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13 **UNITED STATES DISTRICT COURT**
14
15 **NORTHERN DISTRICT OF CALIFORNIA**

16 JESSICA FULLER; ALEXANDER
17 GONCALVES; BRETT MCADAMS; and QUINN
18 MOLINA,

Plaintiffs,

v.

19 BLOOM INSTITUTE OF TECHNOLOGY,
20 formerly d/b/a Lambda School; AUSTEN
21 ALLRED, in his individual capacity; and DOES 1
22 through 9,

Defendants.

Case No. 3:23-CV-01440-AGT

**FIRST AMENDED CLASS ACTION
COMPLAINT FOR EQUITABLE RELIEF
BASED ON:**

1. **VIOLATIONS OF THE CONSUMER LEGAL REMEDIES ACT (Cal. Civ. Code §§ 1750, et seq.)**
2. **VIOLATIONS OF THE UNFAIR COMPETITION LAW (Cal. Bus. & Prof. Code §§ 17200, et seq.)**
3. **VIOLATIONS OF THE FALSE ADVERTISING LAW (Cal. Bus. & Prof. Code §§ 17500, et seq.)**

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VII. PRAYER FOR RELIEF47

1 Plaintiffs Jessica Fuller, Alexander Goncalves, Brett McAdams, and Quinn Molina
2 (“Plaintiffs”), by and through their attorneys, allege as follows:

3 **I. SUMMARY OF THE CASE**

4 1. Bloom Institute of Technology, formerly known as Lambda School (“Lambda”), is a for-
5 profit, unaccredited computer coding bootcamp that opened in 2017, audaciously promising to
6 revolutionize higher education. Unlike traditional higher education, with its high debt load, uncertain
7 job prospects, and structural indifference to job outcomes, Lambda claimed its approach would be
8 different. By its telling, Lambda would not only teach students coding, but would connect students with
9 tech jobs, and require tuition payments only after students got qualifying jobs—accomplished by
10 having them sign Income Share Agreements (“ISAs”) before enrolling. Lambda and its CEO, Austen
11 Allred, trumpeted ISAs as a disruptive, revolutionary approach to education financing, promising
12 students that, because they paid nothing until they found a job, Lambda was equally invested in
13 students’ ultimate job market success.

14 2. As evidence that Lambda’s model worked, it promoted lofty job placement rates. For the
15 last several years, Lambda has prominently displayed job placement rates of 71 to 90 percent across its
16 website, social media pages, and online advertisements. In time, Lambda’s aggressive marketing,
17 touting that the vast majority of its students get well-paying tech jobs, swelled its enrollment to
18 thousands of students.

19 3. But Lambda’s entire marketing pitch was based on a series of misrepresentations. While
20 Lambda publicly flaunted job placement rates of 74 to 90 percent, it revealed to its private investors
21 that the true rates were far lower, ranging from 27 to 50 percent. While Lambda’s public marketing
22 emphasized how the school was invested in students’ success, claiming that Lambda wouldn’t get paid
23 unless students did, in reality Lambda sold off the rights to collect on students’ future income to private
24 investors. Lambda even misrepresented that it had state approval to operate when, in fact, it did not.
25 Through these misrepresentations, Lambda ensnared thousands of students in its scheme to extract (or
26 sell off the rights to extract) tens of thousands of dollars from each students’ future earnings.

27 4. Plaintiffs, four such students, bring this class action complaint, on behalf of themselves
28 and a class of similarly situated persons, against Lambda, Lambda’s co-founder and CEO, Austin

1 Allred, in his personal capacity, and John Does 1–9 for violations of the California Consumer Legal
2 Remedies Act (“CLRA”), California Civil Code § 1750, *et seq.*, Unfair Competition Law (“UCL”),
3 California Business and Professional Code §17200, *et seq.*, and False Advertising Law (“FAL”),
4 California Business and Professional Code § 17500, *et seq.*

5 5. Plaintiffs bring this action to hold Defendants accountable for: (i) falsifying and
6 misrepresenting Lambda’s job placement rates, and misrepresenting and concealing the true nature of
7 Lambda’s financial interest in students’ success, including by falsely representing that Lambda only got
8 paid after students found employment and got paid; (ii) misrepresenting and concealing from students
9 that, until August 17, 2020, Lambda did not have the necessary approval from the California Bureau for
10 Postsecondary Education (“BPPE”) to operate as a school, and was under order by the BPPE to cease
11 operations, stop enrolling students, cease all instructional services, and submit a closure plan; (iii) in
12 violation of California law, enrolling, signing tuition payment plans with and providing educational
13 services to students before Lambda obtained the BPPE’s approval to operate; and (iv) in violation of
14 California law, engaging in the unlawful business practice of unlicensed lending.

15 6. Plaintiffs and members of the proposed class are current and former Lambda students
16 who either (1) entered into ISAs, retail installment contracts, deferred tuition plans, installment plans,
17 lump-sum payment plans, or other tuition plans (hereinafter “tuition payment plans”) with an arbitration
18 clause that contains a carve-out for proceedings “commenced by either party seeking an injunction . . .
19 or any other equitable remedy,” or (2) enrolled at Lambda without signing (or opting out of) an
20 arbitration clause and class action waiver. On information and belief, this includes students who
21 enrolled at Lambda from on or around March of 2020 to the present.¹

22 7. Plaintiffs and members of the proposed class enrolled at Lambda under false pretenses.
23 Plaintiffs seek declaratory and injunctive relief to cancel their tuition payment plans and those of all
24 class-members, to declare the tuition payment plans null and void, to require equitable restitution of all
25 payments made to Lambda, and for additional relief. They also seek public injunctive relief, including
26 enjoining Defendants from misrepresenting job placement rates, and entering into or collecting on any

27 _____
28 ¹ While the tuition payment plans from March 2020 to the present contain arbitration clauses and class
action waivers, neither apply to this proceeding.

1 tuition payment plan entered into while Defendants engaged in such misrepresentations. Plaintiffs lack
2 an adequate remedy at law to obtain these remedies and make them whole. For example, remedies at
3 law cannot cancel tuition payment plans, preclude payments pursuant to uncanceled tuition payment
4 plans, protect against possible liability pursuant to those plans, enjoin Defendants from collecting upon
5 or otherwise enforcing those plans, enjoin Defendants from misrepresenting job placement rates and
6 entering into or collecting on any tuition payment plan entered into while Defendants maintained such
7 misrepresentations, declare Defendants' job placement rate representations to be fraudulent and
8 misleading in violation of California law, nor declare that Defendants knowingly operated a private
9 postsecondary institution without approval to operate and in violation of California law.

10 **II. THE PARTIES**

11 8. Plaintiff Jessica Fuller is a resident of Lakewood, Pierce County, Washington. She
12 signed her ISA on April 22, 2020. She was enrolled as a student at Lambda from June 2020 until
13 September 2020, at which point she withdrew from her program. Plaintiff Fuller's ISA is attached as
14 Exhibit A.

15 9. Plaintiff Alexander Goncalves is a resident of Philadelphia, Philadelphia County,
16 Pennsylvania. He signed his ISA on May 20, 2020. He was enrolled as a student at Lambda from June
17 2020 until January 2021, at which point he graduated from his program. Plaintiff Goncalves's ISA is
18 attached as Exhibit B.

19 10. Plaintiff Brett McAdams is a resident of Apopka, Orange County, Florida. He signed his
20 ISA on June 15, 2020. He was enrolled as a student at Lambda from July 2020 until March 2021, at
21 which point he graduated from his program. Plaintiff McAdams's ISA is attached as Exhibit C.

22 11. Plaintiff Quinn Molina is a resident of Olympia, Thurston County, Washington. He
23 signed his ISA on January 8, 2021. He was enrolled as a student at Lambda from January 2021 to May
24 2022, at which point he graduated from his program. Plaintiff Molina's ISA is attached as Exhibit D.

25 12. Defendant Lambda is a corporation organized and existing under the laws of the State of
26 Delaware, having its principal place of business at 250 Montgomery Street, Floor 16, San Francisco,
27 California 94104 and/or 149 New Montgomery Street, 4th floor, San Francisco, CA 94101.

1 13. Defendant Austen Allred is Lambda’s founder and CEO. Upon information and belief,
2 Mr. Allred resides in San Francisco, California, and/or did so during times relevant to the events
3 described herein.

4 14. Defendants John Does 1-9 are officers and/or directors of Lambda as well as individuals,
5 corporations, or other entities who may own all or a portion of Plaintiffs’ and class members’ tuition
6 payment plans or any other financial interest in such tuition payment plans.

7 **III. JURISDICTION AND VENUE**

8 15. Although Plaintiffs contend that this Court lacks subject matter jurisdiction over this
9 matter, the Court’s November 13, 2023 Order (Doc. 52) held that this Court has jurisdiction pursuant to
10 the Class Action Fairness Act, 28 U.S.C. § 1332(d).

11 16. This Court has personal jurisdiction over Defendants because Defendant Lambda’s
12 principal place of business is in the County of San Francisco, California, and its contacts with
13 California are so continuous and systematic that it is essentially at home in this state; Defendant Allred,
14 upon information and belief, resides in the County of San Francisco, California, and/or did so during
15 times relevant to the events described herein; and Defendants regularly conduct and solicit business in
16 California and have caused injuries in the County of San Francisco and the State of California through
17 their acts, and by their violation of the UCL, FAL, and CLRA. At all times relevant to this complaint,
18 the misrepresentations alleged herein—including misrepresentations of job placement rates and state
19 approval status—emanated from California, including at Defendants’ headquarters in San Francisco,
20 California,² where the majority of Lambda’s leadership team resides and works.³ Upon information and

21
22 ² See, e.g., Austen Allred, *Announcing the Release of Our H1 2019 Student Outcomes Report*, Lambda
23 School Website (Mar. 27, 2020), [archived by the Wayback Machine (Apr. 23, 2020),
24 [https://web.archive.org/web/20200423031203/https://lambdaschool.com/the-commons/announcing-the-
25 release-of-our-h1-2019-student-outcomes-report](https://web.archive.org/web/20200423031203/https://lambdaschool.com/the-commons/announcing-the-release-of-our-h1-2019-student-outcomes-report)] (Mr. Allred explaining that Lambda “moved from our
26 beloved 100 square foot office in San Ramon to our San Francisco headquarters in an actual office
27 building downtown.”); Lambda School (@LambdaSchool), Twitter (May 1, 2018, 12:41 PM),
28 <https://twitter.com/bloomtech/status/991372104674066432> (“[b]ased in Bay Area”); Lambda School
CATALOG, June 1, 2019 – May 31, 2020 (“Lambda headquarters is located at 250 Montgomery Street,
16th floor, San Francisco, CA 94102.”); Lambda Inc., United States Securities & Exchange
Commission Form D at 1 (listing 250 Montgomery Street, 16th Floor, San Francisco, California 94104
as Lambda’s “principal place of business”).

³ See, e.g., *About Bloom*, Bloom Institute of Technology Website, <https://www.bloomtech.com/about>

1 belief, these misrepresentations—including those marketed and contained on the Lambda website,
 2 Lambda online advertisements, and social media accounts of Lambda and Mr. Allred—were conceived,
 3 coordinated, reviewed, approved, or otherwise controlled from California.

4 17. Venue is proper in the United States District Court for the Northern District of California
 5 pursuant to 28 U.S.C. § 1391.

6 **IV. FACTUAL ALLEGATIONS COMMON TO ALL CLAIMS**

7 **A. LAMBDA BACKGROUND**

8 18. Lambda is a private, for-profit online coding school founded in 2017 by its current CEO,
 9 Austen Allred. Lambda provides online computer science courses of varying lengths. It is not a degree-
 10 granting institution, and is not accredited. Students cannot take out federal student loans to attend
 11 Lambda.

12 19. At all times relevant to this complaint, Lambda charged tens of thousands of dollars for
 13 its program, more than double the reported average price of online coding bootcamps.⁴

14 20. As Lambda's CEO, Mr. Allred was the company's primary decisionmaker, in a position
 15 of control over daily operations and the company's public representations and status with the BPPE.

16 21. As Lambda's CEO, Mr. Allred also benefited personally from the tuition paid by
 17 Plaintiffs and members of the class.

18 22. Lambda marketed itself prominently as a place where students learn the skills necessary
 19 to obtain employment in the competitive computer technology job market. In Mr. Allred's words, most
 20 students come to Lambda with "no network" and are "from either inner cities or rural areas."⁵

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 24 (last visited November 27, 2023); *About*, Lambda School Website (May 9, 2020),
 25 <https://web.archive.org/web/20200509074406/https://lambdaschool.com/about> (last visited November
 27, 2023).

