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9	CORINTHIAN COLLEGES INC., DA JACK D. MASSIMINO	AVID MOORE,	
10	JACK D. MASSIMINO		
11	U.S. DIS	TRICT COURT	
12	CENTRAL DISTRICT OF CA	LIFORNIA — WESTERN DIVISION	
13			
14	UNITED STATES OF AMERICA, EX REL. NYOKA LEE and	CASE NO. CV 07-01984 PSG (MANx)	
15	TALALA MSHUJA,	DEFENDANTS CORINTHIAN	
16	Plaintiff,	COLLEGES, INC., DAVID MOORE, AND JACK D. MASSIMINO'S	
17	VS.	ANSWER TO FIRST AMENDED COMPLAINT	
18	CORINTHIAN COLLEGES, INC., et al.	Judge: Hon. Philip S. Gutierrez	
19	Defendants.		
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		ANSWER TO FIRST AMENDED	

COMPLAINT - CV 07-01984 PSG

Defendants Corinthian Colleges, Inc. ("CCI" or "the School"), David Moore, and Jack D. Massimino (collectively "the School Defendants"), by and through their undersigned counsel, respond to Relators' First Amended Complaint ("FAC") as follows:

- 1. The allegations of paragraph 1 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 1.
- 2. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in the first sentence of paragraph 2, and on that basis deny such allegations. The School Defendants admit that Relator Lee: (i) purports to bring this action for herself and for the United States under 31 U.S.C. § 3730(b); (ii) was employed at Bryman College for periods of time from 1999 until 2005; (iii) served as an admissions representative, senior admissions representative, and master admissions representative at the San Francisco campus of Bryman College; and (iv) served as the director of admissions at the Hayward campus of Bryman College in 2004. Except as expressly admitted, the School Defendants deny the allegations of paragraph 2.
- 3. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in the first sentence of paragraph 3, and on that basis deny such allegations. The School Defendants admit that Relator Mshuja: (i) purports to bring this action for himself and for the United States under 31 U.S.C. § 3730(b); and (ii) worked as an independent test proctor at the San Francisco campus of Bryman College from December 2001 to February 2003, at the San Jose campus of Bryman College from January 2004 to July 2005, and at the Fremont campus of the WyoTech School from April 2007 to January 2009. Except as expressly admitted, the School Defendants deny the allegations of paragraph 3.
- 4. The School Defendants admit that: (i) CCI is incorporated in Delaware and has its principal place of business in Santa Ana, California; (ii) the School has

5. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 5, and on that basis deny such allegations, except that the School Defendants admit that Ernst & Young LLP performed certain auditing services for CCI during the fiscal years 2002 to 2011.

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- 6. The School Defendants admit that David Moore: (i) served as chairman, president, and chief executive officer of CCI; (ii) was a founding shareholder in CCI; (iii) has appeared in this action; (iv) served on CCI's board of directors; and (v) signed some Program Participation Agreements on behalf of CCI. Except as expressly admitted, the School Defendants deny the allegations of paragraph 6.
- 7. The School Defendants admit that Jack D. Massimino: (i) served as chairman, president, and chief executive officer of CCI; (ii) has appeared in this action; (iii) served on CCI's board of directors; and (iv) signed some Program

