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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SHIVA STEIN, Individually and On
Behalf of All Others Similarly
Situated,

Plaintiff,

v.

BRIDGEPOINT EDUCATION, INC.,
ANDREW S. CLARK, KEVIN
ROYAL, and JOSEPH L. D’AMICO,

Defendants.

Case No. '19CV0460 WQHMSB

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff Shiva Stein (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included,

1 among other things, a review of the Defendants’ public documents, conference calls and
2 announcements made by Defendants, United States Securities and Exchange
3 Commission (“SEC”) filings, wire and press releases published by and regarding
4 Bridgepoint Education, Inc. (“Bridgepoint” or the “Company”), analysts’ reports and
5 advisories about the Company, and information readily obtainable on the Internet.
6 Plaintiff believes that substantial evidentiary support will exist for the allegations set
7 forth herein after a reasonable opportunity for discovery.
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9

10 **NATURE OF THE ACTION**

11 1. This is a federal securities class action on behalf of a class consisting of all
12 persons other than Defendants who purchased or otherwise acquired Bridgepoint
13 securities between March 8, 2016 and March 7, 2019, both dates inclusive (the “Class
14 Period”), seeking to recover damages caused by Defendants’ violations of the federal
15 securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities
16 Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder,
17 against the Company and certain of its top officials.
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21 2. Bridgepoint was founded in 1999 and is headquartered in San Diego,
22 California. Bridgepoint, together with its subsidiaries, provides postsecondary education
23 services in the United States. The Company was formerly known as TeleUniversity, Inc.
24 and changed its name to Bridgepoint Education, Inc. in February 2004.
25
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27 3. Bridgepoint’s academic institutions, Ashford University and University of
28 the Rockies, offer associate’s, bachelor’s, master’s, and doctoral degree programs in the

1 disciplines of business, education, psychology, social sciences, and health sciences.
2 Bridgepoint offers its programs primarily through online, and also at its campuses. As of
3 December 31, 2017, its institutions offered approximately 1,200 courses and 80 degree
4 programs, with 45,730 students enrolled.
5

6 4. As a means of increasing enrollment, the Company formed various
7 corporate partnerships with employers to offer their employees a way to pursue and
8 complete a college degree without incurring any student debt, referred to as the
9 Corporate Full Tuition Grant (“FTG”) program. In 2017, enrollments in the Company’s
10 FTG program accounted for approximately 10% of its total enrollment.
11
12

13 5. Throughout the Class Period, Defendants made materially false and
14 misleading statements regarding the Company’s business, operational and compliance
15 policies. Specifically, Defendants made false and/or misleading statements and/or failed
16 to disclose that: (i) Bridgepoint’s processes for recording revenue for its FTG program
17 were inaccurate; (ii) Bridgepoint maintained deficient internal controls; (iii) due to the
18 foregoing deficiencies, Bridgepoint was prone to and did commit material accounting
19 errors related to revenue, provision for bad debts, accounts receivable and deferred
20 revenue, which resulted in the overstatement of revenue and expenses; and (iv) as a
21 result, Bridgepoint’s public statements were materially false and misleading at all
22 relevant times.
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27 6. On March 7, 2019, Bridgepoint announced that it had “determined to restate
28 the Company’s previously issued unaudited condensed consolidated financial statements,

1 and advised that those financial statements should not be relied upon, for the three and
2 nine months ended September 30, 2018.” Bridgepoint stated that the processes used for
3 recording revenue for the FTG program portion of its student contracts “were not
4 designed with sufficient precision,” leading to “material” accounting errors related to
5 revenue, provision for bad debts, accounts receivable and deferred revenue, which
6 resulted in the overstatement of revenue and expenses. Bridgepoint also identified
7 weaknesses in internal controls.
8

9
10 7. On this news, Bridgepoint’s stock price plummeted by \$3.21 per share, or
11 over 34%, to close at \$6.22 per share on March 7, 2019, on unusually heavy trading
12 volume.
13

14 8. As a result of Defendants’ wrongful acts and omissions, and the precipitous
15 decline in the market value of the Company’s securities, Plaintiff and other Class
16 members have suffered significant losses and damages.
17

18 **JURISDICTION AND VENUE**

19
20 9. The claims asserted herein arise under and pursuant to §§ 10(b) and 20(a) of
21 the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated
22 thereunder by the SEC (17 C.F.R. § 240.10b-5).
23

