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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

[REDACTED]) Individually and on) No.
Behalf of All Others Similarly Situated,)	
)	<u>CLASS ACTION</u>
Plaintiff,)	
vs.)	COMPLAINT FOR VIOLATION OF THE
)	FEDERAL SECURITIES LAWS
BRIDGEPOINT EDUCATION, INC.,)	
ANDREW S. CLARK, DANIEL J. DEVINE)	
and JANE McAULIFFE,)	
)	
Defendants.)	
<hr style="border: 0.5px solid black;"/>		<u>DEMAND FOR JURY TRIAL</u>

1 **INTRODUCTION**

2 1. This is a securities class action on behalf of all persons who purchased or otherwise
3 acquired the common stock of Bridgepoint Education, Inc. (“Bridgepoint” or the “Company”)
4 between May 3, 2011 and July 6, 2012, inclusive (the “Class Period”), against Bridgepoint and
5 certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (“1934
6 Act”). These claims are asserted against Bridgepoint and certain of its officers and/or directors who
7 made materially false and misleading statements during the Class Period in press releases, analyst
8 conference calls, and filings with the SEC.

9 2. Bridgepoint is a for-profit provider of postsecondary education services. The
10 Company’s academic institutions include Ashford University (“Ashford”) located in Clinton, Iowa,
11 and University of the Rockies located in Colorado Springs, Colorado, as well as online institutions.
12 Its institutions deliver programs primarily online, as well as at their traditional campuses.

13 3. During the Class Period, defendants issued materially false and misleading statements
14 regarding the Company’s business and financial results. Specifically, defendants concealed
15 accreditation problems with the Company’s Ashford campus. As a result of defendants’ false
16 statements, Bridgepoint stock traded at artificially inflated prices during the Class Period, reaching a
17 high of \$30.50 per share on July 22, 2011.

18 4. In May and June 2011, the Western Association of Schools and Colleges (“WASC”)
19 and its eligibility review committee notified Ashford of several concerns, including: (a) inadequate
20 student retention and completion, (b) insufficient student progress tracking, (c) an insufficient core
21 of full-time faculty members, and (d) lack of an empowered and independent governing board.
22 Thus, by the Spring of 2011, at the latest, the Company had been advised that Ashford’s future
23 accreditation was at risk.

24 5. On June 25, 2012, the Higher Learning Commission (“HLC”) informed Ashford that
25 it must demonstrate, no later than December 1, 2012, that it has a “substantial presence” in the 19-
26 state north central region of the United States.

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1 6. Then, on July 9, 2012, Bridgepoint filed a Form 8-K with the SEC advising that on
2 July 5, 2012, Ashford had received an official notice denying its accreditation application by the
3 Accrediting Commission for Senior Colleges and Universities of the WASC.

4 7. Subsequently on July 9, 2012, Bridgepoint issued a press release announcing that
5 Ashford would appeal the decision and re-apply for WASC accreditation.

6 8. On this news, Bridgepoint stock plunged \$7.25 per share to close at \$14.25 per share
7 on July 9, 2012, a decline of nearly 34% on volume of 1.2 million shares.

8 9. The true facts, which were known by the defendants but concealed from the investing
9 public during the Class Period, were as follows:

10 (a) the Company had failed to implement plans, procedures and practices to
11 sufficiently assist students in staying with the programs they enrolled in and complete the courses;

12 (b) the Company failed to align resources with educational requirements such that
13 students were not benefitting from the resources available and were therefore not progressing to an
14 acceptable level;

15 (c) Ashford failed to maintain a sufficient core of faculty and programs to
16 develop faculty, leading to poor teaching and poor completion rates by students and also leading to a
17 less rigorous curriculum causing even students who completed the programs to be ill-prepared in
18 their respective disciplines;

19 (d) Bridgepoint had inadequate review procedures such that shortfalls were not
20 quickly identified and remedied; and

21 (e) Ashford failed to maintain an empowered and independent governing board.