26 ⁴ See Cecilia Clark, *How Much is Coding Boot Camp?* Nerdwallet (June 21, 2022, 10:53 AM),
 27 <https://www.nerdwallet.com/article/loans/student-loans/how-much-is-coding-bootcamp>.

28 ⁵ See Y Combinator, *A CS Education That's Free Until You Get a Job - Austen Allred of Lambda School*, YouTube (Apr. 3, 2019) at 9:10 (hereinafter "Y Combinator Interview"),
<https://www.youtube.com/watch?v=yIAYZtdrfl&t=551s>.

1 23. Lambda has long touted “experienced industry expert” instructors and a top-of-the-line
2 curriculum that is “designed to get you hired.” On April 3, 2019, Mr. Allred stated that Lambda’s
3 “educational experience is, I think, among the best in the world.”⁶

4 24. Part of Lambda’s business model is predicated on convincing prospective students to pay
5 a large amount of tuition by promising them that they will not owe anything unless and until they find a
6 job that pays \$50,000 or more per year.

7 25. Lambda carries out this model by entering into tuition payment plans with students. For
8 example, as Lambda describes its ISAs: “A Lambda School ISA is a contract under which you agree to
9 pay 17% of your post-Lambda School salary for 24 months, but only once you’re making more than
10 \$50,000 per year (or the equivalent of \$4,166.67 per month). The ISA is capped at a maximum
11 repayment of \$30,000, so you won’t pay more than \$30,000 under any circumstances.”⁷

12 26. Some Lambda tuition payment plans are managed by third-party servicers who handle
13 origination and payment processing.⁸ For example, Meratas, a loan-servicing company headquartered in
14 Stamford, Connecticut, services some of the ISAs at issue in this case, including those signed by the
15 Named Plaintiffs.

16 27. By April 2019, Lambda was growing at “an insane pace.” As Mr. Allred explained:

17 We agreed as a team to no longer share the number of students that we have enrolled, but
18 it is not a small number and it is growing at an insane pace. We’ll soon be measuring
19 Lambda School scale by percentage of the overall number of students learning to program
20 every year, to give you some context. And being able to support that kind of scale
21 effectively is what keeps me up at night. Mostly specifically hiring, mostly hiring
22 executives right now who can build out 100, 150 person teams beneath them . . . and we
23 need like 5 of them yesterday.⁹

24 ⁶ *Id.* at 15:05.

25 ⁷ *The Lambda School Income Share Agreement*, Lambda School Website (scroll to FAQs “What is an
26 ISA and how does it work”), [archived by the Wayback Machine (Dec. 16, 2020),
<https://web.archive.org/web/20201216131833/https://lambdaschool.com/tuition/isa>].

27 ⁸ *The Lambda School Income Share Agreement*, Lambda School Website (scroll to FAQs “Who are
28 Meratas and Leif”), [archived by the Wayback Machine (Dec. 16, 2020),
<https://web.archive.org/web/20201216131833/https://lambdaschool.com/tuition/isa>].

⁹ Y Combinator Interview at 47:50.

1 28. Mr. Allred attributed Lambda’s growth in part to his active personal Twitter account,
2 stating in January 2020 that his frequent tweets have “certainly helped Lambda school grow.”¹⁰

3 29. Mr. Allred also stated: “If there’s one thing I’m good at in life, it’s growing something
4 quickly, building hype for something quickly. That’s kind of my superpower.”¹¹

5 30. Over time, Lambda expanded its tuition payment plan offerings to include, for example,
6 retail installment contracts, deferred tuition plans, multi-part installment payment plans, financing
7 through a third-party loan, a pre-instruction lump sum payment, or ISA varieties that combine an initial
8 lump sum payment with payments from a proportion of future earnings. Upon information and belief,
9 tuition payment plans under each of these categories qualify the student-signatories as putative
10 members of the proposed class, based on their plans either containing the aforementioned arbitration
11 clause carve-out, or based on their enrollment without signing (or opting out of) an arbitration clause
12 and class waiver.

13 31. Lambda has attempted to enforce agreements pursuant to these tuition payment plans,
14 including by seeking payment through collections and moving to compel arbitration under these
15 agreements.

16 **B. UNTIL AUGUST 17, 2020, LAMBDA OPERATED WITHOUT STATE**
17 **APPROVAL, IN VIOLATION OF CALIFORNIA LAW**

18 32. As a California company with its headquarters and principal place of business in San
19 Francisco, Lambda is subject to the laws of the state of California. One of those laws, California
20 Education Code § 94886, bars private postsecondary educational intuitions from doing business without
21 “approval to operate.”

22 33. Another, Section 94917, provides that when educational institutions violate this law, any
23 “note, instrument, or other evidence of indebtedness relating to payment” for its programs is “void and
24 not enforceable.”
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27 ¹⁰ Vincent Woo, *Interview with Austen Allred*, Soundcloud (Jan. 22, 2020) at 42:10 (hereinafter “Woo
Interview”), <https://soundcloud.com/vwoo/interview-with-austen-allred>.

28 ¹¹ Y Combinator Interview at 22:25.

1 34. All Lambda tuition payment plans, including ISAs, are a “note, instrument, or other
2 evidence of indebtedness relating to payment for educational program[s],” under the California
3 Education Code.

4 35. On March 20, 2019, the BPPE issued a “Citation: Assessment of Fine and Order of
5 Abatement” (“Citation”) to Lambda. The Citation found that Lambda was “operating without Bureau
6 approval,” in violation of the California Education Code. A copy of the Citation is attached hereto as
7 Exhibit E.

8 36. In the Citation, the BPPE ordered that Lambda “cease to operate as a private
9 postsecondary educational institution” and “submit a school closure plan.” The Citation further required
10 Lambda to “discontinue recruiting or enrolling students and cease all instructional services and
11 advertising in any form or type of media, including the <https://lambdaschool.com> and any other
12 websites not identified here that are associated with the Institution, until such time as an approval to
13 operate is obtained from the Bureau.”

14 37. On May 14, 2019, Lambda submitted its application to the BPPE seeking approval to
15 operate.

16 38. Lambda appealed the Citation and, on July 24, 2019, the BPPE issued an “Appeal of
17 Citation Informal Conference Decision: Citation Affirmed” (the “Citation Affirmance”). The BPPE
18 affirmed the Citation because “[n]o new substantive facts were presented,” and thus, Lambda was
19 required to “comply with the orders described in the ‘Violation Code Sections’ of this document and
20 submit evidence of compliance within 30 days from the date of this decision.” Citation Affirmance at
21 1–3. A copy of the Citation Affirmance is attached hereto as Exhibit F.

22 39. In direct violation of California law, the Citation, and the Citation Affirmance, Lambda
23 continued to operate, advertise its educational services to the public, and enroll students.

24 40. On August 21, 2019, the BPPE denied Lambda’s May 14, 2019 application, stating in a
25 letter to Lambda that it was “unable to grant approval.” A copy of the August 21 order is attached
26 hereto as Exhibit G.

27 41. On November 25, 2019, the BPPE issued an order denying Lambda’s updated
28 application for approval, explaining that “at this time the Bureau is unable to grant approval, based on

1 the requirements of the California Education Code.” A copy of the November 25 order is attached
2 hereto as Exhibit H.

3 42. On June 22, 2020, the BPPE issued yet another order denying Lambda’s further updated
4 application for approval to operate, stating that “the Bureau cannot at this time approve Lambda’s
5 application.” A copy of the June 22 order is attached hereto as Exhibit I.

6 43. The June 22, 2020 order also found that Lambda’s ISAs constitute “an instrument or
7 evidence of indebtedness” under the California Education Code. *Id.* at 5.

8 44. On August 17, 2020, the BPPE issued an order approving Lambda’s application. The
9 approval letter stated that the BPPE had completed its review of Lambda’s “Application for Approval
10 to Operate,” including “supplemental documentation” received on August 14, 2020. The BPPE found
11 that “[a]pproval to operate is granted *effective August 17, 2020*.” (emphasis added). A copy of the
12 August 17 order is attached hereto as Exhibit J.

13 45. From at least May 2019 until Lambda was approved on August 17, 2020, Lambda’s
14 course catalogs falsely stated that Lambda was approved by the BPPE. In at least three versions of the
15 2019 and 2020 catalogs—revised in May 2019, September 2019, and July 2020 (all prior to Lambda’s
16 approval)—Lambda falsely stated the following:

17 **APPROVALS**

18 Lambda School is a private institution *approved to operate* by the California Bureau for
19 Private Postsecondary Education. Approval to operate means the institution is compliant
20 with the minimum standards contained in the California Private Postsecondary Education
Act of 2009 (as amended) and Division 7.5 of Title 5 of the California Code of
Regulations.

21 See Exhibit K (Excerpts of Three Versions of Lambda Course Catalogs for 2019 and 2020 at 5)
22 (emphasis added)).

23 46. During the time Lambda was seeking the BPPE’s approval, Mr. Allred engaged in a
24 public misinformation campaign about Lambda’s legal status. For example, in August 2019, Mr. Allred
25 told Business Insider that Lambda was working with the BPPE to obtain approval and that the order had
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28

1 been stayed while the application was pending. Mr. Allred stated that “[b]ecause we’re talking with
2 BPPE, it doesn’t affect students at all.”¹² This was false.

3 47. In truth, the Citation and Citation Affirmance were not stayed, multiple of Lambda’s
4 applications had been denied, and Lambda’s future was uncertain. In August 2020, a public information
5 officer with California’s Department of Consumer Affairs told Business Insider “that there is no stay on
6 the order, and that if Lambda School is still operating while its registration is pending, it would be in
7 violation of state law.”¹³

8 48. Upon information and belief, Mr. Allred further commented to Lambda students,
9 including some BPPE Subclass Plaintiffs during their ISA revocability period, over the Lambda Slack
10 channel that any regulatory issues were mere technicalities that did not affect the school’s ability to
11 operate.

12 49. At all times Mr. Allred knew or should have known that ISAs and other financing
13 instruments issued by Lambda were void and unenforceable under California Law due to Lambda’s
14 lack of approval to operate.

15 50. Throughout 2019 and 2020, prior to Lambda’s August 17, 2020 approval, Lambda and
16 Mr. Allred further misrepresented Lambda’s approval status by using a number of recognized attributes
17 of an approved academic institution in its advertising and promotional materials. During this period,
18 Lambda’s name, website, and the website URL itself – lambdaschool.com – used the term “school”,
19 and Lambda’s website, ads, and social media continuously displayed the following school crest:

20 *Screenshot from Lambda’s website on April 22, 2020.*



25 ¹² Rosalie Chan, *The hot Silicon Valley coding bootcamp Lambda School is paying a \$75,000 fine for*
26 *not registering properly with the state of California*, Business Insider (Aug. 29, 2019, 6:32 PM),
<https://www.businessinsider.com/lambda-school-coding-bootcamp-california-bppe-2019-8>.

27 ¹³ Rosalie Chan, *A California official says red-hot coding bootcamp Lambda School is violating state*
28 *law if it operates without the right registration — but the company insists classes can go on*, Business
Insider (Aug. 30, 2019, 8:54 PM), <https://www.businessinsider.com/lambda-school-california-state-law-coding-bootcamp-y-combinator-2019-8>.

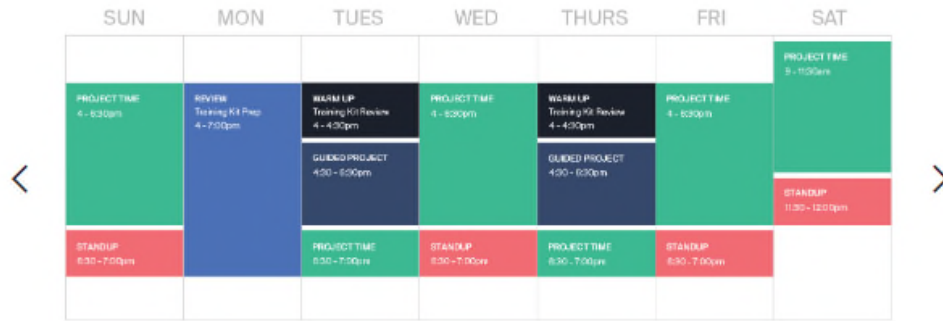
1 51. During this period, Lambda’s website, online ads, and social media continuously and
2 repeatedly referred to various features of an approved academic institution, including, for example, a
3 “curriculum,” “tuition,” “students,” “student body,” being “enrolled,” an academic “schedule,”
4 “graduates,” “mentors,” “grades,” “lectures,” “homework,” and “career support”:¹⁴

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26 ¹⁴ See, e.g., Lambda School (@LambdaSchool), Twitter (Dec. 10, 2019, 9:52 PM),
27 <https://twitter.com/bloomtech/status/1204609786718801922>; Lambda School Instagram (Mar. 16,
28 2020), <https://www.instagram.com/p/B9zG7NvjhyS/>; *Curriculum*, Lambda School Website, [archived
by the Wayback Machine (May 6, 2020),
<https://web.archive.org/web/20200506051614/https://lambdaschool.com/curriculum>].

