPlus program to other for-profit schools as a "turnkey solution" to provide funding for their institutional loan programs. Aequitas did this because it saw the scheme it was running with Corinthian as a profit center, disregarding the fact that it was a sham that harmed the student borrowers who were caught up in it.



***Only When Aequitas Deemed the Program too Risky to Aequitas Did It Cease Funding Loans***

98. In January of 2014, Aequitas exercised its option to withdraw from the loan program and stop purchasing Genesis loans originated through Corinthian.

99. Aequitas management made the decision based on “increased operational risk at Corinthian” and “headline risk to Aequitas.” Aequitas was concerned that state and federal investigations of Corinthian could ultimately affect the underlying value of the Genesis loans they were funding.

100. However, from February, 2014 through May, 2014, Aequitas and Corinthian continued to discuss additional opportunities to continue working together, which Aequitas said would require additional insulation from defaults and other risk in the loan portfolios.

101. In May of 2014, Corinthian stopped honoring its obligation to purchase all loans from CSF that were more than 90 days past due.

102. Defendants’ unfair and deceptive trade practices have caused substantial injury to consumers, which harm consumers could not have reasonably avoided. The injuries that consumers suffered as a result of these practices by the Defendants are not offset by any benefit to consumers or to competition.

**CAUSES OF ACTION**

103. The allegations contained in paragraphs 1-102 are incorporated by reference as if fully alleged herein.

104. The services that Corinthian and Defendants offered and sold to Maryland consumers are primarily for personal, household or family purposes, and are thus “consumer services” under the Consumer Protection Act pursuant to Com. Law § 13-101(d). As such, Defendants satisfy the definition of “merchants” under the Consumer Protection Act pursuant to Com. Law § 13-101(g). Therefore, pursuant to Com. Law § 13-303, Respondents are prohibited

from engaging in any unfair or deceptive trade practices, as defined in the Consumer Protection Act, in their offer or sale of consumer services to Maryland consumers.

105. From at least September of 2011 until February of 2014, Aequis and Corinthian engaged in a complex scheme designed to maximize the flow of Title IV federal loan dollars to Corinthian and satisfy Corinthian's obligations under the 90/10 Rule.

106. Under the 90/10 Rule, Corinthian was barred from receiving more than 90% of its revenue from Title IV federal student aid. At first, Corinthian sought to satisfy the "10%" by charging additional tuition, above what federal aid could cover, to ensure that a "10%" would be forthcoming. Knowing that its students could not generally afford the additional charge out of pocket, however, Corinthian created and funded the Genesis Loan Program to cover that, acquiring the Genesis Loans within days of their origination by a bank.

107. As of July 1, 2012, private student loans originated and owned by an institution of higher education, such as the first version of Genesis Loan Program, would no longer count toward the 10% of private revenue required for a school to maintain eligibility to receive Title IV funds. As a result of this change to the 90/10 Rule, Corinthian sought a third party to immediately purchase the loans after origination, thereby keeping the loans off Corinthian's books so that they could be counted as a private source of revenue for purposes of the 90/10 Rule.

108. Aequis agreed to take on that role in the scheme, which permitted Corinthian to continue offering Genesis loans to students, despite no longer being able to hold those loans on its books, without increasing its non-Title IV sources of revenue.

109. Aequis knew that Corinthian sought no economic benefit from the Genesis Loan Program or the tuition payments it was intended to fund except for Corinthian's access to the

Title IV program. Aequitas knew that the additional tuition was charged by Corinthian simply to create revenue that would satisfy the amount required to obtain federal funds. Aequitas knew that the high projected default rate of the program meant that Corinthian, which was bound to buy all delinquent Genesis Loans from Aequitas, would not obtain 10% of its revenue from non-Title IV funds because the cost of buying back non-performing loans and maintaining the program would absorb any such revenue.

110. Aequitas participated in the loan programs in order to earn the profit from the performing loans it expected to keep and knew but disregarded the fact that most Corinthian student borrowers would default on these loans and would suffer the consequences of such defaults.

111. Student borrowers were not able to protect their interests in selecting or using the Genesis loans because they could not have known or understood that Corinthian and Aequitas were using the Genesis loans, and the tuition charge they funded, as a loss leader and a ruse designed to generate Title IV federal loan revenue for Corinthian, and because most borrowers did not have other options to pay for Corinthian's artificially-inflated tuition.

112. Aequitas failed to state material facts and took unreasonable advantage of student borrowers' inability to protect their interests in selecting or using the Genesis loans by funding, supporting, and collecting upon the Corinthian student loan portfolios and by participating in the Genesis Loan Program through the "forward flow" agreements with Corinthian, all while continuing to reap significant profits from the scheme.

113. Corinthian students, the great majority of whom had few financial resources to begin with, were and are harmed by Aequitas's continued collection of unaffordable payments on loans that carried interest rates as high as 18% and origination fees as high as 6%, which translates to

thousands of dollars for each student over the life of the loan. Many Corinthian students were and are further harmed by defaults on their student loans, which exacerbate their financial distress, are difficult to discharge in bankruptcy, and will detrimentally affect their credit ratings for years.

114. For the reasons discussed herein and above, the Defendants engaged in unfair or deceptive trade practices under § 13-301(3) of the Consumer Protection Act by failing to state material facts that deceived or tended to deceive Maryland consumers. Each unfair or deceptive trade practice by the Defendants constitutes a violation of the Consumer Protection Act pursuant to Com. Law §§ 13-302 and 13-303.

115. For the reasons discussed herein and above, the Defendants, engaged in unfair trade practices under § 13-303 of the Consumer Protection Act by causing substantial injury to consumers that was not reasonably avoidable by consumers and was not outweighed by any offsetting benefits to consumers or to competition. Each unfair trade practice by the Defendants constitutes a violation of the Consumer Protection Act pursuant to Com. Law §§ 13-302 and 13-303.

### **REQUEST FOR RELIEF**

WHEREFORE, the Plaintiff requests that this Honorable Court enter an Order:

A. issuing a permanent injunction prohibiting Defendants, their agents, employees, and all other persons and entities, corporate or otherwise, in active concert or participation with any of them, from engaging in unfair or deceptive conduct;

B. ordering Defendants to pay restitution to consumers of all moneys that the Defendants received in connection with their unfair or deceptive trade practices;

- C. ordering Defendants to pay all costs for the prosecution and investigation of this action;
- D. ordering Defendants to pay civil penalties for each and every violation of the Consumer Protection Act; and
- E. grant such other and further relief as the Court deems equitable and proper.

Respectfully submitted,

BRIAN E. FROSH  
Maryland Attorney General

By: \_\_\_\_\_  
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\_\_\_\_\_  
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Date: \_\_\_\_\_

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|--|--------------------|
| DISTRICT COURT, CITY AND<br>COUNTY OF DENVER, COLORADO<br>1437 Bannock Street<br>Denver, CO 80202<br><hr/> STATE OF COLORADO, ex rel. CYNTHIA H.<br>COFFMAN, ATTORNEY GENERAL<br><br>Plaintiff,<br><br>v.<br><br>AEQUITAS CAPITAL MANAGEMENT INC.,<br>AEQUITAS MANAGEMENT LLC, AEQUITAS<br>HOLDINGS LLC, AEQUITAS COMMERCIAL<br>FINANCE LLC, CAMPUS STUDENT FUNDING<br>LLC, CSF LEVERAGE I, LLC, AEQUITAS<br>INCOME OPPORTUNITY FUND, AEQUITAS<br>INCOME PROTECTION FUND,<br><br>Defendants. | ▲ COURT USE ONLY ▲ |
| CYNTHIA H. COFFMAN, Attorney General<br>JAY B. SIMONSON, 24077*<br>First Assistant Attorney General<br>Ralph L. Carr Judicial Center<br>1300 Broadway, 10 <sup>th</sup> Floor<br>Denver, CO 80203<br>Telephone: (720) 508-6000<br>FAX: (720) 508-6040<br>*Counsel of Record  | Case No.<br>Div.:  |
| <p align="center"><b>STIPULATED CONSENT JUDGMENT</b></p>   |                    |

Plaintiff, the State of Colorado, upon relation of Cynthia H. Coffman, Attorney General for the State of Colorado has filed, simultaneously with this Stipulated Consent Judgment, a Complaint for a permanent injunction and other relief in this matter pursuant to the Colorado Consumer Protection Act, §§ 6-1-101 *et seq.*, C.R.S. ("CCPA"), alleging Defendants, Aequitas Capital Management Inc., Aequitas Management LLC, Aequitas Holdings LLC, Aequitas Commercial Finance

LLC, Campus Student Funding LLC, CSF Leverage I, LLC, Aequitas Income Opportunity Fund, Aequitas Income Protection Fund, (“Defendants”), committed violations of the CCPA.

Plaintiff and Defendants have agreed to the Court’s entry of this Stipulated Consent Judgment (“Consent Judgment”) without trial or adjudication of any issue of fact or law or finding of wrongdoing or liability of any kind. This Consent Judgment is for settlement purposes only, and it is the intent of the parties that nothing herein shall constitute, or be admissible, in evidence as any admission.

NOW THEREFORE, on the basis of these findings, and for the purpose of effecting this Stipulated Consent Judgment, IT IS HEREBY ORDERED AND DECREED AS FOLLOWS:

#### **JURISDICTION**

1. The Court has jurisdiction over the subject-matter of this action and of the parties, and venue is proper in this Court.
2. The State’s Complaint sets forth a cause of action against Defendants under the Colorado Consumer Protection Act, §§ 6-1-101 *et seq.*, C.R.S. (“CCPA”).

#### **STIPULATION**

3. This STIPULATED CONSENT JUDGMENT is entered into between the State of Colorado, by the Office of the Attorney General (“State” or “Plaintiff), and Defendants AEQUITAS CAPITAL MANAGEMENT, INC., AEQUITAS MANAGEMENT, LLC, AEQUITAS HOLDINGS, LLC, AEQUITAS COMMERCIAL FINANCE, LLC, CAMPUS STUDENT FUNDING, LLC, CSF LEVERAGE I, LLC, AEQUITAS INCOME OPPORTUNITY FUND, and AEQUITAS INCOME PROTECTION FUND (collectively, “Defendants,” and, together with the State, the “Parties”). This Judgment resolves Plaintiff’s concerns regarding Defendants’ compliance with the CCPA.

## DEFINITIONS

4. Whenever the terms listed below are used in this Judgment, the following definitions shall apply:

(a) “Affected Consumers” means all consumers who were Borrowers of Aequis Genesis Loans and have remaining unpaid amounts on such loans as of the Record Date.

(b) “Active Aequis Genesis Loans” means, as of the Record Date, all Aequis Genesis Loans, with the exception of Defaulted Genesis Loans and Aequis Closed School Loans.

(c) “Defendants” means Aequis Capital Management, Inc., Aequis Management, LLC, Aequis Holdings, LLC, Aequis Commercial Finance, LLC, Campus Student Funding, LLC, CSF Leverage I, LLC, Aequis Income Opportunity Fund, and Aequis Income Protection Fund, as named in the Complaint.

(d) “Aequis Genesis Loan” means any private student loan referred to in the Complaint as either a Genesis loan or EducationPlus loan, which was made to a Borrower to pay for tuition, cost of living expenses, or fees to attend a Corinthian school, and which as of the Record Date is still outstanding on the books and records of Defendants in the possession of the Receiver (or on the books and records of servicers of said loans).

(e) “Borrower” means a consumer who was a borrower of an Aequis Genesis Loan, and his/her/its successors or assigns.

(f) “Closed School Loan ” means an Aequis Genesis Loan to a Borrower who did not graduate or complete his/her course work and who (a) attended one of the Corinthian schools that Corinthian announced on April 27, 2015, would be closed and described on Schedule 1 to this Judgment and was either attending such school when it closed or withdrew from such school on or



after June 1, 2014, or (b) attended one of the Corinthian schools sold to Zenith as denoted on Schedule 2 to this Judgment and whose loan is depicted on a list agreed upon between the Receiver and the State prior to the filing of the Complaint.

(g) “Corinthian” means Corinthian Colleges, Inc., and all predecessors, successors, subsidiaries, affiliates, and parents, including Heald, WyoTech, and Everest Colleges.

(h) “Defaulted Aequis Genesis Loan” means an Aequis Genesis Loan that is 270 days or more past due, charged off, or cancelled as of the Record Date.

(i) “Current Payment Amount” is the monthly payment amount designated for each Active Aequis Genesis Loan in order to keep the account current and non-delinquent.

(j) “Effective Date” means the date on which this Judgment is entered by the Court.

(k) “Re-Amortization Payment Amount” is a new payment amount per month for each Active Aequis Genesis Loan, calculated based on the principal reduction provided for in paragraph 14 as of the Effective Date such that the Active Aequis Genesis Loan will be fully paid if the Re-Amortization Payment Amount is paid by the Borrower each month on time, by the end of that loan’s actual or, in the case of loans that have ever been in or are currently in a forbearance plan, estimated remaining term.

(l) “Receiver” means Ronald Greenspan, receiver of Aequis, named as such in the Receivership Order, or any other receiver that is appointed by a superseding order in the same litigation.

(m) “Receivership Action” means the matter of *SEC v. Aequis Management, LLC, et al.*, No. 3:16-cv-438(PK), in the Receivership Court.

(n) “Receivership Court” means the United States District Court for the District of Oregon.

(o) “Receivership Order” means the Order Appointing Receiver, Doc. No. 156, in the Receivership Action.

(p) “Record Date” means March 31, 2017.

(q) “Retained Personnel” means the agents of the Receiver, as defined by the Receivership Order.

### ENJOINED CONDUCT

Pursuant to the CCPA, Defendants are hereby enjoined as follows:

5. Defendants and their respective officers, agents, servants, employees and attorneys, who have actual notice of this Judgment, whether acting directly or indirectly, may not violate the CCPA, §§ 6-1-101 *et seq.*, C.R.S., including by engaging in deceptive trade practices in connection with lending to students of for-profit schools.

6. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, shall obtain the following reports from servicers currently servicing the Aequitas Genesis Loans, with data as of the Record Date. Upon obtaining such reports, the Defendants or the Receiver on behalf of the Defendants shall provide copies of them to the State. The following reports are to be obtained, to the extent the specified loan-level data are available:

(a) A report of all Aequitas Genesis Loans including for each such Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Aequitas Genesis Loan, the associated Borrower’s name, a unique identifying number, and most currently available postal address, phone number, and email address.

(b) A report of all Active Aequitas Genesis Loans including for each such Active Aequitas Genesis Loan, the amount of principal, interest, fees,

and any other amount due and owing as of the Record Date on such Active Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

(c) A report of all Defaulted Aequitas Genesis Loans, including for each such Defaulted Aequitas Genesis Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Defaulted Aequitas Genesis Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

(d) A report of all Closed School Loans, including for each such Closed School Loan, the amount of principal, interest, fees, and any other amount due and owing as of the Record Date on such Closed School Loan, the associated Borrower's name, a unique identifying number, and most currently available postal address, phone number, and email address.

7. For each Closed School Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from the following:

(a) Engaging in any collection activity with respect to each such Closed School Loan; however, Defendants will not be regarded as in violation of this Judgment if they send out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;

(b) Accepting any future payment on any such Closed School Loan, including any future payment made in connection with any statement or notice permitted by subparagraph (a), provided, however, that in the event that such a payment is discovered to be accepted and processed, Defendants, or the Receiver acting on Defendants' behalf, will return the payment to the

Borrower within a reasonable time; and

(c) Reselling, transferring, or assigning any such Closed School Loan.

8. For each Defaulted Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from the following:

(a) Engaging in any collection activity with respect to each such Defaulted Aequitas Genesis Loan; however, Defendants will not be regarded as in violation of this Judgment if they send out routine statements or notices that could be considered collection activity within 20 days after the Effective Date;

(b) Accepting any future payment on any such Defaulted Aequitas Genesis Loan, including any future payment made in connection with any statement or notice permitted by subparagraph (a), provided, however, that in the event that such a payment is discovered to be accepted and processed, Defendants, or the Receiver acting on Defendants' behalf, will return the payment to the Borrower within a reasonable time; and

(c) Reselling, transferring, or assigning any such Defaulted Aequitas Genesis Loan.

9. For each Active Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from the following:

(a) Reselling, transferring, or assigning any such Active Aequitas Genesis Loan, unless the following:

(i) Defendants, or the Receiver on behalf of Defendants, ensure that the principal amount of each such loan sold, transferred or

assigned reflects the reduction required in paragraph 14;

(ii) Within five business days of reaching an agreement in principle to sell, transfer or assign any Active Aequitas Genesis Loans, in which the terms have been agreed upon by the parties but the Receiver has not yet sought the authority of the Receivership Court to make such a sale, transfer, or assignment, Defendants, or the Receiver on behalf of Defendants, must provide the State with the following:

Notice of the fact that such agreement in principle has been reached;

The name of the proposed purchaser, transferee or assignee;

The list of Active Aequitas Genesis loans to be sold, transferred or assigned; and

The proposed written agreement memorializing the terms of the proposed sale, transfer, or assignment.

(iii) Within five business days prior to filing a motion seeking court approval for any such sale, transfer or assignment of Active Aequitas Genesis Loans, Defendants, or the Receiver on behalf of Defendants, must provide the State with the following:

Notice of its intention to file any such motion; and

The proposed motion papers, including any attachments thereto;

(iv) Defendants, or the Receiver on behalf of Defendants, ensure that the final agreement memorializing any such sale, transfer or assignment of any Active Aequitas Genesis Loans contains a provision requiring the purchaser, transferee or assignee to adopt or abide by the terms and provisions of this Judgment requiring ongoing

performance for the State;

(b) Any motion seeking approval for any such sale, transfer or assignment of Active Aequitas Genesis Loans shall (1) contain a request to the Receivership Court that the terms of this Judgment requiring ongoing performance for the State shall be enforceable against the purchaser, transferee or assignee; and (2) not seek to sell, transfer or assign such loans free and clear of rights, claims or defenses of any borrower, co-borrower, or guarantor on any such Loan.

10. For each Active Aequitas Genesis Loan, Defendants, and the Receiver on behalf of Defendants, are permanently restrained and enjoined as of 60 days after the Effective Date from the following:

(a) Engaging in any collection activity with respect to each such Active Aequitas Genesis Loan that seeks an amount in principal greater than the amount identified in paragraph 14, including by means of the following:

i. Calculating interest or fees based on a principal amount greater than the amount identified in paragraph 14, however, in the event interest or fees have been calculated on a principal amount greater than the amount identified in paragraph 14, the excess amounts that have been paid by the Borrower will be applied to the Borrower's principal balance unless the Borrower seeks a refund of such improperly charged amounts, in which case the Borrower will be supplied a refund; and

ii. Representing to the Borrower of any such Active Aequitas Genesis Loan that the principal amount owed is greater than the amount identified in paragraph 14.

11. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must request that and use commercially efforts to follow up

with any servicer that furnished trade line information for Aequitas Genesis Loans to credit reporting agencies to furnish deletion codes to said credit reporting agencies to delete such information from subject Borrowers' credit reports. For Borrowers of Active Aequitas Genesis Loans who perform under such Loans after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer to report such performance to credit reporting agencies in accordance with applicable law. For any Borrowers who become or continue to be delinquent or in default after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer to report such Borrowers' status to credit reporting agencies in accordance with applicable law; however, any such reporting shall reflect the balance as modified by this Judgment.

12. Defendants, or the Receiver on behalf Defendants, shall direct any person or entity collecting on Active Aequitas Genesis Loans to fully comply with all applicable requirements of the Colorado Fair Debt Collection Practices Act, Colorado Revised Statutes section 5-16-101 *et seq.*, in any such collection.

### **REMEDICATION AND REDRESS**

13. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, will discharge and cancel all amounts shown as owed in the report provided to the State under paragraph 6, including principal, interest, fees, or any other amounts, in connection with the following:

- (a) All Closed School Loans; and
- (b) All Defaulted Aequitas Genesis Loans.

14. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, shall reduce the principal amount owed as of the Record Date on each Active Aequitas Genesis Loan, as identified in the report provided to the State under paragraph 6, by 55% and discharge and cancel such principal and any accrued and unpaid interest, fees and charges that are 30 or more days past due as

of the Record Date.

15. Defendants, or the Receiver on behalf of Defendants, shall use commercially reasonable efforts to obtain guidance from the Internal Revenue Service indicating that the Receiver is not required to make federal tax filings (including sending 1099 forms to Borrowers) as a result of the debt relief provided in this Order, prior to the time such forms would be required to be sent. If the Receiver, in consultation with his counsel, is satisfied that such guidance is reliable, the Receiver shall not make applicable federal tax filings and shall not send Borrowers 1099 forms.

16. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of a Closed School Loan and each Borrower of a Defaulted Aequitas Genesis Loan with the following notice within 90 days of the Effective Date. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- (a) The outstanding amount that had been owed under each Aequitas Genesis Loan as of the Record Date by such Borrower;
- (b) The fact that each such amount has been reduced, discharged, and canceled in full and such Borrower no longer owes any amounts under his or her Aequitas Genesis Loan;
- (c) The fact that the reduction, discharge, and cancellation of the amounts owed for each such Aequitas Genesis Loan is pursuant to this Judgment;
- (d) The fact that the Borrower will not be subjected to any new debt-collection or credit-reporting activities related to each such Genesis Loan;



(e) Any such reduction, discharge, or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities; and

(f) No amounts that were due and owing and were paid prior to the Record Date will be returned to the Borrower.

17. Within 90 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of an Active Aequitas Genesis Loan written notice (as described in paragraph 19) of his/her option to either continue paying the Current Payment Amount on the lowered principal balance or elect to have the loan re-amortized using the lowered principal balance and remaining term of the subject loan, which will result in a Re-Amortization Payment Amount. No such notice is required to a Borrower and no Re-Amortization Payment Amount will be available to a Borrower, however, if such Borrower's Current Payment Amount before re-amortization is less than \$20; in any event, a Borrower's Re-Amortization Payment Amount will not be less than \$20.

18. Each Borrower of an Active Aequitas Genesis Loan will have 60 days from the mailing date of such notice to make his/her election by completing the notice and returning it to Defendants, the Receiver (on behalf of Defendants) or the applicable servicer. If the Borrower does not make such an election, he or she will be required to pay the Current Payment Amount and the loan will not be re-amortized. For Borrowers as to whom Defendants, the Receiver on behalf of Defendants or the applicable servicer timely have received affirmative notice of election of the Re-Amortization Payment Amount, within 30 days following the expiration of the 60-day election period, Defendants, or the Receiver on behalf of Defendants, will re-amortize loans and adjust the monthly payment amount for all future unbilled and un-accrued loan payments to the Re-Amortization Payment Amount.

Notwithstanding the foregoing, for any Active Aequitas Genesis Loan which already

has been amended or modified pursuant to a forbearance plan to provide a Borrower with a monthly payment that is less than the applicable Re-Amortization Payment Amount and the Borrower has elected to accept the re-amortization option, Defendants, or the Receiver on behalf of Defendants, shall not be required to adjust the monthly payment until the end of the applicable forbearance period. Defendants, or the Receiver on behalf of Defendants, will adjust the monthly payment to a Re-Amortization Payment Amount based on the principal balance of the Borrower's loan at the end of the applicable forbearance period.

19. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of an Active Aequitas Genesis Loan with the following notice pursuant to paragraph 17. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently available postal address as contained on the servicer's system of record. The notice shall contain the following information:

- (a) Identification information that associates the loan to the Borrower;
- (b) The amount of principal owed as of the Record Date of each Active Aequitas Genesis Loan associated with such Borrower;
- (c) The amount of principal owed for each such Active Aequitas Genesis Loan after the reduction required in paragraph 14 has been applied;
- (d) A statement notifying the Borrower that the principal has been reduced by 55% pursuant to this Judgment;
- (e) A Re-Amortization Payment Amount option whereby the Borrower has 90 days from the mailing date of such notice to inform the servicer of his or her election to opt-in and have his or her loan re-amortized with the minimum monthly payment modified from the Current Payment Amount to a Re-Amortization Payment Amount;

(f) The fact that if the Borrower does not make such an election by the required date, the Current Payment Amount will continue as the amount due on his or her loan each month;

(g) The fact that replacing the Current Payment Amount with the Re-Amortization Payment Amount may reduce the amount such Borrower pays each month but will cost the Borrower more over the life of the loan than if he or she continued with the Current Payment Amount;

(h) The fact that a Borrower's election will not waive any rights, claims or defenses that the Borrower and any co-borrower or guarantor may have with respect to the loan;

(i) The fact that continuing to pay the Current Payment Amount (or more) each month will result in full satisfaction of his or her loan before the payment term has expired, and will cost the Borrower less overall than if he or she elected to use the Re-amortization Payment Amount;

(j) The following specific information individualized for each Borrower on an Active Aequis Genesis Loan:

(i) The estimated total amount of principal and interest the Borrower will pay if the Borrower pays each current Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequis Genesis Loan under these circumstances;

(ii) The estimated total amount of principal and interest that the Borrower will pay if the Borrower elects his or her option to pay the Re-Amortization Payment Amount and pays such Re-Amortization Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequis Genesis Loan under these circumstances;

(k) Any reduction, discharge, or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state

taxing authorities;

(l) A statement notifying the Borrower that, if the Borrower desires, the Borrower at any time may make payments larger than the Re-Amortization Payment Amount, which if the loan is current would result in a shorter payoff period and interest savings;

(m) A statement notifying Borrowers on forbearance plans of their alternative payment options as set forth in paragraph 18;

(n) A statement (1) notifying Borrowers that the relief described does not waive or extinguish any rights, claims, or defenses that the Borrower, any co-signer, or guarantor may have with respect to his or her loan.

20. A proposed form of the notices required by paragraph 16 and 17 shall be provided to the State for its non-objection within 30 days of the Effective Date.

21. Defendants, or the Receiver on behalf of Defendants, shall include no materials other than the notices provided in paragraphs 16 and 17 in any envelope containing such notices, unless Defendants, or the Receiver on behalf of Defendants, has obtained written confirmation from the Colorado Attorney General's Office that the State does not object to the inclusion of such materials.

### **REPORTING REQUIREMENTS**

22. Defendants, or during the pendency of the Receivership, the Receiver on behalf of Defendants, shall notify the State of any development that may affect their obligations arising under this this Judgment, including, but not limited to, the replacement of the Receiver or the filing of any bankruptcy or insolvency proceeding by or against Defendants. Defendants, or the Receiver on behalf of Defendants, must provide this notice at least 30 days before the development or as soon as practicable after learning about the development, whichever is sooner.

23. Within 180 days of the Effective Date, and again one year after the

Effective Date, Defendants, or the Receiver on behalf of Defendants, must submit to the State an accurate written compliance progress report, which, at a minimum shall include the following:

(a) A detailed description of the manner and form in which Defendants, or the Receiver on behalf of Defendants, as applicable, have complied with this Judgment; and

(b) A copy of each Judgment Acknowledgment obtained under paragraphs 24-25, unless previously submitted to the State.

#### **JUDGMENT DISTRIBUTION AND ACKNOWLEDGMENT**

24. Within 15 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must deliver a copy of this Judgment to each employee or agent of the Receiver who or which is, as of the Effective Date, employed or retained by the Receiver and who or which has responsibilities that extend beyond the Effective Date related to the subject matter of this Judgment.

25. Within 30 days of the Effective Date, the Receiver shall provide a signed and dated statement to the State of the Receiver's compliance with paragraph 24, and shall provide a signed and dated statement from the servicer, or any other third-party service provider tasked with carrying out responsibilities under this Judgment, acknowledging receipt of this Judgment, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*

#### **RECORDKEEPING**

26. Defendants, or the Receiver on behalf of Defendants, must maintain for 3 years from the Effective Date or the duration of the Receivership, whichever is lesser, all documents and records necessary to demonstrate full compliance with this Judgment, including all submissions to the State.

27. Aequitas, or the Receiver on Aequitas's behalf, must make the documents identified in paragraph 26 available to the Colorado Attorney General's Office upon the State's request.

### NOTICES

28. Unless otherwise directed in writing by the State, Defendants, or the Receiver on behalf of Defendants, must provide all submissions, requests, communications, or other documents relating to this Judgment in writing, with the subject line *Colorado v. Aequitas Capital Management, Inc.*, and shall be sent both by a nationally recognized overnight-courier service and by email to the named person (or such other person who may be designated by the relevant party from time to time) at the following address:

Jay B. Simonson  
First Assistant Attorney General  
Colorado Attorney General's Office  
1300 Broadway, 7<sup>th</sup> Fl.  
Denver, CO 80237  
jay.simonson@coag.gov

### COOPERATION

29. Defendants, or during the pendency of the Receivership, the Receiver on behalf of Defendants, will cooperate fully with the State as necessary to achieve the goals and carry out the requirements of this Judgment.

30. Defendants, or during the pendency of the Receivership, the Receiver on behalf of Defendants, will cooperate fully to help the State to determine the identity and the location of, and the relief provided pursuant to this Judgment for each Affected Consumer, from the information within Defendants' or the Receiver's possession and control or a servicer's system of record

### MODIFICATIONS TO NON-MATERIAL REQUIREMENTS

31. Defendants, or the Receiver on behalf of Defendants, in carrying out the provisions of this Judgment, are permitted to make such adjustments to loan

balance amounts, accrual of interest and Borrower payment amounts and process refunds to Borrowers (including providing Borrower refunds or reimbursements not expressly required by this Judgment) as may be necessary to assure compliance with this Judgment, but in any event in a manner that is fair and transparent to Borrowers subject to such adjustments and in a manner that is otherwise in compliance with this Judgment.

32. Any time limits for performance fixed by this Judgment may be extended by mutual written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Additionally, details related to the administration of paragraphs 22-30 of this Judgment may be modified by written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Any other modifications to this Judgment may be made only upon approval of the Court, upon motion by any party.

### **RELEASE**

33. The State releases and discharges Defendants from all potential liability for law violations that the State has or might have asserted based on the practices described in the Complaint, to the extent such practices occurred before the Effective Date and the State knows about them as of the Effective Date. This release shall be construed to benefit Defendants and their legal successors and assigns only, and shall not be construed to create any third-party beneficiary rights or to discharge the liability of any entity or person other than Defendants. The State may use the practices described in this Judgment in future enforcement actions against Defendants, including, without limitation, to establish a pattern or practice of violations or a continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the State to determine and ensure compliance with the Judgment, or to seek penalties for any violation of the Judgment.

### **LIMITATION OF LIABILITY UNDER RECEIVERSHIP ORDER**

34. The State makes no allegations against the Receiver, but only against Defendants. The Receiver is obligated under this Judgment for the sole purpose of acting on behalf of the Defendants to grant certain monetary relief from the assets of the Receivership and to perform certain obligations to the State set forth in this Judgment. Defendants neither admit nor deny any allegation in the Complaint, except that for purposes of this Judgment, Defendants admit the facts necessary to establish the Court's jurisdiction over Defendants and the subject matter of this action.

35. Notwithstanding any other terms, conditions, or provisions of this Judgment, pursuant to the Receivership Order, the Receiver and the Retained Personnel are entitled to rely on all outstanding rules of law and the orders of the Receivership Court and shall not be liable to any person or party (including, without limitation, the State) for their own good-faith compliance with this Judgment. Under the Receivership Order, in no event shall the Receiver or Retained Personnel be liable to any person or party (including, without limitation, the State) for their good-faith compliance with their duties and responsibilities as Receiver or Retained Personnel, nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted by them except upon a finding by the Receivership Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties.

### **RETENTION OF JURISDICTION**

36. This Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Judgment.

37. The clerk is ordered to enter this Judgment forthwith.

**IT IS SO ORDERED, ADJUDGED, AND DECREED:**



\_\_\_\_\_  
District Court Judge  
City and County of Denver

State of Colorado

**AGREED HERETO BY THE PARTIES:**

FOR DEFENDANTS

AEQUITAS CAPITAL MANAGEMENT, INC.

\_\_\_\_\_  
By:  
Its:

AEQUITAS MANAGEMENT, LLC

\_\_\_\_\_  
By:  
Its:

AEQUITAS HOLDINGS, LLC

\_\_\_\_\_  
By:  
Its:

AEQUITAS COMMERCIAL FINANCE, LLC

\_\_\_\_\_  
By:  
Its:

CAMPUS STUDENT FUNDING LLC

\_\_\_\_\_  
By:

Its:

CSF LEVERAGE I, LLC

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By:

Its:

AEQUITAS INCOME OPPORTUNITY FUND

---

By:

Its:

AEQUITAS INCOME PROTECTION FUND

---

By:

Its:

COUNSEL FOR DEFENDANTS

---

By:

FOR PLAINTIFF

STATE OF COLORADO

---

Jay B. Simonson  
First Assistant Attorney General  
Consumer Fraud Unit  
Colorado Attorney General's Office  
1300 Broadway  
Denver, CO 80202  
Phone: 720-508-6205  
jay.simonson@coag.gov

## Schedule 1

## Corinthian Closed School OPEID List (Per the Department of Education Listing)

| OPEID   | School Name                      | Location                         | Street Address                  | City             | State | Corinthian School # |
|---------|----------------------------------|----------------------------------|---------------------------------|------------------|-------|---------------------|
| 809000  | Everest College                  | Everest College                  | 2215 Mission Road               | Alhambra         | CA    | 180                 |
| 1110700 | Everest College                  | Everest College                  | 511 North Brookhurst Street     | Anaheim          | CA    | 171                 |
| 1112300 | Everest College                  | Everest College                  | 1045 Wt Redondo Beach Blvd      | Gardena          | CA    | 186                 |
| 3072300 | Everest College                  | Everest College                  | 1460 S. Milliken Ave            | Ontario          | CA    | 245                 |
| 449400  | Everest College                  | Everest College                  | 217 E. Club Center Drive, Ste A | San Bernardino   | CA    | 182                 |
| 449401  | Everest College - Santa Ana      | Everest College - Santa Ana      | 500 West Santa Ana Boulevard    | Santa Ana        | CA    | 172                 |
| 449402  | Everest College - Ontario        | Everest College - Ontario        | 1819 South Excise Avenue        | Ontario          | CA    | 564                 |
| 481100  | Everest Institute                | Everest Institute                | 1630 Portland Avenue            | Rochester        | NY    | 692                 |
| 1110900 | Everest College                  | Everest College                  | 18040 Sherman Way               | Reseda           | CA    | 173                 |
| 2295000 | Everest College                  | Everest College                  | 10400 North 25th Avenue         | Phoenix          | AZ    | 575, 975            |
| 2295002 | Everest College                  | Everest College                  | 5416 East Baseline              | Mesa             | AZ    | 576                 |
| 3195400 | Everest College                  | Everest College                  | 1231 Cabrillo Avenue            | Torrance         | CA    | 155                 |
| 723400  | Heald College                    | Heald College                    | 875 Howard Street               | San Francisco    | CA    | 11101               |
| 723401  | Heald College - Honolulu         | Heald College - Honolulu         | 1500 Kapliolani Boulevard       | Honolulu         | HI    | 11136               |
| 723402  | Heald College                    | Heald College                    | 6035 Northeast 78th Court       | Portland         | OR    | 11138               |
| 723403  | Heald College - Kaneoche MCB     | Heald College - Kaneoche MCB     | Bldg 220, 5th St. Marine Corps  | Kaneohe          | HI    | Unable to Identify  |
| 723404  | Heald College - Concord          | Heald College - Concord          | 5130 Commercial Circle          | Concord          | CA    | 11103, 11199        |
| 723405  | Heald College - Milpitas         | Heald College - Milpitas         | 341 Great Mall Parkway          | Milpitas         | CA    | 11105               |
| 723406  | Heald College - Hayward          | Heald College - Hayward          | 25500 Industrial Boulevard      | Hayward          | CA    | 11104               |
| 723407  | Heald College - Modesto          | Heald College - Modesto          | 5260 Pirrone Court              | Salida           | CA    | 11115               |
| 723408  | Heald College - Roseville        | Heald College - Roseville        | Seven Sierra Gate Plaza         | Roseville        | CA    | 11156               |
| 723409  | Heald College - Salinas          | Heald College - Salinas          | 1450 North Main Street          | Salinas          | CA    | 11109               |
| 723410  | Heald College - Stockton         | Heald College - Stockton         | 1605 East March Lane            | Stockton         | CA    | 11114               |
| 723411  | Heald College - Rancho Cordova   | Heald College - Rancho Cordova   | 2910 Prospect Park Drive        | Rancho Cordova   | CA    | 11111               |
| 723412  | Heald College - Fresno           | Heald College - Fresno           | 255 West Bullard                | Fresno           | CA    | 11112               |
| 723413  | Heald College - Fresno Satellite | Heald College - Fresno Satellite | 255 East River Park Circle      | Fresno           | CA    | 11112               |
| 719000  | WyoTech                          | WyoTech                          | 200 Whitney Place               | Fremont          | CA    | 412                 |
| 1287300 | WyoTech                          | WyoTech                          | 2161 Technology Place           | Long Beach       | CA    | 274                 |
| 1287301 | WyoTech                          | WyoTech                          | 3000 S Robertson Blvd #300      | Los Angeles      | CA    | Unable to Identify  |
| 1287302 | WyoTech                          | WyoTech                          | 12801 Crossroads Pkwy South     | City of Industry | CA    | Unable to Identify  |