24 10. This Court has jurisdiction over the subject matter of this action pursuant to
25 28 U.S.C. §§ 1331 and § 27 of the Exchange Act.
26

27 11. Venue is proper in this Judicial District pursuant to § 27 of the Exchange
28 Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Defendants conduct business in this

1 District, maintain their principal place of business in this District, and a significant
2 portion of Defendants’ actions and the subsequent damages took place within this
3 District.
4

5 12. In connection with the acts alleged in this complaint, Defendants, directly or
6 indirectly, used the means and instrumentalities of interstate commerce, including, but
7 not limited to, the mails, interstate telephone communications, and the facilities of the
8 national securities markets.
9

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11 **PARTIES**

12 13. Plaintiff, as set forth in the attached Certification, acquired Bridgepoint
13 securities at artificially inflated prices during the Class Period and was damaged upon
14 the revelation of the alleged corrective disclosures.
15

16 14. Defendant Bridgepoint is a Delaware corporation with its principal
17 executive offices located at 8620 Spectrum Center Blvd, San Diego, California.
18 Bridgepoint securities trade on the New York Stock Exchange (“NYSE”) under the
19 ticker symbol “BPI.”
20

21 15. Defendant Andrew S. Clark (“Clark”) has served as Bridgepoint’s President
22 and Chief Executive Officer (“CEO”) at all relevant times.
23

24 16. Defendant Kevin Royal (“Royal”) has served as Bridgepoint’s Chief
25 Financial Officer (“CFO”) since April 16, 2018. Royal also served as the CFO of
26 Bridgepoint from October 1, 2015 until October 13, 2017
27
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1 17. Defendant Joseph L. D’Amico (“D’Amico”) served as Bridgepoint’s
2 Interim CFO from October 16, 2017 until April 16, 2018.

3 18. Defendants Clark, Royal, and D’Amico are sometimes referred to herein
4 collectively as the “Individual Defendants.”
5

6 19. The Individual Defendants possessed the power and authority to control the
7 contents of Bridgepoint’s SEC filings, press releases, and other market communications.
8 The Individual Defendants were provided with copies of Bridgepoint’s SEC filings and
9 press releases alleged herein to be misleading prior to or shortly after their issuance and
10 had the ability and opportunity to prevent their issuance or to cause them to be corrected.
11 Because of their positions with Bridgepoint, and their access to material information
12 available to them but not to the public, the Individual Defendants knew that the adverse
13 facts specified herein had not been disclosed to and were being concealed from the
14 public, and that the positive representations being made were then materially false and
15 misleading. The Individual Defendants are liable for the false statements and omissions
16 pleaded herein.
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21 **SUBSTANTIVE ALLEGATIONS**

22 **Background**

23 20. Bridgepoint was founded in 1999 and is headquartered in San Diego,
24 California. Bridgepoint, together with its subsidiaries, provides postsecondary education
25 services in the United States. The Company was formerly known as TeleUniversity, Inc.
26 and changed its name to Bridgepoint Education, Inc. in February 2004.
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1 21. Bridgepoint's academic institutions, Ashford University and University of
2 the Rockies, offer associate's, bachelor's, master's, and doctoral degree programs in the
3 disciplines of business, education, psychology, social sciences, and health sciences.
4 Bridgepoint offers its programs primarily through online, and also at its campuses. As of
5 December 31, 2017, its institutions offered approximately 1,200 courses and 80 degree
6 programs, with 45,730 students enrolled.
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9 22. As a means of increasing enrollment, the Company formed various
10 corporate partnerships with employers to offer their employees a way to pursue and
11 complete a college degree without incurring any student debt, referred to as the
12 Corporate Full Tuition Grant program. In 2017, enrollments in the Company's FTG
13 program accounted for approximately 10% of its total enrollment.
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16 **Materially False and Misleading Statements Issued During the Class Period**

17 23. The Class Period begins on March 8, 2016, when Bridgepoint filed its
18 annual report on Form 10-K with the SEC, announcing the Company's financial and
19 operating results for the fiscal year ended December 31, 2015 (the "2015 10-K"). For
20 2015, Bridgepoint reported a net loss of \$70.45 million, or \$1.54 per diluted share, on
21 net revenue of \$561.73 million, compared to net income of \$9.67 million, or \$0.21 per
22 diluted share, on net revenue of \$638.71 million for 2014. Additionally, the 2015 10-K
23 reported a provision for bad debts of \$29.86 million, accounts receivable of \$34.21
24 million with net accounts receivable of \$24.09 million (less allowance for doubtful
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1 accounts of \$10.11 million), deferred revenue of \$23.31 million, and total costs and
2 expenses of \$604.02 million.

