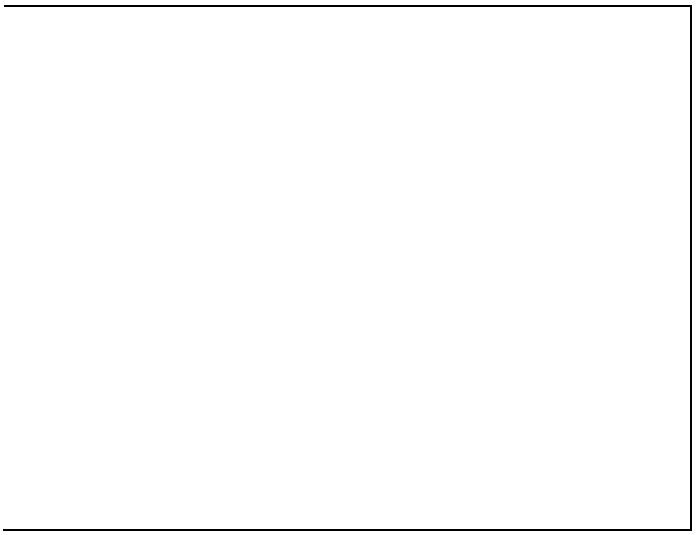


Defendants' ct s or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. nd2 45(a).

JURISDICTION AND VENUE

2. This Court has subjet <matter jurisdiction pursuant to 28<U.S.C. nd nd21331, 1337(a), and21345.< This ct ion arises under 15 U.S.C. nd nd245(a) and 53(b).

3. Venue is proper in this District under 28<U.S.C. nd21391(b)(1), (b)(2), (c)(1), (c)(2), and (d), and 15 U.S.C. nd253(b).

PLAINTIFF

4. Plainifaf FTC is an<independent agency of the United States Government created by statute. 15 U.S.C. nd nd 41-58.< The FTC enforces Set ion 5(a) of the FTC Act, 15 U.S.C. nd245(a), which prohibits unfair or deceptive ct s or prat ices in or aafet ing2 commerce.

5. The FTC is cuthorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and to secure such equitable relief as2 may be cppropriate in each case, including rescission or reformation of contrat s, restitution, the refund of monies paid, and the disgorgement of ill-gotten<monies. 15 U.S.C. nd nd 53(b) and 1607(c).

DEFENDANTS

6. Apollo Education Group, Inc. ("Apollo"), is an Arizona corporation,<with its principal place of business at 4025 S.<Riverpoini Parkway, Phoenix, AZ, 85040. Apollo Education Group formerly was2known as2Apollo Group, Inc. Apollo transct s or has transct ed business in this district and throughout the United States. 2Apollo is the

misleading.

Overview of Defendants' Business and Advertising

10. Apollo operates UOP, a private, for-profit post-secondary educational institution, which has approximately 55 campuses throughout the United States. Though UOP offers both in-person and online classes, most UOP students attend class exclusively online. UOP offers certificate courses and associate, bachelor's, master's, and doctoral degree programs.

11. UOP has charged consumers tuition ranging from about $7,400 to $19,400 per year, depending on the program.

12. Since 2012, UOP's net revenue has exceeded $13.5 billion. Apollo, during that same time, derived between 78% to 91% of its annual net revenue from UOP.

13. Apollo and UOP have relied heavily on advertising to attract students to UOP, including specific advertisements targeting military and Hispanic consumers. Apollo and UOP have spent over $1.7 billion on advertising and marketing between fiscal years 2013 and 2015 alone.

14. Prior to 2012, Defendants' advertising campaigns for UOP primarily had emphasized factors such as flexibility, convenience, online coursework, and accreditation. By early 2012, however, Defendants' market research indicated that this advertising no longer differentiated UOP from its competitors, which were touting similar benefits.

15. Additionally, according to SEC filings and internal documents, UOP's enrollment numbers were declining due to increased competition for students. The

average enrollment in degree programs at UOP between 2010 and 2012 dropped from approximately 460,900 to 356,900 students.

16. Many students enrolled in 2012 or 2013 have not yet earned a UOP degree. Nearly 62% of first-time students and 80% of non-first time students drop out of UOP instead of earning a degree. Further, on average, it takes students enrolled at four-year, private, for-profit schools nearly nine calendar years to earn a bachelor's degree. Indeed, according to one internal document involving UOP's Military Division, "[m]ost individuals when thinking of post-secondary education assume it will take 4 years. However, if an individual is working full-time or raising a family, it can take up to 14 years on average!"

