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FIRST CIRCUIT COURT
STATE OF HAWAII
FILED

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H. CHING
CLERK

IN THE CIRCUIT COURT OF THE FIRST CIRCUIT

STATE OF HAWAII

STATE OF HAWAII, Office of
Consumer Protection, by Jo Ann M.
Uchida its Executive Director,

Plaintiff,

vs.

SHELDON JOHN WOODS;
CAMBRIDGE STATE UNIVERSITY
INCORPORATED, a Delaware
corporation dba Cambridge State
University; EDUCATIONAL SUPPORT
SERVICES, INC., a California
corporation; JOHN DOES
1-20; DOE CORPORATIONS 1-10;
and DOE ENTITIES 1-10,

Defendants.

CIVIL NO. 99-0282-01
(Other Civil Action)

COMPLAINT AND SUMMONS

COMPLAINT

Plaintiff, for a cause of action against the above-named defendants, avers
and alleges that:

JEFFREY E. BRUNTON #2833
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Consumer Protection, by Jo Ann M.)	(Other Civil Action)
Uchida its Executive Director,)	
)	COMPLAINT AND SUMMONS
Plaintiff,)	
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SHELDON JOHN WOODS;)	
CAMBRIDGE STATE UNIVERSITY)	
INCORPORATED, a Delaware)	
corporation dba Cambridge State)	
University; EDUCATIONAL SUPPORT)	
SERVICES, INC., a California)	
corporation; JOHN DOES)	
1-20; DOE CORPORATIONS 1-10;)	
and DOE ENTITIES 1-10,)	
)	
Defendants.)	
)	
)	

COMPLAINT

Plaintiff, for a cause of action against the above-named defendants,
avers and alleges that:

ALLEGATIONS COMMON TO ALL COUNTS

1. This is an action brought by the Office of Consumer Protection of the State of Hawaii pursuant to Hawaii Rev. Stat. Chapters 446E, 480 and 487 seeking to enjoin defendants from engaging in certain acts or practices in violation of Hawaii's consumer protection laws and to obtain other and additional relief.

2. This court has subject matter jurisdiction over this case pursuant to Hawaii Rev. Stat. §§ 480-21 and 603-21.5.

3. The acts complained of herein occurred in the City and County of Honolulu, State of Hawaii.

4. Defendant Sheldon John Woods ("Woods") is and was at all times relevant herein a resident of the State of California.

5. Defendant Cambridge State University Incorporated is a Delaware corporation dba Cambridge State University ("CSU") doing business in the State of Hawaii.

6. Defendant Educational Support Services, Inc. ("ESSI") is a California corporation doing business in the State of Hawaii.

7. Defendants John Does 1-20, Doe Corporations 1-10, and Doe Entities 1-10 are Defendants who have engaged in and/or participated and/or aided and/or assisted in and/or furnished the means for the violations described herein, and their true capacities, names and relationships with or responsibilities to or involvement with the named Defendants are unknown to Plaintiff at this time. Plaintiff has undertaken an investigation to determine the identities of the Defendants described in

this paragraph, but at this time, said identities have not been discovered.

8. Commencing on a date uncertain, CSU has engaged in trade or commerce practices by advertising, publicizing and announcing to consumers the availability of CSU as a fully accredited educational institution available to consumers, desiring to transfer life experiences into university graduate and undergraduate degrees.

9. Specifically, CSU placed or caused to be placed advertisements in newspaper and national media publications representing CSU as a degree granting institution. CSU advertised:

"ARE JOBS & promotions passing you by? Then you need an accredited college degree quickly? Bachelor's, Master's, Doctorate by correspondence. For free information booklet phone: Cambridge State University 800-964-8316, 24 hours."

10. Advertisements published telephone numbers for CSU as (800) 964-8316. CSU literature listed the telephone number for "CAMBRIDGE STATE UNIVERSITY" in Shreveport, Louisiana as (318) 219-0207.