## Schedule 2

| Zenith Closed School OPEID List |                    |   |  |                  |       | Corinthian<br>"Zenith"<br>School # |
|---------------------------------|--------------------|---|--|------------------|-------|------------------------------------|
| OPEID                           | SCHOOL NAME        | LOCATION  | ADDRESS  | CITY             | STATE |                                    |
| 2100401                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - KALAMAZOO                           | 5177 WEST MAIN STREET  | KALAMAZOO        | MI    | 347                                |
| 982809                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - CHELSEA                             | 70 EVERETT AVENUE  | CHELSEA          | MA    | 315                                |
| 2300105                         | EVEREST COLLEGE    | EVEREST COLLEGE - EARTH CITY                            | 3420 RIDER TRAIL SOUTH   | EARTH CITY       | MO    | 377                                |
| 2617507                         | EVEREST COLLEGE    | EVEREST COLLEGE - EVEREST INSTITUTE - BENSALEM          | 3050 TILLMAN DRIVE   | BENSALEM         | PA    | Unable to Identify                 |
| 2100402                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE                     | 8585 BROADWAY SUITE 200  | MERRILLVILLE     | IN    | 349                                |
| 2100400                         | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 1750 WOODWORTH STREET NORTHEAST                                | GRAND RAPIDS     | MI    | 345                                |
| 2298501                         | EVEREST COLLEGE    | EVEREST COLLEGE - FORT WORTH                            | 5237 NORTH RIVERSIDE DRIVE SUITE 200                           | FORT WORTH       | TX    | 613                                |
| 149911                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - MERRIONETTE PARK | 11560 SOUTH KEDZIE AVENUE                                      | MERRIONETTE PARK | IL    | 344                                |
| 2298500                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 3280 WEST 3500 SOUTH   | SALT LAKE CITY   | UT    | 572                                |
| 450301                          | EVEREST COLLEGE    | EVEREST COLLEGE - MCLEAN                                | 8620 WESTWOOD CENTER DRIVE                                     | VIENNA           | VA    | 626                                |
| 1185802                         | EVEREST COLLEGE    | EVEREST COLLEGE - BURR RIDGE                            | 6880 NORTH FRONTAGE ROAD SUITE 400                             | BURR RIDGE       | IL    | 343                                |
| 1185800                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 9811 WOODS DRIVE SUITE 200                                     | SKOKIE           | IL    | 341                                |
| 1185803                         | EVEREST COLLEGE    | EVEREST COLLEGE - MELROSE PARK                          | 1101 WEST NORTH AVENUE SUITE 1                                 | MELROSE PARK     | IL    | Unable to Identify                 |
| 982810                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE- BEDFORD PARK       | 7414 SOUTH CICERO AVENUE                                       | BEDFORD PARK     | IL    | Unable to Identify                 |
| 709100                          | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 100 FORBES AVENUE KOSSMAN BUILDING SUITE 1200                  | PITTSBURGH       | PA    | 656                                |
| 450701                          | EVEREST COLLEGE    | EVEREST COLLEGE- EVEREST COLLEGE AURORA                 | 14280 EAST JEWELL AVENUE SUITE 100                             | AURORA           | CO    | 509                                |
| 982806                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - JONESBORO                           | 6431 TARA BOULEVARD  | JONESBORO        | GA    | 353                                |
| 2606200                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 981 POWELL AVENUE SW SUITE 200                                 | RENTON           | WA    | 116                                |
| 982801                          | EVEREST INSTITUTE  | EVEREST INSTITUTE- DEARBORN                             | 23400 MICHIGAN AVENUE SUITE 200                                | DEARBORN         | MI    | 337                                |
| 907901                          | EVEREST COLLEGE    | EVEREST COLLEGE   | STONEMILL CENTER SUITE 130 120 NORTHEAST 136TH AVENUE          | VANCOUVER        | WA    | 548                                |
| 907900                          | EVEREST COLLEGE    | EVEREST COLLEGE   | 600 SW 10TH AVENUE SUITE 400                                   | PORTLAND         | OR    | 547                                |
| 2617509                         | EVEREST COLLEGE    | EVEREST COLLEGE   | NORTHGATE MERIDIAN BUILDING 2111 NORTH NORTHGATE WAY SUITE 300 | SEATTLE          | WA    | 390                                |
| 2300106                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 155 WASHINGTON AVENUE SUITE 200                                | BREMERTON        | WA    | 397                                |
| 149908                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - LAKELAND                           | 995 EAST MEMORIAL BOULEVARD                                    | LAKELAND         | FL    | 765                                |
| 149912                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - KANSAS CITY      | 1740 WEST 92ND STREET  | KANSAS CITY      | MO    | 320                                |

|   |   |
|---|---|
| DISTRICT COURT, CITY AND<br>COUNTY OF DENVER, COLORADO<br>1437 Bannock Street<br>Denver, CO 80202   |   |
| STATE OF COLORADO, ex rel. CYNTHIA H.<br>COFFMAN, ATTORNEY GENERAL<br><br>Plaintiff,<br><br>v.<br><br>AEQUITAS CAPITAL MANAGEMENT INC.,<br>AEQUITAS MANAGEMENT LLC, AEQUITAS<br>HOLDINGS LLC, AEQUITAS COMMERCIAL<br>FINANCE LLC, CAMPUS STUDENT FUNDING<br>LLC, CSF LEVERAGE I, LLC, AEQUITAS<br>INCOME OPPORTUNITY FUND, AEQUITAS<br>INCOME PROTECTION FUND,<br><br>Defendants. |   |
| CYNTHIA H. COFFMAN, Attorney General<br>JAY B. SIMONSON, 24077*<br>First Assistant Attorney General<br>Ralph L. Carr Judicial Center<br>1300 Broadway, 10 <sup>th</sup> Floor<br>Denver, CO 80203<br>Telephone: (720) 508-6000<br>FAX: (720) 508-6040<br>*Counsel of Record   | <p style="text-align: center;">▲ COURT USE ONLY ▲</p> Case No.<br><br>Div.: |
| <b>COMPLAINT</b>  |   |

Plaintiff, the State of Colorado, upon relation of Cynthia H. Coffman,  
Attorney General for the State of Colorado, ("the State") by and through  
undersigned counsel, states and alleges as the following against Aequis Capital  
Management Inc., Aequis Management LLC, Aequis Holdings LLC, Aequis

Commercial Finance LLC, Campus Student Funding LLC, CSF Leverage I, LLC, Aequitas Income Opportunity Fund, Aequitas Income Protection Fund (“Aequitas”):

## INTRODUCTION

1. The State brings this action against Aequitas for its deceptive trade practices in connection with private loans made to students at Corinthian Colleges, Inc. (“Corinthian”), which were funded or purchased by Aequitas. By funding these private loans, Aequitas enabled Corinthian to present a façade of compliance with federal laws requiring that a certain portion of a for-profit school’s revenue come from sources other than federal student aid. At the same time, Aequitas’s funding of the private loans facilitated by Corinthian caused injury to Corinthian students by saddling them with what both Aequitas and Corinthian knew was high-priced debt with a high likelihood of default, which students had no way of knowing was only for a sham tuition charge solely to gain access to Title IV funds. Aequitas has collected, and continues to collect, on these loans.

2. Until 2014, Corinthian was one of the largest for-profit, post-secondary education companies in the United States, boasting more than 100 school campuses, including locations in Colorado doing business as Everest. Corinthian offered career-oriented programs which were marketed to potential students as a way to obtain jobs in their fields of study, including health care, business, criminal justice, and information technology. Crucial to persuading students to sign up for these programs and attend were Corinthian's deceptive promises of strong job placement and life-long career services.

3. Corinthian was a public company that derived nearly all of its revenue from federal student aid -- mostly loans -- taken out by its students under Title IV of the Higher Education Act of 1965 ("Title IV"). To qualify for Title IV funds, the federal government required that schools like Corinthian obtain a portion of their revenue -- 10 percent during the period relevant to this action -- from outside sources besides Title IV funds. This is known as the "90/10 rule." Corinthian complied with the 90/10 rule by raising its tuition beyond what Title IV loans would cover, so that students were forced to finance a portion of the tuition from another source. Knowing that its generally low-income students could not afford to pay this amount out of pocket, Corinthian established a private loan program, known as the "Genesis Loan Program," available only to its students. Corinthian devised the Genesis Loan Program and presented it to Aequitas as a means of attracting Aequitas's investment in it. The Genesis Loan Program was expensive. It featured interest rates as high as 18% and significant origination fees.

4. Under a 2012 change to the 90/10 rule, however, such a loan program could no longer be financed by the school in order to qualify as an outside source of revenue for the purposes of obtaining Title IV funding. So, starting in 2011, Corinthian made an arrangement with Aequitas in which Aequitas purchased existing student loan portfolios and began funding or purchasing new Genesis Loans originated by depository institutions. Such an arrangement made it appear as if Corinthian were not funding the loans. Yet, central to the arrangement was an agreement by Corinthian to purchase all the Genesis Loans that became delinquent more than 90 days, essentially shifting the risk of the program from Aequitas back to Corinthian.

5. Aequitas knew that the underlying tuition charge that the Genesis loans funded, as well as the Genesis Loans themselves, was intended to provide no economic benefit to Corinthian except access to Title IV funds. Default rates in the Genesis Loan Program were historically high – between 50 and 70 percent. Thus, the Genesis Loan Program essentially functioned as a loss leader for Corinthian, regardless of the outcomes for student borrowers.

6. Aequitas was a necessary player in this scheme, which enriched Aequitas with performing loans at high interest rates and enabled Corinthian to continue in existence by keeping Title IV revenue flowing.

7. Corinthian students, however, were never told that the portion of tuition funded by the Genesis Loans, as well as the loans themselves, were a sham to get



access to federal funds. Indeed, Corinthian students were the ones left holding the bag, often with expensive debt that many would not be able to repay.

8. Corinthian's deceptive scheme has ended in disaster. In September 2014, the Consumer Financial Protection Bureau filed a complaint against Corinthian for, among other things, engaging in deceptive acts and practices in connection with the Genesis Loan Program by inducing its students to take out loans by means of misrepresentations regarding the school's job placement rates and career services programs.

9. In February 2015, amid governmental enforcement actions concerning its allegedly unlawful practices in marketing its educational and job placement support and in connection with the Genesis Loan Program, Corinthian sold more than 50 campuses.

10. In April 2015, the U.S. Department of Education found that Corinthian had misrepresented job placement rates to students at certain Corinthian schools, and fined the company \$30 million. In May 2015, Corinthian then closed its remaining campuses and filed for Chapter 11 bankruptcy protection.

11. In October 2015, a federal court entered a default judgment in favor of the Bureau in another case against Corinthian for violations of the Consumer Financial Protection Act, including for unfair and deceptive acts and practices in connection with the Genesis Loan Program.

12. In November 2015, the U.S. Department of Education found that Corinthian, in hundreds of programs at 20 Everest and WyoTech campuses in California and Florida, misled students about their job prospects after graduation.

13. In March 2016, the U.S. Department of Education also found that Corinthian misled students attending Everest and WyoTech campuses in 20 states about their job prospects after graduation. These campuses were located in Massachusetts, California, Illinois, Texas, Georgia, Pennsylvania, Florida<sup>1</sup>, Washington, Virginia, Ohio, West Virginia, Michigan, Minnesota, Nevada, Missouri, Indiana, Wisconsin, Oregon, New York, Utah, Maryland, New Jersey and Wyoming.

14. As of March 31, 2017, Aequitas held a portfolio of these student loans with an unpaid balance of approximately \$190.5 million, including approximately 46,327 loans made to approximately 41,290 borrowers.

15. As of March 31, 2017, Aequitas' portfolio of these student loans includes 893 Colorado borrowers with an unpaid balance of approximately \$3,738,000.

### **NATURE OF THE ACTION**

16. The State brings this action under sections §§ 6-1-101, *et seq.* (2016) of the Colorado Consumer Protection Act ("CCPA").

### **JURISDICTION AND VENUE**

17. This Court has subject matter jurisdiction over this action because pursuant to Colo. Rev. Stat. §§ 6-1-103 and 6-1-110(1). This Court has jurisdiction to enter

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<sup>1</sup> The Orlando South campus in Florida was a hub for Corinthian's online programs in which students across the country, including students in Colorado, were enrolled.

appropriate orders prior to and following an ultimate determination of liability.

C.R.S. § 6-1-110(1).

18. The violations alleged herein occurred, in part, in Denver, Colorado.

Therefore, venue is proper in Denver County, Colorado, pursuant to C.R.S. § 6-1-103 and Colo. R. Civ. P. 98.

### **PLAINTIFF**

19. Plaintiff, the State of Colorado through Attorney General Cynthia H. Coffman, is specifically authorized to enforce the CCPA. C.R.S. § 6-1-103.

### **DEFENDANTS**

#### **Aequitas Entities**

20. Aequitas Capital Management Inc. (“Aequitas Capital”) is an Oregon corporation formed in 1993 with a principal place of business in Lake Oswego, Oregon. Aequitas Capital is the manager of Aequitas Commercial Finance LLC (“ACF”). As the manager of ACF, Aequitas Management is responsible for the overall operations of ACF, including the management of ACF’s loan and investment portfolio.

21. Aequitas Management LLC (“Aequitas Management”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Management owns 84% and exercises exclusive control over Aequitas Holdings, the sole owner and member of ACF and the sole shareholder of Aequitas Capital.

22. Aequitas Holdings LLC (“Aequitas Holdings”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Holdings is the sole owner and member of ACF and the sole shareholder of Aequitas Capital.

23. Aequitas Commercial Finance LLC (“ACF”) is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. ACF is the sole owner and member of at least seven subsidiaries that engage in the business of acquiring or investing in portfolios of trade receivables in the healthcare, education, transportation, and consumer credit sectors. ACF also holds ownership stakes in the Aequitas Funds and a number of other Aequitas-affiliated companies. ACF also has directly held or currently holds title to Genesis student loan promissory notes and/or the right to collect and receive existing and future principal and interest payments.

24. Campus Student Funding LLC (“CSF”), formerly known as AFSG LLC, is an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF is owned by ACF and was created by Aequitas as a special-purpose entity for purchasing student loans. CSF originally purchased all Genesis Loan notes sold to Aequitas entities, whether directly from Corinthian, the loan servicer, or the issuing bank. CSF was the seller of the notes pursuant to Corinthian’s commitment to purchase delinquent loans from Aequitas. Thus, CSF has held or currently holds title to Genesis student loan promissory notes.

25. CSF Leverage I, LLC (“CSF Leverage”) was an Oregon limited liability company with a principal place of business in Lake Oswego, Oregon. CSF Leverage was owned by ACF and at one time held Genesis student loan promissory notes. CSF Leverage merged into CSF and no longer exists as a separate entity.

26. The Aequitas Funds are various funds owned by the Aequitas entities described above. Aequitas Income Opportunity Fund is owned by ACF and holds, or has held, the right to collect and receive Genesis student loan receivables. Aequitas Income Protection Fund is owned by ACF and CSF and holds, or has held, the right to collect and receive Genesis student loan receivables. CSF Leverage I LLC f.k.a ASFG Leverage I LLC is, upon information and belief, owned by ACF and CSF and has held the right to collect and receive Genesis student loan receivables.

***Common Enterprise***

27. At all times material to this complaint, Aequitas has operated as a common enterprise while engaging in the violations of state law as set forth herein.

Aequitas has conducted the business practices described herein through its interrelated network of companies described above that have common business functions, employees, and office locations.

28. Aequitas has also shared operations and proceeds of the relevant activities associated with the allegations in this complaint. For example, even though CSF initially purchased the Genesis Loans, the loans were sold to various other Aequitas funds or entities, including Aequitas Income Opportunity Fund, Aequitas Income Protection Fund, CSF Leverage Fund I, or ACF. Because Aequitas has operated as a common enterprise, each of the Aequitas entities is jointly and severally liable for the acts and practices described below.

### ***Receivership of Aequitas***

29. Corinthian's repurchase of the delinquent Genesis loans was an important source of revenue for Aequitas. Corinthian's failure, and the cessation of the loan repurchases, caused Aequitas significant distress. Early in 2016, the lack of that revenue coupled with, among other things, alleged improprieties by Aequitas management, led the company to curtail operations.

30. On March 10, 2016, the U.S. Securities and Exchange Commission ("SEC") brought an action in the U.S. District Court for the District of Oregon, alleging violations of the securities laws, including a scheme to defraud and misuse investor funds. Pursuant to the SEC's request, the court on April 14, 2016 appointed a receiver to wind down the companies and distribute the remaining assets. The receiver is not a party to this action.

## FACTUAL BACKGROUND

31. In 2011, Aequitas became involved in private student lending by purchasing private student loans from Corinthian and participating in the operation of Corinthian's Genesis Loan Program.

32. At that time, Corinthian was one of the largest for-profit, post-secondary education companies in the United States. With more than 100 school campuses, Corinthian operated schools under the following names: Everest College, Everest Institute, Everest University Online, Everest University, Everest College Phoenix, Heald College, and WyoTech. Corinthian offered career-oriented programs that were marketed to potential students as a way to obtain jobs in their fields of study, including health care, business, criminal justice, mechanical, and information technology.

33. Most students attending Corinthian's schools were low-income or the first in their families to seek an education beyond a high school diploma. Many Corinthian students struggled economically. For example, a 2011 Corinthian survey of campus operations indicated that over 57% of Corinthian's student population had a household income of \$19,000 or less, and 35% of Corinthian's student population had a household income of less than \$10,000.

34. The great majority of students attending Corinthian's schools could not afford to pay the school's tuition out-of-pocket. Students needed financial aid – mostly loans from either the federal government under Title IV or private sources – to pay Corinthian's tuition and fees. This was well known to Corinthian.

***Corinthian Induced Students to Take Out Loans With Deceptive Representations About Job Placement Statistics and Career Services Offerings***

35. Corinthian needed to convince students that paying its tuition, and taking on substantial debt to do so, would be a worthwhile investment in their future.

Accordingly, Corinthian deployed a series of misrepresentations about the likely employment outcomes for Corinthian students and the services Corinthian would provide to help them find jobs.

36. Corinthian portrayed its educational programs as a way for students to secure better-quality careers. For example, in promoting Heald College, Corinthian advertised, “[y]our education might mean the difference between a rewarding career or just another job.” Similarly, Everest Colleges, Universities, and Institutes advertised on its websites that it provided students “[a] better career, a better life, a better way to get there.”

Misrepresentations Concerning Job Placement Statistics

37. Corinthian presented job placement rates that were misleading to consumers in several ways. For example, Corinthian represented to prospective and current students that its education would offer a “career,” not “just another job,” but in calculating and disseminating alleged job placement rates for graduates, Corinthian included jobs that lasted for just one day.

38. In addition, Corinthian presented to students and prospective students falsified and overstated job placement rates. Corinthian deliberately overstated the number of jobs that students obtained, undercounted the pool of “employable” graduates, thereby increasing the percentage of employed graduates out of all the



“employable graduates,” and engaged in a practice of paying employers to hire its graduates temporarily in order to inflate its job placement statistics.

39. One way Corinthian inflated its job placement statistics was by counting a person as having been placed who only got a temporary assignment for a day with a promise of a second day of work. Corinthian could count that person within its employment statistics even if that person only worked for just one day.

40. Corinthian took this deception one step farther by paying employers to hire its graduates for brief periods so that Corinthian could improve its job placement statistics.

#### Misrepresentations Concerning Career Services

41. To convince students that they would achieve career success by taking out loans to pay for a Corinthian education, Corinthian also misrepresented the availability and the utility of its career services.

42. Corinthian falsely promised prospective students that they would receive career assistance while enrolled, and lifetime career assistance after graduation. Corinthian promoted “career-focused education” and career services that were available “whenever you need help finding a job, or want some advice on improving your resume or interviewing skills.” Corinthian further promoted that it “not only help[s] you find a job after you graduate, we help you find a job any time you need one, throughout your career... . From graduation to retirement, we’ll help you advance your career whenever you need it.” Corinthian emphasized its nationwide network of employers.

43. The actual services provided were limited, such as providing postings already publicly available from services like Craigslist.

44. Moreover, after graduates obtained initial placements, Corinthian refused to provide any further assistance to them. This was particularly significant for students who received only temporary placements.

***The “90/10” Rule***

45. Corinthian engaged in these deceptions because it wanted to convince students to take out the loans and use whatever aid they could to pay its tuition. Nearly all of its revenue was derived from Title IV federal student loans, which were Corinthian’s “life blood,” without which the school could not continue to operate. In its Annual Report Form 10-K for fiscal year 2013, filed with the SEC, Corinthian reported that its operations in the United States derived 84.8% of net revenue from Title IV aid programs.

46. A for-profit company that owns a school receiving federal student aid funds is subject to the “90/10 rule,” 34 C.F.R. § 668.14(b)(16). Under this rule, a for-profit college must not receive more than 90% of its net revenue from Title IV aid. A minimum of 10% of these entities’ revenue must come from non-Title IV aid, such as state aid, ordinary tuition payments from students, or private student loans. Schools that do not comply with the “90/10” rule risk losing their eligibility to participate in federal student aid programs; for Corinthian, this would have meant losing the source of nearly 90% of its revenue.

47. In order to appear to satisfy the 90/10 rule, Corinthian made sure that the cost of attending its schools was high enough that students would not be able to pay solely through using Title IV aid. In September 2011, Corinthian's CEO distributed a presentation to his executive team, describing efforts by Corinthian to meet the requirements of the 90/10 rule by instituting "above market price increases to create 'funding gaps.'"

48. Corinthian knew, however, that few of its students would be able to pay the "funding gap" out of pocket, and thus most would require additional loans for this purpose. Thus, by increasing tuition, Corinthian caused students, who otherwise would have been able to pay for the entire cost of tuition through Title IV aid, to take out private student loans. Regardless of whether students were able to repay the private student loans, Corinthian would profit from the increased availability of Title IV monies. The private student loans filling this "funding gap" essentially would function as a loss leader for Corinthian.

***Corinthian Implemented the Genesis Loan Program To Fill The "Funding Gap" That Corinthian Created***

49. Before 2008, third-party providers of private education loans offered Corinthian students the opportunity to apply for loans to fund their educational expenses.

50. In or about January 2008, as a result of the economic downturn, these third-party lenders ceased making private student loans available to students at high risk of default due to poor credit profiles or low income. Therefore, these sources of funding became unavailable to Corinthian students.