Screenshot from Lambda's website on May 6, 2020.

Rigorous structure that works

Every week at Lambda follows a specific agenda designed for you to pick up new skills quickly. Individual progress assessment is built into every corner of our digital program allowing students to repeat content until mastery has been demonstrated.



Part-time schedule in Pacific Time Zone (PT). Choice of Fri, Sat, or Sun - Click the arrow or swipe to see Full-time.

Get help when you need it

We're in this together. Course mentors are just a Slack message away whenever you need extra help, so your learning is never stalled while you wait around for a response.

Instructors

An experienced industry expert will lead the curriculum and day-to-day class instruction via Zoom.

Team Leads

You and 8 to 8 students will meet daily with your Team Lead for guidance, code review, and skills development. You'll also meet 1:1 for additional support.

Coordinators

Our Coordinators are here to ensure your experience at Lambda is a positive one. Can't decide which track is best? They'll guide you. Stressed out? They'll support you.

Career Coaches

Starting in week one, you'll have access to online office hours hosted by Lambda's expert career coaches, whom you'll work with during and after the program until you start your first job.

Mentors

When you begin your job hunt, we'll match you with a local professional in your field to give you advice on your portfolio, help you build your network, and help you get to know the industry.

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Screenshot of a March 16, 2020 Lambda Instagram post.



52. Mr. Allred furthered the appearance that Lambda was approved to operate in similar terms. In his “Letter from the CEO” at the beginning of Lambda’s March 2020 outcomes report, he refers to the Lambda “student body” growing to 2,900, with Lambda staff growing to 200, and moving the Lambda headquarters to an office building in downtown San Francisco based on that growth. He refers to a “curriculum” that is “mastery-based,” “graduation,” “career support,” and “the school.” He acknowledged that Lambda “students place great trust in Lambda School when they enroll, and they make incredible investments of time and energy while engaged in our programs.”¹⁵

53. Had the plaintiffs who signed their ISAs prior to August 17, 2020, been aware that Lambda was operating without a license, was not approved to operate, and that its future legal status was uncertain, they would not have signed tuition payment plans that indebted them for up to tens of thousands of dollars to Lambda. Indeed, no reasonable consumer would enroll and indebt themselves to a program operating unlawfully and under orders to close.

¹⁵ See Austen Allred, *Announcing the Release of Our H1 2019 Student Outcomes Report*, Lambda School Website (Mar. 27, 2020), [archived by the Wayback Machine (Apr. 23, 2020), <https://web.archive.org/web/20200423031203/https://lambdaschool.com/the-commons/announcing-the-release-of-our-h1-2019-student-outcomes-report>] (last visited November 27, 2023).

1 54. As set forth herein, the plaintiffs who signed their ISAs prior to August 17, 2020, seek to
2 represent a BPPE Subclass, comprising students who entered into a tuition payment plan prior to the
3 BPPE’s August 17, 2020 approval, and either (1) whose tuition payment plans contain an arbitration
4 clause with a carve-out for any proceeding commenced by either party seeking an injunction or any
5 other equitable remedy, or (2) enrolled at Lambda without signing (or opting out of) an arbitration
6 clause and class action waiver.

7 55. All such tuition payment plans, including ISAs, constitute a “note, instrument, or other
8 evidence of indebtedness relating to payment for [students’] educational program,” under the California
9 Education Code, and therefore, as a matter of law, are “void and not enforceable.” California Education
10 Code § 94917.

11 **C. LAMBDA’S FALSE AND MISLEADING JOB PLACEMENT RATES**

12 56. Mr. Allred describes Lambda as “entirely vocational, we’re a trade school basically, and
13 we want to help you make as much money as you can.”¹⁶

14 57. One of the most important statistics for prospective students was Lambda’s purported
15 record of successfully placing students in computer technology careers. Defendants understood that
16 students would only enroll if Lambda would help them secure a job. As Lambda describes it, job
17 placement is “the most critical component of Lambda’s operations, not only in the School’s obligation
18 to its students, but to the prosperity of the company as a whole.”

19 58. To that end, for the past six years, since Lambda’s inception, and continuously through
20 today, Lambda and Mr. Allred have engaged in an extensive and long-term campaign to advertise false
21 and misleading job placement rates. Lambda and Mr. Allred prominently display Lambda’s purported
22 record of job placement on the Lambda website, in marketing materials and outcomes reports, in a
23 variety of online and social media advertisements (upon information and belief, including Google,
24 YouTube, and various social media), and through social media postings and comments, including Mr.
25 Allred’s personal social media accounts.

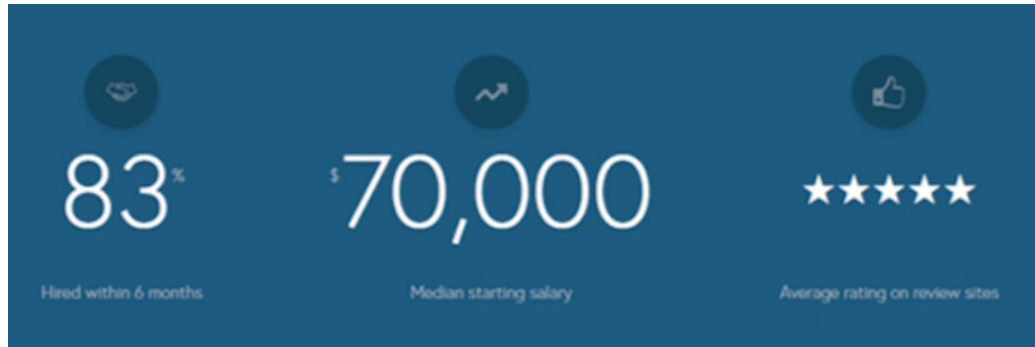
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¹⁶ Y Combinator Interview at 13:00.

1 School graduates have been hired, including 83% of early cohorts, with an average salary increase of
2 over \$47,000 per hired graduate.”

3 64. Lambda’s website contained the following statement across the top of the page:

4 *Screenshot from Lambda’s website on December 13, 2018.*



11 65. The representation of an 83% job placement rate remained on the Lambda website until
12 on or about February 2019.

13 66. The disparity between Lambda’s public representations and private statements would
14 only grow. From on or about April 2019 until at least December 2019, Lambda’s website advertised a
15 job placement rate of over 85%. For example, on April 18, 2019, Lambda’s website contained the
16 following statement across the top of the page:

17 *Screenshot from Lambda’s website on April 18, 2019.*



23 67. In May of 2019—at the same time Lambda was advertising an 85.9% job placement rate
24 and touting its transparency—Lambda executives sent a private memorandum to investor Y
25 Combinator. *See* Lambda Memorandum to Investors, *Human Capital: The Last Unoptimized Asset*
26 *Class* at 10 (May 2019), attached hereto as Exhibit L. The May 2019 memo stated:

We're unable to place students at scale

- We're at roughly 50% placement for cohorts that are 6 months graduated
- Placement to date has been manual and one-off, which isn't possible at scale

Ex. L at 10.

68. After the memorandum was published in news accounts two years later, Mr. Allred tweeted from his personal account that he was the one who made the 50% placement representation to investors, stating: "The 50% came from me telling investors about what % of enrolled students get jobs that require repayment."

69. Despite Mr. Allred's contrary statement to investors, Lambda's website continued to represent an 85.9% or 86% placement rate through the end of 2019. These rates were false and misleading.

70. On December 14, 2019, Lambda's homepage stated:



Screenshot from Lambda's website on December 14, 2019.

71. This statement was false and directly contrary to the true facts known to Lambda and Mr. Allred, which had privately been disclosed to investors, as described above.

72. When asked in an interview to explain the discrepancy between the representations on Lambda's website and representations to its investors, Mr. Allred explained: "I mean you're literally looking at what are the risks, right? Like, we're going to pick our lowest number for that – there are cohorts that have been at 50% placed within 6 months, yes."¹⁸

¹⁸ Woo Interview at 13:00-14:30.

1 73. When asked whether the advertised 86% job placement rate was accurate, he stated: “the
2 way that that number was measured was an average across cohorts at a specific time. I don’t know what
3 it is right now, but that’s directionally correct.”¹⁹

4 74. On February 19, 2020, New York Magazine published an article titled “Lambda
5 School’s Misleading Promises,” in which the writer concluded that Lambda was “selling unprepared
6 students an incomplete education, fueled by overpromising marketing and misleading, if not downright
7 fraudulent, figures.”²⁰ The story described Lambda’s job placement rate misrepresentations and also
8 recounted an interview with a former employee who “confirmed . . . that the company’s own internal
9 numbers, which the interviewee was provided as part of their interview process, seem to indicate a
10 roughly 50 percent or lower placement rate.”²¹

11 75. Lambda nonetheless persisted in promoting false and misleading job placement statistics
12 on its website and elsewhere.

13 76. In 2020, Lambda started to promote its placement rates through “outcomes reports”
14 published on its website and shared through social media. Multiple outcomes reports included an
15 “Independent Accountants’ Report” directed “To the Management” of “Lambda Inc.” located at “250
16 Montgomery Street[,] San Francisco, CA 94104”.

17 77. The first outcomes report, titled “H1 2019 Outcomes Report,” was published on March
18 27, 2020,²² and reported a 79% placement rate.²³

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22 ¹⁹ *Id.* at 11:13-11:26.

23 ²⁰ Vincent Woo, *Lambda School’s Misleading Promises*, New York Magazine (Feb. 19, 2020),
<https://nymag.com/intelligencer/2020/02/lambda-schools-job-placement-rate-is-lower-than-claimed.html>.

24 ²¹ *Id.*

25 ²² See Austen Allred, *Announcing the Release of Our H1 2019 Student Outcomes Report*, Lambda
26 School Website (Mar. 27, 2020), [archived by the Wayback Machine (Apr. 23, 2020),
<https://web.archive.org/web/20200423031203/https://lambdaschool.com/the-commons/announcing-the-release-of-our-h1-2019-student-outcomes-report>].

27 ²³ See *H1 2019 Report Lambda School Outcomes Report*, Lambda School Website, [archived by the
28 Wayback Machine (Sept. 3, 2020),
<https://web.archive.org/web/20200903023542/https://lambdaschool.com/reports/2019-outcomes-report>].

1 78. The 79% placement rate remained up on Lambda’s website until December 3, 2020,
2 when Lambda published its “H2 2019 Outcomes Report.”²⁴ The H2 2019 report showed a 74%
3 placement rate.²⁵

4 79. The 74% rate announced in the H2 2019 report remained up on Lambda’s website until
5 November 7, 2021, when Lambda announced its 2020 outcomes.²⁶ In the 2020 outcomes report,
6 Lambda announced that the placement rate remained at 74%.

7 80. Until November 1, 2022, Lambda continued to report the 74% placement rate from the
8 2020 outcomes report on its website:

9
10 **74%**

11 Job placement rate for BloomTech graduates

12 [BloomTech 2020 Outcomes Report](#)

13 *Screenshot from Lambda’s homepage on September 30, 2022.*²⁷

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15 81. On November 2, 2022, Lambda published the “BloomTech 2021 Outcomes Report,”
16 advertising a 90% placement rate. As of November 2, 2022, Lambda’s website provided:

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19 ²⁴ See Austen Allred, *Announcing the Release of Our H2 2019 Student Outcomes Report*, Lambda
20 School Website (Dec. 3, 2020), [archived by the Wayback Machine (Dec. 14, 2020),
[https://web.archive.org/web/20201214214247/https://lambdaschool.com/the-commons/announcing-
21 lambda-school-h2-2019-student-outcomes-report](https://web.archive.org/web/20201214214247/https://lambdaschool.com/the-commons/announcing-lambda-school-h2-2019-student-outcomes-report)].