22 10. As a result of defendants' false statements and omissions, Bridgepoint's common
23 stock traded at artificially inflated prices during the Class Period. However, after the above
24 revelations seeped into the market, the Company's shares were hammered by massive sales, sending
25 them down 53% from their Class Period high.

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1 **JURISDICTION AND VENUE**

2 11. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise
3 under §§10(b) and 20(a) of the 1934 Act, 15 U.S.C. §§78j(b) and 78t(a), and SEC Rule 10b-5, 17
4 C.F.R. §240.10b-5.

5 12. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false
6 and misleading statements were made in or issued from this District.

7 13. Bridgepoint’s principal executive offices are located at 13500 Evening Creek Drive
8 North, Suite 600, San Diego, California 92128.

9 14. In connection with the acts alleged in this Complaint, defendants, directly or
10 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,
11 the mails, interstate telephone communications and the facilities of the national securities markets.

12 **PARTIES**

13 15. Plaintiff [REDACTED] purchased Bridgepoint common stock as described in the
14 attached certification and was damaged thereby.

15 16. Defendant Bridgepoint is a for-profit post-secondary education company in the
16 United States. It offers associate’s, bachelor’s, master’s, and doctoral programs in the disciplines of
17 business, education, psychology, social sciences, and health sciences.

18 17. Defendant Andrew S. Clark (“Clark”) co-founded the Company and is, and at all
19 relevant times was, Chief Executive Officer (“CEO”), President and a director of Bridgepoint.
20 During the Class Period, defendant Clark sold 778,286 shares of his Bridgepoint stock for proceeds
21 of nearly \$18.2 million.

22 18. Defendant Daniel J. Devine (“Devine”) is, and at all relevant times was, Chief
23 Financial Officer (“CFO”) and Executive Vice President of Bridgepoint. During the Class Period,
24 defendant Devine sold 299,100 shares of his Bridgepoint stock for proceeds of \$6.7 million.

25 19. Defendant Jane McAuliffe (“McAuliffe”) is, and at all relevant times was, Chief
26 Academic Officer of Bridgepoint. During the Class Period, defendant McAuliffe sold 280,000
27 shares of her Bridgepoint stock for proceeds of nearly \$6.2 million.

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1 immediate families and their legal representatives, heirs, successors, or assigns and any entity in
2 which defendants have or had a controlling interest.

3 24. The members of the Class are so numerous that joinder of all members is
4 impracticable. The disposition of their claims in a class action will provide substantial benefits to
5 the parties and the Court. Bridgepoint has over 52.4 million shares of stock outstanding, owned by
6 hundreds if not thousands of persons.

7 25. There is a well-defined community of interest in the questions of law and fact
8 involved in this case. Questions of law and fact common to the members of the Class which
9 predominate over questions which may affect individual Class members include:

- 10 (a) whether the 1934 Act was violated by defendants;
- 11 (b) whether defendants omitted and/or misrepresented material facts;
- 12 (c) whether defendants' statements omitted material facts necessary to make the
13 statements made, in light of the circumstances under which they were made, not misleading;
- 14 (d) whether defendants knew or deliberately disregarded that their statements
15 were false and misleading;
- 16 (e) whether the price of Bridgepoint common stock was artificially inflated; and
- 17 (f) the extent of damage sustained by Class members and the appropriate measure
18 of damages.

19 26. Plaintiff's claims are typical of those of the Class because plaintiff and the Class
20 sustained damages from defendants' wrongful conduct.

21 27. Plaintiff will adequately protect the interests of the Class and has retained counsel
22 who are experienced in class action securities litigation. Plaintiff has no interests which conflict
23 with those of the Class.

24 28. A class action is superior to other available methods for the fair and efficient
25 adjudication of this controversy.

26 **BACKGROUND**

27 29. Bridgepoint is a post-secondary education company in the United States. The
28 Company's academic institutions include Ashford and University of the Rockies. Its institutions

1 deliver programs primarily online, as well as at their traditional campuses. Bridgepoint's institutions
2 conduct ongoing faculty and student assessment processes and provide a range of student services.
3 The Company is also focused on developing new technologies, such as through Waypoint Outcomes,
4 Constellation, and the development of its institutions' mobile learning platforms. The Company has
5 developed Constellation to replace third-party textbooks with digital course materials. Constellation
6 materials are displayed in a browser-based platform.