11. In truth and in fact, and without the knowledge of the consumer, all calls were electronically switched to a telephone number in California and were never answered by anyone in Louisiana. During the period from February 27, 1998 until March 31, 1998 approximately 1,687 calls from consumers in 45 states were electronically switched to California. During the period from April 1, 1998 until May 31, 1998 approximately 8,436 calls from consumers in 41 states, as well as Puerto Rico and Canada were electronically switched to California.

12. Effective at some point prior to August 21, 1998, CSU changed their phone service so that consumers dialing (318) 219-0207 received a message that the new number to dial was 1-800-987-5526.

13. CSU literature, CSU advertisements, and CSU personnel represented the school's address as "Cambridge State University, 855 Pierremont, Department 128189, Shreveport, Louisiana 71106. In truth and in fact, the 855 Pierremont, Department 128189 address was mailbox #189 at Mail Boxes, Etc. in Shreveport, Louisiana.

14. CSU had no school or other teaching facility in Louisiana. Furthermore, CSU had no school or other teaching facility at all.

15. CSU had its mail forwarded to an address of "Educational Support Services, Inc., 23166 Los Alisos Boulevard, Suite 106, Mission Viejo, California 92691.

16. Consumers calling any of CSU's telephone numbers provided CSU with their names, address, and/or E-mail addresses. CSU sent these consumers information promotion CSU and representing that CSU offers legal, accredited degrees.

17. CSU sent consumers a CSU catalog and brochure entitled "For Today's Learning Needs." That brochure made certain representations including that:

- a. **"You may earn a legal, government-approved college degree in a short time without quitting you job or attending classes!"**

- b. "But they, and you who are already involved in earning a living and raising a family and trying to better your position, can earn a legal Bachelor's Degree--a *real* degree--in as little as 90 days! And you may earn an advanced degree (Masters or Doctorate) that same way, with added work and Study."
- c. "How is this possible? Cambridge State University, like many similar non-traditional educational institutions throughout the United States, is not concerned with time in the classroom or semester-to
- d. "At the time of printing this catalog, Cambridge State University is a member of the *world Association of Universities and Colleges*, with accreditation pending."
- e. A man had been responsible for trimming street trees for a large mid-western city for more than 20 years. He had proved himself a competent and reliable department head. But a new city personnel policy decreed that all department heads must have Bachelor's degrees within two years or lose their jobs. He knows his work. He manages his department efficiently, and communicates well both up and down the line of responsibility. He's taken a couple of computer application courses in his local community college, plus a statistics course. The city has sent him to a couple of seminars and an industry convention. He's always looking ahead for the next thing he will have to learn to do his job well."

"Here's the good news. He could earn his Bachelor's degree in just a few weeks without taking time off work or driving through the city to evening classes. he can learn, and be testes (sic) and receive his Bachelor's degree from Cambridge State University, all through correspondence and home study. Then, if he has his eye n a higher position, he can earn a Master's degree, then a Doctorate, all from Cambridge State University. All this without interrupting his career or spending tens-of-thousands of dollars."

- f. **"ACADEMIC TRUST.** Because our concern is with *adult* education, we do not require that you verify information on your *Application for Admissions*. We will assume that information to be fact. Because our students complete their programs by correspondence, without oversight, our entire university must be based on mutual trust. We do not as for verification of transcripts, employment history, or past "life experience." Fill-out the *Life Experience Summary*, prepare a typewritten letter explaining your intentions in earning a degree and fill out the attached *Application for Admission*, briefly outlining whatever education, training or experience that you believe will help you towards your chosen degree. **Then mail these to us with you application fee."**

18. A subsequent insert included in material sent to prospective students stated as follows,

"... we are proud to announce that Cambridge State University is now Fully Accredited by the World Association of Universities and Colleges."

("WAUC") and offered students a \$500.00 discount from tuition in celebration of this event.

19. WAUC is not a recognized accrediting agency by the United States Department of Education.

20. Furthermore, a letter dated June 29, 1998 was sent to CSU by the WAUC which informed CSU that even its WAUC accreditation had been suspended.