3 24. Appended as an exhibit to the 2015 10-K were signed certifications
4 pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”), in which Defendants Clark and
5 Royal certified that the 2015 10-K “fully complies with the requirements of Section
6 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended” and that “[t]he
7 information contained in the [2015 10-K] fairly presents, in all material respects, the
8 financial condition and results of operations of the Company.”
9

10 25. On March 7, 2017, Bridgepoint filed its annual report on Form 10-K with
11 the SEC, announcing the Company’s financial and operating results for the fiscal year
12 ended December 31, 2016 (the “2016 10-K”). For 2016, Bridgepoint reported a net loss
13 of \$30.04 million, or \$0.65 per diluted share, on net revenue of \$527.09 million,
14 compared to a net loss of \$70.45 million, or \$1.54 per diluted share, on net revenue of
15 \$561.73 million for 2015. Additionally, the 2016 10-K reported a provision for bad
16 debts of \$32.58 million, accounts receivable of \$42.61 million with net accounts
17 receivable of \$26.46 million (less allowance for doubtful accounts of \$16.15 million),
18 deferred revenue of \$21.73 million, and total costs and expenses of \$567.31 million.
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20 26. The 2016 10-K also represented that Bridgepoint’s disclosure controls and
21 procedures, as well as internal control over financial reporting, were effective, stating, in
22 relevant part:
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1 We maintain disclosure controls and procedures, as defined in Rule 13a-
2 15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to
3 provide reasonable assurance that information required to be disclosed by us
4 in reports we file or submit under the Exchange Act is recorded, processed,
5 summarized and reported within the time periods specified in the SEC's
6 rules and forms. Disclosure controls and procedures include, without
7 limitation, controls and procedures designed to ensure that information
8 required to be disclosed by us in reports we file or submit under the
9 Exchange Act is accumulated and communicated to our management,
10 including our principal executive officer and principal financial officer or
11 persons performing similar functions, as appropriate, to allow timely
12 decisions regarding required disclosure.

13 * * *

14 Under the supervision and with the participation of our management,
15 including our chief executive officer and our chief financial officer, we
16 carried out an evaluation of the effectiveness of our disclosure controls and
17 procedures as of the end of the period covered by this report pursuant to
18 Rule 13a-15(b) and Rule 15d-15(b) of the Exchange Act. Based on this
19 evaluation, our chief executive officer and our chief financial officer
20 concluded that our disclosure controls and procedures were effective at the
21 reasonable assurance level as of December 31, 2016.

22 * * *

23 Internal control over financial reporting is designed to provide reasonable
24 assurance regarding the reliability of financial reporting and the preparation
25 of financial statements prepared for external purposes in accordance with
26 GAAP.

27 * * *

28 Our management has assessed the effectiveness of our internal control over
financial reporting as of December 31, 2016 based on the framework set
forth in Internal Control-Integrated Framework (2013) issued by the
Committee of Sponsoring Organizations of the Treadway Commission
("COSO"). Our management has concluded that our internal control over
financial reporting was effective as of December 31, 2016.

1 27. The 2016 10-K also contained merely generic, boilerplate representations
2 with respect to Bridgepoint’s risk of error relating to its disclosure controls and
3 procedures, as well as internal control over financial reporting, stating, in relevant part:
4

5 In designing and evaluating the disclosure controls and procedures,
6 management recognizes that any controls and procedures, no matter how
7 well designed and operated, can provide only reasonable assurance of
8 achieving the desired control objectives, and management is required to
9 apply its judgment in evaluating the cost-benefit relationship of any possible
10 controls and procedures.

11 * * *

12 Because of its inherent limitations, internal control over financial reporting
13 may not prevent or detect misstatements. Also, projections of any evaluation
14 of the effectiveness of our internal control over financial reporting to future
15 periods are subject to the risk that controls may become inadequate because
16 of changes in conditions, or that the degree of compliance with the policies
17 or procedures may deteriorate.