1 Participation Agreements on behalf of CCI. Except as expressly admitted, the 2 School Defendants deny the allegations of paragraph 7. 3 8. The School Defendants admit the allegations of paragraph 8. 4 9. The FAC does not include a paragraph 9. 5 10. The allegations in paragraph 10 state legal conclusions to which no 6 response is required. To the extent a response is required, the School Defendants 7 deny the allegations of paragraph 10. 8 11. The School Defendants deny the allegations of paragraph 11. 9 12. The School Defendants deny the allegations of paragraph 12. 10 13. The School Defendants deny the allegations of paragraph 13. 11 14. The School Defendants deny the allegations of paragraph 14. 12 15. The School Defendants deny the allegations of paragraph 15. 13 The School Defendants admit that: (i) CCI employed approximately 16. 14 1,700 admissions representatives in 2009 and approximately 4,600 faculty, of 15 whom approximately 1,460 were full time; and (ii) the faculty were not paid using 16 the compensation program used for paying admissions representatives. Except as 17 expressly admitted, the School Defendants deny the allegations of paragraph 16. 18 The School Defendants deny the allegations of paragraph 17. 17. 19 18. The School Defendants deny the allegations of paragraph 18. 20 19. The School Defendants deny the allegations of paragraph 19, except 21 that the School Defendants lack knowledge or information sufficient to form a 22 belief about the truth of the allegations as they relate to Ernst & Young, and on that 23 basis deny such allegations. The School Defendants deny the allegations of paragraph 20. 24 20. 25 21. The School Defendants deny the allegations of paragraph 21, except 26 that the School Defendants lack knowledge or information sufficient to form a 27 belief about the truth of the allegations as they relate to Ernst & Young, and on that

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basis deny such allegations.

- 22. The School Defendants deny the allegations of paragraph 22.
- 23. The School Defendants deny the allegations of paragraph 23.
- 24. The School Defendants admit that Ernst & Young began serving as an auditor for CCI in 2002. The remaining allegations of paragraph 24 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the remaining allegations of paragraph 24.
- 25. The allegations in the second and third sentences of paragraph 25 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations in the second and third sentences of paragraph 25. The School Defendants deny the remaining allegations of paragraph 25, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 26. The allegations of paragraph 26 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 26.
- 27. The allegations of paragraph 27 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 27.
- 28. The allegations in the first and fourth sentences of paragraph 28 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations in the first and fourth sentences of paragraph 28. The School Defendants deny the remaining allegations of paragraph 28, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.

- 29. The allegations of paragraph 29 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 29.
- 30. The allegations in the first and second sentences of paragraph 30 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations in the first and second sentences of paragraph 30. The School Defendants deny the remaining allegations of paragraph 30, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 31. The School Defendants deny the allegations of paragraph 31, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 32. The allegations of paragraph 32 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 32.
- 33. The allegations of paragraph 33 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 33.
- 34. The School Defendants admit the allegations in the first sentence of paragraph 34. The School Defendants further admit that CCI made certain materially accurate certifications required under Title IV of the Higher Education Act to obtain Title IV funding. Except as expressly admitted, the School Defendants deny the allegations of paragraph 34.
- 35. The School Defendants admit that CCI made certain materially accurate certifications required under Title IV of the Higher Education Act to

1 obtain Title IV funding. Except as expressly admitted, the School Defendants deny 2 the allegations of paragraph 35. 3 The School Defendants understand and believe that the table in 4 paragraph 36 purports to reflect figures taken from publicly available 10-K filings 5 made by CCI, and refer to the documents themselves for evidence of the complete 6 and accurate contents thereof. Except as expressly admitted, the School Defendants 7 deny the allegations of paragraph 36. 8 37. The School Defendants deny the allegations of paragraph 37. 9 38. The School Defendants deny the allegations of paragraph 38. 10 39. The School Defendants deny the allegations of paragraph 39, except 11 that the School Defendants admit that Relators' original complaint attached a 12 document titled "Corinthian Schools and Rhodes Colleges Adult Admissions" Representative Compensation Program, Promotion Guidelines" as Exhibit A, and 13 14 that this document reflects CCI's compensation program for admissions 15 representatives as of July 6, 2005. 40. 16 The School Defendants deny the allegations of paragraph 40. 17 41. The School Defendants deny the allegations of paragraph 41. 18 42. The School Defendants deny the allegations of paragraph 42. The School Defendants deny the allegations of paragraph 43. 19 43. 20 44. The School Defendants deny the allegations of paragraph 44. 21 45. The School Defendants deny the allegations of paragraph 45. 22 46. The School Defendants deny the allegations of paragraph 46. 23 47. The School Defendants deny the allegations of paragraph 47. 24 48. The School Defendants deny the allegations of paragraph 48. 25 49. The School Defendants deny the allegations of paragraph 49. 50. 26 The School Defendants deny the allegations of paragraph 50.

