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BEFORE THE
DEPARTMENT OF CONSUMER AFFAIRS
FOR THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION
STATE OF CALIFORNIA

In the Matter of the Accusation Against: **DREAM CENTER EDUCATION HOLDINGS, LLC, DBA** **ARGOSY UNIVERSITY – ORANGE COUNTY (MAIN)** **3601 W Sunflower Avenue** **Santa Ana, CA 92704** **Approval to Operate Accredited Institution School Code Number 3013761** **ARGOSY UNIVERSITY- SAN FRANCISCO BAY AREA (BRANCH)** **1005 Atlantic Avenue** **Alameda, CA 94501** **Institution Code Number 91554422** **WESTERN STATE COLLEGE OF LAW AT ARGOSY UNIVERSITY (BRANCH)** **1 Banting** **Irvine, CA 92618** **Institution Code Number 71847809** **ARGOSY UNIVERSITY- LOS ANGELES (BRANCH)** **5230 Pacific Concourse Drive** **Los Angeles, CA 90045** **Institution Code Number 93794466**	Case No. 1004257 **FIRST AMENDED ACCUSATION**

THE ART INSTITUTE OF CALIFORNIA-HOLLYWOOD (BRANCH)
5250 Lankershim Boulevard
North Hollywood, CA 91601

Institution Code Number 1921201

THE ART INSTITUTE OF CALIFORNIA- SAN DIEGO (BRANCH)
7650 Mission Valley Road
San Diego, CA 92108

Institution Code Number 3704151

THE ART INSTITUTE OF CALIFORNIA-HOLLYWOOD (SATELLITE)
11128 Magnolia Avenue
North Hollywood, CA 91601

Institution Code Number 15594987

THE ART INSTITUTE OF CALIFORNIA- INLAND EMPIRE (SATELLITE)
630 East Brier Drive
San Bernardino, CA 92408

Institution Code Number 66099626

THE ART INSTITUTE OF CALIFORNIA- SAN DIEGO (SATELLITE)
7675 Mission Valley Road
San Diego, CA 92108

Institution Code Number 18507333

ARGOSY UNIVERSITY- MILITARY COAST GUARD (SATELLITE)
1001 South Seaside Avenue, Building 3
San Pedro, CA 90731

Institution Code Number 72482309

Respondent.

Complainant alleges:

PARTIES

1. Dr. Michael Marion, Jr. (Complainant) brings this First Amended Accusation solely in his official capacity as the Chief of the Bureau for Private Postsecondary Education (Bureau), Department of Consumer Affairs.

2. The Bureau granted approval to operate by means of accreditation to Dream Center Education Holdings, LLC, doing business as Argosy University – Orange County (main campus), Institution Code Number 3013761; Argosy University- San Francisco Bay Area (branch), Institution Code Number 91554422; Western State College of Law at Argosy University (branch), Institution Code Number 71847809; Argosy University- Los Angeles (branch), Institution Code Number 93794466; The Art Institute of California- Hollywood (branch), Institution Code Number 1921201; The Art Institute of California- San Diego (branch), Institution Code Number 3704151; The Art Institute of California- Hollywood (satellite), Institution Code Number 15594987; The Art Institute of California- Inland Empire (satellite), Institution Code Number 66099626; The Art Institute of California- San Diego (satellite), Institution Code Number 18507333; and Argosy University- Military Coast Guard (satellite), Institution Code Number 72482309. Obtaining approval by means of accreditation requires that the schools' owner have accreditation through an accredited agency recognized by the United States Department of Education (USDOE). The schools listed above are owned by Dream Center Education Holdings, LLC (Respondent).

JURISDICTION

3. This First Amended Accusation is brought before the Director of the Department of Consumer Affairs (Director) for the Bureau for Private Postsecondary Education, under the authority of the following laws. All section references are to the Education Code unless otherwise indicated.

4. Code section 94932 states:

> The bureau shall determine an institution's compliance with the requirements of this chapter. The bureau shall have the power to require reports that institutions

shall file with the bureau in addition to the annual report, to send staff to an institution's sites, and to require documents and responses from an institution to monitor compliance. When the bureau has reason to believe that an institution may be out of compliance, it shall conduct an investigation of the institution. If the bureau determines, after completing a compliance inspection or investigation, that an institution has violated any applicable law or regulation, the bureau shall take appropriate action pursuant to this article.