51. In order to continue the flow of the needed “10%” of funds from non-Title IV sources, Corinthian launched its own institutional loan program – the Genesis Loan Program – which it developed together with a third-party entity (“Company A”) already engaged in financing and servicing “funding gap” loans for other educational institutions.

52. Beginning in approximately March 2008, Corinthian actively marketed, promoted, and offered Genesis Loans to its prospective and current students to pay tuition and fees that were not covered by federal aid or other sources. Corinthian’s financial aid staff promoted the loan program by introducing it to prospective and current students, and by encouraging them to apply for Genesis Loans to pay for tuition and fees that were not covered by federal financial aid.

53. The interest rates for Genesis Loans were typically substantially higher than the interest rate for federal loans. In 2011, the Genesis Loan interest rate was as high as 18% with an origination fee of 6%. Meanwhile, the interest rate for federal student loans during this time period was 3.4% to 6.8% with an origination fee of 1%.

54. Under the Genesis Loan Program, nearly all student borrowers were required to make monthly loan payments while attending school. The most common payment plan was called “Plan A,” which required a monthly loan payment while the student was attending school. The interest began accruing after the student left school.

55. Under the original Genesis Loan Program, under written agreements, Corinthian marketed the loan and a partner bank acted as the originator for each

Genesis loan, disbursing the loan funds to Corinthian after each student's loan application was approved. Shortly after a student's loan funds were disbursed to Corinthian on the student's behalf, Company A purchased the loans from the bank. Corinthian then paid a "discount fee" to Company A equal to 50% of the face value of the loans that Company A purchased from the bank.

56. Under the agreement with Company A, typically within two weeks after Company A purchased the loans from the bank, Corinthian purchased all of the loans from Company A. Corinthian paid Company A the face value of the loans minus any discount fee that it had already paid and Company A operated as the servicer of the loans.

57. Accordingly, from in or about 2008 through approximately July 2011, Corinthian would own all Genesis loans that its students took out within a period of approximately two weeks after the loan funds were disbursed.

58. In 2011, the third-party lenders who had previously been extending private loans to the small portion of Corinthian's students who were considered prime borrowers ceased lending to Corinthian students altogether. As a result, the Genesis Loan Program then became effectively the only available source of private financing to Corinthian students.

### ***High Default Rates on the Genesis Loans***

59. Although Corinthian engaged in aggressive collection efforts, the default rate on Genesis Loans was consistently extremely high. Corinthian charged off a Genesis Loan when the student borrower was more than 270 days delinquent in making

required loan payments. Using the period in which Corinthian would classify a Genesis loan as more than 270 days delinquent and calculating the default rate based upon the number of student loans, the default rate on Genesis Loans was typically greater than 50% for all loans more than two years old, and above 60% for all loans more than three years old.

60. Corinthian knew of the high default rates for its Genesis Loans, and at all times during operation of the Genesis Loan Program, Corinthian anticipated that the default rates would remain at these high levels. As the Genesis Loan Program was simply a tool to achieve compliance with the 90-10 rule, Corinthian was willing to take the losses resulting from the high level of defaults for the greater reward of keeping Title IV revenue flowing to the school.

61. Moreover, Corinthian knew the characteristics of students who were most likely to default. Corinthian required that “Schools should gather information to discern who is defaulting and why ... Internal data includes key information such as high school attended, program of study, demographics, grades, etc.”.

***The 90/10 Rule Changes and Aequitas Sees A Business Opportunity By Helping Corinthian Continue To Qualify For Federal Funds***

62. Effective July 1, 2012, the 90/10 rule was changed to eliminate institutional loans like the Genesis Loans from counting toward the private revenue required to maintain Title IV eligibility. With third-party private lenders no longer making loans available to its students by that time, Corinthian had to find another source of funding for the “10%.”

63. Corinthian determined that as long as it moved the Genesis Loans “off its books,” it could still count the revenue from the Genesis Loan Program toward the 10%. Well before the rule change became effective, Corinthian sought a third party to purchase the loans after origination.

64. Aequitas’s involvement in the Corinthian private loan program formally began in June 2011, when CSF entered into an agreement to pay approximately \$24 million to purchase a portfolio of existing Corinthian student loans with a face value of \$30,576,549 on a non-recourse basis.

65. Aequitas understood from the outset that Corinthian’s business model, indeed its very existence, depended on its satisfaction of the 90/10 rule as a condition of obtaining federal funds. In July 2011, in its Deal Summary and Underwriting Report for Student Receivable Portfolio Purchase from Corinthian Aequitas explained Corinthian’s challenges complying with the 90/10 rule and how Aequitas could alleviate this compliance problem:

Corinthian . . . has been under regulatory pressure to stay compliant with the 90/10 economics. . . . Thus, an opportunity presented itself to alleviate the regulatory pressure for Corinthian by acquiring their existing student loans, as well as to enter into a longer forward flow relationship to purchase more recently originated student loans. Corinthian needs to get their student loans off their balance sheet and to stop originating student loans.

66. As the relationship between Aequitas and Corinthian progressed, Aequitas reported internally statements by Corinthian that it was “[m]anaging to 90/10, not under” and that federal loans were Corinthian’s “life blood.”

67. Aequitas further understood that Corinthian raised its tuition not to make additional money but rather to create the obligation for additional “10 %” in revenues that would give it access to the needed Title IV funds. Aequitas told its investors that that “increasing tuition is the simplest way a school can mitigate risk from the 90/10 Rule.” Indeed, Corinthian even told Aequitas that the 90/10 rule had “required” Corinthian to raise tuition. Aequitas knew that the additional tuition charge, as well as the Genesis Loans that funded them, were a sham to get federal funds.

68. In September 2011, CSF agreed to pay approximately \$10 million to purchase another portfolio of existing loans with a face value of \$16,792,381 on a recourse basis, meaning that if the loans became more than 90 days past due, Corinthian would purchase the loans back from CSF.

69. Pleased with the money it was making for itself and its investors on the student loan portfolio, Aequitas sought to “deepen” its relationship with Corinthian. In September 2011, CSF entered into an agreement with Corinthian to create a “forward flow” program, called “Corinthian 1.0.” Under that agreement, CSF purchased Genesis loans at a 40% discount on the face value of each purchased loan, and Corinthian also committed to purchase all loans back from CSF that were more than 90 days past due. CSF agreed that each month it would purchase approximately \$15 million in face value of loans shortly after origination on a full recourse basis. The loans would be originated by a bank and immediately purchased after origination by Aequitas. Under the forward flow agreements,



Aequitas had the right to purchase loans but not the obligation, and could terminate its relationship upon 14 days' notice to Corinthian.

70. In April 2012, Aequitas sent Corinthian a list of points for discussion. The list included allegations made by others about the for-profit education industry generally and Corinthian specifically, including that for-profit schools “game” the 90/10 regulations by inflating tuition costs and creating a funding gap, despite knowing that most of the private loans provided would not perform. Yet Aequitas continued to participate in and seek profit from the Genesis Loan Program scheme.

71. Indeed, Aequitas regularly monitored the status of the various, multiplying state and federal government investigations and litigation concerning Corinthian's student lending practices, marketing to students, and job placement data post-graduation. Knowledge of these investigations and litigation did not deter Aequitas from continuing to seek profit from the Genesis Loan Program scheme.

72. In July 2012, Aequitas and Corinthian discussed additional ways for Corinthian to maximize its Title IV revenue. In its internal notes of the meeting, Aequitas noted Corinthian's plans to shift more students enrolled in on-line course programs from part-time to full-time status, because “part time online students don't need gap financing” and “shifting students from part-time to full-time will create gap financing needs.”

73. Aequitas understood that Corinthian was “highly focused on maximizing starts to generate Title IV revenue flow” and that Corinthian's “quality bar [was] low.”

74. On August 14, 2012, an Aequitas executive observed that “[i]t appears as if the for profits are spending an inordinate amount of money to put anyone (qualified or unqualified) into a seat on their campus.”

75. In September 2012, the parties launched the “Corinthian 2.0” program, which was a continuation of the original forward flow program, with slightly different terms.

***Aequitas Saw Corinthian Students As Easy Prey and Knew That Corinthian Exercised Undue Influence Over Them***

76. At a meeting with Corinthian executives in Santa Ana, California in June 2012, Aequitas noted that Corinthian described its competition for students as “the couch, inertia, and gangs” and that its students were “looking to get a life, looking for a mother figure and father figure.”

77. In a January 2013 marketing presentation to Aequitas, Corinthian described its prospective student population as individuals who have “low self-esteem” and “[f]ew people in their lives who care about them”; who are “isolated,” “stuck, unable to see and plan well for future”; and “impatient, [and] want quick solutions.”

78. Aequitas knew that Corinthian brokered the Genesis Loans to its students by arranging for the loans and serving as the students’ single point of contact in doing so.

79. Aequitas knew that Corinthian was advising students regarding the loans offered through the Genesis Loan scheme and that Corinthian was actively engaged in promoting Genesis Loans.

***Aequitas Knew that Corinthian Students Were Being Harmed by High Default Rates but Sought Only to Mitigate Its Own Exposure to the Defaults***

80. Aequitas understood that default rates on the Genesis Loan Program were high. In March 2012, an Aequitas employee noted that Corinthian continued making institutional loans, despite the high default rates that resulted in Corinthian writing off many of the loans, “presumably because the loans lure students to its schools and give[] it access to federal student aid dollars.” In other words, Aequitas understood the Genesis Loan Program was intended to be a loss leader for Corinthian.

81. Aequitas understood that Corinthian expected students would, more often than not, be unable to repay their Genesis Loans. In conducting diligence, Aequitas noted that “[d]espite the dismal performance of [the Genesis] loans, Corinthian executives told investors in summer 2011 that they planned to double the volume of private loans made through the institutional loan program . . . .”

82. The same Aequitas employee noted “with defaults this high, how can we defend our practices?”

83. Indeed, despite the fact that Aequitas knew that the tuition charge funded by the Genesis Loans, as well as the Program itself, was merely a ploy to obtain access to federal funds, Aequitas disregarded the high default rates on these sham loans.

84. Aequitas understood the harmful impact of student loan defaults on students. For example, Aequitas learned that private student loans like the Genesis Loans were difficult to discharge in bankruptcy, “making them more onerous than credit-card debt or subprime mortgages.”

85. Aequis was well aware that, in 2008, when Corinthian began its loan program, the default rates for these loans were between 50% and 70%.

86. Aequis's initial models in 2011 predicted a 45% default rate. In October 2012, Aequis revised its models upon a finding that default rates were in the mid-50% range. Aequis estimated that it could cover the cost of investor funds if the cumulative default rate reached 63% even if Corinthian defaulted on its obligations to purchase the loans.

87. In December 2012, Aequis's Underwriting Report recommended Aequis continue purchasing Corinthian's loans, despite an expected default rate of 57% for the loans purchased as part of the 2.0 forward flow agreement with Corinthian.

88. In October 2013, Aequis concluded that the loans purchased in June 2011 had a default rate of 63%. Aequis estimated that the default rate for the full term of these loans would be 66%. Moreover, Aequis determined a default rate of 50.9% for loans in the Corinthian 1.0 program and an estimated default rate of 61% for the full term of the loans.

89. Aequis understood Corinthian was not concerned about the high default rates because, from Corinthian's perspective, the purpose of the Genesis Loan Program was to receive Title IV funds and avoid 90/10 Rule compliance problems.

90. For Aequis, the high default rates were simply an investment risk to be mitigated. As long as the loans performed within Aequis's projections and Corinthian assumed the risk of purchasing delinquent and defaulted loans, Aequis made money on the loans. Corinthian was willing to assume that risk

because the pretense of a third-party funding the Genesis Loan Program allowed the school to stay in compliance with the 90/10 rule.

91. Despite its knowledge of the high default rates and the effect of defaults on students, Aequitas continued funding the Genesis Loan Program. Aequitas continued to seek out ways in which it could work more closely with and fund more loans for Corinthian, ultimately agreeing to do so several times via renewed funding agreements.

92. In the meantime, Corinthian students who defaulted on Genesis Loans suffered harmful consequences including negative credit reporting, along with consequences that flow from that. Negative items on a credit report like defaults can result in difficulty in renting an apartment, denial of employment, ineligibility for other forms of financing, or eligibility only on less favorable terms than would otherwise have been available.

93. In addition, Corinthian students were and are harmed by Aequitas's continued collection of payments on loans that carried interest rates as high as 18% and origination fees as high as 6%.

***Aequitas Was Aware of and Disregarded Increasing Scrutiny of Corinthian's Business Practices***

94. Aequitas was aware of allegations of wrongdoing by Corinthian and ignored numerous red flags regarding Corinthian's deceptive acts and practices.

95. In a 2011 Deal Summary and Underwriting Report to investors concerning Aequitas's purchase of a portfolio of loans in 2011, Aequitas summarized the numerous lawsuits against Corinthian.

96. For example, the summary noted that Corinthian was facing three *qui tam* false claims actions alleging violations of the Higher Education Act regarding the manner in which admissions personnel were compensated.

97. The summary also observed that Corinthian had experienced an “unprecedented increase” in putative class actions brought by former students in the second, third, and fourth quarters of the 2011 fiscal year. Aequitas explained that Corinthian “believes these lawsuits are largely the result of negative publicity” and noted that binding arbitration clauses required nearly all of the students to resolve their cases through individual arbitration.

98. Aequitas was aware that in 2012, Corinthian was being investigated by state attorneys general for California, Florida, Massachusetts, Illinois, New York, and Oregon for alleged wrongdoing including misrepresentations regarding job placement and career prospects.

99. In 2012, Aequitas was aware of the U.S. Consumer Financial Protection Bureau’s investigation into Corinthian’s practices.

100. Aequitas was also aware that in October 2013, the State of California sued Corinthian, alleging “false and predatory advertising, intentional misrepresentations to students, securities fraud and unlawful use of military seals in advertisements.” According to the California complaint, Corinthian’s “predatory marketing efforts specifically target[ed] vulnerable, low-income job seekers and single parents who have annual incomes near the federal poverty line.”

101. Aequitas's periodic written internal memoranda about its business relationship with Corinthian indicate Aequitas failed to perform any meaningful due diligence concerning Corinthian's marketing and representations to its students. Instead, Aequitas took at face value Corinthian's assertions that the lawsuits and investigations were without merit or easily disposed of.

***Despite The Many Red Flags, Aequitas Continued Its Partnership With Corinthian and Its Expansion Efforts For the "EducationPlus" Loan Program***

102. In June 2012, at Aequitas's request, the agreement between Corinthian and Aequitas was amended to include a provision that barred Corinthian from endorsing any tuition loan program other than Aequitas's.

103. In a December 2012 internal report, Aequitas noted "we enjoy regular interactions with Corinthian's CEO and CFO, allowing us to increasingly become a strategic partner to Corinthian."

104. In or about 2013, Corinthian and Aequitas renamed the Genesis Loan Program the "EducationPlus" loan program. The EducationPlus loan program resulted in lower interest rates being offered to Corinthian students, but was the functional equivalent of the Genesis Loan Program and Aequitas's and Corinthian's respective roles did not change. Corinthian management and staff often referred to the EducationPlus loan program as the Genesis Loan Program. (References in this Complaint to the Genesis Loan Program and Genesis Loans include EducationPlus loans.)

105. Aequitas began marketing the EducationPlus program to other for-profit schools as a "turnkey solution" to provide funding for their institutional loan

programs. Aequitas did this because it saw the scheme it was running with Corinthian as a profit center, disregarding the fact that it was a sham that harmed the student borrowers who were caught up in it.

***Only When Aequitas Deemed the Forward Flow Program Too Risky to Aequitas Did It Cease Funding Loans***

106. In January 2014, Aequitas exercised its option to withdraw from the loan program and stop purchasing Genesis Loans originated through Corinthian.

107. Aequitas management made the decision based on “increased operational risk at Corinthian” and “headline risk to Aequitas.” Aequitas was concerned that state and federal investigations of Corinthian could ultimately affect the underlying value of the Genesis Loans they were funding.

108. However, from February 2014 through May 2014, Aequitas and Corinthian continued to discuss additional opportunities to continue working together, which Aequitas said would require additional insulation from defaults and other risk in the loan portfolios.

109. In May 2014, Corinthian stopped honoring its obligation to purchase all loans from CSF that were more than 90 days past due.

**FIRST CLAIM FOR RELIEF**

**FAILURE TO DISCLOSE (C.R.S. §6-1-105(1)(u))**

(Fails to disclose material information concerning goods, services, or property which information was known at the time of an advertisement or sale if such failure to disclose such information as intended to induce the consumer to enter into a transaction)



110. The allegations in paragraphs 1 through 109 are incorporated here by reference.

111. Defendants made representations, but did not make disclosures, with the intent to induce consumers to enroll into one of their degree programs and take out student loans, in violation of § 6-1-105(1)(u), C.R.S. (2016).

112. By means of the above-described unlawful deceptive trade practices, Defendants have deceived, misled, and unlawfully acquired money from consumers.

113. Section 6-1-105(1)(u) of the CCPA makes it unlawful for a person when, in the course of the person's business, vocation, or occupation, to engage in a deceptive trade practice.

#### **PRAYER FOR RELIEF**

Wherefore, the State, pursuant to C.R.S. § 6-1-105(1) (u) of the CCPA, and the Court's power to grant legal or equitable relief, requests that the Court:

- A. Declaring Defendants' conduct as described in the Complaint to be in violation of the CCPA;
- B. Requiring Defendants to forfeit and pay to the General Fund of the State of Colorado civil penalties in an amount not to exceed \$2,000 per violation pursuant to C.R.S. § 6-1-112(1)(a), or \$10,000 per violation pursuant to C.R.S. § 6-1-112(1)(c)p;
- C. Requiring Defendants to pay the costs and expenses of this action incurred by the Attorney General, including, but not limited to, Plaintiff's attorney fees, pursuant to C.R.S. § 6-1-113(4);

- D. Directing the Defendants to disgorge and forfeit all profits they have derived as a result of their unfair and deceptive acts and practices as set forth in this Complaint;
- E. Permanently enjoining Defendants, their agents, successors, assigns and employees acting directly or through any corporate device, from engaging in the aforementioned acts, practices, methods of competition or any other practice in violation of the CCPA; and
- F. Granting such other and further relief as the Court deems just, proper, and equitable under the circumstances.

Respectfully submitted this \_\_\_\_ day of August, 2017.

CYNTHIA H. COFFMAN  
Attorney General

s/

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JAY B. SIMONSON, 24077\*  
First Assistant Attorney General  
Consumer Protection Section  
Attorneys for Plaintiff

\*Counsel of Record

IN THE CIRCUIT COURT FOR THE STATE OF OREGON  
FOR THE COUNTY OF MULTNOMAH

STATE OF OREGON, ex rel. ELLEN F.  
ROSENBLUM, Attorney General for the state  
of Oregon,

Plaintiff,

v.

AEQUITAS CAPITAL MANAGEMENT,  
INC., AEQUITAS MANAGEMENT, LLC,  
AEQUITAS HOLDINGS, LLC, AEQUITAS  
COMMERCIAL FINANCE, LLC, CAMPUS  
STUDENT FUNDING, LLC, CSF  
LEVERAGE I, LLC, AEQUITAS INCOME  
OPPORTUNITY FUND, AND AEQUITAS  
INCOME PROTECTION FUND,

Defendants.

Case No.

**STIPULATION AND GENERAL  
JUDGMENT**

ORS 20.140 – State fees deferred at filing.

**[Non-Executed Version Submitted For  
Approval Purposes]**

**JURISDICTION**

1. The Court has jurisdiction over the subject-matter of this action and of the parties,  
and venue is proper in this Court.

2. The State’s Complaint sets forth a cause of action against defendants under the  
Oregon Unlawful Trade Practices Act, Or. Rev. Stat. §646.605, *et seq.* (hereinafter “UTPA”).