Defendants' "Let's Get To Work" Advertising Campaign

17. In 2012, based on market research, Defendants adopted an advertising strategy focused on claims connecting a UOP education with successful career or employment outcomes. Defendants' research showed that many students decide to enroll in post-secondary programs because of the potential for career success, including the belief that an education will get them a job or a better salary. But Defendants' research also showed that "consumers currently do not consider UOP to be their top choice. . . because they do not believe UOP education will provide them the career outcome advancements they desire."

18. Defendants released a new advertising campaign in late summer 2012 to change this perception. Titled "Let's Get To Work," the campaign featured numerous high-profile corporate employers, such as Microsoft, Twitter, Adobe, and Yahoo!. The

full parking lot looks frustrated at the lack of open spaces.

25. Another version of the "Parking Lot" advertisement that Defendants have widely disseminated, or caused to be disseminated, on numerous television stations replaced the Hitachi logo with a Twitter logo. A copy of the advertisement is attached as Exhibit C. A transcript of this advertisement is attached as Exhibit D.

26. In reality, the companies referenced in the "Parking Lot" advertisement did not have relationships with UOP or Apollo to create job options for UOP students or to develop curriculum. Many of the "2,000 corporate partners," including the specific companies referenced in the "Parking Lot" advertisement, were what Defendants referred to as "Workforce Solutions" (WFS) partners—companies whose own employees received a tuition reduction benefit from UOP in exchange for the companies promoting Defendants' academic programs.

27. Some companies raised concerns with Defendants that the advertisements were misleading. On August 28, 2012, for example, Staples, which had been asked to participate in the "Parking Lot" advertisement, questioned: "What is Staples doing as part of this program? The [Parking Lot] TV spot makes it sounds [sic] like we are guiding curriculum – we just want to make sure we accurately portray our specific role in this

program." Staples did not participate in the "Parking Lot" ad.

28. In addition to companies raising concerns, the Senior Vice President responsible for UOP's Workforce Solutions team complained in September 2012 to UOP's Chief Marketing Officer, who led the Let's Get to Work campaign, that Adobe's placement in the "Parking Lot" advertisement was "smoke & mirrors." The Senior VP explained, "they are not a partner. We may do business with them, but nothing academically or PCS [Phoenix Career Services] wise either."

29.

career portal were not unique or specifically for UOP students but were widely available through other public sources. For example with Twitter, one UOP marketing executive directed that the WFS team "go to twitter.com/jobs and hand-select more updated listings to post" on UOP's career portal after noting that UOP had only one new posted job for Twitter. When the WFS team declined, the marketing executive personally took "time out of [her] schedule tonight/tomorrow to hand-select job listings."

"Train Stops" Television Ad

32. Another advertisement disseminated on numerous television stations as part of Defendants' "Let's Get To Work" campaign, titled "Train Stops," is attached as Exhibit E. A transcript of this advertisement is attached as Exhibit F. "Train Stops" debuted during the Grammys on February 10, 2013. Internal documents indicate that the purpose of the "Train Stops" advertisement was to highlight that UOP's corporate partners connect UOP students with meaningful employment opportunities.

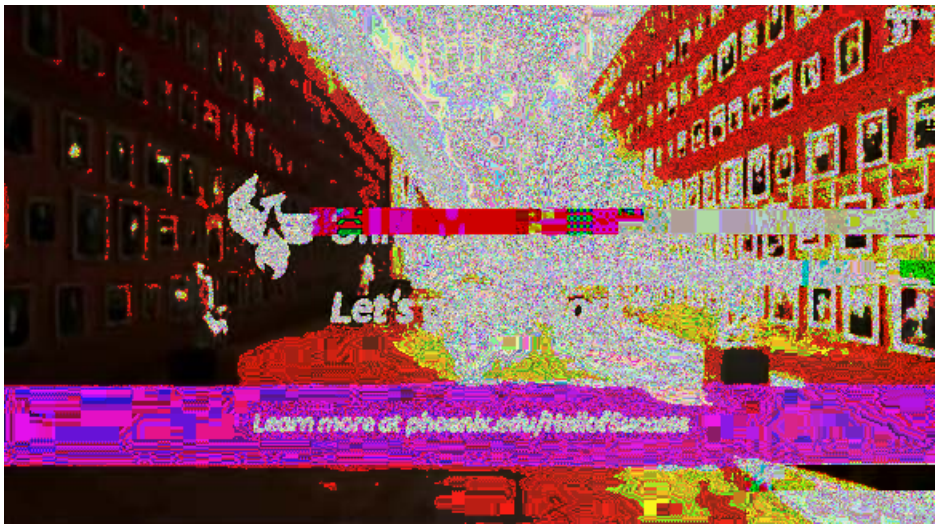
33. As the scene opens inside a subway train, Ms. Rashad states: "At University of Phoenix, we know the value of your education is where it can take you." The camera focuses on a female passenger looking up at a station map depicting logos of top companies, including Waste Management, the American Red Cross, Methodist Hospital System, and Adobe:

that an education with UOPX opens doors and that UOPX can help them find jobs with specific corporate partners."