22 ²⁵ *Id.* See also *H2 2019 Report Lambda School Outcomes Report*, Lambda School Website [archived by
23 the Wayback Machine (Dec. 3, 2020),
[https://web.archive.org/web/20201203230224/https://lambdaschool.com/reports/h2-2019-outcomes-
24 report](https://web.archive.org/web/20201203230224/https://lambdaschool.com/reports/h2-2019-outcomes-report)].

25 ²⁶ See *Bloom Institute of Technology 2020 Outcomes Report*, Bloom Institute of Technology, [archived
26 by the Wayback Machine (Nov. 25, 2021),
<https://web.archive.org/web/20211125162824/https://www.bloomtech.com/reports/outcomes-report>].

27 It appears that Lambda only published one outcomes report in 2020. See *BloomTech Reports*, Bloom
28 Institute of Technology Website, <https://www.bloomtech.com/reports/archive> (last visited Mar. 14,
2023).

²⁷ See *Built For Your Success*, Bloom Institute of Technology Website, [archived by the Wayback
Machine (Sept. 30, 2022)
<https://web.archive.org/web/20220930032702/https://www.bloomtech.com/outcomes>].

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90%

Job placement rate for BloomTech graduates

[BloomTech 2021 Outcomes Report](#)

*Screenshot from Lambda’s homepage on November 27, 2022.*²⁸

82. In a “Letter from the CEO” dated November 2, 2022, Mr. Allred wrote: “In this independently examined report, you’ll gain a transparent view of how our learners and graduates fared in 2021. Our biggest takeaway: A full **90% of our 2021 graduates have landed jobs**, which is the highest rate in our company’s history.”²⁹

83. Lambda’s website *still* advertises a 90% placement rate. As of December 6, 2023, Lambda’s homepage continues to tout a “90% job placement rate in 2021 for job-seeking grads.”³⁰

84. Like the earlier rates from 2018 and 2019, the rates Lambda published from 2020 to the present (including, but not limited to, the 79%, 74%, and 90% rates from outcomes reports) were, and continue to be, false and misleading. Lambda and its executive leadership, including Mr. Allred, knew that these widely disseminated rates were false and misleading.

85. Business Insider reported in October 2021 that documents from a Lambda “all-hands” meeting in January 2021 “showed that Lambda School placed only around 30% of its 2020 graduates in qualifying jobs during the first half of 2020. This figure is in stark contrast to the 74% placement rate it advertised for its 2019 graduates, the latest figure the school has made publicly available. . . .”³¹

²⁸ See *Built For Your Success*, Bloom Institute of Technology Website, [archived by the Wayback Machine (Nov. 27, 2022), <https://web.archive.org/web/20221127122732/https://www.bloomtech.com/outcomes>].

²⁹ See Austen Allred, *Letter from the CEO*, Bloom Institute of Technology Website (Nov. 2, 2022), <https://www.bloomtech.com/reports/outcomes-report#letter> (last visited Mar. 14, 2023) (emphasis in original, internal citation omitted).

³⁰ See Bloom Institute of Technology Home Page, <https://www.bloomtech.com/> (last visited December 6, 2023).

³¹ See Vincent Woo, *Lambda School promised a fast and cheap path to a lucrative tech career. Leaked documents and former students cast doubt on that claim*. Business Insider (Oct. 25, 2021, 7:30 AM), <https://www.businessinsider.com/lambda-school-promised-lucrative-tech-coding-career-low-job-placement-2021-10>.

Lambda H1 Company OKRs

	H1 2020	H2 2020	H1 2021	Metric	Description
Admissions Goal Admissions Actual	n/a 1277	1450 ~850	1500	Unit 2 Starts	# students starting Unit 2.
School Goal School Actual	n/a 52%	56% 52%	60%	Extended Grad Rate %	% of students who start Unit 2 complete coursework within expected time window
Outcomes Goal Outcomes Actual	n/a 33%	40% 27%	60%	% Qualified Placement within 180 days	% of graduates get high paying jobs within 180 days.
Repayment Goal Repayment Actual	n/a 41%	75% 73%	85%	% Repaying within 60 days	% of qualified placed graduates have made a first payment within 60 days.
Alumni Goal	n/a	n/a	40%	% Alumni Giving back	% of hired alumni giving back

*H2 2020 Actuals as of October 2020

90. Another slide, reportedly used at another all-hands meeting in February 2021, broke out the 180-day placement rates by month, from February to July 2020, as follows:

Graduation Month	Qualified Placed % (days elapsed since graduation)			
	Month	+90d	+180d	QP Now
Feb - 2020	20%	31%	41%	
Mar - 2020	19%	30%	36%	
April - 2020	17%	24%	32%	
May - 2020	13%	27%	32%	
Jun - 2020	15%	25%	27%	
Jul - 2020	18%	24%	25%	
Aug - 2020	16%		21%	
Sept - 2020	13%		14%	
Oct - 2020	10%		11%	
Nov - 2020			11%	
Jan - 2021			11%	
Weighted Avg.	16%	27%		
H2 Goal		40%		

91. In yet another slide, reportedly also used at the “all hands” meeting on January 28, 2021, Lambda’s H1 2021 “goal” was to enroll 500 students a month and place 50% to 70% in qualifying jobs. The graph also shows that, if Lambda enrolled 2,000 students per month, it could become profitable even if fewer than half of its students found jobs:

To break-even, we need to increase # of students and QP%.
 Break even happens when we maintain these numbers for 14 months.



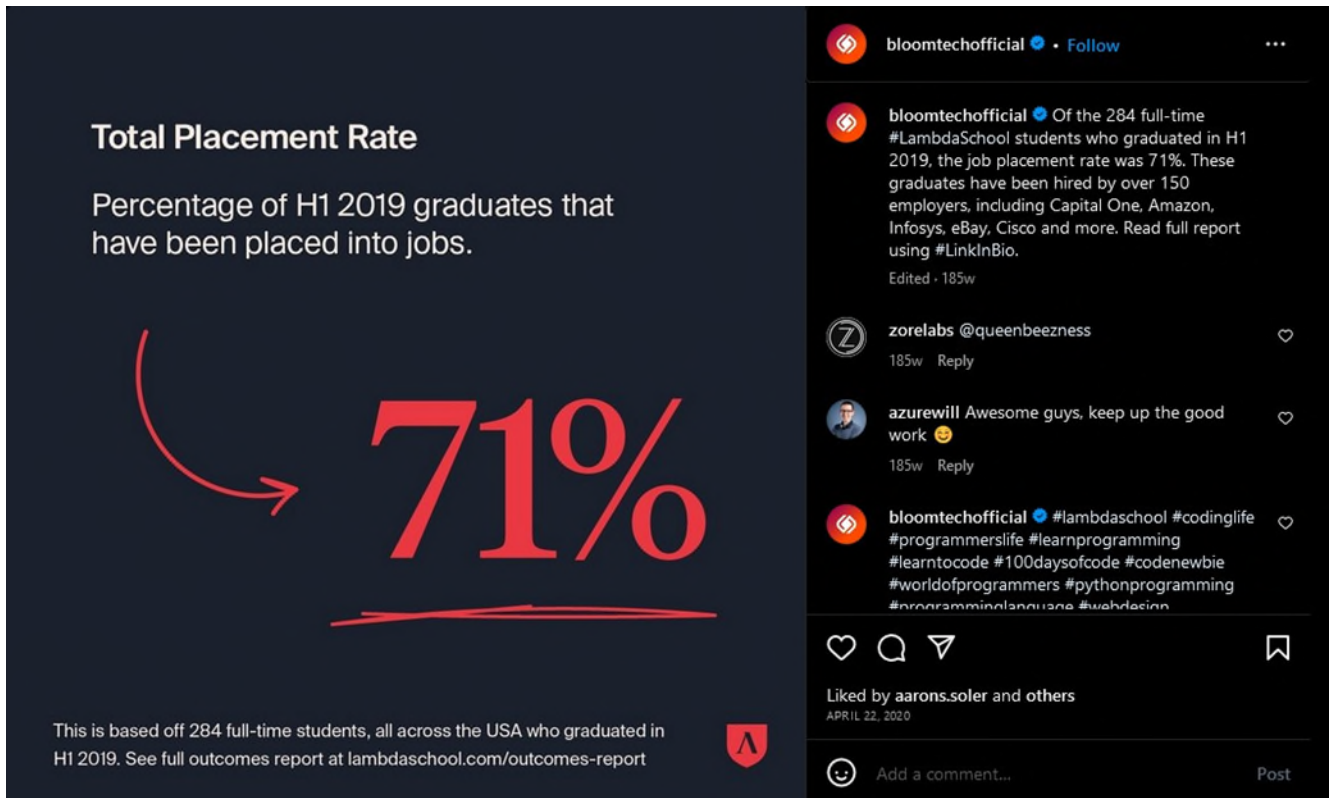
92. Prior to signing their ISAs, Plaintiffs read Defendants’ representations that Lambda’s job placement rate was above 70%. Lambda’s purported record of successfully placing students was critical to their decision to enroll.

2. **Lambda’s false and misleading statements about job placement in social media postings and comments.**

93. In addition to advertising job placement rates on its website and in outcomes reports, Lambda’s job placement marketing campaign expanded to social media posts and comments, including Twitter, Facebook, and Instagram. Like the rates on its website and in outcomes reports, these rates, ranging from 71% to at least 91%, were false and misleading. Lambda and its executive leadership, including Mr. Allred, knew that these widely disseminated rates were false and misleading.

94. Examples of false and misleading job placement rates on Lambda’s Twitter, Facebook, and Instagram accounts include:

- a) April 6, 2018, Lambda Twitter: “Time for another update on placement. Students hired by Lambda School are not included. Cs1: 75% hired within first two months of search.”³²
- b) March 5, 2019, Lambda’s Twitter account linked to a report touting an 85.9% job placement rate and stated: “Lambda only succeeds when our students succeed, and we’re committed to a transparent, no-surprises approach to education.”³³
- c) April 22, 2020, Lambda Instagram: “Percentage of H1 2019 graduates that have been placed into jobs. → 71%”³⁴



- d) September 27, 2021, Lambda Instagram: “77% of H2 2019 job-seeking Data Science graduates were hired. 94% [o]f those hired graduates go the job in the first 180 days”³⁵

³² Lambda School (@LambdaSchool), Twitter (Apr. 6, 2018, 12:39 PM), <https://twitter.com/bloomtech/status/982311747301330944>.

³³ Lambda School (@LambdaSchool), Twitter (Mar. 5, 2019, 7:02 PM), <https://twitter.com/bloomtech/status/1103083315945328640>.

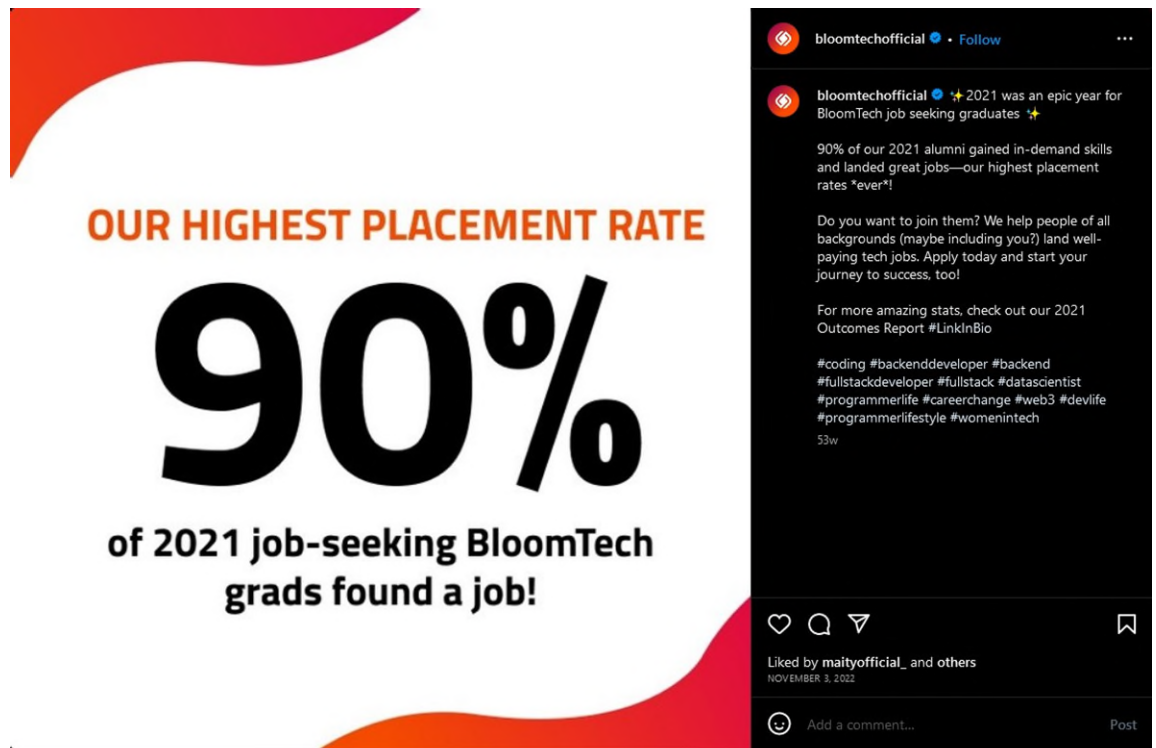
³⁴ Lambda School (@LambdaSchool), Instagram (Apr. 22, 2020), https://www.instagram.com/p/B_S2M-L1m2y/.