ANSWER TO FIRST AMENDED COMPLAINT - CV 07-01984 PSG

The School Defendants deny the allegations of paragraph 51.

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- 52. The School Defendants deny the allegations of paragraph 52, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations regarding student loan default rates and student drop-out rates relative to other schools, and on that basis deny such allegations.
 - 53. The School Defendants deny the allegations of paragraph 53.
- 54. The School Defendants deny the allegations of paragraph 54, except that the School Defendants admit that the School accepted some non-high school graduates who could demonstrate an "ability to benefit" from the program.
- 55. The School Defendants deny the allegations of paragraph 55, except that the School Defendants admit that: (i) there were approximately 110,000 students enrolled in CCI-owned schools in 2010; and (ii) there were approximately 60,000 students enrolled in CCI-owned schools in 2006.
- 56. The School Defendants deny the allegations of paragraph 56, except that the School Defendants admit that Moore and Massimino signed certain Program Participation Agreements.
 - 57. The School Defendants deny the allegations of paragraph 57.
 - 58. The School Defendants deny the allegations of paragraph 58.
 - 59. The School Defendants deny the allegations of paragraph 59.
 - 60. The School Defendants deny the allegations of paragraph 60.
 - 61. The School Defendants deny the allegations of paragraph 61.
 - 62. The School Defendants deny the allegations of paragraph 62.
 - 63. The School Defendants deny the allegations of paragraph 63.
- 64. To the extent paragraph 64 makes allegations concerning the contents of a document, the School Defendants refer to the document itself for evidence of the complete and accurate contents thereof. The School Defendants deny the remaining allegations of paragraph 64, except that the School Defendants lack

knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.

- 65. School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 65, and on that basis deny such allegations.
- 66. The School Defendants deny the allegations of paragraph 66, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 67. The School Defendants deny the allegations of paragraph 67, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 68. The School Defendants deny the allegations of paragraph 68, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 69. To the extent paragraph 69 makes allegations concerning the contents of a document, the School Defendants refer to the document itself for evidence of the complete and accurate contents thereof. The School Defendants deny the remaining allegations of paragraph 69, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 70. To the extent paragraph 70 makes allegations concerning the contents of documents, the School Defendants refer to the documents themselves for evidence of the complete and accurate contents thereof. The School Defendants deny the remaining allegations of paragraph 70, except that the School Defendants

- 71. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 71, and on that basis deny such allegations.
- 72. The School Defendants deny the allegations of paragraph 72, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 73. The School Defendants deny the allegations of paragraph 73, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 74. The School Defendants deny the allegations of paragraph 74, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 75. The allegations in the third sentence of paragraph 75 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations in the third sentence of paragraph 75. The School Defendants deny the remaining allegations of paragraph 75, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 76. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 76, and on that basis deny such allegations.

- 77. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations. The remaining allegations of paragraph 77 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the remaining allegations of paragraph 77.
- 78. The School Defendants deny the allegations of paragraph 78, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
- 79. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 79, and on that basis deny such allegations.
- 80. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 80, and on that basis deny such allegations.
- 81. The School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations. The remaining allegations of paragraph 81 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the remaining allegations of paragraph 81.
- 82. The allegations in the second and third sentences of paragraph 82 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations in the second and third sentence of paragraph 82. The School Defendants deny the remaining allegations of paragraph 82, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.

