



Is this the education we want?

Many Apollo Group students leave the University of Phoenix without diplomas.

- 60.5% of students that enrolled with the Apollo Group in 2008-09 withdrew by mid-2010, with 66.4% of Associate degree students withdrawing within two years. In comparison, the average withdrawal rate among for-profit colleges is 54%.ⁱ
- For students who entered a Bachelor's degree program in 2006 only 13% graduated by 2012 and nearly 83% had dropped out.ⁱⁱ

More than 1 in 4 students at the University of Phoenix default on their loans.

- 26% of Apollo Group's students will default on their loans within three years of entering repayment.ⁱⁱⁱ
- The online program appears to be particularly harmful to students. According to Apollo Group, 75% of their undergraduate students that default on their loans attended the online program.^{iv}
- Apollo Group expects the lifetime default rates for Associate degree students entering repayment in 2006 to be 77.7%.^v

Is the Apollo Group harming low-income students?

- Apollo Group receives more Pell Grant dollars than any other college in the country, more than \$816 million in 2013.^{vi} Pell grants are need-based grants for low-income undergraduates and certain post-baccalaureate students, and intended to increase access to higher education. Studies have shown that 95.1% of Pell Grant students have a family income at or below 250% of the federal poverty line and 67.5% of Pell Grant recipients have a family income at or below 150% of the federal poverty line.^{vii}
- Nationally, 41% of undergraduate students received Pell Grants in 2012-13, yet 59% of University of Phoenix students received Pell Grants in 2012. When the data is examined campus by campus, the rate goes even higher: as many as 81% of undergraduate students at a University of Phoenix campus receive Pell Grants in 2012.^{viii}
- Alarming, the loan default rate among University of Phoenix's Federal Perkins Student Loan students is a staggering 36.3%. University of Phoenix's Federal Perkins Student Loan students owe \$769,796 for loans in default for more than 240 days as of June 30, 2013.^{ix}

Apollo Group is not providing the highest quality education.

- The University of Phoenix's accreditation is on Notice status by its accreditor, the Higher Learning Commission of the North Central Association of Colleges and Schools. Notice status is a sanction that indicates that the University is on a



course of action that, if continued, could lead to the institution being out of compliance with one or more of the Criteria for Accreditation.

- Specifically, the University of Phoenix received this sanction because of practices around governance, student assessment and faculty scholarship and research for doctoral programs.^x
- Although the University of Phoenix was only placed on notice, a comprehensive evaluation by a peer review team from the Higher Learning Commission actually recommended in February 2012 that the University of Phoenix receive a tougher penalty and have their accreditation put on probationary status.^{xi}

High Costs and Misplaced Priorities

Tuition is higher at Apollo Group than at public colleges: hurting students and veterans.

- For example, tuition for an Associate of Arts in Business at the University of Phoenix Online costs \$24,500, but the same degree only costs \$4,087 at Phoenix College in the Maricopa Community College System.^{xii}
- The higher tuition results in higher costs for veterans. From 2009-2013, Apollo Group received \$751 million dollars from the post-9/11 GI Bill. For 2012-2-2013 the average cost per veteran attending an Apollo Group college was \$6,250. In comparison, public colleges received an average of \$3,914 per veteran.^{xiii}

University of Phoenix collected \$12,319 per student in tuition but only spent \$1,655 per student on instruction in 2012.^{xiv}

- In 2012, John Sperling, founder and Chairman of Apollo Group, received \$6.95 million in total compensation.^{xv}
- Sperling's retirement package includes a \$5 million bonus, two company vehicles, reimbursement for out-of-pocket costs he incurs to obtain medical and dental care coverage under the Company's health plan and a lifetime annuity of more than \$70,800 per month.^{xvi}

Kicked Out of California:

University of Phoenix performance is below the California standard.

- University of Phoenix is ineligible for Cal Grant, financial aid for California residents, for the 2014-15 school year.
- To be eligible for Cal Grants a school's cohort loan default rate must be below 15.5% and graduation rates must be above 30%.
 - University of Phoenix's 2010 three-year cohort default rate is 26% and its 2011 graduation rate is 19.1%^{xvii}



Lawsuits and Investigations

Apollo Group is under investigation by Attorney General offices and the Department of Education in numerous states.