5. Code section 94933 states:

The bureau shall provide an institution with the opportunity to remedy noncompliance, impose fines, place the institution on probation, or suspend or revoke the institution's approval to operate, in accordance with this article, as it deems appropriate based on the severity of an institution's violations of this chapter, and the harm caused to students.

6. Code section 94937 states:

(a) As a consequence of an investigation, which may incorporate any materials obtained or produced in connection with a compliance inspection, and upon a finding that an institution has committed a violation, the bureau may place an institution on probation or may suspend or revoke an institution's approval to operate for:

. . .

(2) A material violation or repeated violations of this chapter or regulations adopted pursuant to this chapter that have resulted in harm to students. For purposes of this paragraph, "material violation" includes, but is not limited to, misrepresentation, fraud in the inducement of a contract, and false or misleading claims or advertising, upon which a student reasonably relied in executing an enrollment agreement and that resulted in harm to the student.

. . .

(c) The bureau may seek reimbursement pursuant to Section 125.3 of the Business and Professions Code.

. . . .

7. Code section 94938 states, in part:

(a) If the bureau determines that it needs to make an emergency decision to protect students, prevent misrepresentation to the public, or prevent the loss of public funds or moneys paid by students, it may do so pursuant to Article 13 (commencing with Section 11460.10) of Chapter 4.5 of Part 1 of Division 3 of Title 2 of the Government Code.

. . . .

8. Business and Professions Code section 118 states, in part:

. . .

(b) The suspension, expiration, or forfeiture by operation of law of a license issued by a board in the department, or its suspension, forfeiture, or cancellation by order of the board or by order of a court of law, or its surrender without the written consent of the board, shall not, during any period in which it may be renewed, restored, reissued, or reinstated, deprive the board of its authority to institute or continue a disciplinary proceeding against the licensee upon any ground provided by law or to enter an order suspending or revoking the license or otherwise taking disciplinary action against the licensee on any such ground.

(c) As used in this section, "board" includes an individual who is authorized by any provision of this code to issue, suspend, or revoke a license, and "license" includes "certificate," "registration," and "permit."

9. Business and Professions Code section 477 states:

As used in this division:

(a) "Board" includes "bureau," "commission," "committee," "department," "division," "examining committee," "program," and "agency."

(b) "License" includes certificate, registration or other means to engage in a business or profession regulated by this code.

10. Government Code section 11460.60 states:

(a) After issuing an emergency decision under this article for temporary, interim relief, the agency shall conduct an adjudicative proceeding under a formal, informal, or other applicable hearing procedure to resolve the underlying issues giving rise to the temporary, interim relief.

(b) The agency shall commence an adjudicative proceeding under another procedure within 10 days after issuing an emergency decision under this article, notwithstanding the pendency of proceedings for judicial review of the emergency decision.

STATUTORY AND REGULATORY PROVISIONS

11. Education Code section 94885 states, in part:

(a) The bureau shall adopt by regulation minimum operating standards for an institution that shall reasonably ensure that all of the following occur:

. . .

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(6) The institution is financially sound and capable of fulfilling its commitments to students.

. . .

(9) The institution is maintained and operated in compliance with this chapter and all other applicable ordinances and laws.

. . . .

12. Education Code section 94926 states, in part:

At least 30 days prior to closing, the institution shall notify the bureau in writing of its intention to close. The notice shall be accompanied by a closure plan, which shall include, but not necessarily be limited to, all of the following:

(a) A plan for providing teach-outs of educational programs, including any agreements with any other postsecondary educational institutions to provide teach-outs.

(b) If no teach-out plan is contemplated, or for students who do not wish to participate in a teach-out, arrangements for making refunds within 45 days from the date of closure, or for institutions that participate in federal student financial aid programs arrangements for making refunds and returning federal student financial aid program funds.

(c) If the institution is a participant in federal student financial aid programs, it shall provide students information concerning these programs and institutional closures.

(d) A plan for the disposition of student records.

13. Code of Regulations, title 5, section 71745 states, in part:

(a) The institution shall document that it has at all times sufficient assets and financial resources to do all of the following:

(1) Provide all of the educational programs that the institution represented it would provide.

(2) Ensure that all students admitted to its educational programs have a reasonable opportunity to complete the programs and obtain their degrees or diplomas.

(3) Maintain the minimum standards required by the Act and this chapter.

(4) Pay timely refunds as required by Article 13 of the Act.

(5) Pay all operating expenses due within 30 days.