- 83. The allegations of paragraph 83 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 83, and on that basis deny such allegations.
- 84. The allegations of paragraph 84 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 84.
- 85. The allegations of paragraph 85 state legal conclusions to which no response is required. To the extent a response is required, the School Defendants deny the allegations of paragraph 85.
- 86. The School Defendants hereby incorporate by reference all paragraphs set forth herein.
 - 87. The School Defendants deny the allegations of paragraph 87.
 - 88. The School Defendants deny the allegations of paragraph 88.
- 89. The School Defendants deny the allegations of paragraph 89, except that the School Defendants admit that CCI made certain materially accurate certifications required under Title IV of the Higher Education Act to obtain Title IV funding, and that Moore and Massimino signed certain Program Participation Agreements.
 - 90. The School Defendants deny the allegations of paragraph 90.
- 91. The School Defendants deny the allegations of paragraph 91, except that the School Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to Ernst & Young, and on that basis deny such allegations.
 - 92. The School Defendants deny the allegations of paragraph 92.
- 93. The School Defendants hereby incorporate by reference all paragraphs set forth herein.
 - 94. The School Defendants deny the allegations of paragraph 94.

Case	2:07-cv-01984-PSG-MAN Document 113 Filed 05/03/12 Page 13 of 18 Page ID #:1621	
1	95. The School Defendants deny the allegations of paragraph 95.	
2	96. The School Defendants hereby incorporate by reference all paragraphs	
3	set forth herein.	
4	97. The School Defendants deny the allegations of paragraph 97.	
5	98. The School Defendants deny the allegations of paragraph 98.	
6	99. The School Defendants hereby incorporate by reference all paragraphs	
7	set forth herein.	
8	100. The School Defendants deny the allegations of paragraph 100.	
9	101. The School Defendants deny the allegations of paragraph 101.	
10	102. Paragraph 102 contains no allegations to which a response is required.	
11	<u>DEFENSES</u>	
12	In addition to the grounds set out in the Answer to the FAC herein, the	
13	School Defendants hereby additional allege as follows:	
14	FIRST DEFENSE TO ALL CLAIMS	
15	The FAC fails to allege facts sufficient to constitute a cause of action or	
16	claim upon which relief can be granted.	
17	SECOND DEFENSE TO ALL CLAIMS	
18	Some or all of Plaintiffs' claims are barred by the applicable statute of	
19	limitations, for example as set forth in the Court's April 19, 2012 Order Granting in	
20	Part and Denying in Part Defendants' Motions to Dismiss.	
21	THIRD DEFENSE TO ALL CLAIMS	
22	This Court lacks subject matter jurisdiction over the claims in this action.	
23	FOURTH DEFENSE TO ALL CLAIMS	
24	Plaintiffs' claims are barred because the School Defendants complied with a	
25	applicable statutes and with the requirements and regulations of the appropriate	
26	regulatory agencies.	
27	FIFTH DEFENSE TO ALL CLAIMS	
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The Government and Relators failed to mitigate their damages, if any.

FIFTEENTH DEFENSE TO ALL CLAIMS 1 2 Plaintiffs' claims are barred in whole or part because the alleged injuries and 3 damages, if any, were caused by persons and entities for which the School 4 Defendants are not responsible. 5 SIXTEENTH DEFENSE TO ALL CLAIMS 6 Plaintiffs' recovery, if any, should be barred or reduced by the contributory 7 or comparative negligence or fault of the Plaintiffs or other parties. 8 SEVENTEENTH DEFENSE TO ALL CLAIMS 9 Some or all of Plaintiffs' claims are barred by the doctrine of *in pari delicto* 10 as applied to the Government. 11 EIGHTEENTH DEFENSE TO ALL CLAIMS 12 The School Defendants assert the defenses of recoupment and/or set-off. 13 NINETEENTH DEFENSE TO ALL CLAIMS 14 Some or all of Plaintiffs' claims are barred by 31 U.S.C. § 3730(e)(4). 15 TWENTIETH DEFENSE TO ALL CLAIMS Some or all of Plaintiffs' claims are barred by 31 U.S.C. § 3730(b)(5). 16 17 TWENTY-FIRST DEFENSE TO ALL CLAIMS 18 To the extent Plaintiffs seek exemplary, double, or punitive damages, or any 19 damages or penalties above and beyond actual damages, such recovery would 20 violate Defendant's right to due process under the Fifth and Fourteenth Amendments to the United States Constitution. 21 22 TWENTY-SECOND DEFENSE TO ALL CLAIMS 23 The School Defendants reserve the right to assert and rely upon other 24 applicable defenses that may become available or apparent during discovery in this 25 matter. The School Defendants reserve the right to amend or seek to amend their 26 answer or affirmative defenses. 27 WHEREFORE, the School Defendants pray for judgment as follows: 28 (i) That Plaintiffs take nothing by their First Amended Complaint;