7 30. In May and June 2011, the WASC and its eligibility review committee notified
8 Ashford of several concerns, including: (a) inadequate student retention and completion,
9 (b) insufficient student progress tracking, (c) an insufficient core of full-time faculty members, and
10 (d) lack of an empowered and independent governing board. Thus, by the Spring of 2011, at the
11 latest, the Company had been advised that Ashford's future accreditation was at risk.

12 31. That the WASC accreditation of Ashford was important to investors is highlighted by
13 an analyst comment from October 2011, which stated in part:

14 [W]e continue to believe that the more meaningful catalyst for the shares remains
15 accreditation approval by the Western Association of Schools and Colleges (WASC),
16 which we still consider likely. For this reason our enthusiasm for the shares remains
unabated.

17 **DEFENDANTS' FALSE AND MISLEADING
STATEMENTS ISSUED DURING THE CLASS PERIOD**

18 32. On May 3, 2011, Bridgepoint issued a press release reporting its first quarter 2011
19 earnings results. The Company reported net income of \$53.9 million or \$0.92 diluted earnings per
20 share ("EPS") and revenue of \$229.4 million for the quarter ending March 31, 2011. Additionally,
21 Bridgepoint updated its full-year 2011 outlook, with expectation of revenue of between \$886.5
22 million and \$901.5 million and net income of between \$145.5 million and \$151.4 million. The
23 release stated in part:

24 "We are pleased with the results we achieved in the first quarter as our new
25 enrollments were in-line with our expectations, and I am particularly pleased that our
26 year over year student persistence increased for the fourth consecutive quarter. The
27 increased persistence not only resulted in better than anticipated revenue for the
28 quarter, but it more importantly reinforces that the student support initiatives we
made in 2010 to enhance student persistence are working as we planned. Our focus
will remain on continuing to improve the programs we have in place to further
enhance the academic readiness of the students who attend our institutions, and to

1 provide students with an innovative, high quality learning experience that enriches
2 their lives,” said Andrew Clark, Chief Executive Officer of Bridgepoint Education.

3 33. After releasing its first quarter 2011 results on May 3, 2011, Bridgepoint hosted a
4 conference call for analysts, media representatives and investors during which defendant McAuliffe
5 represented the following:

6 Let me start with brief updates on the annual meeting of the Higher Learning
7 Commission and on the Academic Resource Conference of the Western Association
8 of Schools and Colleges. We had the opportunity to attend both accreditation
9 meetings, which were held over the past few weeks. Both accreditation organizations
10 give updates on the revision of their accreditation standards and reaffirmation
11 processes.

12 For WASC, a thorough review of standards, policies and processes will result
13 in changes beginning in 2012, and a new handbook will be adopted no later than
14 2013. For the Higher Learning Commission the new criteria will be acted upon by
15 the HLC Board in February 2012, and the revised criteria for accreditation are
16 effective for all accredited institutions on January 1, 2013.

17 The new standards for both accreditors feature a much greater emphasis on
18 the collection of in-depth information on key data, as well as accurate and complete
19 public disclosure of information.

20 Although these changes will not have an immediate impact on our current
21 review, *Ashford University is well on its way to providing a very transparent view
22 on key data regarding its students.*

23 * * *

24 I would also like to update you on the status of Ashford University’s
25 migration to WASC accreditation. As you know, Ashford University has applied for
26 eligibility, which is a preliminary review of an institution to determine that an
27 institution is potentially creditable.

28 WASC has reviewed the application and determined that Ashford University
is eligible to proceed with an application for candidacy for accreditation. This is a
preliminary finding that indicates that the University can proceed to the next step,
which includes writing a self-study in preparation for a site visit. The team is very
excited to be moving forward in the process.

Ashford University continues to keep HLC well-informed each step of the
way, and our liaison is very cooperative and supportive.