(6) Maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the end of the most recent fiscal year when using generally accepted accounting principles, or for an institution participating in Title IV of the federal Higher Education Act of 1965, meet the composite score requirements of the U.S. Department of Education. For the purposes of this section, current assets does not include: intangible assets, including goodwill, going concern value, organization expense, startup costs, long-term prepayment of deferred charges, and non-returnable deposits, or state or federal grant or loan funds that are not the property of the institution but are held for future disbursement for the benefit of students. Unearned tuition shall be accounted for in accordance with general accepted accounting principles.

(b) At an institution's request, the Bureau may consider the financial resources of a parent company if the parent company, as defined by section 94853 of the Code, meets and maintains all of the following provisions:

(1) consents in writing to be sued in California;

(2) consents in writing to be subject to the jurisdiction of the Bureau with respect to the institution's regulation under the Act and this Chapter;

(3) designates and maintains an agent for service of process, consistent with section 74190;

(4) agrees in writing to pay any refund, claim, penalty, or judgment that the institution is obligated to pay; and

(5) files financial reports, maintains financial records, and consents in writing to permit the inspection and copying of financial records to the same extent as is required of the institution.

(c) An institution shall provide to the Bureau its most current financial statements upon request.

14. Code of Regulations, title 5, section 76240 states:

All institutions, including those exempt from Bureau regulation pursuant to the Code, shall do the following prior to closing:

(a) At least 30 days prior to closing, the institution shall notify the Bureau in writing of its intention to close and provide a closure plan. The closure plan shall include:

(1) The exact date and reason for the closure.

(2) The last date of instruction for each educational service or program.

(3) A list of students who were enrolled at any time during the 60 days prior to closure.

(4) If any student will not be provided complete educational services or the educational program, the institution shall provide:

(A) A plan for providing teach-outs or transfers, including the details of any agreements with other institutions.

(B) If no teach-out is contemplated, or for students who do not wish to participate in a teach-out, arrangements for making refunds within 45 days from the date of closure, or for institutions that participate in federal student financial aid programs arrangements for making refunds and returning federal student financial aid program funds.

(5) A plan for the disposition of student records.

(6) A plan to notify students of their rights and options under the Act and this chapter.

(b) The institution shall notify the students of the following:

(1) If the institution is a participant in federal student financial aid programs, it shall provide students information concerning those programs and institutional closures.

(2) If any student will not be provided complete educational services or the educational program, information regarding the Student Tuition Recovery Fund and the Bureau's physical and Internet addresses.

COST RECOVERY

15. Business and Professions Code section 125.3 provides Section 125.3 of the Code provides, in pertinent part, that the Board may request the administrative law judge to direct a licentiate found to have committed a violation or violations of the licensing act to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case, with failure of the licentiate to comply subjecting the license to not being renewed or reinstated. If a case settles, recovery of investigation and enforcement costs may be included in a stipulated settlement.

FACTUAL BACKGROUND

16. At all times mentioned herein, Argosy University (Argosy) was approved by the Bureau to operate programs at the institutions listed in paragraph 2, above, which are all owned by Dream Center Education Holdings, LLC (Respondent). Argosy participates in Title IV of the federal Higher Education Act of 1965 for all of its California locations, and over 83 percent of its students participate in Title IV funds.

17. On or about February 11, 2019, the Bureau received a complaint from an enrolled student at Argosy – Orange County (main campus) located in Santa Ana, California, alleging that Argosy had been placed into federal receivership, was not providing information to students, had not paid federal financial aid stipends due to students, was not sure if students would be allowed to graduate, corporate offices were not replying to student inquiries, and they were at risk of losing accreditation. Following receipt of this complaint, the Bureau opened an investigation.

18. During the course of the investigation, the Bureau discovered that Argosy's accrediting agency, the Western Association of Schools and Colleges (WASC) ordered Respondent to show cause as to why its accreditation should not be withdrawn. The reasons for the order were listed as the institution entering a receivership and USDOE's placement of Argosy on Heighted Cash Monitoring (level) 2. In fact, a receiver was appointed on January 18, 2019. Prior to the receiver's appointment, the USDOE had released $9.2 million in federal financial aid to Respondent. Respondent used some of that money for student stipends, some for payroll and some for critical vendors. As of February 7, 2019, Argosy had not paid student stipends in the amount of $16,299,840, including stipends for students at Western State College of Law. Meanwhile, the receiver's cash balance was only $3,811,883. In addition, the court in the receivership case found that Respondent and its subsidiaries were indebted to secured trade, and unsecured creditors for sums in excess of $100,000,000. The Bureau also learned that on February 7, 2019, the receiver terminated the employment of Argosy's chancellor, and nearly 100 Argosy faculty, academic support personnel and financial aid counselors.

