

Oregon Department of Justice Attorney General John Kroger

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OREGON SUES TO RECOVER \$10 MILLION CONNECTED TO MISLEADING FILINGS BY UNIVERSITY OF PHOENIX

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Oregon students and investors suffered because of the company's alleged practices

Oregon Treasurer Ted Wheeler and Attorney General John Kroger today announced a securities fraud lawsuit against Apollo Group Inc. of Arizona, the parent company of University of Phoenix, and several executives, for misleading investors in the company's financial statements.

The for-profit college allegedly deceived investors about its revenue between 2007 and 2010, a practice that sparked an investigation by the U.S. Securities and Exchange Commission. The loss to the Oregon Public Employee Retirement Fund as a result of the misrepresentation is estimated at roughly \$10 million.

The company's financial practices also hurt Oregonians who were pursuing higher education. The company allegedly did not follow the proper steps when dealing with federal student loans, and improperly canceled loans and left students on the hook financially for classes they did not take.

"With this lawsuit, we hope to teach a lesson that businesses like the University of Phoenix cannot take advantage of their students or their investors," said Treasurer Wheeler, who sits on the Oregon Investment Council. "As a responsible investor, the Oregon Treasury takes action against companies that violate the public trust and fail to act in shareholders' best interests."

"Companies that cook their books will have to answer to Oregon in court," said Attorney General Kroger.

Apollo Group allegedly misrepresented its income by failing to account for losses that were the result of student withdrawals from classes. The practice was disclosed in an October 2009 filing, at which time Apollo disclosed the SEC investigation.

In reaction to the disclosure, shares of Apollo plummeted, losing 17.7 percent in value in a single day, on Oct. 28, 2009. The pre-disclosure price dropped from \$72.97 per share to \$60.06 per share, wiping out nearly \$2 billion in market capitalization. The Company's stock price continued to trade lower over the next several months and remained deflated with an average closing price of \$58 per share in the 90 days subsequent to the disclosures.

In 2010, Apollo's stock price continued to crumble in reaction to, among other things, political calls for more oversight of the for-profit college industry, and Congressional hearings that exposed certain of Apollo's unsavory and improper business practices. By August 2, 2010, Apollo's stock was trading in the \$46 range, but it was again rocked when it was revealed during a Senate investigation and in a report submitted and presented to Senate investigators by the Government Accountability Office

("GAO Report") that Apollo was committing widespread fraud in marketing its services to prospective students. By August 6, 2010, Apollo touched a new low of \$41.11, before closing at \$42.49 per share. By August 13, 2010, shares of Apollo were trading at \$38.94.

In the lawsuit, filed in U.S. District Court in Arizona, Oregon is joining a class action suit and seeking lead plaintiff status.

The suit accuses Apollo Group Inc. and its executives of violating securities law by making statements to investors that were materially false and misleading because they misrepresented and/or failed to disclose information crucial to investors' ability to accurately assess the risks of their investments.

The Oregon Public Employees Retirement Fund, which had a value of \$51 billion as of Aug. 31, is diversified and invested around the world. Oregon invests in several passive strategies, including variants of the S&P and Russell index series. Apollo Group, Inc. (APOL) is a part of those indices and, therefore, is a holding.

Apollo Group is one of the largest private education providers in the nation and has been in the education business for more than 35 years. There are four locations of University of Phoenix in Oregon.

The company derives a majority of its revenue from federal student loans, and is the largest single recipient of student loan funds in the United States. Institutions receiving loans are required to follow federal regulations, including limits on the percentage of defaulted loans extended to students. Institutions that violate these requirements risk losing their federal loan accreditation.

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