34. On this news, Bridgepoint stock closed up \$1.48 per share to close at \$19.87 per share
on May 3, 2011.

35. On July 22, 2011, Bridgepoint reached its Class Period high of \$30.50 per share.

1 36. On August 2, 2011, Bridgepoint issued a press release reporting its second quarter
2 2011 earnings results. The Company reported net income of \$52.1 million or \$0.90 diluted EPS and
3 revenue of \$239.9 million for the quarter ending June 30, 2011.

4 37. After releasing its second quarter 2011 results on August 2, 2011, Bridgepoint hosted
5 a conference call for analysts, media representatives and investors during which defendant
6 McAuliffe represented the following:

7 I am pleased to report that the eligibility review panel the, The WASC Accrediting
8 Commission on Senior Colleges and Universities approved Ashford University as
eligible to seek initial accreditation after meeting all 23 WASC eligibility criteria.

9 The University was approved to pursue initial accreditation through an
10 application and review process known as Pathway B in the WASC Accreditation
11 manual. Pathway B is reserved for those institutions already accredited by
department recognized institutional crediting agency and enables an institution to
12 obtain initial accreditation more rapidly than those seeking institutional
accreditations for the first time.

13 At the time of Ashford's eligibility approval in May, WASC noted that while
14 Ashford is now eligible to move forward with its process toward initial accreditation,
all available slots for an onsite visit in the fall 2011 had already been taken and
WASC subsequently assigned Ashford an onsite visit in March 2012.

15 Under the Pathway B procedure and because Ashford met the eligibility
16 requirements for accreditation, Ashford is next required to submit a self study in
December of 2011 that demonstrates that at a substantial level that it meets the
17 WASC criteria for accreditation. The December timing reflects a point in time 12
weeks in advance with the currently scheduled onsite visit in March 2012.

18 38. On September 15, 2011, Bridgepoint executives appeared at the BMO Capital
19 Markets Back to School Education Conference for analysts, media representatives and investors,
20 during which defendant Clark represented the following:

21 From a gainful employment perspective, very quickly, none of our programs
22 – all of our programs are expected to meet the new requirements. We've not had to
make any material changes in that regard. In terms of the WASC migration, which I
23 mentioned earlier where Ashford University is going through the process to become
WASC accredited, we have met all the eligibility criteria. We are submitting our
24 self-study in the fourth quarter of this year. And we will have our visit by WASC in
March of next year

25 39. On November 1, 2011, Bridgepoint issued a press release reporting its third quarter
26 2011 earnings results. The Company reported net income of \$43.8 million or \$0.78 diluted EPS and
27 revenue of \$242.8 million for the quarter ending September 30, 2011. Additionally, the Company
28

1 provided its full-year 2011 outlook, with expectation of revenue of between \$920 million and \$926
2 million and net income of between \$168.5 million and \$170.3 million.

3 40. After releasing its third quarter 2011 results on November 1, 2011, Bridgepoint
4 hosted a conference call for analysts, media representatives and investors during which defendant
5 McAuliffe represented the following:

6 I want to provide you an update on accreditation for Ashford University.
7 Having already established eligibility to move forward with an application for initial
8 accreditation with the Western Association of Schools and Colleges, Ashford
9 University continues its focused preparations for the submission of the WASC self-
10 study in December 2011.

11 The self-study effort has brought university faculty, staff, and administrators
12 together in positive, well-coordinated, and collaborative discussions to develop
13 appropriate documentation on how the University demonstrates compliance with the
14 current WASC standards for accreditation. This self-study process is a worthy
15 process, as it allows University faculty and leadership to reflect on current practices
16 and build towards the future.

17 As we have reported previously, Ashford University plans to host a visiting
18 team from WASC in March 2012. Ashford's materials and the report of the visiting
19 team will be considered by the WASC commission at a meeting following the on-site
20 team visit and completion of the team's reports. A decision relative to Ashford's
21 application for accreditation is expected to be made at that time.

22 The University leadership values its collegial relationship with the WASC
23 staff as we work through each stage of this process. The President of the University
24 also continues to keep the Higher Learning Commission informed of progress, in
25 [sic] the University continues to be accredited by the Higher Learning Commission.