21. CSU materials encouraged consumers to send in an application and/or enrollment form along with a \$50 fee. CSU's tuition schedule listed prices of \$2495 for the "Bachelor Degree Program," \$2995 for the "Masters Degree Program" and \$3295 for the "Doctoral Degree Program." CSU offered discounts and promoted tuition plans for these programs. CSU also offered combination degrees at substantial savings.

22. CSU directed consumers to complete a form entitled "Life Experience Summary." CSU suggested this include a list of consumers' life experiences and an explanation of their professional backgrounds. Some suggestions of life experiences that CSU promised to turn into college credits include "Playing a sport," "Planning a healthy diet," "Building models," "Serving on a jury," "Repairing an automobile or wedding or soldering."

23. CSU consumers who filled out application forms and their "Life Experience Summary" received letters indicating that they had been "Accepted" into degree programs. CSU requested that consumers (hereinafter "students") make tuition payments at this time.

24. Students sent application fees and tuition payments directly to CSU in Louisiana and said mail was forwarded to CSU in California.

25. In the summer of 1998 the Attorney General of the State of Louisiana brought civil proceedings against Defendant CSU. In response thereto, Defendant CSU purported to move its operations to the State of Hawaii.

26. In furtherance thereof, on or about July 27, 1998, Defendant CSU contracted with a mail forwarding service located at 350 Ward Avenue, Suite 106, Honolulu, Hawaii 96814 in order to have a Honolulu mailing address and to have its mail appear to be mailed from Honolulu, Hawaii.

27. Also in furtherance thereof, Defendant CSU submitted an Application for Certificate of Authority to the Business Registration Division of the Department of Commerce and Consumer Affairs of the State of Hawaii pursuant to Hawaii Rev. Stat. § 415-110. This application was approved early in August 1998.

28. On August 26, 1998 the Attorney General of the State of Louisiana obtained a temporary restraining order against Defendant CSU. That order prohibited its Louisiana mail drop from forwarding its mail, prohibited the local telephone carrier from providing it phone services, and froze its local bank account. On August 31, 1998 Defendant CSU began notifying its prospective customers that it

had officially relocated its offices from Shreveport, Louisiana to Honolulu, Hawaii, listing its Honolulu mail drop as its new office address.

29. Although subsequent to August 31, 1998 and perhaps earlier, Defendant CSU's promotional materials represented to prospective consumers that it operated out from Honolulu, Hawaii, in fact, its Hawaii "operations" consisted of nothing more than a mail drop. All substantive operations, to the extent there were any, were actually conducted in the State of California.

30. CSU's conduct is ongoing. CSU has run advertisements in newspapers available throughout the United States through at least December 1998.

31. CSU is not now and never has been accredited by a recognized accrediting agency or association recognized by the United States Secretary of Education.

COUNT I
CSU'S FAILURE TO MAKE STATUTORY DISCLOSURES OF NON-ACCREDITATION

32. Plaintiff repeats and realleges the allegations contained in paragraphs 1 through 31 as though fully set forth herein.

33. CSU is an "unaccredited institution" as that phrase is defined in Hawaii Rev. Stat. § 446E-1

34. CSU has failed to disclose in all catalogs, promotional materials and/or written contracts for instruction the fact that it is not fully accredited by any nationally recognized accrediting agency or association listed by the United States Secretary of Education in violation of Hawaii Rev. Stat. § 446E-2(a).

35. Each and every catalog, promotional material and/or written contract for instruction that failed to disclose the fact that CSU is not fully accredited by any nationally recognized accrediting agency or association listed by the United States Secretary of Education constitutes a separate and independent violation of Hawaii Rev. Stat. § 446E-2(a).

36. Violations of Hawaii Rev. Stat. § 446E-2(a) constitute *per se* violations of Hawaii Rev. Stat. § 480-2(a).

COUNT II
CSU'S FAILURE TO MAKE STATUTORY DISCLOSURES OF NON-ACCREDITATION

37. Plaintiff repeats and realleges the allegations contained in paragraphs 1 through 36 as though fully set forth herein.

38. CSU has failed to disclose in all advertisements the fact that it is not fully accredited by any nationally recognized accrediting agency or association listed by the United States Secretary of Education in violation of Hawaii Rev. Stat. § 446E-2(a).