³⁵ Lambda School (@LambdaSchool), Instagram (Sept. 27, 2021), https://www.instagram.com/p/CUWJM1qJIEB/?img_index=4.

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e) November 3, 2022, Lambda Instagram: “90% of our 2021 alumni gained in-demand skills and landed great jobs—our highest placement rates *ever*!”³⁶



³⁶ Bloom Tech (@Bloomtechofficial), Instagram (Nov. 3, 2022), <https://www.instagram.com/p/CkgVeHBrmP9/>.

- f) November 3, 2022, Lambda Facebook: “90% of our 2021 alumni gained in-demand skills and landed great jobs—our highest placement rates *ever*!”³⁷
- g) November 3, 2022, Lambda Twitter: “90% of our 2021 alumni gained in-demand skills and landed great jobs—our highest placement rates *ever*!”³⁸
- h) November 4, 2022, Lambda Facebook: “Fun Fact: Did you know, 90% of our 2021 full Stack Web job-seeking graduates found a job after BloomTech?”³⁹
- i) November 7, 2022, Lambda Facebook: “91% of our 2021 job-seeking Data Science graduates found a job 🙌”⁴⁰
- j) November 9, 2022, Lambda Instagram: “91% of 2021 job-seeking Data Science grads found a job after BloomTech”⁴¹

3. **Mr. Allred’s false and misleading statements about job placement and role as driving force behind Lambda’s job placement rate marketing campaign**

95. At all times relevant to this complaint, Mr. Allred was the driving force behind Lambda’s job placement rate marketing campaign. Rather than passively overseeing the campaign, he personally spearheaded Lambda’s dissemination of false and misleading rates, oftentimes promoting the rates himself on his own social media accounts.

96. For example, since March 2020, when Lambda first promoted its job placement rates through outcomes reports, each outcomes report has begun with a personalized letter from Mr. Allred titled “Letter from the CEO,” vouching for the rates in the report. The reports end with Mr. Allred’s signature.

97. Mr. Allred also advertised false and misleading rates on his personal Twitter account:

³⁷Bloom Tech (@BloomTech), Facebook (Nov. 3, 2022), <https://www.facebook.com/BloomTech/posts/pfbid0C9MRRryV1zaMpSXa35QnogkPDAR984bjs9xm en4WJB4SWMtkWAn2kxZ7BRC11KdhI>.

³⁸ Bloom Tech (@BloomTech), Twitter (Nov. 3, 2022, 11:15 AM), <https://twitter.com/bloomtech/status/1588203108013850629>.

³⁹ Bloom Tech (@BloomTech), Facebook (Nov. 4, 2022), <https://www.facebook.com/BloomTech/posts/pfbid025d3iVN2usd1eLKfwTMCh78a3kVNpsmUcRCs MXWinqtYX4tHqLbkDHQz9mhqUZuanI>.

⁴⁰ Bloom Tech (@BloomTech), Facebook (Nov. 7, 2022), <https://www.facebook.com/BloomTech/posts/pfbid0UpByQ5eFscetoNH51QuK1DPrTXYXvaU9cPbE2 H6weYnnvR2YbpWF2m8vLGbuuoUhol>.

⁴¹ Bloom Tech (@Bloomtechofficial), Instagram (Nov. 9, 2022), <https://www.instagram.com/p/CkwHe8ivDND/>.

- 1 a) March 13, 2019: In response to a commenter asking about a \$60,000 median salary and
2 83% 6-month employment rate for Lambda’s main web track, Mr. Allred responded,
3 “That’s low now, but our average student increases his or her income by \$47,000.”⁴²
4
5 b) March 15, 2019: “Lambda School’s first iOS class graduates today. 66% of them are
6 already **hired**.”⁴³
7
8 c) November 16, 2019: “First track just graduated. Hit 100% hired but was VERY small
9 sample size.” Subsequent reporting revealed that this small sample size consisted of a
10 single student.⁴⁴
11
12 d) November 3, 2022: “I am so incredibly excited to finally be able to share BloomTech’s
13 2021 Outcomes Report. Highlights: *All-time high 90% placement rate for job-seeking
14 grads”.⁴⁵

15 98. Other examples of false, misleading, and exaggerated claims on Mr. Allred’s Twitter
16 account include:

- 17 a) January 24, 2021: “I think we’re like 2-3 solvable problems being solved away from
18 100% of Lambda School grads being hired. Still a lot of unknowns, but I think it will be
19 possible.” When a commenter asked what the problems were, Mr. Allred responded:
20 “Boring stuff.”⁴⁶
21
22 b) April 22, 2021: “When I started Lambda School early detractors gave me hell because I
23 said that Lambda School would cause thousands of people to become millionaires who
24 wouldn’t have otherwise been. It’s now pretty clear that was very conservative.”⁴⁷
25
26 c) May 4, 2021: “I get to watch a bunch of people double their income (or more) every
27 single day. Even the worst days are punctuated by a bunch of people changing their
28 lives and the lives of their families forever.”⁴⁸

42 Austen Allred (@Austen), Twitter (Mar. 13, 2019, 12:14 PM),
<https://twitter.com/Austen/status/1105879911036665856>.

43 Austen Allred (@Austen), Twitter (Mar. 15, 2019, 5:20 PM),
<https://twitter.com/Austen/status/1106681485275205634>.

44 See Zoe Schiffer & Megan Farokhmanesh, *The High Cost of a Free Coding Bootcamp*, The Verge
(Feb. 11, 2020, 11:15 EST), [https://www.theverge.com/2020/2/11/21131848/lambda-school-coding-
bootcamp-isa-tuition-cost-free](https://www.theverge.com/2020/2/11/21131848/lambda-school-coding-bootcamp-isa-tuition-cost-free); Ryan Mac (@RMac18), Twitter (Feb. 11, 2020, 1:59 PM),
<https://twitter.com/RMac18/status/1227306243733295108>.

45 Austen Allred (@Austen), Twitter (Nov. 3, 2022, 12:20 PM),
<https://twitter.com/Austen/status/1588219699157905408>.

46 Austen Allred (@Austen), Twitter (Jan. 24, 2021, 1:55 AM),
<https://twitter.com/austen/status/1353234915643568128>.

47 Austen Allred (@Austen), Twitter (Apr. 22, 2021, 10:24 AM),
<https://twitter.com/Austen/status/1385238109185396740>.

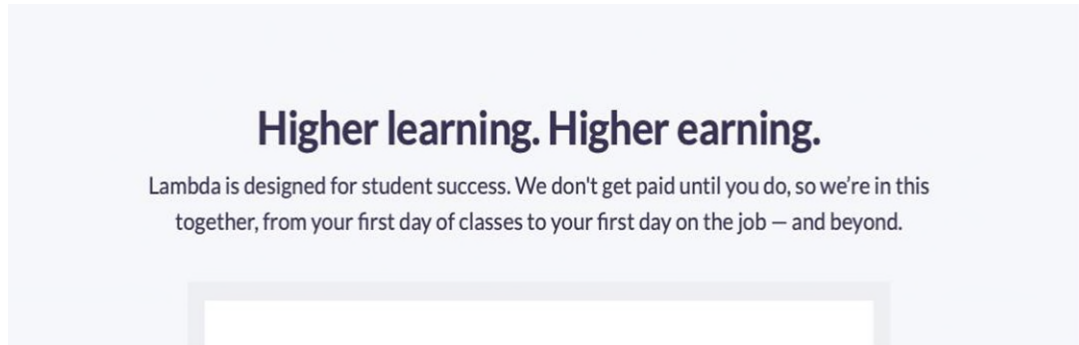
48 Austen Allred (@Austen), Twitter (May 4, 2021, 11:50 PM),
<https://twitter.com/Austen/status/1389789532761956352>.

- d) May 4, 2021: “You can go from near poverty to huge future wealth in just a few months.”⁴⁹
- e) November 24, 2022: “Thankful today for all those who have worked so hard for BloomTech (by current name or by Lambda School). So many people working so diligently. Thousands of lives changed, billions in increased earnings.”⁵⁰

99. Mr. Allred and Lambda acted willfully and knowingly to disseminate Lambda’s job placement representations to the public—including applicants to their school such as Plaintiffs—with knowledge that they were, and continue to be, false and misleading.

4. **While inflating its job placement rates, Lambda misrepresents that it only gets paid once students do**

100. In addition to the placement rates, Lambda and Mr. Allred misled the public with the frequently repeated declaration that: “We don’t get paid until you do, so we’re in this together, from your first day of classes to your first day on the job.”⁵¹ For example, on June 27, 2019, Lambda’s homepage stated:



Screenshot from Lambda’s homepage on June 27, 2019.

101. Mr. Allred regularly touted that Lambda only gets paid when students do on his personal social media accounts and the Lambda website, describing Lambda’s business as based on shared and aligned incentives between Lambda and its students:

⁴⁹ Austen Allred (@Austen), Twitter (May 4, 2021, 11:53 PM), <https://twitter.com/Austen/status/1389790386659364868>.

⁵⁰ Austen Allred (@Austen), Twitter (Nov. 24, 2022, 9:51 AM), <https://twitter.com/austen/status/1595822473781485568>.

⁵¹ See, e.g., Apply Now Pages, Lambda School Website [archived by the Wayback Machine (June 27, 2019), <https://web.archive.org/web/20190627024024/https://lambdaschool.com/>].

1 a) “The main directive in everything we did can be summed up in two words: incentive
2 alignment.”⁵²

3 b) “Our mission from day one has been to **align the incentives of school and student**,
4 giving more people the opportunity they deserve to land a great job with a higher
5 income. If our students don’t succeed, our school shouldn’t either.”⁵³

6 102. In reality, Lambda packaged and sold its ISAs to investors long before students obtained
7 employment. As early as May 2019, Lambda privately told investor Y Combinator: “Currently we sell
8 some income share agreements to hedge funds.” Ex. L at 2.

9 103. To facilitate the sale of ISAs, Lambda partnered with Edly, a digital marketplace that
10 helps schools sell ISAs to third-party investors. On December 11, 2019, Edly tweeted: “Pleased to
11 announce our latest offering [–] a Lambda School ISA Pool. We @edlyISA are excited to work with the
12 amazing team @LambdaSchool[], one of the most impactful ISA programs in the country.”⁵⁴ To learn
13 how to participate, Edly invited interested investors to join a webinar that night with Mr. Allred.⁵⁵

14 104. Lambda did not disclose this fact to students until public reporting exposed it, and for
15 many months Mr. Allred flatly denied it, stating in October 2019 on Twitter that “We never, ever get
16 paid up front for ISAs.”⁵⁶

17 **D. LAMBDA ENGAGED—AND STILL ENGAGES—IN THE UNLAWFUL**
18 **BUSINESS PRACTICE OF UNLICENSED LENDING**

19 105. The California Financing Law “shall be liberally construed and applied to promote its
20 underlying purposes and policies,” which include “protect[ing] borrowers against unfair practices by
21

22 ⁵² Austen Allred, LinkedIn (2019), https://www.linkedin.com/posts/austenallred_announcing-our-new-isa-financing-blueprint-activity-6636140633306333184-dkOh?utm_source=share&utm_medium=member_desktop.

24 ⁵³ See Austen Allred, *Announcing the Release of Our H1 2019 Student Outcomes Report*, Lambda School Website (Mar. 27, 2020), [archived by the Wayback Machine (Apr. 23, 2020), <https://web.archive.org/web/20200423031203/https://lambdaschool.com/the-commons/announcing-the-release-of-our-h1-2019-student-outcomes-report>] (emphasis in original).