**STIPULATION**

3. This STIPULATION & GENERAL JUDGMENT (hereinafter “Judgment”) is  
entered into between the State of Oregon, by the Office of the Attorney General (“State” or  
“Plaintiff”), and defendants AEQUITAS CAPITAL MANAGEMENT, INC., AEQUITAS  
MANAGEMENT, LLC, AEQUITAS HOLDINGS, LLC, AEQUITAS COMMERCIAL

Page 1 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted For  
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DM#8372377

1 FINANCE, LLC, CAMPUS STUDENT FUNDING, LLC, CSF LEVERAGE I, LLC,  
 2 AEQUITAS INCOME OPPORTUNITY FUND, and AEQUITAS INCOME PROTECTION  
 3 FUND (collectively, “Defendants,” and, together with the State, the “Parties”). This Judgment  
 4 resolves Plaintiff’s concerns regarding Defendants’ compliance with the UTPA.

#### 5 DEFINITIONS

6 4. Whenever the terms listed below are used in this Judgment, the following  
 7 definitions shall apply:

8 (a) “Affected Consumers” means all consumers who were Borrowers of  
 9 Aequitas Genesis Loans and have remaining unpaid amounts on such loans as of the  
 10 Record Date.

11 (b) “Active Aequitas Genesis Loans” means, as of the Record Date, all  
 12 Aequitas Genesis Loans, with the exception of Defaulted Genesis Loans and Aequitas  
 13 Closed School Loans.

14 (c) “Defendants” means Aequitas Capital Management, Inc., Aequitas  
 15 Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC,  
 16 Campus Student Funding, LLC, CSF Leverage I, LLC, Aequitas Income Opportunity  
 17 Fund, and Aequitas Income Protection Fund, as named in the Complaint.

18 (d) “Aequitas Genesis Loan” means any private student loan referred to in the  
 19 Complaint as either a Genesis loan or EducationPlus loan, which was made to a Borrower  
 20 to pay for tuition, cost of living expenses, or fees to attend a Corinthian school, and which  
 21 as of the Record Date is still outstanding on the books and records of Defendants in the  
 22 possession of the Receiver (or on the books and records of servicers of said loans).

23 (e) “Borrower” means a consumer who was a borrower of an Aequitas  
 24 Genesis Loan, and his/her/its successors or assigns.

25 (f) “Closed School Loan ” means an Aequitas Genesis Loan to a Borrower  
 26 who did not graduate or complete his/her course work and who (a) attended one of the

1 Corinthian schools that Corinthian announced on April 27, 2015, would be closed and  
 2 described on Schedule 1 to this Judgment and was either attending such school when it  
 3 closed or withdrew from such school on or after June 1, 2014, or (b) attended one of the  
 4 Corinthian schools sold to Zenith as denoted on Schedule 2 to this Judgment and whose  
 5 loan is depicted on a list agreed upon between the Receiver and the State prior to the filing  
 6 of the Complaint.

7 (g) “Corinthian” means Corinthian Colleges, Inc., and all predecessors,  
 8 successors, subsidiaries, affiliates, and parents, including Heald, WyoTech, and Everest  
 9 Colleges.

10 (h) “Defaulted Aequitas Genesis Loan” means an Aequitas Genesis Loan that  
 11 is 270 days or more past due, charged off, or cancelled as of the Record Date.

12 (i) “Current Payment Amount” is the monthly payment amount designated  
 13 for each Active Aequitas Genesis Loan in order to keep the account current and non-  
 14 delinquent.

15 (j) “Effective Date” means the date on which this Judgment is entered by the  
 16 Court.

17 (k) “Re-Amortization Payment Amount” is a new payment amount per month  
 18 for each Active Aequitas Genesis Loan, calculated based on the principal reduction  
 19 provided for in paragraph 14 as of the Effective Date such that the Active Aequitas  
 20 Genesis Loan will be fully paid if the Re-Amortization Payment Amount is paid by the  
 21 Borrower each month on time, by the end of that loan’s actual or, in the case of loans that  
 22 have ever been in or are currently in a forbearance plan, estimated remaining term.

23 (l) “Receiver” means Ronald Greenspan, receiver of Aequitas, named as such  
 24 in the Receivership Order, or any other receiver that is appointed by a superseding order in  
 25 the same litigation.

26 (m) “Receivership Action” means the matter of *SEC v. Aequitas Management*,

1 *LLC, et al.*, No. 3:16-cv-438(PK), in the Receivership Court.

2 (n) “Receivership Court” means the United States District Court for the  
3 District of Oregon.

4 (o) “Receivership Order” means the Order Appointing Receiver, Doc. No.  
5 156, in the Receivership Action.

6 (p) “Record Date” means March 31, 2017.

7 (q) “Retained Personnel” means the agents of the Receiver, as defined by the  
8 Receivership Order.

### 9 **ENJOINED CONDUCT**

10 Pursuant to the UTPA, Defendants are hereby enjoined as follows:

11 5. Defendants and their respective officers, agents, servants, employees and  
12 attorneys, who have actual notice of this Judgment, whether acting directly or indirectly, may not  
13 violate the UTPA, ORS 646.605, *et seq.*, including by engaging in abusive acts or practices in  
14 connection with lending to students of for-profit schools.

15 6. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of  
16 Defendants, shall obtain the following reports from servicers currently servicing the Aequitas  
17 Genesis Loans, with data as of the Record Date. Upon obtaining such reports, the Defendants or  
18 the Receiver on behalf of the Defendants shall provide copies of them to the State. The following  
19 reports are to be obtained, to the extent the specified loan-level data are available:

20 (a) A report of all Aequitas Genesis Loans including for each such Aequitas  
21 Genesis Loan, the amount of principal, interest, fees, and any other amount due and  
22 owing as of the Record Date on such Aequitas Genesis Loan, the associated Borrower’s  
23 name, a unique identifying number, and most currently available postal address, phone  
24 number, and email address.

25 (b) A report of all Active Aequitas Genesis Loans including for each such  
26 Active Aequitas Genesis Loan, the amount of principal, interest, fees, and any other

1 amount due and owing as of the Record Date on such Active Aequis Genesis Loan, the  
 2 associated Borrower's name, a unique identifying number, and most currently available  
 3 postal address, phone number, and email address.

4 (c) A report of all Defaulted Aequis Genesis Loans, including for each such  
 5 Defaulted Aequis Genesis Loan, the amount of principal, interest, fees, and any other  
 6 amount due and owing as of the Record Date on such Defaulted Aequis Genesis Loan,  
 7 the associated Borrower's name, a unique identifying number, and most currently  
 8 available postal address, phone number, and email address.

9 (d) A report of all Closed School Loans, including for each such Closed  
 10 School Loan, the amount of principal, interest, fees, and any other amount due and owing  
 11 as of the Record Date on such Closed School Loan, the associated Borrower's name, a  
 12 unique identifying number, and most currently available postal address, phone number,  
 13 and email address.

14 7. For each Closed School Loan, Defendants, and the Receiver on behalf of  
 15 Defendants, are permanently restrained and enjoined as of the Effective Date from the following:

16 (a) Engaging in any collection activity with respect to each such Closed  
 17 School Loan; however, Defendants will not be regarded as in violation of this Judgment  
 18 if they send out routine statements or notices that could be considered collection activity  
 19 within 20 days after the Effective Date;

20 (b) Accepting any future payment on any such Closed School Loan, including  
 21 any future payment made in connection with any statement or notice permitted by  
 22 subparagraph (a), provided, however, that in the event that such a payment is discovered  
 23 to be accepted and processed, Defendants, or the Receiver acting on Defendants' behalf,  
 24 will return the payment to the Borrower within a reasonable time; and

25 (c) Reselling, transferring, or assigning any such Closed School Loan.

26 8. For each Defaulted Aequis Genesis Loan, Defendants, and the Receiver on

1 behalf of Defendants, are permanently restrained and enjoined as of the Effective Date from the  
2 following:

3 (a) Engaging in any collection activity with respect to each such Defaulted  
4 Aequitas Genesis Loan; however, Defendants will not be regarded as in violation of this  
5 Judgment if they send out routine statements or notices that could be considered  
6 collection activity within 20 days after the Effective Date;

7 (b) Accepting any future payment on any such Defaulted Aequitas Genesis  
8 Loan, including any future payment made in connection with any statement or notice  
9 permitted by subparagraph (a), provided, however, that in the event that such a payment  
10 is discovered to be accepted and processed, Defendants, or the Receiver acting on  
11 Defendants' behalf, will return the payment to the Borrower within a reasonable time;  
12 and

13 (c) Reselling, transferring, or assigning any such Defaulted Aequitas Genesis  
14 Loan.

15 9. For each Active Aequitas Genesis Loan, Defendants, and the Receiver on behalf  
16 of Defendants, are permanently restrained and enjoined as of the Effective Date from the  
17 following:

18 (a) Reselling, transferring, or assigning any such Active Aequitas Genesis  
19 Loan, unless the following:

20 Defendants, or the Receiver on behalf of Defendants, ensure that the  
21 principal amount of each such loan sold, transferred or assigned reflects the  
22 reduction required in paragraph 14;

23 Within five business days of reaching an agreement in principle to sell,  
24 transfer or assign any Active Aequitas Genesis Loans, in which the terms have  
25 been agreed upon by the parties but the Receiver has not yet sought the authority  
26 of the Receivership Court to make such a sale, transfer, or assignment,  
Defendants, or the Receiver on behalf of Defendants, must provide the State with



the following:

Notice of the fact that such agreement in principle has been reached;

The name of the proposed purchaser, transferee or assignee;

The list of Active Aequis Genesis loans to be sold, transferred or assigned; and

The proposed written agreement memorializing the terms of the proposed sale, transfer, or assignment.

Within five business days prior to filing a motion seeking court approval for any such sale, transfer or assignment of Active Aequis Genesis Loans, Defendants, or the Receiver on behalf of Defendants, must provide the State with the following:

Notice of its intention to file any such motion; and

The proposed motion papers, including any attachments thereto;

Defendants, or the Receiver on behalf of Defendants, ensure that the final agreement memorializing any such sale, transfer or assignment of any Active Aequis Genesis Loans contains a provision requiring the purchaser, transferee or assignee to adopt or abide by the terms and provisions of this Judgment requiring ongoing performance for the State;

(b) Any motion seeking approval for any such sale, transfer or assignment of Active Aequis Genesis Loans shall (1) contain a request to the Receivership Court that the terms of this Judgment requiring ongoing performance for the State shall be enforceable against the purchaser, transferee or assignee; and (2) not seek to sell, transfer or assign such loans free and clear of rights, claims or defenses of any borrower, co-borrower, or guarantor on any such Loan.

10. For each Active Aequis Genesis Loan, Defendants, and the Receiver on behalf

of Defendants, are permanently restrained and enjoined as of 60 days after the Effective Date from the following:

(a) Engaging in any collection activity with respect to each such Active Aequis Genesis Loan that seeks an amount in principal greater than the amount identified in paragraph 14, including by means of the following:

i. Calculating interest or fees based on a principal amount greater than the amount identified in paragraph 14, however, in the event interest or fees have been calculated on a principal amount greater than the amount identified in paragraph 14, the excess amounts that have been paid by the Borrower will be applied to the Borrower's principal balance unless the Borrower seeks a refund of such improperly charged amounts, in which case the Borrower will be supplied a refund; and

ii. Representing to the Borrower of any such Active Aequis Genesis Loan that the principal amount owed is greater than the amount identified in paragraph 14.

11. Within 30 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must request that and use commercially efforts to follow up with any servicer that furnished trade line information for Aequis Genesis Loans to credit reporting agencies to furnish deletion codes to said credit reporting agencies to delete such information from subject Borrowers' credit reports. For Borrowers of Active Aequis Genesis Loans who perform under such Loans after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer to report such performance to credit reporting agencies in accordance with applicable law. For any Borrowers who become or continue to be delinquent or in default after the Effective Date, Defendants, or the Receiver on behalf of Defendants, may direct the servicer to report such Borrowers' status to credit reporting agencies in accordance with applicable law; however, any such reporting shall reflect the balance as modified by this Judgment.

Page 8 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted For Approval Purposes  
DM#8372377

12. Defendants, or the Receiver on behalf Defendants, shall direct any person or entity collecting on Active Aequitas Genesis Loans to fully comply with all applicable requirements of the Oregon Unlawful Collection Practices Act, Oregon Revised Statutes section 646.639 et seq., in any such collection.

#### REMEDATION AND REDRESS

13. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, will discharge and cancel all amounts shown as owed in the report provided to the State under paragraph 6, including principal, interest, fees, or any other amounts, in connection with the following:

- (a) All Closed School Loans; and
- (b) All Defaulted Aequitas Genesis Loans.

14. Within 60 days after the Effective Date, Defendants, or the Receiver on behalf of Defendants, shall reduce the principal amount owed as of the Record Date on each Active Aequitas Genesis Loan, as identified in the report provided to the State under paragraph 6, by 55% and discharge and cancel such principal and any accrued and unpaid interest, fees and charges that are 30 or more days past due as of the Record Date.

15. Defendants, or the Receiver on behalf of Defendants, shall use commercially reasonable efforts to obtain guidance from the Internal Revenue Service indicating that the Receiver is not required to make federal tax filings (including sending 1099 forms to Borrowers) as a result of the debt relief provided in this Judgment, prior to the time such forms would be required to be sent. If the Receiver, in consultation with his counsel, is satisfied that such guidance is reliable, the Receiver shall not send Borrowers 1099 forms.

16. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower of a Closed School Loan and each Borrower of a Defaulted Aequitas Genesis Loan with the following notice within 90 days of the Effective Date. Nothing else but such notice shall be sent in combination with the mailing of this notice and such mailing will be sent to the most recently

1 available postal address as contained on the servicer's system of record. The notice shall contain  
2 the following information:

3 (a) The outstanding amount that had been owed under each Aequitas Genesis  
4 Loan as of the Record Date by such Borrower;

5 (b) The fact that each such amount has been reduced, discharged, and  
6 canceled in full and such Borrower no longer owes any amounts under his or her  
7 Aequitas Genesis Loan;

8 (c) The fact that the reduction, discharge, and cancellation of the amounts  
9 owed for each such Aequitas Genesis Loan is pursuant to this Judgment;

10 (d) The fact that the Borrower will not be subjected to any new debt-  
11 collection or credit-reporting activities related to each such Genesis Loan;

12 (e) Any such reduction, discharge, or cancellation of principal may result in  
13 tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;  
14 and

15 (f) No amounts that were due and owing and were paid prior to the Effective  
16 Date will be returned to the Borrower.

17 17. Within 90 days of the Effective Date, Defendants, or the Receiver on behalf of  
18 Defendants, must provide each Borrower of an Active Aequitas Genesis Loan written notice (as  
19 described in paragraph 19) of his/her option to either continue paying the Current Payment  
20 Amount on the lowered principal balance or elect to have the loan re-amortized using the  
21 lowered principal balance and remaining term of the subject loan, which will result in a Re-  
22 Amortization Payment Amount. No such notice is required to a Borrower and no Re-  
23 Amortization Payment Amount will be available to a Borrower, however, if such Borrower's  
24 Current Payment Amount before re-amortization is less than \$20; in any event, a Borrower's Re-  
25 Amortization Payment Amount will not be less than \$20.

26 18. Each Borrower of an Active Aequitas Genesis Loan will have 90 days from the

1 mailing date of such notice to make his/her election by completing the notice and returning it to  
 2 Defendants, the Receiver (on behalf of Defendants) or the applicable servicer. If the Borrower  
 3 does not make such an election, he or she will be required to pay the Current Payment Amount  
 4 and the loan will not be re-amortized. For Borrowers as to whom Defendants, the Receiver on  
 5 behalf of Defendants or the applicable servicer timely have received affirmative notice of election  
 6 of the Re-Amortization Payment Amount, within 30 days following the expiration of the 90-day  
 7 election period, Defendants, or the Receiver on behalf of Defendants, will re-amortize loans and  
 8 adjust the monthly payment amount for all future unbilled and un-accrued loan payments to the  
 9 Re-Amortization Payment Amount. Notwithstanding the foregoing, for any Active Aequitas  
 10 Genesis Loan which already has been amended or modified pursuant to a forbearance plan to  
 11 provide a Borrower with a monthly payment that is less than the applicable Re-Amortization  
 12 Payment Amount and the Borrower has elected to accept the re-amortization option, Defendants,  
 13 or the Receiver on behalf of Defendants, shall not be required to adjust the monthly payment until  
 14 the end of the applicable forbearance period. Defendants, or the Receiver on behalf of Defendants,  
 15 will adjust the monthly payment to a Re-Amortization Payment Amount based on the principal  
 16 balance of the Borrower's loan at the end of the applicable forbearance period.

17 19. Defendants, or the Receiver on behalf of Defendants, must provide each Borrower  
 18 of an Active Aequitas Genesis Loan with the following notice pursuant to paragraph 17. Nothing  
 19 else but such notice shall be sent in combination with the mailing of this notice and such mailing  
 20 will be sent to the most recently available postal address as contained on the servicer's system of  
 21 record. The notice shall contain the following information:

- 22 (a) Identification information that associates the loan to the Borrower;
- 23 (b) The amount of principal owed as of the Record Date of each Active  
 24 Aequitas Genesis Loan associated with such Borrower;
- 25 (c) The amount of principal owed for each such Active Aequitas Genesis  
 26 Loan after the reduction required in paragraph 14 has been applied;

Page 11 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted  
 For Approval Purposes  
 DM#8372377

1 (d) A statement notifying the Borrower that the principal has been reduced by  
2 55% pursuant to this Judgment;

3 (e) A Re-Amortization Payment Amount option whereby the Borrower has 90  
4 days from the mailing date of such notice to inform the servicer of his or her election to  
5 opt-in and have his or her loan re-amortized with the minimum monthly payment  
6 modified from the Current Payment Amount to a Re-Amortization Payment Amount;

7 (f) The fact that if the Borrower does not make such an election by the  
8 required date, the Current Payment Amount will continue as the amount due on his or her  
9 loan each month;

10 (g) The fact that replacing the Current Payment Amount with the Re-  
11 Amortization Payment Amount may reduce the amount such Borrower pays each month  
12 but will cost the Borrower more over the life of the loan than if he or she continued with  
13 the Current Payment Amount;

14 (h) The fact that a Borrower's election will not waive any rights, claims or  
15 defenses that the Borrower and any co-borrower or guarantor may have with respect to  
16 the loan;

17 (i) The fact that continuing to pay the Current Payment Amount (or more)  
18 each month will result in full satisfaction of his or her loan before the payment term has  
19 expired, and will cost the Borrower less overall than if he or she elected to use the Re-  
20 amortization Payment Amount;

21 (j) The following specific information individualized for each Borrower on  
22 an Active Aequitas Genesis Loan:

23 (i) The estimated total amount of principal and interest the Borrower  
24 will pay if the Borrower pays each current Payment Amount as scheduled, as well  
25 as the estimated date of pay-off of the Active Aequitas Genesis Loan under these  
26 circumstances;

(ii) The estimated total amount of principal and interest that the Borrower will pay if the Borrower elects his or her option to pay the Re-Amortization Payment Amount and pays such Re-Amortization Payment Amount as scheduled, as well as the estimated date of pay-off of the Active Aequitas Genesis Loan under these circumstances;

(k) Any reduction, discharge, or cancellation of principal may result in tax liabilities of the borrower to the Internal Revenue Service and state taxing authorities;

(l) A statement notifying the Borrower that, if the Borrower desires, the Borrower at any time may make payments larger than the Re-Amortization Payment Amount, which if the loan is current would result in a shorter payoff period and interest savings;

(m) A statement notifying Borrowers on forbearance plans of their alternative payment options as set forth in paragraph 18;

(n) A statement (1) notifying Borrowers that the relief described does not waive or extinguish any rights, claims, or defenses that the Borrower, any co-signer, or guarantor may have with respect to his or her loan.

20. A proposed form of the notices required by paragraph 16 and 17 shall be provided to the State for its non-objection within 30 days of the Effective Date.