39. Each and every publication of an advertisement that failed to disclose the fact that CSU is not fully accredited by any nationally recognized accrediting agency or association listed by the United States Secretary of Education constitutes a separate and independent violation of Hawaii Rev. Stat. § 446E-2(a).

40. Violations of Hawaii Rev. Stat. § 446E-2(a) constitute *per se* violations of Hawaii Rev. Stat. § 480-2(a).

COUNT III
DECEPTIVE REPRESENTATIONS

41. Plaintiff repeats and realleges the allegations contained in paragraphs 1 through 40 as though fully set forth herein.

42. On numerous occasions Defendant CSU, orally and in writing, represented that it is accredited by the WAUC.

43. Although technically true, this statement has the tendency or capacity to deceive or mislead consumers into believing that CSU is an accredited institutional organization.

44. Each such representation constitutes a separate and independent violation of Hawaii Rev. Stat. § 480-2(a) and or § 481A-3(a).

COUNT IV
ACTIVE/PASSIVE PARTICIPATION IN ILLEGAL CONDUCT

45. Plaintiff repeats and realleges the allegations contained in paragraphs 1 through 44 as though fully set forth herein.

46. Defendant Woods was, at the time of the acts complained of herein, an officer and/or director of CSU.

47. Defendant Woods was an active or passive participant in the conduct of CSU as set forth in the previous counts.

COUNT V
CONTROL OVER DECEPTIVE CONDUCT

48. Plaintiff repeats and realleges the allegations contained in paragraphs 1 through 47 as though fully set forth herein.

49. At all times material hereto, Defendant Woods formulated, directed, supervised, participated in, benefitted from, facilitated, controlled, knew and

approved of, and committed or caused the commission of the various acts and practices of CSU.

COUNT VI
INJUNCTIVE RELIEF

50. Plaintiff repeats and realleges the allegations contained in paragraphs 1 through 49 as though fully set forth herein.

51. Unless Defendants are restrained and enjoined by this court from continuing to violate Hawaii Rev. Stat. §§ 446E-2(a), 480-2(a) and 481A-3(a) in the manner described herein, they will continue to do so, irreparably harming and injuring the consuming public of the State of Hawaii.

WHEREFORE, Plaintiff prays that this court:

1. Find, order, adjudge and declare that Defendants' conduct, as alleged herein, violates the statutory provisions set forth above.

2. Issue a temporary restraining order, preliminary injunction and permanent injunction enjoining all Defendants, their agents, employees, successors and assigns, directly or indirectly, individually or in concert with others, or through any corporate or other device from any of the following:

a. Publishing, printing or disseminating any advertising, catalogs, promotional materials and/or written contracts for instruction which fail to properly make the disclosures required by Hawaii Rev. Stat. § 446E-2(a).

b. Representing that it is accredited in any fashion.

c. Committing any further violations of Hawaii law of a nature similar to the violations alleged herein.

3. Assess appropriate civil penalties against each and all of the Defendants individually pursuant to Hawaii Rev. Stat. § 480-3.1 and enter judgment in favor of Plaintiff accordingly.

4. Award any consumers injured by the aforementioned violations full restitution, including pre and post judgment interest, against all Defendants, jointly and severally, pursuant to Hawaii Rev. Stat. § 487-14 and the court's inherent authority and enter judgment accordingly.

5. Assess and award judgment in favor of Plaintiff and against all Defendants, jointly and severally, for attorneys' fees, costs, costs of investigation, interest, and other expenses.

6. Award Plaintiff such other relief as the court may deem just and equitable under the circumstances.

DATED: Honolulu, Hawaii, January 22, 1999.

JEFFREY E. BRUNTON
Attorney for Plaintiff

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5. Assess and award judgment in favor of Plaintiff and against all Defendants, jointly and severally, for attorneys' fees, costs, costs of investigation, interest, and other expenses.

6. Award Plaintiff such other relief as the court may deem just and equitable under the circumstances.

DATED: Honolulu, Hawaii, January 22, 1999.



JEFFREY E. BRUNTON
Attorney for Plaintiff