26 ⁵⁴ @edlyISA, Twitter (Dec. 11, 2019, 3:01 PM), <https://twitter.com/edlyISA/status/1204853625459216385> (on file with Plaintiffs’ counsel).

27 ⁵⁵ @edlyISA, Twitter (Dec. 11, 2019, 3:02 PM), <https://twitter.com/edlyISA/status/1204853900177743872> (on file with Plaintiffs’ counsel).

28 ⁵⁶ Woo Interview at 6:30 (wherein Mr. Allred confirms that this tweet was “totally correct”).

1 some lenders, having due regard for the interests of legitimate and scrupulous lenders.” Cal. Fin. Code
2 § 22001(a)(4).

3 106. Pursuant to the California Financing Law: “No person shall engage in the business of a
4 finance lender or broker without obtaining a license from the commissioner.” Cal. Fin. Code §
5 22100(a).

6 107. Lambda is not and never has been registered in California as a finance lender or broker
7 under the Financing Law.

8 108. Since its inception, Lambda has operated as a “finance lender” because its tuition
9 payment plans qualify as either consumer or commercial loans under the Financing Law. *See generally*
10 Cal. Fin. Code § 22203-04 (defining consumer loans); Cal. Fin. Code § 22502 (defining commercial
11 loans).

12 109. Lambda’s Meratas ISA provides:

13 THIS IS NOT A LOAN

14 In making monthly payments to Lambda School, you will not be repaying
15 a student loan. In the case of a student loan, a student borrows a set amount
16 and repays the principal amount of the loan plus interest or a finance charge,
or both. Under this agreement, you will instead pay a fixed percentage of
your income each month for up to a maximum number of payments.

17 110. Contrary to this representation, ISAs are a form of student loan.

18 111. According to the United States Consumer Financial Protection Bureau (“CFPB”), a
19 representation that an ISA is “not a loan” is deceptive and misleading under the Consumer Financial
20 Protection Act because “ISAs are loans and do create debt.”⁵⁷

21 112. The California Department of Financial Protection and Innovation (“DFPI”) agrees,
22 holding that ISAs are student loans: “ISAs made solely for use to finance a postsecondary education are
23 ‘student loans’ for the purposes of the SLSA [California Student Loan Servicing Act].”⁵⁸

24 _____
25 ⁵⁷ See Better Future Forward, Inc., et al., CFPB No. 2021-CFPB-0005, Consent Order at ¶ 23 (Sept. 7,
2021) (finding *available at*: [https://files.consumerfinance.gov/f/documents/cfpb_better-future-forward-
inc-consent-order-2021-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_better-future-forward-inc-consent-order-2021-09.pdf)).

26 ⁵⁸ See *In the Matter of Student Loan Servicing Act License Application of Meratas Inc.* NMLS No.
27 2120180, Consent Order at ¶ M (Ca. Dep’t of Fin. Prot. and Innovation Aug. 5, 2021), *available at*:
<https://dfpi.ca.gov/wp-content/uploads/sites/337/2021/08/Meratas-Consent-Order.pdf>; see also Press
28 Release, California Dep’t of Fin. Prot. and Innovation, “California DFPI Enters Groundbreaking

1 113. The United States Department of Education concurs, finding that ISAs “used to finance
2 expenses for postsecondary education are private education loans under 34 C.F.R. 601.2(b).”⁵⁹

3 114. The BPPE also found in its June 22, 2020, order denying Lambda approval to operate
4 that Lambda’s ISA is “an instrument or evidence of indebtedness” under the California Education
5 Code. *See* June 22, 2020 Letter from BPPE to Lambda at 5, attached hereto as Exhibit I.

6 115. Because Lambda is in the business of making ISAs and other tuition payment plans, it is
7 operating as a finance lender under the California Financing Law.

8 116. Lambda’s failure to register as a finance lender deprived Plaintiffs and the class of the
9 borrower protections provided by the California Financing Law.

10 117. Lambda has therefore engaged in the unlawful business practice of making a loan
11 without a license in violation of California Financial Code § 22100, and, in turn, in violation of the
12 unlawful prong of the UCL.

13 118. Had Plaintiffs been aware that Lambda was acting as an unlicensed finance lender, they
14 would not have signed tuition payment plans that indebted them for up to tens of thousands of dollars to
15 Lambda.

16 **E. PLAINTIFFS ATTEND LAMBDA, ATTRACTED BY HIGH JOB PLACEMENT**
17 **RATES AND THE APPEARANCE THAT THE “SCHOOL” WAS APPROVED**
18 **TO OPERATE**

19 **1. Plaintiff Jessica Fuller**

20 119. Ms. Fuller has long been interested in coding, back to when she learned website design
21 as a hobby as a kid. She aspired to eventually turn her hobby into a career, but the time commitment
22 and expense of college curricula made them a nonstarter.

23 120. Once Ms. Fuller experienced a lull in her work as a fitness trainer during the onset of the
24 COVID-19 pandemic, she thought she had an opportunity to revisit a tech career after seeing Lambda

25 _____
Consent Order with NY-Based Income Share Agreements Servicer” (Aug. 5, 2020),
<https://dfpi.ca.gov/2021/08/05/california-dfpi-enters-groundbreaking-consent-order-with-ny-based-income-share-agreements-servicer/>.

26 ⁵⁹ *See* FSA Announcement, General-22-12, *Income Share Agreements and Private Education Loan*
27 *Requirements* (Mar. 2, 2022), [https://fsapartners.ed.gov/knowledge-center/library/electronic-](https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-03-02/income-share-agreements-and-private-education-loan-requirements)
28 [announcements/2022-03-02/income-share-agreements-and-private-education-loan-requirements](https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-03-02/income-share-agreements-and-private-education-loan-requirements). *See also* 87 Fed. Reg. 65,453 (“[T]he Department clarifies that ISAs and other alternative financing products should be treated like institutional loans.”).

1 advertisements in March and April of that year. Lambda was immediately appealing, with a slew of
2 Facebook, Instagram, and YouTube ads promising a career without college. After seeing the ads, Ms.
3 Fuller visited Lambda's website and watched YouTube videos about the program to learn more
4 throughout March and April 2020. She was drawn to the job placement rate of 79% on the Lambda
5 website outcomes report and at least the same rate on Lambda social media ads during March and April
6 2020.

7 121. The rates Ms. Fuller saw on the Lambda website and social media ads were false and
8 misleading, and both Lambda and Mr. Allred knew they were false and misleading. (*See* ¶¶ 56–99,
9 *supra.*)

10 122. This record of successfully placing students was critical to her decision to enroll, and led
11 her to believe that her enrollment would result in being hired for a tech position.

12 123. Ms. Fuller further believed that Lambda was approved to operate due to Defendants'
13 continuous and repeated descriptions on the Lambda website, Lambda ads, and social media of various
14 features of Lambda that gave the appearance that it was a credible, legitimate, and lawfully operating
15 school. These included, but were not limited to, descriptions of Lambda's curriculum, tuition, students,
16 student body, enrollment, academic schedule, graduates, mentors, grades, lectures, homework, and
17 career support. After she enrolled, and during her ISA revocability period, she continued to believe that
18 Lambda was approved to operate, and Mr. Allred reinforced that belief with comments over the
19 Lambda Slack channel that any regulatory issues were mere technicalities that did not affect the
20 school's ability to operate.

21 124. Swayed by Defendants' false job placement rates and representations and appearance
22 that Lambda was a government-approved school, Ms. Fuller signed an ISA with Lambda on April 22,
23 2020. A copy of Ms. Fuller's ISA is attached hereto as Exhibit A.

24 125. Had Defendants truthfully represented Lambda's job placement rates, Ms. Fuller would
25 not have enrolled in Lambda's educational services, or signed an ISA that indebted her up to \$30,000 of
26 tuition to Lambda. Furthermore, Ms. Fuller would not have enrolled in Lambda's educational services,
27 or signed an ISA that indebted her up to \$30,000 of tuition, had she known that Lambda was not
28 lawfully approved to operate.

1 126. Ms. Fuller began attending Lambda part-time in June 2020 and immediately found the
2 instruction confusing and unhelpful. Recognizing that she could not rely on Lambda exclusively, she
3 resorted to buying supplemental courses.

4 127. Soon thereafter, in early September 2020, Lambda made a surprise announcement that it
5 was restructuring Ms. Fuller's program. Lambda would no longer take attendance, provide grading, or
6 offer one-on-one team leads. Feeling like Lambda was eliminating the program she originally enrolled
7 in, and with her ISA tuition amount of \$30,000 still partially refundable, Ms. Fuller took a hiatus for the
8 rest of 2020. With no sign that Lambda would improve its program, she permanently withdrew in
9 January 2021.

10 128. Following her withdrawal, Ms. Fuller researched other avenues for obtaining a job in the
11 tech field. She eventually found a free coding bootcamp called #100Devs, designed for students without
12 degrees or coding experience. She felt like the program was the right fit for her, and could provide her
13 with the skills, experience, and opportunities Lambda did not.

14 129. Indeed, the #100Devs program taught Ms. Fuller what she needed to ultimately get a job.
15 Her new coding skills enabled her to apply for and accept a position as Director of Software
16 Development with ThriveDX.

17 130. Lambda played no role in her success in the #100Devs program, finding out about
18 ThriveDX, or ultimately getting hired there.

19 131. Since the fall of 2023, Ms. Fuller has reduced her hours at ThriveDX and started a
20 university-based IT program—something she believes would be unnecessary had Lambda lived up to
21 its promises. She has not made an ISA payment based on her post-Lambda employment because she
22 has not met the ISA income threshold.

23 2. Plaintiff Alexander Goncalves

24 132. Mr. Goncalves has long had an interest in working in the tech field. During college he
25 completed coding coursework, on top of additional self-taught software development skills. After he
26 was let go from his sales job at a tech startup during the onset of the COVID-19 pandemic, Mr.
27 Goncalves began researching Lambda in April 2020 based on a friend's recommendation. The friend
28 was optimistic about Lambda landing students jobs, based on Lambda's marketed job placement rates

1 and job readiness curriculum. (The friend later became disillusioned with Lambda after learning the job
2 placement rates were inflated.)

3 133. When Mr. Goncalves reviewed Lambda's website, social media, YouTube ads, and other
4 promotional materials for himself in April and May 2020, he was likewise attracted by Lambda's
5 impressive—and prominently displayed—job placement rates, including in an Instagram post from that
6 time with a 71% job placement rate. He was further attracted to being able to enroll without putting any
7 money down. He corresponded and talked on the phone with Lambda representative Tommy Collison,
8 based out of Lambda's San Francisco headquarters, who further touted likely career outcomes.

9 134. These job placement rate representations—including the rate in the Instagram post—
10 were false and misleading, and both Lambda and Mr. Allred knew they were false and misleading. (*See*
11 ¶¶ 56–99, *supra*.)

12 135. Based on these job placement representations, Mr. Goncalves felt confident Lambda
13 would get him a tech job.

14 136. Mr. Goncalves further believed that Lambda was approved to operate due to Defendants'
15 continuous and repeated descriptions on the Lambda website of various features of Lambda that gave
16 the appearance that it was a credible, legitimate, and lawfully operating school, including, but not
17 limited to, descriptions of Lambda's tuition, students, student body, enrollment, academic schedule,
18 graduates, mentors, office hours, and lectures.

19 137. Swayed by Defendants' false job placement rates and representations and appearance
20 that Lambda was a government-approved school, he signed an ISA with Lambda on May 20, 2020. A
21 copy of Mr. Goncalves's ISA is attached hereto as Exhibit B.

22 138. Had Defendants truthfully represented Lambda's job placement rates, Mr. Goncalves
23 would not have enrolled in Lambda's educational services, or signed an ISA that indebted him up to
24 \$30,000 of tuition to Lambda. Furthermore, Mr. Goncalves would not have enrolled in Lambda's
25 education services, or signed an ISA that indebted him up to \$30,000 of tuition, had he known that
26 Lambda was not lawfully approved to operate.

27 139. Mr. Goncalves began attending Lambda full-time in June 2020. As with Ms. Fuller,
28 Lambda restructured Mr. Goncalves's program in September 2020, shortening it from a total of nine

1 months to six months and eliminating team lead support. The loss of team leads was demoralizing.
2 They were the primary means of communicating with Lambda, asking questions, and getting essential
3 debugging help. Still, he persevered and completed his coursework in December and received a
4 certificate of completion in January 2021.