18 28. Appended as an exhibit to the 2016 10-K were signed SOX certifications, in
19 which Defendants Clark and Royal certified that the 2016 10-K “fully complies with the
20 requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as
21 amended” and that “[t]he information contained in the [2016 10-K] fairly presents, in all
22 material respects, the financial condition and results of operations of the Company.”

23 29. On February 21, 2018, Bridgepoint filed its annual report on Form 10-K
24 with the SEC, announcing the Company’s financial and operating results for the fiscal
25 year ended December 31, 2017 (the “2017 10-K”). For 2017, Bridgepoint reported net
26 income of \$10.54 million, or \$0.32 per diluted share, on net revenue of \$478.40 million,
27 compared to a net loss of \$30.04 million, or \$0.65 per diluted share, on net revenue of
28

1 \$527.09 million for 2016. Additionally, the 2017 10-K reported a provision for bad
2 debts of \$32.15 million, accounts receivable of \$44.66 million with net accounts
3 receivable of \$27.078 million (less allowance for doubtful accounts of \$17.58 million),
4
5 deferred revenue of \$19.14 million, and total costs and expenses of \$470.55 million.

6 30. The 2017 10-K also discussed Bridgepoint's FTG program and touted its
7
8 contribution to Bridgepoint's total enrollment, stating, in relevant part:

9 One area in which we are experiencing positive enrollment trends is within
10 our Education Partnerships programs with various employers. These
11 corporate partnership programs provide companies with the opportunity to
12 offer their employees a way to pursue and complete a college degree without
13 incurring any student debt. Enrollments in the Corporate Full Tuition Grant
14 ('FTG') program is approximately 10% of our total enrollment as of
15 December 31, 2017, compared to approximately 6% of our total enrollment
16 as of December 31, 2016. Revenue derived from Education Partnerships is
17 cash pay, and is therefore not considered federal student aid for purposes of
18 calculations under the 90/10 rule.

19 * * *

20 Certain scholarships, such as the Corporate Full Tuition Grant ('FTG') and
21 Alumni Scholarship are recognized against revenue over the period of
22 benefit to the student.

23 31. With respect to the effectiveness of Bridgepoint's disclosure controls and
24 procedures, as well as internal control over financial reporting, the 2017 10-K contained
25 statements substantively identical to the statements in the 2016 10-K referenced in ¶ 26
26 above.

27 32. Likewise, the 2017 10-K contained general and boilerplate representations
28 concerning Bridgepoint's risk of error relating to its disclosure controls and procedures,

1 as well as internal control over financial reporting, substantively identical to the
2 statements in the Company’s 2016 10-K referenced in ¶ 27 above.

3 33. Appended as an exhibit to the 2017 10-K were signed SOX certifications, in
4 which Defendants Clark and D’Amico certified that the 2017 10-K “fully complies with
5 the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as
6 amended” and that “[t]he information contained in the [2017 10-K] fairly presents, in all
7 material respects, the financial condition and results of operations of the Company.”
8

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10 34. On May 1, 2018, Bridgepoint filed its quarterly report on Form 10-Q with
11 the SEC, announcing the Company’s financial and operating results for the fiscal quarter
12 ended March 31, 2018 (the “1Q18 10-Q”). The 1Q18 10-Q reported net income of \$2.30
13 million, or \$0.08 per diluted share, on net revenue of \$118.03 million for the quarter,
14 compared to net income of \$9.87 million, or \$0.23 per diluted share, on net revenue of
15 \$129.49 million for the same quarter 2017. Additionally, the 1Q18 10-Q reported a
16 provision for bad debts of \$6.65 million, accounts receivable of \$47.02 million with net
17 accounts receivable of \$33.59 million (less allowance for doubtful accounts of \$13.43
18 million), deferred revenue of \$22.97 million, and total costs and expenses of \$117.65
19 million.
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24 35. Appended as an exhibit to the 1Q18 10-Q were signed SOX certifications,
25 in which Defendants Clark and Royal certified that the 1Q18 10-Q “fully complies with
26 the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as
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28

1 amended” and that “[t]he information contained in the [1Q18 10-Q] fairly presents, in all
2 material respects, the financial condition and results of operations of the Company.”