Case	2:07-cv-01984-PSG-MAN Document 113 Filed 05/03/12 Page 16 of 18 Page ID #:1624	
1	(ii) That the First Amended Complaint be dismissed with prejudice;	
2	(iii) For costs, fees, and expenses as may be provided by law; and	
3	(iv) For such other and further relief as the Court deems just and	
4	proper.	
5	Respectfully submitted,	
6	DATED: May 3, 2012 MUNGER, TOLLES & OLSON LLP	
7	By: /s/ Blanca F. Young	
8	BLANCA F. YOUNG	
9	Attorneys for Defendants CORINTHIAN COLLEGES INC., DAVID	
10	MOORE, JACK D. MASSIMINO	
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	ANSWER TO FIRST AMENDED	

1 **CERTIFICATE OF SERVICE** 2 I, Robyn E. Bird, declare: 3 I am over the age of 18 and not a party to the within cause. I am 1. 4 employed by Munger, Tolles & Olson LLP in the County of San Francisco, State of 5 California. My business address is 560 Mission Street, Twenty-Seventh Floor, San 6 Francisco, California 94105-2907; my electronic mailing address is: 7 Robyn.Bird@mto.com. 8 2. On May 3, 2012, I served a true copy of the attached document 9 entitled: DEFENDANTS CORINTHIAN COLLEGES, INC., DAVID MOORE, 10 AND JACK D. MASSIMINO'S ANSWER TO FIRST AMENDED 11 COMPLAINT 12 by placing it in an addressed sealed envelope(s) clearly labeled to identify the 13 person(s) being served at the address(es) shown below and placed said envelope(s) 14 in interoffice mail for collection and deposit with the United States Postal Service at 15 560 Mission Street, Twenty-Seventh Floor, San Francisco, California, on that same 16 date, following ordinary business practices; and I also caused it to be delivered 17 electronically through the Court's CM/ECF System to the electronic address show 18 below: 19 Scott D. Levy, Esq. Attorney for Plaintiffs 20 Law Offices of Scott D. Levy PC 21 1844 Wheeler Street 22 Houston, TX 77002 Telephone: 713.528.5409 23 Fax: 713.528.0117 Email: levy.scott@mac.com 24 I am familiar with Munger, Tolles & Olson LLP's practice for 25 collection and processing correspondence for mailing with the United States Postal 26 Service; in the ordinary course of business, correspondence placed in interoffice 27 28

CERTIFICATE OF SERVICE CV 07-01984 PSG

Case	2:07-cv-01984-PSG-MAN Document 113 Filed 05/03/12 Page 18 of 18 Page ID #:1626
	#.1020
1	mail is deposited with the United States Postal Service with first class postage
2	thereon fully prepaid on the same day it is placed for collection and mailing.
3	I declare that I am employed in the office of a member of the bar of
4	this court at whose direction the service was made. I declare under penalty of
5	perjury under the laws of the United States of America that the foregoing is true and
6	correct. Executed on May 3, 2012, at San Francisco, California.
7	
8	/s/Robyn E. Bird Robyn E. Bird
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