5 140. Mr. Goncalves immediately went to work trying to find a job. He used Lambda's job
6 portal, but its postings were either stale or for impractical positions. He ultimately found work through
7 a friend unassociated with Lambda. He first worked as a limited-term front-end developer during the
8 spring of 2021. The same friend then invited him to a different position with the organization Code
9 Ninjas in Boston. During his time with Code Ninjas, between June and December 2021, Mr. Goncalves
10 taught basic coding to kids and ran summer camps and day courses. Lambda played no role in Mr.
11 Goncalves finding either his front-end developer or Code Ninjas positions.

12 141. Mr. Goncalves then accepted a job as a software engineer for Virtually, an edtech
13 company, and worked there until June 2022. After Virtually let him go to look for a more senior
14 engineer, Mr. Goncalves found tech positions with design company MODerati, followed by educational
15 tech company Navengage. As with his prior jobs, Lambda played no role in Mr. Goncalves finding
16 these positions.

17 142. Mr. Goncalves started making payments on his ISA while working for Code Ninjas and
18 continued during his time with Virtually. In all, he has paid nearly \$10,000 towards his ISA, even
19 though Lambda did not have approval to operate when he signed his ISA. Mr. Goncalves would not
20 have signed his ISA had Lambda truthfully represented its job placement rates, and Lambda played no
21 role in him finding any of his post-Lambda employment.

22 3. Plaintiff Brett McAdams

23 143. Mr. McAdams's interest in coding was pragmatic, believing that people who learn to
24 code get good-paying jobs. He first heard of Lambda while looking into coding programs in 2019. Soon
25 after starting his research, he received targeted ads on Google, YouTube, and social media from
26 Lambda. The ads touted a high job placement rate, how quickly students could get their certificate and a
27 high-paying job, and the lack of an up-front cost or any repayment obligation unless students ultimately
28 got a job. By the ads' telling, Lambda was a revolutionary alternative to college.

1 144. When Mr. McAdams was laid off from his job in the spring of 2020 at the onset of the
2 COVID-19 pandemic, he decided in April 2020 to consider attending a coding program to start a career
3 in tech. He researched Lambda’s website, which prominently displayed a job placement rate
4 approaching 80%, convincing him that Lambda was the best path forward. He also reviewed an
5 outcomes report, either before signing his ISA or soon thereafter, reflecting a job placement rate
6 approaching 80%.

7 145. The rates Mr. McAdams saw on the Lambda website and online ads were false and
8 misleading, and both Lambda and Mr. Allred knew they were false and misleading. (*See* ¶¶ 56–99,
9 *supra.*)

10 146. Lambda’s job placement rates were critical to his decision to enroll, and led him to
11 believe Lambda would lead to a desirable tech position.

12 147. Mr. McAdams further believed that Lambda was approved to operate due to Defendants’
13 continuous and repeated descriptions on the Lambda website, Lambda ads, and social media of various
14 features of Lambda that gave the appearance that it was a credible, legitimate, and lawfully operating
15 school, including, but not limited to, descriptions of Lambda’s curriculum, a structured program and
16 academic schedule, use of team leads that were marketed as an improvement over college TAs, tuition,
17 students, student body, enrollment, graduates, grades, rubrics, lectures, and homework.

18 148. Swayed by Defendants’ false job placement rates and representations and appearance
19 that Lambda was a government-approved school, Mr. McAdams signed an ISA on June 15, 2020. A
20 copy of Mr. McAdams’s ISA is attached hereto as Exhibit C.

21 149. Had Defendants truthfully represented Lambda’s job placement rates, Mr. McAdams
22 would not have enrolled in Lambda’s educational services, or signed an ISA that indebted him up to
23 \$30,000 of tuition to Lambda. Furthermore, Mr. McAdams would not have enrolled in Lambda’s
24 education services, or signed an ISA that indebted him up to \$30,000 of tuition, had he known that
25 Lambda was not lawfully approved to operate.

26 150. Mr. McAdams began attending Lambda full-time in early July 2020. But as with Ms.
27 Fuller and Mr. Goncalves, Lambda quickly restructured Mr. McAdams’s program in September 2020
28 by shortening it from nine to six months, removing the existing support structure for reviewing work,

1 and eliminating team lead support. Since the team leads had been an essential component of Lambda's
2 education up to that point, Mr. McAdams thought their elimination seemed troubling. He decided to
3 take a hiatus for the fall of 2020, picking up full-time hours as a bartender.

4 151. Mr. McAdams returned in late 2020 with ambivalence. While there was no sign Lambda
5 had improved its program, he had already invested significant time and expense. Already on the hook,
6 he resolved to learn as much as he could through Lambda.

7 152. To his surprise, immediately upon returning, Lambda assigned Mr. McAdams as an
8 unpaid team lead to fill the void left by their elimination. The assignment was not optional, Lambda
9 provided no support on how to serve as a team lead, and Mr. McAdams did not find any educational
10 value in the experience. After returning, he spent roughly a third of his Lambda education time
11 mentoring *other* students.

12 153. He finished the Lambda program in February 2021 and received his certificate of
13 completion.

14 154. Mr. McAdams immediately got to work trying to find a tech job, but Lambda's
15 resources were unhelpful—a job portal lacking useful leads, and resume reviewers with no useful
16 feedback. He continued bartending while looking for tech work and studying on his own what Lambda
17 failed to teach him.

18 155. After several months, Mr. McAdams was hired as a backend systems engineer
19 contracting with Florida Blue in August 2021. He eventually moved up the ranks to become senior
20 engineer. Lambda played no role in him finding out about the position, and played no role in ultimately
21 getting hired. As most of the skills and material discussed in Mr. McAdams's interview was self-taught
22 *after* he had finished with Lambda, it was his own studying that landed him the job.

23 156. Mr. McAdams made an ISA payment of approximately \$1,000 in 2021, even though
24 Lambda did not have approval to operate when he signed his ISA, and even though he would not have
25 signed his ISA had Lambda truthfully represented its job placement rates. A collections agency has
26 contacted him multiple times regarding debt from ISA payments.

27
28

1 4. **Plaintiff Quinn Molina**

2 157. Mr. Molina became interested in transitioning to programming work in 2020 while
3 working for a company doing wholesale shipping. To get his feet wet, he enrolled in short-term, free
4 coding camps while continuing his day job. He first saw advertisements for Lambda in September to
5 October of 2020. As he searched for additional coding education opportunities in November 2020, he
6 noticed numerous ads on Google and Twitter touting Lambda. These ads prompted Mr. Molina to
7 research Lambda’s website, where (in November 2020) he saw an outcomes report advertising a job
8 placement rate of 79%. He also saw an updated, slightly lower, job placement rate on the Lambda
9 website in either December 2020 or January 2021.

10 158. The rates Mr. Molina saw on the Lambda website were false, and both Lambda and Mr.
11 Allred knew they were false. (*See* ¶¶ 56–99, *supra*.)

12 159. After this research, Mr. Molina became attracted to Lambda’s program based on the
13 promising job placement rate from the Lambda website, and the ISA model that didn’t require him to
14 put any money down. He consulted with his brother, a self-taught coder and web developer, who was
15 likewise impressed by the high job placement rate.

16 160. After significant research and consultation, and ultimately swayed by the high placement
17 rates, including the 79% outcomes report rate, Mr. Molina signed an ISA on January 8, 2021. A copy of
18 Mr. Molina’s ISA is attached hereto as Exhibit D.

19 161. Had Defendants truthfully represented their job placements rates, Mr. Molina would not
20 have enrolled in Lambda’s educational services, or signed an ISA that indebted him up to \$30,000 of
21 tuition to Lambda.

22 162. Mr. Molina began attending Lambda part-time in January 2021. Lambda diluted the
23 program and made it far less rigorous soon after the refund period for Mr. Molina’s ISA had passed.
24 Lambda dropped the part-time program option, along with multiple project requirements, assessments,
25 and support staff. Mr. Molina had expected Lambda to help him build a portfolio of projects to show
26 off to prospective employers. Instead, with fewer projects and support staff, students were left with a
27 small number of incomplete, buggy projects that were not job market-ready. He also later learned that
28 the assessments Lambda dropped were important to prospective employers.

1 163. Many students dropped out in response to Lambda providing only a shell of the program
2 it originally promised. Mr. Molina considered following suit, but knowing he was on the hook for his
3 ISA, he resorted to grinding out the remainder of the coursework.

4 164. The Lambda education further deteriorated as Mr. Molina approached completion.
5 Instead of the world-class instructors Mr. Allred had promised, most were recent Lambda graduates
6 themselves. And instructors from earlier units were unexpectedly brought back as stopgaps later in the
7 program, with apparently no prior experience or planned curriculum from which to teach. By the time
8 Mr. Molina reached the final labs unit, his cohort had dwindled from dozens of peers to a handful.

9 165. Mr. Molina received his certificate of completion in May 2022. As he transitioned to
10 searching for a job, Lambda’s only contribution was connecting him with a resume and LinkedIn
11 profile reviewer. They failed to provide him with any legitimate job leads.

12 166. Instead of moving onto a coding position, Mr. Molina continued working in wholesale
13 shipping, just as he had before attending Lambda, until he recently transitioned to the IT department at
14 his company.

15 **V. CLASS ACTION ALLEGATIONS**

16 167. Plaintiffs bring this action on behalf of themselves and as a class action on behalf of the
17 following Class (hereinafter the “Class”):

18 *All persons who enrolled at Lambda and:(i) entered into an ISA, retail installment contract,*
19 *deferred tuition plan, or any other tuition payment plan with an arbitration clause that contains*
20 *a carve-out for any proceeding commenced by either party seeking an injunction or any other*
21 *equitable remedy; or (ii) who otherwise did not sign any such agreements with an arbitration*
clause, or opted out of one; and (iii) who have not yet had their ISA, retail installment contract,
deferred tuition plan, or other tuition payment plan cancelled and all payments made to Lambda
refunded.

22 168. In addition, Plaintiffs Fuller, Goncalves, and McAdams seek to certify the following
23 subclass (hereinafter the “BPPE Subclass”) within the Class:

24 *All persons within the Class who enrolled at Lambda prior to August 17, 2020, the date that*
25 *Lambda obtained the BPPE’s approval to operate.*

26 169. Plaintiffs reserve the right to amend or modify the Class and BPPE Subclass
27 descriptions, or further divide them into subclasses or limitations as to particular issues.

1 170. This action has been brought and may properly be maintained as a class action under
2 Federal Rules of Civil Procedure 23(b)(2) and 23(b)(3) because there is a well-defined community of
3 interest in the litigation, the proposed class and subclass is easily ascertainable, and the action satisfies
4 Rule 23's requirements.

5 171. On information and belief, there are thousands of former Lambda students who are
6 members of the Class, and at least hundreds who are members of the BPPE Subclass. The potential
7 number of class members are therefore so numerous that joinder would be impracticable. The precise
8 number of class members, known only to Defendants, can easily be determined through discovery.

9 172. Plaintiffs' claims are typical of the claims of the Class and BPPE Subclass. Plaintiffs
10 were subjected to the same violations of California law, and seek the same types of injunctive relief,
11 restitution, and other equitable relief on the same theories and legal grounds as the members of the class
12 they seek to represent.

13 173. Plaintiffs are adequate representatives of the classes because: (a) their interests do not
14 conflict with the interests of the individual class members they seek to represent; (b) they have retained
15 counsel who are competent and experienced in complex class action litigation; and (c) they intend to
16 prosecute this action vigorously. Plaintiffs and their counsel will fairly and adequately protect the
17 interests of the Class and BPPE Subclass.

18 174. Common questions of law and fact exist as to all members of the Class and the BPPE
19 Subclass, and predominate over any questions solely affecting individual members of the two classes.

20 175. Among the questions of law and fact common to the Class are the following:

- 21 a) Whether Lambda's widely disseminated job placement rates were false and misleading,
22 in violation of the UCL, FAL, and CLRA;
- 23 b) Whether Lambda's false and misleading job placement rates are material to a
24 reasonable consumer's decision whether to enroll;
- 25 c) Whether members of the public were likely to be deceived by Lambda's job placement
26 misrepresentations under the UCL;
- 27 d) Whether Plaintiffs and the Class are "consumers" engaging in "transactions" under the
28 CLRA;

- e) Whether Mr. Allred directly and actively participated in the unlawful conduct at issue;
- f) Whether Mr. Allred, members of his executive leadership team, and other Lambda employees or agents acted willfully and knowingly to disseminate Lambda’s job placement representations to the public with knowledge that they were—and continue to be—false and misleading;
- g) Whether Lambda qualifies as a “finance lender” under the California Financing Law, Cal. Fin. Code § 22100(a); and
- h) Whether Lambda’s ISAs and other tuition payment plans qualify as “consumer loans” or “commercial loans” under the California Financing Law.