3
4 36. On July 25, 2018, Bridgepoint filed its quarterly report on Form 10-Q with
5 the SEC, announcing the Company’s financial and operating results for the fiscal quarter
6 ended June 30, 2018 (the “2Q18 10-Q”). The 2Q18 10-Q reported net income of \$17.23
7 million, or \$0.63 per diluted share, on net revenue of \$120.83 million for the quarter,
8 compared to net income of \$6.31 million, or \$0.21 per diluted share, on net revenue of
9 \$124.58 million for the same quarter 2017. Additionally, the 2Q18 10-Q reported a
10 provision for bad debts of \$11.71 million, accounts receivable of \$48.57 million with net
11 accounts receivable of \$34.06 million (less allowance for doubtful accounts of \$14.51
12 million), deferred revenue of \$20.26 million, and total costs and expenses of \$109.28
13 million.
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17 37. Appended as an exhibit to the 2Q18 10-Q were signed SOX certifications,
18 in which Defendants Clark and Royal certified that the 2Q18 10-Q “fully complies with
19 the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as
20 amended” and that “[t]he information contained in the [2Q18 10-Q] fairly presents, in all
21 material respects, the financial condition and results of operations of the Company.”
22
23

24 38. On November 8, 2018, Bridgepoint filed its quarterly report on Form 10-Q
25 with the SEC, announcing the Company’s financial and operating results for the fiscal
26 quarter ended September 30, 2018 (the “3Q18 10-Q”). The 3Q18 10-Q reported net
27 income of \$4.31 million, or \$0.16 per diluted share, on net revenue of \$114.86 million
28

1 for the quarter, compared to net income of \$39.00 thousand, or \$0.00 per diluted share,
2 on net revenue of \$119.37 million for the same quarter 2017. Additionally, the 3Q18 10-
3 Q reported a provision for bad debts of \$18.54 million, accounts receivable of \$49.23
4 million with net accounts receivable of \$33.57 million (less allowance for doubtful
5 accounts of \$15.67 million), deferred revenue of \$17.86 million, and total costs and
6 expenses of \$111.33 million.
7
8

9 39. Appended as an exhibit to the 3Q18 10-Q were signed SOX certifications,
10 in which Defendants Clark and Royal certified that the 3Q18 10-Q “fully complies with
11 the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as
12 amended” and that “[t]he information contained in the [3Q18 10-Q] fairly presents, in all
13 material respects, the financial condition and results of operations of the Company.”
14
15

16 40. The statements referenced in ¶¶ 23-39 were materially false and misleading
17 because Defendants made false and/or misleading statements, as well as failed to
18 disclose material adverse facts about the Company’s business, operational and
19 compliance policies. Specifically, Defendants made false and/or misleading statements
20 and/or failed to disclose that: (i) Bridgepoint’s processes for recording revenue for its
21 FTG program were inaccurate; (ii) Bridgepoint maintained deficient internal controls;
22 (iii) due to the foregoing deficiencies, Bridgepoint was prone to and did commit material
23 accounting errors related to revenue, provision for bad debts, accounts receivable and
24 deferred revenue, which resulted in the overstatement of revenue and expenses; and (iv)
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1 as a result, Bridgepoint’s public statements were materially false and misleading at all
2 relevant times.

3
4 **The Truth Begins to Emerge**

5 41. On March 7, 2019, Bridgepoint filed a current report on Form 8-K with the
6 SEC (the “2019 8-K”), announcing that it had “determined to restate the Company’s
7 previously issued unaudited condensed consolidated financial statements, and advised
8 that those financial statements should not be relied upon, for the three and nine months
9 ended September 30, 2018.” Bridgepoint stated that the processes used for recording
10 revenue for the FTG program portion of its student contracts “were not designed with
11 sufficient precision,” leading to “material” accounting errors related to revenue,
12 provision for bad debts, accounts receivable and deferred revenue, which resulted in the
13 overstatement of revenue and expenses. Bridgepoint also identified weaknesses in
14 internal controls.
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19 42. Specifically, the 2019 8-K stated, in relevant part:

20 On March 6, 2019, the Audit Committee of the Board of Directors (the
21 “Audit Committee”) of Bridgepoint Education, Inc. (the “Company”) concluded that the Company’s previously issued unaudited condensed
22 consolidated financial statements for the three and nine months ended
23 September 30, 2018 (the “Restated Periods”), should no longer be relied
24 upon because of errors. Additionally, the Company’s earnings and press
25 releases and similar communications to the extent that they relate to our
26 financial statements for the Restated Periods should no longer be relied
upon.