- On March 21, 2014, University of Phoenix received a subpoena from the Mid-Atlantic Region of the OIG. The subpoena seeks the production by the University of documents and detailed information regarding certain activities conducted after January 1, 2007, including information relating to marketing, recruitment, enrollment, financial aid processing, fraud prevention, student retention, personnel training, attendance, academic grading and other matters.^{xviii}
- Attorneys General in Florida and Massachusetts are investigating University of Phoenix allegations, including “misrepresentations regarding financial aid” and “unfair or deceptive practices regarding recruiting, enrollment, placement, etc.”^{xix}
- A 2010 Government Accountability Office (GAO) investigation uncovered multiple instances of deceptive and misleading recruiting by University of Phoenix staff. Undercover agents were told inaccurate prices for tuition and were not given answers about job placement rates.^{xx}

Apollo Group has been the subject of numerous federal investigations.

- The Securities and Exchange Commission (SEC) investigated the Apollo Group in 2012 and in 2009 but did not take any enforcement action.^{xxi}
- The federal Internal Revenue Service is auditing Apollo’s tax returns from 2006 through 2010. Apollo previously settled with the IRS over an audit of taxes from 2003-05. Apollo paid \$27.3 million in this settlement.
 - Apollo Group was audited by the Arizona Department of Revenue in FY 2010 for fiscal years 2003 through 2009. Apollo paid \$57.9 million in this settlement.^{xxii}

Apollo Group is being sued by former employees.

- In 2003, Apollo Group was sued by two former employees for violating incentive compensation rules. The case was settled in 2009 for \$78.5 million. In 2004, the Department of Education alleged that Apollo Group violated incentive compensation rules; the suit was settled for \$9.8 million.^{xxiii}
- In May 2011, a qui tam lawsuit was filed in California alleging various inappropriate actions by recruitment officials leading to infractions of the False Claims Act; the case is still pending and a trial is scheduled for January 2015.^{xxiv}
- In January 2010, a wage and hour lawsuit was filed in California and certified as a class covering 1,500 employees. The case was settled in August 2011.^{xxv}

Apollo Group is being sued by its own shareholders.

- In 2008, a jury found in favor of the plaintiff in a securities class action by the Policeman’s Annuity and Benefit Fund of Chicago, which alleged that Apollo



Group made misleading statements by failing to disclose a Department of Education program review report. In 2012, Apollo Group entered into a settlement agreement of \$145 million.^{xxvi}

- In 2012, a securities class action lawsuit was filed by Douglas Gaer alleging that Apollo Group made false and misleading statements about its business practices and prospects for growth. Two related lawsuits were also filed with an overlapping class period of 2007-2010; the three suits were merged and the lead plaintiffs are the Oregon Public Employees Retirement Fund, the Mineworkers' Pension Scheme, and Amalgamated Bank. The case was dismissed in Apollo's favor in June 2012 but the plaintiffs filed a Notice of Appeal in July 2012, and the appeal is currently pending.^{xxvii}
- On November 2, 2006, the Teamsters Local 617 Pensions and Welfare Funds filed a class action complaint purporting to represent a class of shareholders who purchased stock between November 28, 2001 and October 18, 2006. In 2014, Apollo settled with the plaintiffs and the settlement is pending approval from the district court.^{xxviii}
- On April 24, 2014, a securities class action complaint was filed in the U.S. District Court for the District of Arizona by Nader Saleh against the Apollo Group. The complaint alleges (i) Apollo manipulated federal student loan and grant programs to appear to be in compliance with federal regulations; (ii) Apollo's predatory and deceptive recruiting and enrollment practices violated federal regulations; and (iii) Apollo engaged in a number of practices, including loan forbearance programs, to create the appearance that it was in compliance with federal regulations. The complaint further contends that the truth emerged regarding these statements when Apollo announced on April 1, 2014 it had received a subpoena from the U.S. Department of Education.^{xxix}

Apollo Group is facing lawsuits about its business practices.

- In November 2010, K.K. Modi Investment and Financial Services Pvt. Ltd. filed a suit in India to enjoin Apollo Group from investing in the education industry in the Indian market in breach of an alleged noncompete agreement.^{xxx}

Apollo Group is being investigated by Chile.