37. In reality, Apollo and UOP's relationships with "leading" employers or companies, including the corporate partners referenced in the "Train Stops" ad, did not create job opportunities for UOP students. UOP merely engaged a third-party provider to host an online portal that included job listings from some of these companies. Most, if not all, of the job listings were in fact widely available to non-UOP students.

"Hall of Success" Television Ad

38. Defendants have widely disseminated, or caused to be disseminated, on



Ms. Rashad concludes: "That's right. University of Phoenix. Enroll now. We have a frame waiting for you."

41.

A true and correct copy of this webpage is attached as Exhibit N.

Ads Targeting Current and Former Military Members

52. Defendants also have made deceptive claims about employment opportunities in ads to current and former military members. UOP has been the largest

result of their status as UOP "corporate partners."

Enrollment Advisor Claims

55. Beginning in or around September 2012, in conjunction with its "Let's Get To Work" advertisements, Defendants rolled out talking points and encouraged employees, including enrollment advisors, to communicate these false or misleading messages to students and prospective students.

56. Defendants routinely sent links to the advertisements along with a campaign overview to all employees. A one-sheet summary of the campaign talking points for *Hall of Success* included the claim that "Corporate Partnerships" are "Providing job opportunities and helping shape our curriculum." Defendants also tasked employees, some dubbed "Phoenix Champions," with messaging the campaign and provided talking points to various UOP teams, including enrollment advisors, academic counselors, finance advisors, call center employees, and other student or prospective student facing employees. The talking points claimed that UOP's relationships with corporate partners, including many Fortune 500 companies, provided an "inside track" and a "competitive advantage to our students." As proof that these relationships were working, Defendants directed employees to claim that alumni were being hired by "hundreds of top companies like Microsoft, Yahoo!, American Red Cross and CBS." Additional talking points described the online jobs portal as providing "[a]ccess to unique job opportunities and connections exclusive to University of Phoenix Students." In fact, UOP portal listings were not unique or specifically for UOP students but were widely available to non-UOP students.

57. At Defendants' behest, UOP enrollment advisors began telling prospective students that companies, including Fortune 500 companies, hired UOP students because of the school's partnerships. For example, in March 2013, enrollment advisors represented to callers inquiring about UOP that the school has "over 2,000 partners in the local area. . . they hire our students first and from there they go on," and that UOP has "over 2,000 corporate partners and national industry partners that are looking specifically at University of Phoenix students to hire instead of any other schools."

58. Another UOP enrollment advisor represented to a caller who said she was a military spouse that "we work with hundreds of companies out there… where we have direct relationships." After specifically citing Microsoft and IBM, he added that UOP's website listed "job opportunities for those companies that we have direct relationships with." The employee further claimed that UOP was working with these companies' executives and "trying to adjust our curriculum. . . so when our students go and interview for the job they can say, well, I went to University of Phoenix, I got these competencies, and that's exactly what they are looking for."

59. In reality, the companies were not specifically hiring UOP students over other candidates and were not working with UOP to develop tailored curricula; the partnerships were primarily marketing relationships that did not create jobs or curricula for UOP students.

Claims Regarding Relationships With Corporate Partners

60. The "Let's Get To Work" campaign prominently touted that UOP's relationships with companies, such as Adobe, the American Red Cross, Avis, AT&T,

Hitachi, MGM, Microsoft, Newell Rubbermaid, Sodexo, Twitter, and Waste Management, create job opportunities specifically for UOP students.

61. Defendants' WFS and PCS agreements with these companies did not create or provide job opportunities for UOP students. Any benefits from the WFS relationships applied to current employees of the companies who would be able to attend UOP at a reduced cost.

62. Moreover, the job opportunities posted for PCS partners were not unique to UOP students, and in fact, were widely available on other websites or were simply copied by UOP employees into the UOP career portal.