176. Among the questions of law and fact common to the BPPE Subclass are the following:

- a) Whether Lambda had approval to operate prior to August 17, 2020;
- b) Whether Lambda misrepresented whether it had approval to operate prior to August 17, 2020;
- c) Whether Lambda’s approval status would be material to a reasonable consumer’s decision to enroll;
- d) Whether members of the public were likely to be deceived by Lambda’s misrepresentations or misleading representations with respect to its approval status; and
- e) Whether tuition payment plans entered into by Lambda prior to August 17, 2020, are void and unenforceable.

177. Class action treatment is superior to any alternative to ensure the fair and efficient adjudication of this controversy. Such treatment will permit a large number of similarly situated persons to prosecute their common claims in a single forum simultaneously, efficiently, and without duplication of effort and expense that numerous individual actions would entail.

178. Defendants have acted or refused to act on grounds that apply generally to the class, so that final injunctive relief and corresponding declaratory relief—including ordering cancellation of tuition payment plans, enjoining any effort to collect upon or otherwise enforce those plans, enjoining Defendants from misrepresenting job placement rates in the future and entering into or collecting on any tuition payment plan entered into while Defendants maintained such misrepresentations, declaring

1 Defendants’ job placement rate representations to be fraudulent and misleading in violation of
2 California law, and declaring that Defendants knowingly operated a private postsecondary institution
3 without approval to operate and in violation of California law—is appropriate respecting the class as a
4 whole.

5 179. No difficulties are likely to be encountered in the management of this class action that
6 would preclude its maintenance as a class action, and no superior alternative exists for the fair and
7 efficient adjudication of this controversy.

8 180. Plaintiffs and each class member have been harmed by Defendants’ wrongful conduct.

9 181. The Class and BPPE Subclass are ascertainable because their members can be
10 determined from Lambda’s business records. On information and belief, the last-known residence
11 address and email address of each of the proposed class members is contained in Lambda’s books and
12 records.

13 182. Concentrating all the potential litigation concerning the claims of the proposed class
14 members in this Court will avoid a multiplicity of suits, will conserve judicial resources and the
15 resources of the parties, and is the most efficient means of resolving the claims of all the proposed class
16 members.

17 183. Absent a class action, Plaintiffs and the proposed class members likely will not obtain
18 redress of their injuries and Defendants will retain the proceeds of the violations of the California laws
19 cited herein.

20 **VI. CAUSES OF ACTION**

21 **FIRST CAUSE OF ACTION**
22 **Violations of California’s Consumer Legal Remedies Act**
23 **Cal. Civ. Code §§ 1750, *et seq.***
(All Defendants)

24 184. Plaintiffs hereby reincorporate the allegations in the foregoing paragraphs as though fully
25 set forth herein.

26 185. The CLRA makes unlawful “unfair methods of competition and unfair or deceptive acts
27 or practices undertaken by any person in a transaction intended to result or that results in the sale or
28 lease of goods or services to any consumer.” Cal. Civ. Code § 1770(a).

1 186. The CLRA covers transactions involving the sale of services—such as education—to
2 consumers.

3 187. Plaintiffs are “consumers” within the meaning of Section 1761(d) of the CLRA, seeking
4 Lambda’s education services for personal, family, or household purposes, and they engaged in
5 “transactions” within the meaning of sections 1761(e) and 1770 of the CLRA.

6 188. Education is a “service” within the meaning of Section 1761(b) of the CLRA.

7 189. The CLRA enumerates numerous unlawful acts or practices, including:

- 8 a) “Misrepresenting the source, sponsorship, approval, or certification of goods or
9 services.” Cal. Civ. Code § 1770(a)(2).
- 10 b) “Representing that goods or services have sponsorship, approval, characteristics,
11 ingredients, uses, benefits, or quantities that they do not have or that a person has a
12 sponsorship, approval, status, affiliation, or connection that the person does not have.”
13 *Id.* § 1770(a)(5).
- 14 c) “Representing that goods or services are of a particular standard, quality, or grade”
15 when they are not. *Id.* § 1770(a)(7).
- 16 d) “Advertising goods or services with intent not to sell them as advertised.” *Id.* §
17 1770(a)(9).

18 190. In violation of these provisions, Defendants misrepresented to the public, prospective
19 students, and current students, including Plaintiffs, at least the following: (i) its job placement rates; and
20 (ii) to the Subclass, that it had approval to operate and enroll students.

21 191. Plaintiffs bring their claim under the CLRA for equitable relief, including to cancel their
22 ISAs and for restitution of payments made.

23 **SECOND CAUSE OF ACTION**
24 **Violations of California’s Unfair Competition Law**
25 **Cal. Bus. & Prof. Code §§ 17200, *et seq.***
(All Defendants)

26 192. Plaintiffs hereby reincorporate the allegations in the foregoing paragraphs as though fully
27 set forth herein.

1 193. Defendants have engaged in business acts or practices that constitute unfair competition
2 as defined in the UCL, in that such business acts and practices are unlawful, unfair, and fraudulent
3 within the meaning of that statute.

4 194. The business acts and practices include:

- 5 a) publishing and/or providing the public, prospective students, and current students,
6 including Plaintiffs, with false, misleading, unreliable, and/or inaccurate job placement
7 rate information;
- 8 b) to the Subclass, conducting business without BPPE approval and in violation of
9 multiple BPPE orders requiring it to cease operations;
- 10 c) to the Subclass, knowingly operating a private postsecondary institution without
11 approval to do so and knowingly appearing to the public as an approve institution;
- 12 d) to the Subclass, misrepresenting to the public, prospective students, and current
13 students that in March and July of 2019, the BPPE ordered Lambda to cease operations,
14 stop enrolling students, cease all instructional services, and submit a closure plan, and
15 misrepresenting material facts related to those BPPE orders, including representing that
16 they were stayed when they were not.

17 195. Plaintiffs’ and the Class’s tuition payment plans constitute “lost money or property”
18 within the meaning of the UCL.

19 Unlawful Prong

20 196. The UCL bars business practices that are forbidden by law. If a business practice
21 violates any law, it is *per se* a UCL violation.

22 197. The business acts and practices described above are unlawful because they violate
23 numerous state and federal laws, including but not limited to:

- 24 a) The Federal Trade Commission Act (“FTC Act”), which prohibits “unfair or deceptive
25 acts or practices.”⁶⁰
- 26 b) Cal Educ. Code § 94897(b), which provides that institutions shall not “[p]romise or
27 guarantee employment, or otherwise overstate the availability of jobs upon graduation.”

28 ⁶⁰ See U.S.C. § 45(a)(1); 15 U.S.C. § 52(a).

- 1 c) The CLRA, *see supra* ¶¶ 184–191;
- 2 d) The FAL, *see infra* ¶¶ 202–04;
- 3 e) Cal. Educ. Code § 94886, which provides in relevant part that “a person shall not open,
- 4 conduct, or do business as a private postsecondary educational institution in this state
- 5 without obtaining an approval to operate under this chapter.” Lambda violated this
- 6 provision, and therefore the UCL’s unlawful prong, when it enrolled Plaintiffs and
- 7 members of the Subclass without obtaining approval to operate.
- 8 f) Cal. Educ. Code § 94943, which provides that it is a crime to “[k]nowingly operat[e] a
- 9 private postsecondary institution without an approval to operate.” Lambda violated this
- 10 provision, and therefore the UCL’s unlawful prong, when it knowingly enrolled
- 11 Plaintiffs without approval by the BPPE to operate.
- 12 g) Cal. Educ. Code § 94917, which provides that “[a] note, instrument, or other evidence
- 13 of indebtedness relating to payment for an educational program is void and not
- 14 enforceable unless, at the time of execution of the note, instrument, or other evidence of
- 15 indebtedness, the institution held an approval to operate”
- 16 h) Cal. Educ. Code § 94902(b)(2), which provides that an enrollment agreement is
- 17 enforceable only if “[a]t the time of the execution of the enrollment agreement, the
- 18 institution held a valid approval to operate.
- 19 i) The California Financing Law, which provides that “[n]o person shall engage in the
- 20 business of a finance lender or broker without obtaining a license from the
- 21 commissioner.” Cal. Fin. Code § 22100(a).
- 22 j) The Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5531(a), 5536(a)(1)(B),
- 23 which prohibits covered persons from engaging in unfair, deceptive, or abusive acts or
- 24 practices.

25 198. By violating these and other state and federal laws, Lambda violated the unlawful prong
26 of the UCL.

1 Fraud Prong

2 199. To show that a business practice is fraudulent, it is necessary only to show that members
3 of the public are likely to be deceived.

4 200. Defendants' business acts and practices—including its false job placement rate
5 representations and false representations to the Subclass about BPPE approval—are fraudulent in that
6 they are likely to deceive the public.

7 201. Each of these false and misleading representations, all of which were material, were
8 substantial factors influencing Plaintiffs and members of the Class to attend Lambda and take out a
9 tuition payment plan that indebted them for up to tens of thousands of dollars of tuition to Lambda.

10 **THIRD CAUSE OF ACTION**
11 **Violations of California's False Advertising Law**
12 **Cal. Bus. & Prof. Code §§ 17500, *et seq.***
(All Defendants)

13 202. Plaintiffs hereby reincorporate the allegations in the foregoing paragraphs as though fully
14 set forth herein.

15 203. Defendants have also engaged in acts or practices that constitute violations of the FAL,
16 Business and Professions Code section 17500, *et seq.*, by making or causing to be made untrue or
17 misleading statements with the intent to induce members of the public to purchase Lambda's services.
18 Defendants' untrue or misleading representations include, but are not limited to, the following:

- 19 a) Lambda's and Mr. Allred's statements regarding job placement rates, including but not
20 limited to the published job placement rates prominently displayed on its website; and
21 b) Lambda's and Mr. Allred's statements and appearance to the public, prospective
22 students, and current students, including the Subclass, that its operations were lawful,
23 that BPPE had not ordered Lambda to cease advertising and instructional activities, and
24 that it could lawfully enroll students. Lambda's and Mr. Allred's advertisements and
25 marketing implicitly and explicitly misrepresented the lawfulness of its operations by
26 encouraging the public and prospective students to apply for enrollment.

27 204. At the time these representations were made, Defendants knew or by the exercise of
28 reasonable care should have known that the representations were untrue or misleading.

1 **VII. PRAYER FOR RELIEF**

2 WHEREFORE, in accordance with the above claims, Plaintiffs request judgment in their and
3 the Class’s favor against Defendants as follows:

- 4 1. An Order certifying that Plaintiffs and the Class constitute a single class, that the BPPE
5 Subclass constitutes a single subclass, and designating the action as a Class Action
6 pursuant to Federal Rule of Civil Procedure 23.
- 7 2. Appointment of the attorneys below as Class counsel.
- 8 3. Appointment of Plaintiffs as class representatives and payment of compensation as
9 representatives if the Court deems appropriate.
- 10 4. Declare and order that the tuition payment plans entered into by Plaintiffs, the Class,
11 and the BPPE Subclass are unlawful, void, and unenforceable pursuant to Cal. Educ.
12 Code §§ 94886, 94917, and 94943, and the UCL, CLRA, and FAL.
- 13 5. Declare that Defendants conducted business as a private postsecondary educational
14 institution in California without obtaining approval to operate, in violation of Cal.
15 Educ. Code § 94886 and the UCL.
- 16 6. Declare that Defendants knowingly operated a private postsecondary institution without
17 approval to operate, in violation of Cal. Educ. Code § 94943 and the UCL.
- 18 7. Declare that Defendants’ job placement rate representations at all times relevant to this
19 Complaint, including presently disseminated rates, were fraudulent and misleading, in
20 violation of the UCL, FAL, and CLRA.
- 21 8. Declare that Lambda “engage[d] in the business of a finance lender or broker without
22 obtaining a license from the commissioner,” and continues to do so, in violation of the
23 California Financing Law, Cal. Fin. Code § 22100(a).
- 24 9. Order Defendants—including Lambda, Mr. Allred, and any other owner of all or part
25 of the tuition payment plans—to cancel the tuition payment plans for Plaintiffs and the
26 Class and enjoin any effort to collect upon or otherwise enforce them.
- 27 10. Order Defendants, including Lambda and Mr. Allred, to pay restitution in the form of
28 refunds for all payments made.