26 I am very pleased with how the University leadership has continued to move
27 forward and commend them on their focus and dedication to this project.

28 41. On March 6, 2012, Bridgepoint issued a press release reporting its full year and fourth
quarter earnings results. The Company reported net income of \$22.9 million or \$0.41 diluted EPS
and revenue of \$221.3 million for the fourth quarter ending December 31, 2011. Further, the
Company reported net income of \$172.8 million or \$3.02 diluted EPS and revenue of \$933.3 million
for the full year ended December 31, 2011. The release stated in part:

“In 2011, I am very pleased to report that both our institutions improved the
quality of the student learning experience through the increased use of innovative
technologies. To this end, we have made and will continue to make investments
designed to improve our students' learning outcomes and their educational
experience at our institutions. In 2011, we believe these investments in the student
learning experience were responsible for improved student persistence and
graduation rates, and we expect that our focus on these investments will continue to

1 produce similar results in the future,” said Andrew Clark, chief executive officer of
2 Bridgepoint Education.

3 42. After releasing its fourth quarter and full-year 2011 results on March 6, 2012,
4 Bridgepoint hosted a conference call for analysts, media representatives and investors during which
5 defendant McAuliffe represented the following:

6 No[w] I would like to give you an update on Ashford University’s WASC
7 migration process. The leadership is pleased with its interactions with the WASC
8 team. The faculty and staff submitted the self-study and all required documentation
9 in a timely fashion. Ashford University is ready to welcome the WASC visiting team
10 members later this month. Once complete, the visiting team will prepare a report to
11 the WASC Board.

12 We continue to expect a decision on Ashford University’s application to
13 WASC in mid-2012. We believe this move will enhance the institution’s ability to
14 succeed in its mission of providing accessible, affordable, innovative, and high-
15 quality learning opportunities and degree programs that meet the diverse needs of our
16 students.

17 43. On May 1, 2012, Bridgepoint issued a press release reporting its first quarter 2012
18 earnings results. The Company reported net income of \$33.0 million or \$0.59 diluted EPS and
19 revenue of \$250.4 million for the quarter ending March 31, 2012. Additionally, the Company
20 updated its full-year 2012 outlook, expecting revenue of between \$1.01 billion and \$1.03 billion and
21 net income of between \$131.5 million and \$136.9 million. The release stated in part:

22 “We are pleased that our operating and financial results were in-line with our
23 internal expectations for the quarter, and we are particularly pleased by the strong
24 increase in student persistence at our universities,” said Andrew Clark, Chief
25 Executive Officer of Bridgepoint Education. “Increasing persistence reflects our
26 success with the student support and quality initiatives we are implementing, which
27 help assure the academic readiness of students and help provide students with an
28 innovative, high quality learning experience that enriches their lives.”

44. After releasing its first quarter 2012 results on May 1, 2012, Bridgepoint hosted a
conference call for analysts, media representatives and investors during which defendant McAuliffe
represented the following:

Just a brief update on Ashford University’s WASC process. As previously
reported, the self-study was submitted in December of 2011. As planned, a team
visited the University in March 2012. We expect a final decision midyear and will
provide an update when Ashford University is formally notified in writing.

1 The Commission found that a core of *about 50 full-time faculty* members,
2 *most recently hired*, for the entire online division of more than 90,000 students, is
3 not sufficient to provide leadership and oversight of an academic enterprise of the
4 size and complexity of Ashford. (CFRs 3.1, 3.2, 3.11) Related is the lack of sound
5 policies and practices about faculty, including. the role of faculty in governance in
6 the online division. At the time of the visit, Ashford had not established a clear role
7 for the faculty to fulfill its responsibilities of oversight of the academic enterprise and
8 had not set appropriate expectations about teaching load: advising and mentoring of
9 students; and research, scholarship and creative activity of the faculty, especially in
10 graduate-level programs where greater emphasis on these activities is expected.