21. Defendants, or the Receiver on behalf of Defendants, shall include no materials other than the notices provided in paragraphs 16 and 17 in any envelope containing such notices, unless Defendants, or the Receiver on behalf of Defendants, has obtained written confirmation from the Oregon Department of Justice that the State does not object to the inclusion of such materials.

#### **REPORTING REQUIREMENTS**

22. Defendants, or during the pendency of the Receivership, the Receiver on behalf of Defendants, shall notify the State of any development that may affect their obligations arising

Page 13 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted  
For Approval Purposes  
DM#8372377

Oregon Department of Justice  
100 SW Market Street  
Portland, OR 97201  
971-673-1880 / Fax: 971-673-1888

**EXHIBIT 3**  
**Page 161 of 196**

under this this Judgment, including, but not limited to, the replacement of the Receiver or the filing of any bankruptcy or insolvency proceeding by or against Defendants. Defendants, or the Receiver on behalf of Defendants, must provide this notice at least 30 days before the development or as soon as practicable after learning about the development, whichever is sooner.

23. Within 180 days of the Effective Date, and again one year after the Effective Date, Defendants, or the Receiver on behalf of Defendants, must submit to the State an accurate written compliance progress report, which, at a minimum shall include the following:

(a) A detailed description of the manner and form in which Defendants, or the Receiver on behalf of Defendants, as applicable, have complied with this Judgment; and

(b) A copy of each Judgment Acknowledgment obtained under paragraphs 24-25, unless previously submitted to the State.

#### **JUDGMENT DISTRIBUTION AND ACKNOWLEDGMENT**

24. Within 15 days of the Effective Date, Defendants, or the Receiver on behalf of Defendants, must deliver a copy of this Judgment to each employee or agent of the Receiver who or which is, as of the Effective Date, employed or retained by the Receiver and who or which has responsibilities that extend beyond the Effective Date related to the subject matter of this Judgment.

25. Within 30 days of the Effective Date, the Receiver shall provide a signed and dated statement to the State of the Receiver's compliance with paragraph 24, and shall provide a signed and dated statement from the servicer, or any other third-party service provider tasked with carrying out responsibilities under this Judgment, acknowledging receipt of this Judgment, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 et. seq..

#### **RECORDKEEPING**

26. Defendants, or the Receiver on behalf of Defendants, must maintain for 3 years from the Effective Date or the duration of the Receivership, whichever is lesser, all documents



1 and records necessary to demonstrate full compliance with this Judgment, including all  
2 submissions to the State.

3 27. Aequis, or the Receiver on Aequis's behalf, must make the documents  
4 identified in paragraph 26 available to the Oregon Department of Justice upon the State's  
5 request.

### 6 NOTICES

7 28. Unless otherwise directed in writing by the State, Defendants, or the Receiver on  
8 behalf of Defendants, must provide all submissions, requests, communications, or other  
9 documents relating to this Judgment in writing, with the subject line *Oregon v. Aequis Capital*  
10 *Management, Inc.*, and shall be sent both by a nationally recognized overnight-courier service  
11 and by email to the named person (or such other person who may be designated by the relevant  
12 party from time to time) at the following address:

13 Brian A. de Haan  
14 Assistant Attorney General  
15 Oregon Department of Justice  
16 100 SW Market Street  
Portland, OR 97201  
brian.a.dehaan@doj.state.or.us

### 17 COOPERATION

18 29. Defendants, or during the pendency of the Receivership, the Receiver on behalf of  
19 Defendants, will cooperate fully with the State as necessary to achieve the goals and carry out  
20 the requirements of this Judgment.

21 30. Defendants, or during the pendency of the Receivership, the Receiver on behalf of  
22 Defendants, will cooperate fully to help the State to determine the identity and the location of,  
23 and the relief provided pursuant to this Judgment for each Affected Consumer, from the  
24 information within Defendants' or the Receiver's possession and control or a servicer's system  
25 of record

### 26 MODIFICATIONS TO NON-MATERIAL REQUIREMENTS

Page 15 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted  
For Approval Purposes  
DM#8372377

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100 SW Market Street  
Portland, OR 97201  
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EXHIBIT 3  
Page 163 of 196

31. Defendants, or the Receiver on behalf of Defendants, in carrying out the provisions of this Judgment, are permitted to make such adjustments to loan balance amounts, accrual of interest and Borrower payment amounts and process refunds to Borrowers (including providing Borrower refunds or reimbursements not expressly required by this Judgment) as may be necessary to assure compliance with this Judgment, but in any event in a manner that is fair and transparent to Borrowers subject to such adjustments and in a manner that is otherwise in compliance with this Judgment.

32. Any time limits for performance fixed by this Judgment may be extended by mutual written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Additionally, details related to the administration of paragraphs 22-30 of this Judgment may be modified by written agreement of the parties (or, as applicable, the Receiver) and without further Court approval. Any other modifications to this Judgment may be made only upon approval of the Court, upon motion by any party.

RELEASE

33. The State releases and discharges Defendants from all potential liability for law violations that the State has or might have asserted based on the practices described in the Complaint, to the extent such practices occurred before the Effective Date and the State knows about them as of the Effective Date. This release shall be construed to benefit Defendants and their legal successors and assigns only, and shall not be construed to create any third-party beneficiary rights or to discharge the liability of any entity or person other than Defendants. The State may use the practices described in this Judgment in future enforcement actions against Defendants, including, without limitation, to establish a pattern or practice of violations or a continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the State to determine and ensure compliance with the Judgment, or to seek penalties for any violation of the Judgment.

///

Page 16 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted  
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DM#8372377

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EXHIBIT 3  
Page 164 of 196

**LIMITATION OF LIABILITY UNDER RECEIVERSHIP ORDER**

1  
2           34.     The State makes no allegations against the Receiver, but only against Defendants.  
3     The Receiver is obligated under this Judgment for the sole purpose of acting on behalf of the  
4     Defendants to grant certain monetary relief from the assets of the Receivership and to perform  
5     certain obligations to the State set forth in this Judgment. Defendants neither admit nor deny any  
6     allegation in the Complaint, except that for purposes of this Judgment, Defendants admit the  
7     facts necessary to establish the Court's jurisdiction over Defendants and the subject matter of this  
8     action.

9           35.     Notwithstanding any other terms, conditions, or provisions of this Judgment,  
10    pursuant to the Receivership Order, the Receiver and the Retained Personnel are entitled to rely  
11    on all outstanding rules of law and the orders of the Receivership Court and shall not be liable to  
12    any person or party (including, without limitation, the State) for their own good-faith compliance  
13    with this Judgment. Under the Receivership Order, in no event shall the Receiver or Retained  
14    Personnel be liable to any person or party (including, without limitation, the State) for their  
15    good-faith compliance with their duties and responsibilities as Receiver or Retained Personnel,  
16    nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted  
17    by them except upon a finding by the Receivership Court that they acted or failed to act as a  
18    result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties

19    ///

20    ///

21    ///

22    ///

23    ///

24    ///

25    ///

26    ///

Page 17 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted  
For Approval Purposes  
DM#8372377

**RETENTION OF JURISDICTION**

36. This Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Judgment.

37. The clerk is ordered to enter this Judgment forthwith.

**IT IS SO ORDERED, ADJUDGED, AND DECREED:**

\_\_\_\_\_  
Circuit Court Judge, Multnomah County

State of Oregon

**AGREED HERETO BY THE PARTIES:**

FOR DEFENDANTS AEQUITAS CAPITAL MANAGEMENT, INC., AEQUITAS  
MANAGEMENT, LLC, AEQUITAS HOLDINGS, LLC, AEQUITAS COMMERCIAL  
FINANCE, LLC, CAMPUS STUDENT FUNDING LLC, CSF LEVERAGE I, LLC,  
AEQUITAS INCOME OPPORTUNITY FUND, AEQUITAS INCOME PROTECTION FUND

\_\_\_\_\_  
By: Ronald F. Greenspan  
Receiver

1 FOR PLAINTIFF STATE OF OREGON

2  
3  
4 Brian A. de Haan  
5 Assistant Attorney General  
6 Oregon Department of Justice  
7 100 SW Market Street  
8 Portland, OR 97201  
9 Phone: 971-673-1880  
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11 brian.a.dehaan@doj.state.or.us  
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Page 19 of 19 - STIPULATED GENERAL JUDGMENT – Non-Executed Version Submitted  
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EXHIBIT 3  
Page 167 of 196

## Schedule 1

## Corinthian Closed School OPEID List (Per the Department of Education Listing)

| OPEID   | School Name                      | Location                         | Street Address                  | City             | State | Corinthian School # |
|---------|----------------------------------|----------------------------------|---------------------------------|------------------|-------|---------------------|
| 809000  | Everest College                  | Everest College                  | 2215 Mission Road               | Alhambra         | CA    | 180                 |
| 1110700 | Everest College                  | Everest College                  | 511 North Brookhurst Street     | Anaheim          | CA    | 171                 |
| 1112300 | Everest College                  | Everest College                  | 1045 Wt Redondo Beach Blvd      | Gardena          | CA    | 186                 |
| 3072300 | Everest College                  | Everest College                  | 1460 S. Milliken Ave            | Ontario          | CA    | 245                 |
| 449400  | Everest College                  | Everest College                  | 217 E. Club Center Drive, Ste A | San Bernardino   | CA    | 182                 |
| 449401  | Everest College - Santa Ana      | Everest College - Santa Ana      | 500 West Santa Ana Boulevard    | Santa Ana        | CA    | 172                 |
| 449402  | Everest College - Ontario        | Everest College - Ontario        | 1819 South Excise Avenue        | Ontario          | CA    | 564                 |
| 481100  | Everest Institute                | Everest Institute                | 1630 Portland Avenue            | Rochester        | NY    | 692                 |
| 1110900 | Everest College                  | Everest College                  | 18040 Sherman Way               | Reseda           | CA    | 173                 |
| 2295000 | Everest College                  | Everest College                  | 10400 North 25th Avenue         | Phoenix          | AZ    | 575, 975            |
| 2295002 | Everest College                  | Everest College                  | 5416 East Baseline              | Mesa             | AZ    | 576                 |
| 3195400 | Everest College                  | Everest College                  | 1231 Cabrillo Avenue            | Torrance         | CA    | 155                 |
| 723400  | Heald College                    | Heald College                    | 875 Howard Street               | San Francisco    | CA    | 11101               |
| 723401  | Heald College - Honolulu         | Heald College - Honolulu         | 1500 Kapliolani Boulevard       | Honolulu         | HI    | 11136               |
| 723402  | Heald College                    | Heald College                    | 6035 Northeast 78th Court       | Portland         | OR    | 11138               |
| 723403  | Heald College - Kaneoche MCB     | Heald College - Kaneoche MCB     | Bldg 220, 5th St. Marine Corps  | Kaneohe          | HI    | Unable to Identify  |
| 723404  | Heald College - Concord          | Heald College - Concord          | 5130 Commercial Circle          | Concord          | CA    | 11103, 11199        |
| 723405  | Heald College - Milpitas         | Heald College - Milpitas         | 341 Great Mall Parkway          | Milpitas         | CA    | 11105               |
| 723406  | Heald College - Hayward          | Heald College - Hayward          | 25500 Industrial Boulevard      | Hayward          | CA    | 11104               |
| 723407  | Heald College - Modesto          | Heald College - Modesto          | 5260 Pirrone Court              | Salida           | CA    | 11115               |
| 723408  | Heald College - Roseville        | Heald College - Roseville        | Seven Sierra Gate Plaza         | Roseville        | CA    | 11156               |
| 723409  | Heald College - Salinas          | Heald College - Salinas          | 1450 North Main Street          | Salinas          | CA    | 11109               |
| 723410  | Heald College - Stockton         | Heald College - Stockton         | 1605 East March Lane            | Stockton         | CA    | 11114               |
| 723411  | Heald College - Rancho Cordova   | Heald College - Rancho Cordova   | 2910 Prospect Park Drive        | Rancho Cordova   | CA    | 11111               |
| 723412  | Heald College - Fresno           | Heald College - Fresno           | 255 West Bullard                | Fresno           | CA    | 11112               |
| 723413  | Heald College - Fresno Satellite | Heald College - Fresno Satellite | 255 East River Park Circle      | Fresno           | CA    | 11112               |
| 719000  | WyoTech                          | WyoTech                          | 200 Whitney Place               | Fremont          | CA    | 412                 |
| 1287300 | WyoTech                          | WyoTech                          | 2161 Technology Place           | Long Beach       | CA    | 274                 |
| 1287301 | WyoTech                          | WyoTech                          | 3000 S Robertson BLVD #300      | Los Angeles      | CA    | Unable to Identify  |
| 1287302 | WyoTech                          | WyoTech                          | 12801 Crossroads Pkwy South     | City of Industry | CA    | Unable to Identify  |

## Schedule 2

| Zenith Closed School OPEID List |                    |   |  |                  |       | Corinthian<br>"Zenith"<br>School # |
|---------------------------------|--------------------|---|--|------------------|-------|------------------------------------|
| OPEID                           | SCHOOL NAME        | LOCATION  | ADDRESS  | CITY             | STATE |                                    |
| 2100401                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - KALAMAZOO                           | 5177 WEST MAIN STREET  | KALAMAZOO        | MI    | 347                                |
| 982809                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - CHELSEA                             | 70 EVERETT AVENUE  | CHELSEA          | MA    | 315                                |
| 2300105                         | EVEREST COLLEGE    | EVEREST COLLEGE - EARTH CITY                            | 3420 RIDER TRAIL SOUTH   | EARTH CITY       | MO    | 377                                |
| 2617507                         | EVEREST COLLEGE    | EVEREST COLLEGE - EVEREST INSTITUTE - BENSALEM          | 3050 TILLMAN DRIVE   | BENSALEM         | PA    | Unable to Identify                 |
| 2100402                         | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE                     | 8585 BROADWAY SUITE 200  | MERRILLVILLE     | IN    | 349                                |
| 2100400                         | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 1750 WOODWORTH STREET NORTHEAST                                | GRAND RAPIDS     | MI    | 345                                |
| 2298501                         | EVEREST COLLEGE    | EVEREST COLLEGE - FORT WORTH                            | 5237 NORTH RIVERSIDE DRIVE SUITE 200                           | FORT WORTH       | TX    | 613                                |
| 149911                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - MERRIONETTE PARK | 11560 SOUTH KEDZIE AVENUE                                      | MERRIONETTE PARK | IL    | 344                                |
| 2298500                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 3280 WEST 3500 SOUTH   | SALT LAKE CITY   | UT    | 572                                |
| 450301                          | EVEREST COLLEGE    | EVEREST COLLEGE - MCLEAN                                | 8620 WESTWOOD CENTER DRIVE                                     | VIENNA           | VA    | 626                                |
| 1185802                         | EVEREST COLLEGE    | EVEREST COLLEGE - BURR RIDGE                            | 6880 NORTH FRONTAGE ROAD SUITE 400                             | BURR RIDGE       | IL    | 343                                |
| 1185800                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 9811 WOODS DRIVE SUITE 200                                     | SKOKIE           | IL    | 341                                |
| 1185803                         | EVEREST COLLEGE    | EVEREST COLLEGE - MELROSE PARK                          | 1101 WEST NORTH AVENUE SUITE 1                                 | MELROSE PARK     | IL    | Unable to Identify                 |
| 982810                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - EVEREST COLLEGE- BEDFORD PARK       | 7414 SOUTH CICERO AVENUE                                       | BEDFORD PARK     | IL    | Unable to Identify                 |
| 709100                          | EVEREST INSTITUTE  | EVEREST INSTITUTE                                       | 100 FORBES AVENUE KOSSMAN BUILDING SUITE 1200                  | PITTSBURGH       | PA    | 656                                |
| 450701                          | EVEREST COLLEGE    | EVEREST COLLEGE- EVEREST COLLEGE AURORA                 | 14280 EAST JEWELL AVENUE SUITE 100                             | AURORA           | CO    | 509                                |
| 982806                          | EVEREST INSTITUTE  | EVEREST INSTITUTE - JONESBORO                           | 6431 TARA BOULEVARD  | JONESBORO        | GA    | 353                                |
| 2606200                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 981 POWELL AVENUE SW SUITE 200                                 | RENTON           | WA    | 116                                |
| 982801                          | EVEREST INSTITUTE  | EVEREST INSTITUTE- DEARBORN                             | 23400 MICHIGAN AVENUE SUITE 200                                | DEARBORN         | MI    | 337                                |
| 907901                          | EVEREST COLLEGE    | EVEREST COLLEGE   | STONEMILL CENTER SUITE 130 120 NORTHEAST 136TH AVENUE          | VANCOUVER        | WA    | 548                                |
| 907900                          | EVEREST COLLEGE    | EVEREST COLLEGE   | 600 SW 10TH AVENUE SUITE 400                                   | PORTLAND         | OR    | 547                                |
| 2617509                         | EVEREST COLLEGE    | EVEREST COLLEGE   | NORTHGATE MERIDIAN BUILDING 2111 NORTH NORTHGATE WAY SUITE 300 | SEATTLE          | WA    | 390                                |
| 2300106                         | EVEREST COLLEGE    | EVEREST COLLEGE   | 155 WASHINGTON AVENUE SUITE 200                                | BREMERTON        | WA    | 397                                |
| 149908                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - LAKELAND                           | 995 EAST MEMORIAL BOULEVARD                                    | LAKELAND         | FL    | 765                                |
| 149912                          | EVEREST UNIVERSITY | EVEREST UNIVERSITY - EVEREST COLLEGE - KANSAS CITY      | 1740 WEST 92ND STREET  | KANSAS CITY      | MO    | 320                                |

IN THE CIRCUIT COURT OF THE STATE OF OREGON  
FOR THE COUNTY OF MULTNOMAH

STATE OF OREGON, *ex rel.* ELLEN F.  
ROSENBLUM, Attorney General for the  
State of Oregon,

Plaintiff,

v.

AEQUITAS CAPITAL MANAGEMENT,  
INC., AEQUITAS MANAGEMENT, LLC,  
AEQUITAS HOLDINGS, LLC, AEQUITAS  
COMMERCIAL FINANCE, LLC, CAMPUS  
STUDENT FUNDING, LLC, CSF  
LEVERAGE I, LLC, AEQUITAS INCOME  
OPPORTUNITY FUND, AND AEQUITAS  
INCOME PROTECTION FUND,

Defendants.

Case No.

**COMPLAINT**

Oregon Unlawful Trade Practices Act  
ORS 646.605 *et seq.*

**[Non-Executed Version Submitted For Approval  
Purposes]**

**(Claims not subject to mandatory arbitration –  
Prayer in excess of \$251,000.00)**

**Plaintiff not subject to filing fees pursuant to  
ORS 20.140**

Plaintiff State of Oregon (the “State”), by and through Attorney General, Ellen F.  
Rosenblum, brings this action against AEQUITAS CAPITAL MANAGEMENT, INC.,  
AEQUITAS MANAGEMENT, LLC, AEQUITAS HOLDINGS, LLC, AEQUITAS  
COMMERCIAL FINANCE, LLC, CAMPUS STUDENT FUNDING, LLC, CSF LEVERAGE I,  
LLC, AEQUITAS INCOME OPPORTUNITY FUND, LLC, and AEQUITAS INCOME  
PROTECTION FUND (collectively, “Aequitas”) for violating the Oregon Unlawful Trade  
Practices Act, ORS 646.605 *et seq.* (the “UTPA”), and alleges upon information and belief as  
follows:

**INTRODUCTION**

1.

The State brings this action against Aequitas for its unfair, deceptive and abusive acts and



practices in connection with private loans made to students at Corinthian Colleges, Inc. (“Corinthian”), which were funded or purchased by Aequis. By funding these private loans, Aequis enabled Corinthian to present a façade of compliance with state and federal laws requiring that a certain portion of a for-profit school’s revenue come from sources other than federal student aid. At the same time, Aequis’s funding of the private loans facilitated by Corinthian caused injury to Corinthian students by saddling them with what both Aequis and Corinthian knew was high-priced debt with a high likelihood of default, which students had no way of knowing was only for a sham tuition charge solely to gain access to Title IV funds. Aequis has collected, and continues to collect, on these loans.