27 Specifically, during the preparation of the 2018 annual consolidated
28 financial statements, the Company determined that the process used for
recording the revenue for the Full Tuition Grant program portion of our

1 student contracts and the related judgments and estimates were not designed
2 with sufficient precision. As a result, the Company identified errors, relating
3 to revenue, provision for bad debts, accounts receivable and deferred
4 revenue, which resulted in the overstatement of revenue and expenses for the
5 Restated Periods. The errors described above were material to the Restated
6 Periods and will be corrected in the restatement of our financial statements
7 for the Restated Periods.

8 The Company plans to restate its unaudited condensed consolidated financial
9 statements for the Restated Periods discussed above by filing an amended
10 Form 10-Q for the period ended September 30, 2018 (the “Amended Form
11 10-Q”). As similar errors described above existed in earlier periods, but were
12 not considered material, the Company plans to reflect the correction of such
13 immaterial errors for the years ended December 31, 2016 and 2017 (and
14 related quarterly periods therein), as well as the first and second quarters of
15 2018 (the “Revised Periods”), in the Amended Form 10-Q and prospectively
16 as it issues subsequent filings. Adjustments prior to December 31, 2015 will
17 be adjusted through the retained earnings balance as of January 1, 2016, as
18 the adjustments in those periods were not considered material.

19 In addition, the Company has subsequently identified two material
20 weaknesses in internal control over financial reporting related to 1) control
21 design in the accounting for revenue related to the Full Tuition Grant
22 program and 2) operation of review controls over unusual or non-recurring
23 and significant transactions.

24 Our management has re-evaluated its assessment of our disclosure controls
25 and procedures and internal control over financial reporting as of September
26 30, 2018 and concluded that each was ineffective as of that date due to the
27 existence of the material weaknesses. As part of our Amended Form 10-Q,
28 we will update and reflect the restatement of our financial statements for the
Restated Periods and the change in management’s conclusion regarding the
effectiveness of our disclosure controls and procedures and internal control
over financial reporting as of September 30, 2018. As a result, we will not
file our Form 10-K for the year ended December 31, 2018 (the “Form 10-
K”) until after the filing of the Amended Form 10-Q.

We expect that certain amounts in the condensed consolidated financial
statements for the Restated Periods, which will be included in the Amended
Form 10-Q, to differ from the amounts reported in the original filing.
Revenue, as restated, for the nine month period ended September 30, 2018 is

1 expected to be in a range of approximately \$347.2 million to \$348.7 million.
2 Net income, as restated, for the nine month period ended September 30,
3 2018 is expected to be in a range of approximately \$17.6 million to \$18.1
4 million. However, the restatement effects discussed herein are preliminary
5 and subject to further assessment prior to the filing of the Amended Form
6 10-Q. We do not anticipate any material changes to our financial statements
7 for the Revised Periods.

8 43. On this news, Bridgepoint's stock price plummeted by \$3.21 per share, or
9 over 34%, to close at \$6.22 per share on March 7, 2019, on unusually heavy trading
10 volume.

11 **PLAINTIF'S FCLASS ACTION ALLEGATIONS**

12 44. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
13 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or
14 otherwise acquired Bridgepoint securities during the Class Period (the "Class"); and
15 were damaged upon the revelation of the alleged corrective disclosures. Excluded from
16 the Class are Defendants herein, the officers and directors of the Company, at all
17 relevant times, members of their immediate families and their legal representatives,
18 heirs, successors or assigns and any entity in which Defendants have or had a controlling
19 interest.
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23 45. The members of the Class are so numerous that joinder of all members is
24 impracticable. Throughout the Class Period, Bridgepoint securities were actively traded
25 on the NYSE. While the exact number of Class members is unknown to Plaintiff at this
26 time and can be ascertained only through appropriate discovery, Plaintiff believes that
27 there are hundreds or thousands of members in the proposed Class. Record owners and
28

1 other members of the Class may be identified from records maintained by Bridgepoint or
2 its transfer agent and may be notified of the pendency of this action by mail, using the
3 form of notice similar to that customarily used in securities class actions.
4

5 46. Plaintiff's claims are typical of the claims of the members of the Class as all
6 members of the Class are similarly affected by Defendants' wrongful conduct in
7 violation of federal law that is complained of herein.
8