11 * * *

12 Serious concerns also exist about the rigor of coursework, which varied from
13 course to course and was not always at the appropriate level for the course. In
14 addition. there was variation in the quality and extent of discourse between faculty
15 members and students in online courses, which is a key component of the Ashford
16 instructional model. By way of example, the team noted that faculty responses to
17 required student posts were often limited to a few words of encouragement and
18 lacking in substantive exchange between student and teacher. (CFRs 2.1, 2.5).

19 47. Then, on July 9, 2012, Bridgepoint filed a Form 8-K with the SEC, which stated in

20 part:

21 **Item 8.01 Other Information.**

22 ***Denial of Initial Accreditation for Ashford University***

23 On July 5, 2012, Ashford University received official notice from the
24 Accrediting Commission for Senior Colleges and Universities of the Western
25 Association of Schools and Colleges (“WASC”) that WASC has acted (1) to deny
26 initial accreditation to the institution and (2) to permit the institution to reapply for
27 accreditation with a single special visit to occur as early as spring 2013. This
28 reapplication process would allow WASC to act in June 2013 and does not require
Ashford University to undertake another full self-study.

WASC found that Ashford University had not yet demonstrated substantial
compliance with certain of the WASC Standards for Accreditation, as would be
required for initial accreditation. Ashford University intends to appeal this decision
and simultaneously to undertake the process for reapplying for initial accreditation.
Under WASC rules, if Ashford University decides to reapply for accreditation, the
institution will be required to demonstrate that it has satisfactorily addressed the
report’s conclusions and has come into compliance with the WASC Standards of
Accreditation.

* * *

Ashford University remains regionally accredited by the Higher Learning
Commission of the North Central Association of Colleges and Schools (“Higher
Learning Commission”), with the next comprehensive evaluation scheduled for
2014-15. Ashford University intends to work collaboratively with both WASC and
the Higher Learning Commission to ensure it continues to satisfy the Higher
Learning Commission’s accreditation requirements while it seeks accreditation with
WASC.

1 *Notification from Higher Learning Commission regarding Jurisdiction over*
2 *Ashford University*

3 On June 25, 2012, the Higher Learning Commission informed Ashford
4 University that the institution must demonstrate, no later than December 1, 2012, that
5 it has a “substantial presence,” as defined by commission policy, in the 19-state north
6 central region and accordingly is within the Higher Learning Commission’s
7 jurisdiction under new requirements which became effective on July 1, 2012.
8 Ashford University is communicating with the Higher Learning Commission
9 regarding the timing and components of becoming compliant with the commission’s
10 jurisdictional requirements in light of the institution’s plans to reapply for initial
11 accreditation with WASC.

12 If Ashford University is required to comply with the Higher Learning
13 Commission’s jurisdictional requirements, it is expected that the institution would
14 need to consolidate a significant portion of its educational administration and
15 activity, business operations and executive and administrative leadership in the 19-
16 state north central region. Additionally, if Ashford University is unable to
17 demonstrate in a timely manner that it has a substantial presence in the north central
18 region, the Higher Learning Commission has stated that it will begin a process of
19 reconsidering the institution’s accreditation. Ashford University intends to maintain
20 its accreditation with the Higher Learning Commission until such time as it can
21 transfer its accreditation to WASC.

22 48. On this news, Bridgepoint stock plunged \$7.25 per share to close at \$14.25 per share
23 on July 9, 2012, a decline of nearly 34% on volume of 1.2 million shares.

24 49. Subsequently, on July 9, 2012, Bridgepoint issued a press release entitled “Ashford
25 University to Run Parallel Process of Appeal and Re-application for WASC Accreditation,” which
26 stated in part:

27 Bridgepoint Education’s Ashford University received notice on July 5, 2012 that the
28 Accrediting Commission for Senior Colleges and Universities of the Western
29 Association of Schools and Colleges (WASC) acted to deny Ashford University’s
30 application for initial accreditation. WASC is one of seven regional accrediting
31 commissions, with jurisdiction over schools located in the states of California and
32 Hawaii, as well as the U.S. Pacific Islands.