63. Defendants knew that these relationships were not the reason for UOP students' career outcomes. One UOP employee cautioned that the career message central to the campaign should be emphasized when UOP had the "ability to deliver career outcomes"—which it did not have. Similarly, a UOP executive warned that "[w]e have

Claims Regarding Curriculum Development

65. Defendants also have represented that UOP has worked with companies, such as Adobe, the American Red Cross, Avis, AT&T, MGM, Microsoft, Newell Rubbermaid, Sodexo, and Twitter, to develop curriculum.

66. In reality, these companies did not work with Defendants to develop curriculum.

67. In fact, Defendants were aware that the claim was baseless. In November 2012, a UOP Senior Vice President alerted numerous employees, including UOP and Apollo executives, that the "Let's Get to Work" campaign was creating "misconceptions," including that companies were working with UOP to develop its curriculum. The Senior VP explained that UOP is not "working directly with companies one at a time and/or creating custom curriculum based upon their needs."

68. Similarly, in an October 24, 2012 email chain, Apollo and UOP employees discussed how Defendants "have not worked with Microsoft yet," even though Defendants already had begun broadcasting ads, including "Parking Lot," that claimed the company was working with UOP to develop curriculum.

69. Rather than work with the companies touted in its advertisements, Defendants have relied on a list of standard job competencies generated by a third-party human resources company. This third-party framework identifies general skills and traits (such as "leading and deciding," "adapting and coping," and "organizing and executing") associated with particular jobs and industries. Defendants' employees simply matched those general skills and traits with its academic programs. Contrary to what Defendants

promised, this third-party framework does not reflect input from companies, such as Adobe, Microsoft, or Twitter, about their specific needs.

Defendants' Claims Materially Influenced Consumers

70. Defendants' research showed that employment prospects associated with a post-secondary education were important factors for many consumers deciding whether to enroll at UOP.

71. While developing the "Let's Get to Work" campaign, UOP surveyed the influence of its advertisements on consumers. According to one survey, "[t]he key compelling aspect of th[e] ["Parking Lot"] spot was the communication of UOP's partnership with 1,200 large corporations. These partnerships serve to inspire consumers to consider UOP and also served to validate/legitimize UOP as a brand."

72. By January 22, 2013, as UOP continued to roll out its "Let's Get To Work" campaign, the UOP Senior Vice President for University Strategy reported to the President's Cabinet (a group of UOP executives advising UOP's President) that the "repositioning of UOPX as connecting education to careers (E2C) appears to be paying off. Early results indicate significantly improved conversion rates, but it will take some time to see if this boosts retention and ultimately share."

73. Another study conducted around May 24, 2013 reported that the "Let's Get to Work" advertising campaign, including claims about "[r]elationships with leading employers and a dynamic curriculum designed with their input," increased the percentage of consumers who would consider attending UOP from 12% to 29%.

74. UOP's and Apollo's Boards and executives continued tracking the

campaign's effectiveness in increasing "consumer consideration" of UOP.

75. Based on Defendants' continued use of the practices challenged above after learning of the Commission's investigation; Defendants' continued heavy reliance on advertising to attract students to UOP; and the ease with which Defendants can engage in similar conduct; the FTC has reason to believe that Defendants are violating or are about to violate laws enforced by the Commission. With respect to conduct that has ceased, Defendants retain the ability and incentive to engage in similar conduct. For example, as described in paragraphs 70-73, these misrepresentations involve a central motivating factor for enrolling in UOP—career success.

VIOLATIONS OF THE FTC ACT

76. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or deceptive acts or practices in or affecting commerce."

77. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

COUNT I:

Misrepresentations Regarding Relationships With Corporate Partners

78. Through the means described in Paragraphs 17-59, Defendants have represented, directly or indirectly, expressly or by implication, that University of Phoenix's relationships with companies, such as Adobe, Microsoft, and Twitter, create career or employment opportunities specifically for University of Phoenix students.

79. The representation set forth in Paragraph 78 of this Complaint is false or misleading.

redress violations of any provision of law enforced by the FTC. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of any provision of law enforced by the FTC.

PRAYER FOR RELIEF

Wherefore, Plaintiff Federal Trade Commission, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and the Court's own equitable powers, requests that the Court:

A. Enter a permanent injunction to prevent future violations of the FTC Act by

Defei MCID 4 >lC-18.5B41-9.7 022 nt relief ansmo9.4 (ia-18.59(t)18.5 (rbe)-9.2 (jec-9.7 (ss r)-18.8