19. On February 25, 2018, a Bureau Investigator and Education Specialist visited the San Diego, Irvine, Santa Ana and North Hollywood campuses. Although the campuses were open and classes were in session, staff had been greatly reduced and some campuses were not enrolling students. Since the visit, multiple students at Respondent's various campuses contacted the Bureau to complain that there has been no activity on their accounts since August 2018, they should have received stipend payments in January 2019, and they have received little to no information regarding payment of their stipends, with some students facing dire financial circumstances due to the lack of funds. In addition, on July 3, 2018, Argosy notified the Bureau

of the cessation of enrollment at seven California campuses. On January 9, 2019, the California State Approving Agency for Veterans Education (CSAAVE) notified Respondent of their disapproval of all courses offered at four Art Institute of California campuses due to the closure of those campuses.

20. On February 27, 2019, the USDOE cancelled Argosy's participation in the Student Financial Aid Program under Title IV of the Higher Education Act of 1965. Termination of Argosy's participation included all of Argosy's California locations. Argosy's participation was cancelled based on Argosy's current financial situation, in particular, its failure to pay Title IV, Higher Education Act Program credit balances owed to its students and parents. The USDOE determined that Argosy failed to meet the following required standards as set forth by the USDOE: (1) fiduciary standard of conduct; (2) financial responsibility; and (3) standards of administrative capability. The USDOE further determined that the violations were serious, and the potential harm to students and taxpayers was severe. USDOE further found that the failure to pay Title IV, Higher Education program funds demonstrated a "blatant disregard of the needs of its students." The USDOE also determined that Argosy's termination of its chancellor, and nearly 100 faculty, academic support personnel and financial aid counselors has "resulted in substantial and irreparable damage to the academic integrity of Argosy... because Argosy can no longer provide services, including academic programs, described in its official publications and statements."

21. On or about March 4, 2019, the Bureau issued Respondent a Notice of Emergency Decision, pursuant to California Code of Regulations, title 5, section 75150, and Government Code section 11460.10, et. seq. Pursuant to the Emergency Decision, effective on March 13, 2019, the Bureau ordered Respondent to "cease enrollment of any new students in all programs" and "cease the collection of tuition and fees for all institutional programs" at the schools referenced by institution code in the caption of this Accusation. The Emergency Decision was not appealed and is now final.

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22. Following the Emergency Decision, Respondent closed all of the schools, with the exception of Western State College of Law at Argosy University. Respondent closed the schools without providing the required notice to the Bureau and without sending required closing information to the Bureau.

FIRST CAUSE FOR DISCIPLINE

(Financial Resources)

(Cal. Code Regs., title 5, § 71745)

23. Respondent has subjected its approval to operate to disciplinary action as it lacks the assets and financial resources required by California Code of Regulations, title 5, section 71745, as set forth in paragraphs 16 through 22, above.

SECOND CAUSE FOR DISCIPLINE

(Failure to Provide Notice of Intention to Close and Closure Plan)

(Educ. Code § 94926 and Cal. Code Regs., title 5, § 76240)

21. Respondent has subjected its approval to operate to disciplinary action for failing to notify the Bureau in writing, at least 30 days prior to closing, of its intention to close its institutions or provide a closure plan; offering a plan for providing teach-outs of educational programs; making arrangements for refunds within 45 days from the date of closure; making arrangements for refunds and returning federal student financial aid program funds; providing students information concerning these programs and institutional closures; and making a plan for disposition of student records as required by Education Code section 94926, subdivisions. (a), (b), and (d), and California Code Regulations., title 5, section 76240, as set forth in paragraphs 16 through 22, above.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the Director of the Department of Consumer Affairs issue a decision:

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1. Revoking or suspending Approval to Operate Institution Code Numbers 3013761, 91554422, 71847809, 93794466, 1921201, 3704151, 15594987, 66099626, 18507333, and 72482309, issued to Dream Center Education Holdings, LLC.

2. Ordering Respondent to pay the Bureau for Private Postsecondary Education the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 125.3; and,

3. Taking such other and further action as deemed necessary and proper.

DATED: 8/27/19

DR. MICHAEL MARION, JR.
Chief
Bureau for Private Postsecondary Education
Department of Consumer Affairs
State of California
Complainant

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