33 50. The true facts, which were known by the defendants but concealed from the investing
34 public during the Class Period, were as follows:

35 (a) the Company had failed to implement plans, procedures and practices to
36 sufficiently assist students in staying with the programs they enrolled in and complete the courses;

37 (b) the Company failed to align resources with educational requirements such that
38 students were not benefitting from the resources available and were therefore not progressing to an
39 acceptable level;

1 (c) Ashford failed to maintain a sufficient core of faculty and programs to
2 develop faculty, leading to poor teaching and poor completion rates by students and also leading to a
3 less rigorous curriculum, causing even students who completed the programs to be ill-prepared in
4 their respective disciplines;

5 (d) Bridgepoint had inadequate review procedures such that shortfalls were not
6 quickly identified and remedied; and

7 (e) Ashford failed to maintain an empowered and independent governing board.

8 51. As a result of defendants' false statements and omissions, Bridgepoint common stock
9 traded at artificially inflated prices during the Class Period. However, after the above revelations
10 seeped into the market, the Company's shares were hammered by massive sales, sending them down
11 53% from their Class Period high.

12 **LOSS CAUSATION/ECONOMIC LOSS**

13 52. During the Class Period, as detailed herein, the defendants made false and misleading
14 statements and engaged in a scheme to deceive the market and a course of conduct that artificially
15 inflated the price of Bridgepoint common stock and operated as a fraud or deceit on Class Period
16 purchasers of Bridgepoint common stock by misrepresenting the Company's business and prospects.
17 Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the
18 market, the price of Bridgepoint common stock fell precipitously, as the prior artificial inflation
19 came out of the price over time. As a result of their purchases of Bridgepoint common stock during
20 the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages,
21 under the federal securities laws.

22 **NO SAFE HARBOR**

23 53. Bridgepoint's verbal "Safe Harbor" warnings accompanying its oral forward-looking
24 statements ("FLS") issued during the Class Period were ineffective to shield those statements from
25 liability.

26 54. The defendants are also liable for any false or misleading FLS pleaded because, at the
27 time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was
28 authorized and/or approved by an executive officer of Bridgepoint who knew that the FLS was false.

1 None of the historic or present tense statements made by defendants were assumptions underlying or
2 relating to any plan, projection or statement of future economic performance, as they were not stated
3 to be such assumptions underlying or relating to any projection or statement of future economic
4 performance when made, nor were any of the projections or forecasts made by defendants expressly
5 related to or stated to be dependent on those historic or present tense statements when made.

6 **COUNT I**

7 **For Violation of §10(b) of the 1934 Act and Rule 10b-5**
8 **Against All Defendants**

9 55. Plaintiff incorporates ¶¶1-54 by reference.

10 56. During the Class Period, defendants disseminated or approved the false statements
11 specified above, which they knew or deliberately disregarded were misleading in that they contained
12 misrepresentations and failed to disclose material facts necessary in order to make the statements
13 made, in light of the circumstances under which they were made, not misleading.

14 57. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

15 (a) employed devices, schemes and artifices to defraud;

16 (b) made untrue statements of material facts or omitted to state material facts
17 necessary in order to make the statements made, in light of the circumstances under which they were
18 made, not misleading; or

19 (c) engaged in acts, practices and a course of business that operated as a fraud or
20 deceit upon plaintiff and others similarly situated in connection with their purchases of Bridgepoint
21 common stock during the Class Period.

22 58. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of
23 the market, they paid artificially inflated prices for Bridgepoint common stock. Plaintiff and the
24 Class would not have purchased Bridgepoint common stock at the prices they paid, or at all, if they
25 had been aware that the market prices had been artificially and falsely inflated by defendants'
26 misleading statements.

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COUNT II

**For Violation of §20(a) of the 1934 Act
Against All Defendants**

59. Plaintiff incorporates ¶¶1-58 by reference.

60. The Individual Defendants acted as controlling persons of Bridgepoint within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of Bridgepoint common stock, the Individual Defendants had the power and authority to cause Bridgepoint to engage in the wrongful conduct complained of herein. Bridgepoint controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff’s reasonable costs and attorneys’ fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and

proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: July 13, 2012