9 47. Plaintiff will fairly and adequately protect the interests of the members of
10 the Class and has retained counsel competent and experienced in class and securities
11 litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.
12

13 48. Common questions of law and fact exist as to all members of the Class and
14 predominate over any questions solely affecting individual members of the Class.
15 Among the questions of law and fact common to the Class are:
16

- 17 • whether the federal securities laws were violated by Defendants' acts as
18 alleged herein;
- 19 • whether statements made by Defendants to the investing public during the
20 Class Period misrepresented material facts about the business, operations
21 and management of Bridgepoint;
- 22 • whether the Individual Defendants caused Bridgepoint to issue false and
23 misleading financial statements during the Class Period;
- 24 • whether Defendants acted knowingly or recklessly in issuing false and
25 misleading financial statements;
- 26 • whether the prices of Bridgepoint securities during the Class Period were
27 artificially inflated because of the Defendants' conduct complained of
28 herein; and

- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

49. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

50. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Bridgepoint securities are traded in an efficient market;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased, acquired and/or sold Bridgepoint securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

51. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

1 52. Alternatively, Plaintiff and the members of the Class are entitled to the
2 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*
3 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants
4 omitted material information in their Class Period statements in violation of a duty to
5 disclose such information, as detailed above.
6

7
8 **COUNT I**

9 **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated**
10 **Thereunder Against All Defendants)**

11 53. Plaintiff repeats and re-alleges each and every allegation contained above as
12 if fully set forth herein.
13

14 54. This Count is asserted against Defendants and is based upon Section 10(b)
15 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the
16 SEC.
17

18 55. During the Class Period, Defendants engaged in a plan, scheme, conspiracy
19 and course of conduct, pursuant to which they knowingly or recklessly engaged in acts,
20 transactions, practices and courses of business which operated as a fraud and deceit upon
21 Plaintiff and the other members of the Class; made various untrue statements of material
22 facts and omitted to state material facts necessary in order to make the statements made,
23 in light of the circumstances under which they were made, not misleading; and employed
24 devices, schemes and artifices to defraud in connection with the purchase and sale of
25 securities. Such scheme was intended to, and, throughout the Class Period, did: (i)
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1 deceive the investing public, including Plaintiff and other Class members, as alleged
2 herein; (ii) artificially inflate and maintain the market price of Bridgepoint securities;
3 and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire
4 Bridgepoint securities and options at artificially inflated prices. In furtherance of this
5 unlawful scheme, plan and course of conduct, Defendants, and each of them, took the
6 actions set forth herein.
7
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9 56. Pursuant to the above plan, scheme, conspiracy and course of conduct, each
10 of the Defendants participated directly or indirectly in the preparation and/or issuance of
11 the quarterly and annual reports, SEC filings, press releases and other statements and
12 documents described above, including statements made to securities analysts and the
13 media that were designed to influence the market for Bridgepoint securities. Such
14 reports, filings, releases and statements were materially false and misleading in that they
15 failed to disclose material adverse information and misrepresented the truth about
16 Bridgepoint's finances and business prospects.
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20 57. By virtue of their positions at Bridgepoint, Defendants had actual
21 knowledge of the materially false and misleading statements and material omissions
22 alleged herein and intended thereby to deceive Plaintiff and the other members of the
23 Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that
24 they failed or refused to ascertain and disclose such facts as would reveal the materially
25 false and misleading nature of the statements made, although such facts were readily
26 available to Defendants. Said acts and omissions of Defendants were committed
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1 willfully or with reckless disregard for the truth. In addition, each Defendant knew or
2 recklessly disregarded that material facts were being misrepresented or omitted as
3 described above.
4

5 58. Information showing that Defendants acted knowingly or with reckless
6 disregard for the truth is peculiarly within Defendants' knowledge and control. As the
7 senior managers and/or directors of Bridgepoint, the Individual Defendants had
8 knowledge of the details of Bridgepoint's internal affairs.
9