2.

Until 2014, Corinthian was one of the largest for-profit, post-secondary education companies in the United States, boasting more than 100 school campuses. Corinthian offered career-oriented programs which were marketed to potential students as a way to obtain jobs in their fields of study, including health care, business, criminal justice, and information technology. Crucial to persuading students to sign up for these programs and attend were Corinthian’s deceptive promises of strong job placement and life-long career services.

3.

Corinthian was a public company that derived nearly all of its revenue from federal student aid—mostly loans—taken out by its students under Title IV of the Higher Education Act of 1965 (“Title IV”). To qualify for Title IV funds, the federal government required that schools like Corinthian obtain a portion of their revenue—10% during the period relevant to this action—from outside sources besides Title IV funds. This is known as the “90/10 rule.” Corinthian complied with the 90/10 rule by raising its tuition beyond what Title IV loans would cover, so that students were forced to finance a portion of the tuition from another source. Knowing that its generally low-income students could not afford to pay this amount out of pocket, Corinthian established a private loan program, known as the “Genesis Loan Program,”

1 available only to its students. Corinthian devised the Genesis Loan Program and presented it to  
2 Aequitas as a means of attracting Aequitas's investment in it. The Genesis Loan Program was  
3 expensive. It featured interest rates as high as 18% and significant origination fees.

4 4.

5 Under a 2012 change to the 90/10 rule, however, loan programs could no longer be  
6 financed by the school in order to qualify as an outside source of revenue for the purposes of  
7 obtaining Title IV funding. So, starting in 2011, Corinthian made an arrangement with Aequitas  
8 in which Aequitas purchased existing student loan portfolios and began funding or purchasing  
9 new Genesis Loans originated by depository institutions. This arrangement made it appear as if  
10 Corinthian were not funding the loans. Yet, central to the arrangement was an agreement by  
11 Corinthian to purchase all the Genesis Loans that became delinquent more than 90 days,  
12 essentially shifting the risk of the program from Aequitas back to Corinthian.

13 5.

14 Aequitas knew that the underlying tuition charge that the Genesis loans funded, as well as  
15 the Genesis Loans themselves, was intended to provide no economic benefit to Corinthian except  
16 access to Title IV funds. Default rates in the Genesis Loan Program were historically high—  
17 between 50% and 70%. Thus, the Genesis Loan Program essentially functioned as a loss leader  
18 for Corinthian, regardless of the outcomes for student borrowers.

19 6.

20 Aequitas was a necessary player in this scheme, which enriched Aequitas with  
21 performing loans at high interest rates and enabled Corinthian to continue in existence by  
22 keeping Title IV revenue flowing.

23 7.

24 Corinthian students, however, were never told that the portion of tuition funded by the  
25 Genesis Loans, as well as the loans themselves, were a sham to get access to federal funds.  
26 Indeed, Corinthian students were the ones left holding the bag, often with expensive debt that

1 many would not be able to repay.

2 8.

3 Corinthian's deceptive scheme ended in disaster. In October 2013, the State of California  
4 filed a complaint against Corinthian, amended in February 2014, for, among other things,  
5 engaging in deceptive acts and practices in connection with the Genesis Loan Program by  
6 inducing its students to take out loans by means of misrepresentations regarding the school's job  
7 placement rates and career-services programs. In September 2014, the Consumer Financial  
8 Protection Bureau ("CFPB") filed its own complaint against Corinthian based on the same  
9 alleged conduct.

10 9.

11 In February 2015, amid mounting governmental enforcement actions concerning its  
12 allegedly unlawful practices in marketing its educational and job placement support and in  
13 connection with the Genesis Loan Program, Corinthian sold more than 50 campuses.

14 10.

15 In April 2015, the U.S. Department of Education found that Corinthian had  
16 misrepresented job placement rates to students at certain Corinthian schools, and fined the  
17 company \$30 million. In May 2015, Corinthian closed its remaining campuses and filed for  
18 Chapter 11 bankruptcy protection.

19 11.

20 In November 2015, the U.S. Department of Education found that Corinthian, in hundreds  
21 of programs at 20 Everest and WyoTech campuses in California and Florida, misled students  
22 about their job prospects after graduation.

23 12.

24 In March 2016, the U.S. Department of Education also found that Corinthian misled  
25 students attending Everest and WyoTech campuses in 20 states about their job prospects after  
26 graduation. These campuses were located in Massachusetts, California, Illinois, Texas, Georgia,

1 Pennsylvania, Florida, Washington, Virginia, Ohio, West Virginia, Michigan, Minnesota,  
 2 Nevada, Missouri, Indiana, Wisconsin, Oregon, New York, Utah, Maryland, New Jersey and  
 3 Wyoming.

4 13.

5 In March 2016, the Superior Court of the State of California entered a \$1.1 billion default  
 6 judgment against Corinthian in favor of the State of California, which included findings, among  
 7 numerous others, that Corinthian unlawfully failed to disclose its role in the Genesis Loan  
 8 Program.

9 14.

10 As of March 31, 2017, Aequitas held a portfolio of these student loans with an unpaid  
 11 balance of approximately \$190.5 million, including approximately 46,327 loans made to  
 12 approximately 41,290 individual borrowers. Aequitas continues to collect payments on  
 13 performing loans.

#### 14 JURISDICTION AND VENUE

15 15.

16 This Court has jurisdiction over Defendants pursuant to ORCP 4 A(3) and (4), 4 C, and 4  
 17 L, because they are companies formed and residing in Oregon and the conduct alleged in this  
 18 action took place within Oregon.

19 16.

20 This court has subject matter jurisdiction pursuant to ORS 14.030.

21 17.

22 Venue is proper pursuant to ORS 646.632(1) and ORS 14.080 because Defendants are  
 23 alleged to have committed violations of the UTPA in Multnomah County and conducted regular  
 24 business in Multnomah County.

25 ///

26 ///

**THE DEFENDANTS**

**I. AEQUITAS ENTITIES**

18.

Aequitas Capital Management, Inc. (“Aequitas Capital”) is an Oregon corporation formed in 1993 with a principal place of business in Lake Oswego, Oregon. Aequitas Capital is the manager of ACF. As the manager of ACF, Aequitas Management is responsible for the overall operations of ACF, including the management of ACF’s loan and investment portfolio.

19.

Aequitas Management, LLC (“Aequitas Management”) is an Oregon limited-liability company with a principal place of business in Lake Oswego, Oregon. Aequitas Management owns 84% and exercises exclusive control over Aequitas Holdings, the sole owner and member of ACF and the sole shareholder of Aequitas Capital.

20.

Aequitas Holdings, LLC (“Aequitas Holdings”) is an Oregon limited liability-company with a principal place of business in Lake Oswego, Oregon. Aequitas Holdings is the sole owner and member of ACF and the sole shareholder of Aequitas Capital.

21.

Aequitas Commercial Finance, LLC (“ACF”) is an Oregon limited liability-company with a principal place of business in Lake Oswego, Oregon. ACF is the sole owner and member of at least seven subsidiaries that engage in the business of acquiring or investing in portfolios of trade receivables in the healthcare, education, transportation, and consumer-credit sectors. ACF also holds ownership stakes in the Aequitas Funds and a number of other Aequitas-affiliated companies. ACF also has directly held or currently holds title to Genesis student-loan promissory notes and the right to collect and receive existing and future principal and interest payments.

22.

Campus Student Funding, LLC (“CSF”), formerly known as AFSG, LLC, is an Oregon limited-liability company with a principal place of business in Lake Oswego, Oregon. CSF is

1 owned by ACF and was created by Aequitas as a special-purpose entity for purchasing student  
 2 loans. CSF originally purchased all Genesis Loan notes sold to Aequitas entities, whether  
 3 directly from Corinthian, the loan servicer, or the issuing bank. CSF was the seller of the notes  
 4 under Corinthian's commitment to purchase delinquent loans from Aequitas. Thus, CSF has held  
 5 or currently holds title to Genesis student-loan promissory notes.

6 23.

7 CSF Leverage I, LLC ("CSF Leverage") was an Oregon limited-liability company with a  
 8 principal place of business in Lake Oswego, Oregon. CSF Leverage was owned by ACF and at  
 9 one time held Genesis student loan promissory notes. CSF Leverage merged into CSF and no  
 10 longer exists as a separate entity.

11 24.

12 The Aequitas Funds are various funds owned by the Aequitas entities described above.  
 13 Aequitas Income Opportunity Fund is owned by ACF and holds, or has held, the right to collect  
 14 and receive Genesis student loan receivables. Aequitas Income Protection Fund is owned by  
 15 ACF and CSF and holds, or has held, the right to collect and receive Genesis student loan  
 16 receivables. CSF Leverage I, LLC (f/k/a ASFG Leverage I, LLC) is, upon information and  
 17 belief, owned by ACF and CSF and has held the right to collect and receive Genesis student-loan  
 18 receivables.

## 19 **II. COMMON ENTERPRISE**

20 25.

21 At all times material to this complaint, Aequitas has operated as a common enterprise  
 22 while engaging in the violations of state law set forth herein. Aequitas has conducted the  
 23 business acts and practices described herein through its interrelated network of companies  
 24 described above that have common business functions, employees, and office locations.

25 26.

26 Aequitas has also shared operations and proceeds of the relevant activities associated

1 with the allegations in this complaint. For example, even though CSF initially purchased the  
 2 Genesis Loans, the loans were sold to various other Aequitas funds or entities, including  
 3 Aequitas Income Opportunity Fund, Aequitas Income Protection Fund, CSF Leverage Fund I, or  
 4 ACF. Because Aequitas has operated as a common enterprise, each of the Aequitas entities is  
 5 jointly and severally liable for the acts and practices described below.

### 6 **III. RECEIVERSHIP OF AEQUITAS**

7 27.

8 Corinthian's repurchase of the delinquent Genesis loans was an important source of  
 9 revenue for Aequitas. Corinthian's failure, and the cessation of the loan repurchases, caused  
 10 Aequitas significant distress. Early in 2016, the lack of that revenue coupled with, among other  
 11 things, alleged improprieties by Aequitas management, led the company to curtail operations.

12 28.

13 On March 10, 2016, the U.S. Securities and Exchange Commission ("SEC") brought an  
 14 action in the U.S. District Court for the District of Oregon, alleging violations of the securities  
 15 laws, including a scheme to defraud and misuse investor funds. Pursuant to the SEC's request,  
 16 the court on April 15, 2016, appointed a receiver to wind down the companies and distribute the  
 17 remaining assets. The receiver is not a party to this action.

### 18 **FACTUAL BACKGROUND**

19 29.

20 In 2011, Aequitas became involved in private student lending by purchasing private  
 21 student loans from Corinthian and participating in the operation of Corinthian's Genesis Loan  
 22 Program.

23 30.

24 At that time, Corinthian was one of the largest for-profit, post-secondary education  
 25 companies in the United States. With more than 100 school campuses, Corinthian operated  
 26 schools under the following names: Everest College, Everest Institute, Everest University

Online, Everest University, Everest College Phoenix, Heald College, and WyoTech. Corinthian offered career-oriented programs that were marketed to potential students as a way to obtain jobs in their fields of study, including health care, business, criminal justice, mechanical, and information technology.

31.

Most students attending Corinthian's schools were low-income or the first in their families to seek an education beyond a high-school diploma. Many Corinthian students struggled economically. For example, a 2011 Corinthian survey of campus operations indicated that over 57% of Corinthian's student population had a household income of \$19,000 or less, and 35% of Corinthian's student population had a household income of less than \$10,000.

32.

The great majority of students attending Corinthian's schools could not afford to pay the school's tuition out-of-pocket. Students needed financial aid—mostly loans from either the federal government under Title IV or private sources—to pay Corinthian's tuition and fees. This was well known to Corinthian.

**I. CORINTHIAN INDUCED STUDENTS TO TAKE OUT LOANS WITH DECEPTIVE REPRESENTATIONS ABOUT JOB PLACEMENT STATISTICS AND CAREER SERVICES OFFERINGS**

33.

Corinthian needed to convince students that paying its tuition, and taking on substantial debt to do so, would be a worthwhile investment in their future. Accordingly, Corinthian deployed a series of misrepresentations about the likely employment outcomes for Corinthian students and the services Corinthian would provide to help them find jobs.

34.

Corinthian portrayed its educational programs as a way for students to secure better-quality careers. For example, in promoting Heald College, Corinthian advertised, "[y]our education might mean the difference between a rewarding career or just another job." Similarly,



1 Everest Colleges, Universities, and Institutes advertised on its websites that it provided students  
2 “[a] better career, a better life, a better way to get there.”

3 **A. Misrepresentations Concerning Job Placement Statistics**

4 33.

5 Corinthian presented job placement rates that were misleading to consumers in several  
6 ways. For example, Corinthian represented to prospective and current students that its education  
7 would offer a “career,” not “just another job,” but in calculating and disseminating alleged job  
8 placement rates for graduates, Corinthian included jobs that lasted for just one day.

9 34.

10 In addition, Corinthian presented to students and prospective students falsified and  
11 overstated job placement rates. Corinthian deliberately overstated the number of jobs that  
12 students obtained, undercounted the pool of “employable” graduates, thereby increasing the  
13 percentage of employed graduates out of all the “employable graduates,” and engaged in a  
14 practice of paying employers to hire its graduates temporarily in order to inflate its job placement  
15 statistics.

16 35.

17 One way Corinthian inflated its job placement statistics was by counting a person as  
18 having been placed who only got a temporary assignment for a day with a promise of a second  
19 day of work. Corinthian could count that person within its employment statistics even if that  
20 person only worked for just one day.

21 36.

22 Corinthian took this deception one step farther by paying employers to hire its graduates  
23 for brief periods so that Corinthian could improve its job placement statistics.

24 **B. Misrepresentations Concerning Career Services**

25 37.

26 To convince students that they would achieve career success by taking out loans to pay

1 for a Corinthian education, Corinthian also misrepresented the availability and the utility of its  
2 career services.

3 38.

4 Corinthian falsely promised prospective students that they would receive career  
5 assistance while enrolled, and lifetime career assistance after graduation. Corinthian promoted  
6 “career-focused education” and career services that were available “whenever you need help  
7 finding a job, or want some advice on improving your resume or interviewing skills.” Corinthian  
8 further promoted that it “not only help[s] you find a job after you graduate, we help you find a  
9 job any time you need one, throughout your career . . . . From graduation to retirement, we’ll  
10 help you advance your career whenever you need it.” Corinthian emphasized its nationwide  
11 network of employers.

12 39.

13 The actual services provided were limited, such as providing postings already publicly  
14 available from services like Craigslist.

15 40.

16 Moreover, after graduates obtained initial placements, Corinthian refused to provide any  
17 further assistance to them. This was particularly significant for students who received only  
18 temporary placements.

19 **C. The “90/10” Rule**

20 41.

21 Corinthian engaged in these deceptions because it wanted to convince students to take out  
22 the loans and use whatever aid they could to pay its tuition. Nearly all of its revenue was derived  
23 from Title IV federal student loans, which were Corinthian’s “life blood,” without which the  
24 school could not continue to operate. In its Annual Report Form 10-K for fiscal year 2013, filed  
25 with the SEC, Corinthian reported that its operations in the United States derived 84.8% of net  
26 revenue from Title IV aid programs.

1 42.

2 A for-profit company that owns a school receiving federal student aid funds is subject to  
3 the “90/10 rule,” 34 C.F.R. § 668.14(b)(16). Under this rule, a for-profit college must not receive  
4 more than 90% of its net revenue from Title IV aid. A minimum of 10% of these entities’  
5 revenue must come from non-Title IV aid, such as state aid, ordinary tuition payments from  
6 students, or private student loans. Schools that do not comply with the “90/10” rule risk losing  
7 their eligibility to participate in federal student aid programs; for Corinthian, this would have  
8 meant losing the source of nearly 90% of its revenue.

9 43.

10 In order to appear to satisfy the 90/10 rule, Corinthian made sure that the cost of attending  
11 its schools was high enough that students would not be able to pay solely through using Title IV  
12 aid. In September 2011, Corinthian’s CEO distributed a presentation to his executive team,  
13 describing efforts by Corinthian to meet the requirements of the 90/10 rule by instituting “above  
14 market price increases to create ‘funding gaps.’”

15 44.

16 Corinthian knew, however, that few of its students would be able to pay the “funding gap”  
17 out of pocket, and thus most would require additional loans for this purpose. Thus, by increasing  
18 tuition, Corinthian caused students, who otherwise would have been able to pay for the entire  
19 cost of tuition through Title IV aid, to take out private student loans. Regardless of whether  
20 students were able to repay the private student loans, Corinthian would profit from the increased  
21 availability of Title IV monies. The private student loans filling this “funding gap” essentially  
22 would function as a loss leader for Corinthian.

23 **II. CORINTHIAN IMPLEMENTED THE GENESIS LOAN PROGRAM TO FILL THE**  
24 **“FUNDING GAP” THAT CORINTHIAN CREATED**

25 45.

26 Before 2008, third-party providers of private education loans offered Corinthian students  
the opportunity to apply for loans to fund their educational expenses.

1 46.

2 In or about January 2008, as a result of the economic downturn, these third-party lenders  
3 ceased making private student loans available to students at high risk of default due to poor  
4 credit profiles or low income. Therefore, these sources of funding became unavailable to  
5 Corinthian students.

6 47.

7 In order to continue the flow of the needed “10%” of funds from non-Title IV sources,  
8 Corinthian launched its own institutional loan program—the Genesis Loan Program—which it  
9 developed together with another Oregon lender, Genesis Student Lending (“GSL”), that was  
10 already engaged in financing and servicing “funding gap” loans for other educational  
11 institutions.

12 48.

13 Beginning in approximately March 2008, Corinthian actively marketed, promoted, and  
14 offered Genesis Loans to its prospective and current students to pay tuition and fees that were not  
15 covered by federal aid or other sources. Corinthian’s financial-aid staff promoted the loan  
16 program by introducing it to prospective and current students, and by encouraging them to apply  
17 for Genesis Loans to pay for tuition and fees that were not covered by federal financial aid.

18 49.

19 The interest rates for Genesis Loans were typically substantially higher than the interest  
20 rate for federal loans. In 2011, the Genesis Loan interest rate was as high as 18% with an  
21 origination fee of 6%. Meanwhile, the interest rate for federal student loans during this time  
22 period was 3.4% to 6.8% with an origination fee of 1%.

23 50.

24 Under the Genesis Loan Program, nearly all student borrowers were required to make  
25 monthly loan payments while attending school. The most common payment plan was called  
26 “Plan A,” which required a monthly loan payment while the student was attending school. The

1 interest began accruing after the student left school.

2 51.

3 Under the original Genesis Loan Program, under written agreements, Corinthian marketed  
4 the loan and a partner bank acted as the originator for each Genesis loan, disbursing the loan  
5 funds to Corinthian after each student's loan application was approved. Shortly after a student's  
6 loan funds were disbursed to Corinthian on the student's behalf, GSL purchased the loans from  
7 the bank. Corinthian then paid a "discount fee" to GSL equal to 50% of the face value of the  
8 loans that GSL purchased from the bank.

9 52.

10 Under the agreement with GSL, typically within two weeks after GSL purchased the loans  
11 from the bank, Corinthian purchased all of the loans from GSL. Corinthian paid GSL the face  
12 value of the loans minus any discount fee that it had already paid and GSL operated as the  
13 servicer of the loans.

14 53.

15 Accordingly, from in or about 2008 through approximately July 2011, Corinthian would  
16 own all Genesis loans that its students took out within a period of approximately two weeks after  
17 the loan funds were disbursed.

18 54.

19 In 2011, the third-party lenders who had previously been extending private loans to the  
20 small portion of Corinthian's students who were considered prime borrowers ceased lending to  
21 Corinthian students altogether. As a result, the Genesis Loan Program then became effectively  
22 the only available source of private financing to Corinthian students.