- Apollo Group institutional accreditation for its university in Chile was not renewed in Chile in 2011. Further, in 2012 a prosecutor's office in Santiago, Chile requested documents between a former employee and consultant who served as a member of the accreditation commission until March 2012. The prosecutor's office has also requested documents about its business structure and operation and relationship with other Apollo entities.^{xxxi}

ⁱ "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success: Part II – Profile of Apollo Group, Inc.," U.S. Senate Health, Education, Labor



and Pensions Committee, July 30, 2012,

http://www.help.senate.gov/imo/media/for_profit_report/PartII/Apollo.pdf.

ii 2012 IPEDS pulled on 7/31/14, <http://nces.ed.gov/ipeds/datacenter/>. Analyzed data for the University of Phoenix campuses. Variables included: “Bachelor's or equiv subcohort (4-yr institution) adjusted cohort (revised cohort minus exclusions),” “Bachelor's or equiv subcohort (4-yr institution) Completers of bachelor's or equiv degrees total (150% of normal time),” and “Bachelor's or equiv subcohort (4-yr institution), No longer enrolled.”

iii “Official 3-year Cohort Default Rate Search for Postsecondary Schools Fiscal Years 2010, 2009,” Department of Education,

http://www.nslds.ed.gov/nslds_SA/defaultmanagement/search_cohort_3yr2010.cfm.

iv “For Profit Higher Education,” *supra* note i. As of June 30, 2010, for students that entered repayment in 2008-09.

v Ibid.

vi Title IV Program Volume Reports by School for FY 2012-2013, Federal Student Aid Data Center, U.S. Department of Education,

<http://federalstudentaid.ed.gov/datacenter/programmatic.html>.

vii “Profile of Pell Grant Recipients Quick Reference Guide,” FinAid,

<http://www.finaid.org/educators/ProfileofPellGrantRecipients.pdf>. In 2013, 150% FPL for family of one is \$17,253 and \$35,325 for family of four. 200% of FPL for family of one is \$22,980 and \$47,100 for a family of four.

viii 2012 IPEDS pulled on 7/30/14, <http://nces.ed.gov/ipeds/datacenter/>. Analyzed data for the University of Phoenix campuses. Variables included: Financial aid to all undergraduate students for 2010-11, specifically “Total number of undergraduates-financial aid cohort” and “Number of undergraduate students receiving Pell Grants.”

ix “Federal Perkins Loans Cohort Default Rates as of June 30, 2013,” Federal Student Aid, U.S. Department of Education,

<http://ifap.ed.gov/perkinscdrguide/attachments/1213PerkinsCDR.pdf>.

x Apollo Group, Inc. SEC Form 8-K, filed 7/19/13.

xi Apollo Group, Inc. SEC Form 8-K, filed 2/25/13.

xii “For Profit Higher Education,” *supra* note i.

xiii “Is the New G.I. Bill Working?: For-Profit Colleges Increasing Veteran Enrollment and Federal Funds,” U.S. Senate Health, Education, Labor and Pensions Committee, July 30, 2014, <http://www.harkin.senate.gov/documents/pdf/53d8f7f69102e.pdf>.

xiv 2012 IPEDS pulled on 7/30/14, <http://nces.ed.gov/ipeds/datacenter/>. Analyzed data for the University of Phoenix campuses. Variables included: “Tuition and Fees,” “Instruction,” and “FTE enrollment.”

xv Apollo Group SEC Form DEF 14C, filed 12/27/12.

xvi Apollo Group SEC Form 8-K, filed 1/17/13.

xvii “Ineligible Cal Grant Schools for 2014-15,” California Student Aid Commission, http://sandbox.csac.ca.gov/CalGrant_Inst/CalGrantInstSearch.aspx.

xviii Apollo Group SEC Form 10-Q, filed 06/25/14.

xix Ibid.

xx “For Profit Higher Education,” *supra* note i.

xxi Apollo Group SEC Form 8-K, filed on 2/25/13; Apollo Group SEC Form 10-K for FY 2012.

xxii Apollo Group SEC Form 10-K for FY 2012.



xxiii “For Profit Higher Education,” *supra* note i.

xxiv Apollo Group SEC Form 10-K for FY 2013.

xxv Apollo Group SEC Form 10-K for FY 2012.

xxvi Apollo Group SEC Form 10-K for FY 2013.

xxvii *Ibid.*

xxviii Apollo Group SEC Form 10-Q, filed 06/25/14.

xxix *Ibid.*

xxx Apollo Group SEC Form 10-K for FY 2013.

xxxi *Ibid.*