10 59. The Individual Defendants are liable both directly and indirectly for the
11 wrongs complained of herein. Because of their positions of control and authority, the
12 Individual Defendants were able to and did, directly or indirectly, control the content of
13 the statements of Bridgepoint. As officers and/or directors of a publicly-held company,
14 the Individual Defendants had a duty to disseminate timely, accurate, and truthful
15 information with respect to Bridgepoint's businesses, operations, future financial
16 condition and future prospects. As a result of the dissemination of the aforementioned
17 false and misleading reports, releases and public statements, the market price of
18 Bridgepoint securities was artificially inflated throughout the Class Period. In ignorance
19 of the adverse facts concerning Bridgepoint's business and financial condition which
20 were concealed by Defendants, Plaintiff and the other members of the Class purchased
21 or otherwise acquired Bridgepoint securities at artificially inflated prices and relied upon
22 the price of the securities, the integrity of the market for the securities and/or upon
23 statements disseminated by Defendants, and were damaged thereby.
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1 60. During the Class Period, Bridgepoint securities were traded on an active
2 and efficient market. Plaintiff and the other members of the Class, relying on the
3 materially false and misleading statements described herein, which the Defendants made,
4 issued or caused to be disseminated, or relying upon the integrity of the market,
5 purchased or otherwise acquired shares of Bridgepoint securities at prices artificially
6 inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the
7 Class known the truth, they would not have purchased or otherwise acquired said
8 securities, or would not have purchased or otherwise acquired them at the inflated prices
9 that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the
10 Class, the true value of Bridgepoint securities was substantially lower than the prices
11 paid by Plaintiff and the other members of the Class. The market price of Bridgepoint
12 securities declined sharply upon public disclosure of the facts alleged herein to the injury
13 of Plaintiff and Class members.
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19 61. By reason of the conduct alleged herein, Defendants knowingly or
20 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and
21 Rule 10b-5 promulgated thereunder.
22

23 62. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff
24 and the other members of the Class suffered damages in connection with their respective
25 purchases, acquisitions and sales of the Company's securities during the Class Period,
26 upon the disclosure that the Company had been disseminating misrepresented financial
27 statements to the investing public.
28

COUNT II

(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)

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4 63. Plaintiff repeats and re-alleges each and every allegation contained in the
5
6 foregoing paragraphs as if fully set forth herein.

7 64. During the Class Period, the Individual Defendants participated in the
8
9 operation and management of Bridgepoint, and conducted and participated, directly and
10
11 indirectly, in the conduct of Bridgepoint's business affairs. Because of their senior
12
13 positions, they knew the adverse non-public information about Bridgepoint's
14
15 misstatement of income and expenses and false financial statements.

16 65. As officers and/or directors of a publicly owned company, the Individual
17
18 Defendants had a duty to disseminate accurate and truthful information with respect to
19
20 Bridgepoint's financial condition and results of operations, and to correct promptly any
21
22 public statements issued by Bridgepoint which had become materially false or
23
24 misleading.

25 66. Because of their positions of control and authority as senior officers, the
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27 Individual Defendants were able to, and did, control the contents of the various reports,
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press releases and public filings which Bridgepoint disseminated in the marketplace
during the Class Period concerning Bridgepoint's results of operations. Throughout the
Class Period, the Individual Defendants exercised their power and authority to cause
Bridgepoint to engage in the wrongful acts complained of herein. The Individual

1 Defendants therefore, were “controlling persons” of Bridgepoint within the meaning of
2 Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful
3 conduct alleged which artificially inflated the market price of Bridgepoint securities.
4

5 67. Each of the Individual Defendants, therefore, acted as a controlling person
6 of Bridgepoint. By reason of their senior management positions and/or being directors
7 of Bridgepoint, each of the Individual Defendants had the power to direct the actions of,
8 and exercised the same to cause, Bridgepoint to engage in the unlawful acts and conduct
9 complained of herein. Each of the Individual Defendants exercised control over the
10 general operations of Bridgepoint and possessed the power to control the specific
11 activities which comprise the primary violations about which Plaintiff and the other
12 members of the Class complain.
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16 68. By reason of the above conduct, the Individual Defendants are liable
17 pursuant to Section 20(a) of the Exchange Act for the violations committed by
18 Bridgepoint.
19

20
21 **PRAYER FOR RELIEF**

22 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

23 A. Determining that the instant action may be maintained as a class action
24 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
25 Class representative;
26

27 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class
28 by reason of the acts and transactions alleged herein;

1 C. Awarding Plaintiff and the other members of the Class prejudgment and
2 post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other
3 costs; and
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5 D. Awarding such other and further relief as this Court may deem just and
6 proper.
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8 **DEMAND FOR TRIAL BY JURY**

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10 Plaintiff hereby demands a trial by jury.

11 Dated: March 8, 2019
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