### 23 **III. HIGH DEFAULT RATES ON THE GENESIS LOANS**

24 55.

25 Although Corinthian engaged in aggressive collection efforts, the default rate on Genesis  
26 Loans was consistently extremely high. Corinthian charged off a Genesis Loan when the student

1 borrower was more than 270 days delinquent in making required loan payments. Using the  
 2 period in which Corinthian would classify a Genesis loan as more than 270 days delinquent and  
 3 calculating the default rate based upon the number of student loans, the default rate on Genesis  
 4 Loans was typically greater than 50% for all loans more than two years old, and above 60% for  
 5 all loans more than three years old.

6 56.

7 Corinthian knew of the high default rates for its Genesis Loans, and at all times during  
 8 operation of the Genesis Loan Program, Corinthian anticipated that the default rates would  
 9 remain at these high levels. As the Genesis Loan Program was simply a tool to achieve  
 10 compliance with the 90/10 rule, Corinthian was willing to take the losses resulting from the high  
 11 level of defaults for the greater reward of keeping Title IV revenue flowing to the school.

12 57.

13 Moreover, Corinthian knew the characteristics of students who were most likely to  
 14 default. Corinthian required that “Schools should gather information to discern who is defaulting  
 15 and why . . . . Internal data includes key information such as high school attended, program of  
 16 study, demographics, grades, etc.”

17 **IV. THE 90/10 RULE CHANGES AND AEQUITAS SEES A BUSINESS OPPORTUNITY BY**  
 18 **HELPING CORINTHIAN CONTINUE TO QUALIFY FOR FEDERAL FUNDS**

19 58.

20 Effective July 1, 2012, the 90/10 rule was changed to eliminate institutional loans like the  
 21 Genesis Loans from counting toward the private revenue required to maintain Title IV eligibility.  
 22 With third-party private lenders no longer making loans available to its students by that time,  
 23 Corinthian had to find another source of funding for the “10%.”

24 59.

25 Corinthian determined that as long as it moved the Genesis Loans “off its books,” it could  
 26 still count the revenue from the Genesis Loan Program toward the “10%.” Well before the rule  
 change became effective, Corinthian sought a third party to purchase the loans after origination.

60.

Aequitas's involvement in the Corinthian private loan program formally began in June 2011, when CSF entered into an agreement to pay approximately \$24 million to purchase a portfolio of existing Corinthian student loans with a face value of \$30,576,549 on a non-recourse basis.

61.

Aequitas understood from the outset that Corinthian's business model, indeed its very existence, depended on its satisfaction of the 90/10 rule as a condition of obtaining federal funds. In July 2011, in its Deal Summary and Underwriting Report for Student Receivable Portfolio Purchase from Corinthian Aequitas explained Corinthian's challenges complying with the 90/10 rule and how Aequitas could alleviate this compliance problem:

Corinthian . . . has been under regulatory pressure to stay compliant with the 90/10 economics. . . . Thus, an opportunity presented itself to alleviate the regulatory pressure for Corinthian by acquiring their existing student loans, as well as to enter into a longer forward flow relationship to purchase more recently originated student loans. Corinthian needs to get their student loans off their balance sheet and to stop originating student loans.

62.

As the relationship between Aequitas and Corinthian progressed, Aequitas reported internally statements by Corinthian that it was "[m]anaging to 90/10, not under" and that federal loans were Corinthian's "life blood."

63.

Aequitas further understood that Corinthian raised its tuition not to make additional money but rather to create the obligation for additional "10%" in revenues that would give it access to the needed Title IV funds. Aequitas told its investors that that "increasing tuition is the simplest way a school can mitigate risk from the 90/10 Rule." Indeed, Corinthian even told Aequitas that the 90/10 rule had "required" Corinthian to raise tuition. Aequitas knew that the additional tuition charge, as well as the Genesis Loans that funded them, were a sham to get federal funds.

1 64.

2 In September 2011, CSF agreed to pay approximately \$10 million to purchase another  
3 portfolio of existing loans with a face value of \$16,792,381 on a recourse basis, meaning that if  
4 the loans became more than 90 days past due, Corinthian would purchase the loans back from  
5 CSF.

6 65.

7 Pleased with the money it was making for itself and its investors on the student loan  
8 portfolio, Aequitas sought to “deepen” its relationship with Corinthian. In September 2011, CSF  
9 entered into an agreement with Corinthian to create a “forward flow” program, called  
10 “Corinthian 1.0.” Under that agreement, CSF purchased Genesis loans at a 40% discount on the  
11 face value of each purchased loan, and Corinthian also committed to purchase all loans back  
12 from CSF that were more than 90 days past due. CSF agreed that each month it would purchase  
13 approximately \$15 million in face value of loans shortly after origination on a full recourse basis.  
14 The loans would be originated by a bank and immediately purchased after origination by  
15 Aequitas. Under the forward flow agreements, Aequitas had the right to purchase loans but not  
16 the obligation, and could terminate its relationship upon 14 days’ notice to Corinthian.

17 66.

18 In April 2012, Aequitas sent Corinthian a list of points for discussion. The list included  
19 allegations made by others about the for-profit education industry generally and Corinthian  
20 specifically, including that for-profit schools “game” the 90/10 regulations by inflating tuition  
21 costs and creating a funding gap, despite knowing that most of the private loans provided would  
22 not perform. Yet Aequitas continued to participate in and seek profit from the Genesis Loan  
23 Program scheme.

24 67.

25 Indeed, Aequitas regularly monitored the status of the various, multiplying state and  
26 federal government investigations and litigation concerning Corinthian’s student lending



1 practices, marketing to students, and job placement data post-graduation. Knowledge of these  
 2 investigations and litigation did not deter Aequitas from continuing to seek profit from the  
 3 Genesis Loan Program scheme.

4 68.

5 In July 2012, Aequitas and Corinthian discussed additional ways for Corinthian to  
 6 maximize its Title IV revenue. In its internal notes of the meeting, Aequitas noted Corinthian's  
 7 plans to shift more students enrolled in on-line course programs from part-time to full-time  
 8 status, because "part time online students don't need gap financing" and "shifting students from  
 9 part-time to full-time will create gap financing needs."

10 69.

11 Aequitas understood that Corinthian was "highly focused on maximizing starts to  
 12 generate Title IV revenue flow" and that Corinthian's "quality bar [was] low."

13 70.

14 On August 14, 2012, an Aequitas executive observed that "[i]t appears as if the for profits  
 15 are spending an inordinate amount of money to put anyone (qualified or unqualified) into a seat  
 16 on their campus."

17 71.

18 In September 2012, the parties launched the "Corinthian 2.0" program, which was a  
 19 continuation of the original forward flow program, with slightly different terms.

20 **V. AEQUITAS SAW CORINTHIAN STUDENTS AS EASY PREY AND KNEW THAT**  
 21 **CORINTHIAN EXERCISED UNDUE INFLUENCE OVER THEM**

22 72.

23 At a meeting with Corinthian executives in Santa Ana, California, in June 2012, Aequitas  
 24 noted that Corinthian described its competition for students as "the couch, inertia, and gangs,"  
 25 and that its students were "looking to get a life, looking for a mother figure and father figure."

26 73.

In a January 2013 marketing presentation to Aequitas, Corinthian described its

1 prospective student population as individuals who have “low self-esteem” and “[f]ew people in  
2 their lives who care about them”; who are “isolated,” “stuck, unable to see and plan well for  
3 future”; and “impatient, [and] want quick solutions.”

4 74.

5 Aequitas knew that Corinthian brokered the Genesis Loans to its students by arranging  
6 for the loans and serving as the students’ single point of contact in doing so.

7 75.

8 Aequitas knew that Corinthian was advising students regarding the loans offered through  
9 the Genesis Loan scheme and that Corinthian was actively engaged in promoting Genesis Loans.

10 **VI. AEQUITAS KNEW THAT CORINTHIAN STUDENTS WERE BEING HARMED BY HIGH**  
11 **DEFAULT RATES BUT SOUGHT ONLY TO MITIGATE ITS OWN EXPOSURE TO THE**  
12 **DEFAULTS**

12 76.

13 Aequitas understood that default rates on the Genesis Loan Program were high. In March  
14 2012, an Aequitas employee noted that Corinthian continued making institutional loans, despite  
15 the high default rates that resulted in Corinthian writing off many of the loans, “presumably  
16 because the loans lure students to its schools and give[] it access to federal student aid dollars.”  
17 In other words, Aequitas understood the Genesis Loan Program was intended to be a loss leader  
18 for Corinthian.

19 77.

20 Aequitas understood that Corinthian expected students would, more often than not, be  
21 unable to repay their Genesis Loans. In conducting diligence, Aequitas noted that “[d]espite the  
22 dismal performance of [the Genesis] loans, Corinthian executives told investors in summer 2011  
23 that they planned to double the volume of private loans made through the institutional loan  
24 program . . . .”

25 78.

26 The same Aequitas employee noted “with defaults this high, how can we defend our

1 practices?”

2 79.

3 Indeed, despite the fact that Aequitas knew that the tuition charge funded by the Genesis  
4 Loans, as well as the Program itself, was merely a ploy to obtain access to federal funds,  
5 Aequitas disregarded the high default rates on these sham loans.

6 80.

7 Aequitas understood the harmful impact of student loan defaults on students. For  
8 example, Aequitas learned that private student loans like the Genesis Loans were difficult to  
9 discharge in bankruptcy, “making them more onerous than credit-card debt or subprime  
10 mortgages.”

11 81.

12 Aequitas was well aware that, in 2008, when Corinthian began its loan program, the  
13 default rates for these loans were between 50% and 70%.

14 82.

15 Aequitas’s initial models in 2011 predicted a 45% default rate. In October 2012, Aequitas  
16 revised its models upon a finding that default rates were in the mid-50% range. Aequitas  
17 estimated that it could cover the cost of investor funds if the cumulative default rate reached 63%  
18 even if Corinthian defaulted on its obligations to purchase the loans.

19 83.

20 In December 2012, Aequitas’s Underwriting Report recommended Aequitas continue  
21 purchasing Corinthian’s loans, despite an expected default rate of 57% for the loans purchased as  
22 part of the 2.0 forward-flow agreement with Corinthian.

23 84.

24 In October 2013, Aequitas concluded that the loans purchased in June 2011 had a default  
25 rate of 63%. Aequitas estimated that the default rate for the full term of these loans would be  
26 66%. Moreover, Aequitas determined a default rate of 50.9% for loans in the Corinthian 1.0

1 program and an estimated default rate of 61% for the full term of the loans.

2 85.

3 Aequitas understood Corinthian was not concerned about the high default rates because,  
4 from Corinthian's perspective, the purpose of the Genesis Loan Program was to receive Title IV  
5 funds and avoid 90/10 Rule compliance problems.

6 86.

7 For Aequitas, the high default rates were simply an investment risk to be mitigated. As  
8 long as the loans performed within Aequitas's projections and Corinthian assumed the risk of  
9 purchasing delinquent and defaulted loans, Aequitas made money on the loans. Corinthian was  
10 willing to assume that risk because the pretense of a third-party funding the Genesis Loan  
11 Program allowed the school to stay in compliance with the 90/10 rule.

12 87.

13 Despite its knowledge of the high default rates and the effect of defaults on students,  
14 Aequitas continued funding the Genesis Loan Program. Aequitas continued to seek out ways in  
15 which it could work more closely with and fund more loans for Corinthian, ultimately agreeing  
16 to do so several times via renewed funding agreements.

17 88.

18 In the meantime, Corinthian students who defaulted on Genesis Loans suffered harmful  
19 consequences including negative credit reporting, along with consequences that flow from that.  
20 Negative items on a credit report like defaults can result in difficulty in renting an apartment,  
21 denial of employment, ineligibility for other forms of financing, or eligibility only on less  
22 favorable terms than would otherwise have been available.

23 89.

24 In addition, Corinthian students were and are harmed by Aequitas's continued collection  
25 of payments on loans that carried interest rates as high as 18% and origination fees as high as  
26 6%.

**VII. AEQUITAS WAS AWARE OF AND DISREGARDED INCREASING SCRUTINY OF CORINTHIAN’S BUSINESS PRACTICES**

90.

Aequitas was aware of allegations of wrongdoing by Corinthian and ignored numerous red flags regarding Corinthian’s deceptive acts and practices.

91.

In a 2011 Deal Summary and Underwriting Report to investors concerning Aequitas’s purchase of a portfolio of loans in 2011, Aequitas summarized the numerous lawsuits against Corinthian.

92.

For example, the summary noted that Corinthian was facing three qui tam false claims actions alleging violations of the Higher Education Act regarding the manner in which admissions personnel were compensated.

93.

The summary also observed that Corinthian had experienced an “unprecedented increase” in putative class actions brought by former students in the second, third, and fourth quarters of the 2011 fiscal year. Aequitas explained that Corinthian “believes these lawsuits are largely the result of negative publicity” and noted that binding arbitration clauses required nearly all of the students to resolve their cases through individual arbitration.

94.

Aequitas was aware that in 2012, Corinthian was being investigated by state attorneys general for California, Florida, Massachusetts, Illinois, New York, and Oregon for alleged wrongdoing including misrepresentations regarding job placement and career prospects.

95.

In 2012, Aequitas was aware of the U.S. Consumer Financial Protection Bureau’s investigation into Corinthian’s practices.

///

1 96.

2 Aequitas was also aware that in October 2013, the State of California sued Corinthian,  
3 alleging “false and predatory advertising, intentional misrepresentations to students, securities  
4 fraud and unlawful use of military seals in advertisements.” According to California’s complaint,  
5 Corinthian’s “predatory marketing efforts specifically target[ed] vulnerable, low-income job  
6 seekers and single parents who have annual incomes near the federal poverty line.”

7 97.

8 Aequitas’s periodic written internal memoranda about its business relationship with  
9 Corinthian indicate Aequitas failed to perform any meaningful due diligence concerning  
10 Corinthian’s marketing and representations to its students. Instead, Aequitas took at face value  
11 Corinthian’s assertions that the lawsuits and investigations were without merit or easily disposed  
12 of.

13 **VIII. DESPITE THE MANY RED FLAGS, AEQUITAS CONTINUED ITS PARTNERSHIP WITH**  
14 **CORINTHIAN AND ITS EXPANSION EFFORTS FOR THE “EDUCATIONPLUS” LOAN**  
15 **PROGRAM**

16 98.

17 In June 2012, the agreement between Corinthian and Aequitas was amended to include a  
18 provision that barred Corinthian from endorsing any tuition loan program other than Aequitas’s.

19 99.

20 In a December 2012 internal report, Aequitas noted “we enjoy regular interactions with  
21 Corinthian’s CEO and CFO, allowing us to increasingly become a strategic partner to  
22 Corinthian.”

23 100.

24 In or about 2013, Corinthian and Aequitas renamed the Genesis Loan Program the  
25 “EducationPlus” loan program. The EducationPlus loan program resulted in lower interest rates  
26 being offered to Corinthian students, but was the functional equivalent of the Genesis Loan  
Program and Aequitas’s and Corinthian’s respective roles did not change. Corinthian

1 management and staff often referred to the EducationPlus loan program as the Genesis Loan  
 2 Program. (References in this Complaint to the Genesis Loan Program and Genesis Loans include  
 3 EducationPlus loans.)

4 101.

5 Aequitas began marketing the EducationPlus program to other for-profit schools as a  
 6 “turnkey solution” to provide funding for their institutional loan programs. Aequitas did this  
 7 because it saw the scheme it was running with Corinthian as a profit center, disregarding the fact  
 8 that it was a sham that harmed the student borrowers who were caught up in it.

9 **IX. ONLY WHEN AEQUITAS DEEMED THE FORWARD-FLOW PROGRAM TOO RISKY TO**  
 10 **AEQUITAS DID IT CEASE FUNDING LOANS**

11 102.

12 In January 2014, Aequitas exercised its option to withdraw from the loan program and  
 13 stop purchasing Genesis Loans originated through Corinthian.

14 103.

15 Aequitas management made the decision based on “increased operational risk at  
 16 Corinthian” and “headline risk to Aequitas.” Aequitas was concerned that state and federal  
 17 investigations of Corinthian could ultimately affect the underlying value of the Genesis Loans  
 18 they were funding.

19 104.

20 However, from February 2014 through May 2014, Aequitas and Corinthian continued to  
 21 discuss additional opportunities to continue working together, which Aequitas said would require  
 22 additional insulation from defaults and other risk in the loan portfolios.

23 105.

24 In May 2014, Corinthian stopped honoring its obligation to purchase all loans from CSF  
 25 that were more than 90 days past due.

26

1 **CLAIM FOR RELIEF**

2 **Unlawful Trade Practices Act- Predatory Lending in violation of ORS 646.605(9)(c) and**  
 3 **646.632 and 646.642**

4 106.

5 The State realleges and incorporates each and every allegation contained in the preceding  
 6 paragraphs as though set forth herein.

7 107.

8 The Genesis Loan program, as described in the allegations contained in the preceding  
 9 paragraph, involved extensions of credit by Aequitas to Corinthian students in circumstances  
 10 where Aequitas knew that the student borrowers were more likely to default than to repay the  
 11 loan, and where Aequitas had conspired with Corinthian to shield itself from downside credit  
 12 exposure to the student borrowers.

13 108.

14 The lending engaged in by Aequitas therefore amounted to extensions of credit by  
 15 Aequitas in circumstances where Aequitas knew there was no reasonable probability of payment  
 16 of the attendant obligation, as described in 646.605(9)(c), and a willful violation of the UTPA.  
 17 Each act alleged as to each affected consumer constitutes a separate violation of the UTPA.

18 109.

19 The State is entitled to injunctive relief, disgorgement, civil penalties of \$25,000 for each  
 20 individual extension of credit found to violate 646.605(9)(c), with the total number of violations  
 21 to be determined at trial, and payment of the State's attorney's fees, expert witness fees, and  
 22 costs of investigation in prosecuting this claim.

23 **PRAYER FOR RELIEF**

24 **WHEREFORE**, Plaintiff State of Oregon, *ex rel.* Ellen F. Rosenblum, Attorney General,  
 25 pursuant to the Oregon Unlawful Trade Practices Act, the Attorney General's general statutory  
 26 authority, the Attorney General's authority at common law and this Court's equitable powers,  
 prays for relief as follows:



1           1.     A declaration that the above-described loan programs constituted a predatory  
2     lending scheme in violation of the Oregon Unlawful Trade Practices Act, ORS 646.605(9)(c) and  
3     646.632 and 646.642.

4           2.     Rescission of the agreements extending credit to Corinthian students by Aequitas  
5     and other participants in the above-described loan programs, pursuant to ORS 646.636.

6           3.     Disgorgement of any gains obtained by Aequitas as a result of its violation of the  
7     Unlawful Trade Practices Act, pursuant to ORS 646.636.

8           4.     A permanent injunction barring Aequitas from further collection of borrowed  
9     amounts from Corinthian students pursuant to ORS 646.632.

10          5.     A permanent injunction barring Aequitas from selling or attempting to sell any  
11     loans issued in connection with the above-described loan programs to any third party, for any  
12     purpose, pursuant to ORS 646.632.

13          6.     A judgment against Aequitas for civil penalties up to \$25,000 for each loan made  
14     in connection with the above-described loan programs, pursuant to ORS 646.632(3).

15          7.     A judgment against Aequitas for reasonable attorney fees and investigative costs  
16     pursuant to ORS 646.632(8) and ORCP 68; and

17     ///

18     ///

19     ///

20     ///

21     ///

22     ///

23     ///

24     ///

25     ///

26

1           8.     A judgment granting any other and further relief as the court may deem  
2 appropriate.

3  
4 Dated this \_\_\_ day of August, 2017.

5                                   ELLEN F. ROSENBLUM  
6                                   ATTORNEY GENERAL  
7                                   FOR THE STATE OF OREGON

8                                   By: \_\_\_\_\_

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