



Ray Gallo Files Class Action Litigation Against Career Education Corporation's California Culinary Academy

37 Former Students Allege Systematic Recruiting Fraud

SAN FRANCISCO, Oct. 1, 2007 (GLOBE NEWSWIRE) -- Gallo & Associates today announced that it has filed a class action suit against Career Education Corporation (Nasdaq:[CECO](#)) alleging that the company's profit-oriented approach to education crossed the line into fraud on a massive scale at its California Culinary Academy vocational school, victimizing thousands of students seeking a better life and income as a degreed professional chef.

The litigation, filed in San Francisco Superior Court on Friday by dozens of former CCA students (for themselves and on behalf of all others), alleges that CCA misrepresented that its admissions were selective, its program elite, and its degree prestigious, and that upon graduation well-paying jobs would be waiting and students' education loans would be readily repayable. The Plaintiffs allege none of this was true when it was said to them, or when they went to look for jobs.

California consumer class action lawyer Ray Gallo, who represents these former CCA students, said, "CEC claims to offer a high quality education to approximately 90,000 students at more than 75 campuses across the world in a variety of career-oriented disciplines. We expect to prove that the California Culinary Academy, CEC's once-elite culinary school in San Francisco, misrepresented and hid the truth of its increasingly poor reputation and inability to place graduates in well-paying jobs-and did so acting under CEC's instructions. We also expect to prove that CEC, CCA, or their personnel accepted undisclosed benefits from lenders to place students in loans that exceeded market rates. I don't know what's happened at other CEC schools, but I have seen reports of similar sounding lawsuits involving other CEC schools, and I have heard that at least one CEC shareholder is demanding that CEC refocus its strategy on providing quality education to its students."

"CCA's reputation was good before CEC bought it," Gallo added, "and CCA's recruiters reportedly told students it still was." But the Plaintiffs allege that CCA's increasingly bad reputation in the food service industry means its nearly \$50,000 program (often financed with high interest loans sold by CCA that, in many cases, will accrue another \$50,000 or more in interest) was essentially worthless in the job market.

CBS Channel 5 in San Francisco has reported that after purchasing CCA, CEC quickly quadrupled its enrollment. See http://cbs5.com/consumer/local_story_271210110.html

In the suit, students allege the following:

- * While CCA was once well respected, CEC ended selective admissions, admitting everyone or nearly everyone, and ended meaningful graduation requirements, graduating everyone or nearly everyone.
- * As a result, students allege, a CCA degree is not prestigious and does not open doors-many employers even consider it a minus. Even students who did well at the school often find employment only at \$10 or \$12 an hour upon graduation, making their students loans (often \$50,000 or so, plus substantial interest) difficult or impossible to pay, contrary to what CCA promised them.
- * CCA, CEC, or their employees received undisclosed benefits from

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lenders to place students in above-market rate loans, and some students face interest rates of 19%.

Gallo credits the students for coming forward and the San Francisco Weekly with breaking the case. "My hat is off to the SF Weekly for paying attention to these students and their plight. Its article brought this matter to my attention and, as my firm began investigating, we received reports that suggest systematic fraud in connection with the 'recruiting' process at CCA."

Gallo notes that recent changes to the bankruptcy laws make even non-federally guaranteed student loans difficult or impossible to discharge in bankruptcy.

"This case may also shed some further light into student loan practices," Gallo said, "which have been the subject of various civil and criminal investigations by state and federal prosecutors in the last couple of years. It looks like something untoward happened here. Our interviews of numerous former students suggest that CCA was not helping students find the best loan rates, but instead was pushing everyone toward one or two favored lenders who, as a consequence, were free to charge above-market rates."

About Gallo & Associates

Los Angeles based Gallo & Associates (www.gallo-law.com) is a boutique law firm that represents and counsels senior managers in employment-related transactions, trials, and liability and governance matters. Its clients include current or former Fortune-100 "C"-level executives. The firm prosecutes public interest and consumer fraud cases like this one as part of its ongoing commitment to promote ethical business practices. Ray E. Gallo is its managing principal and trial counsel.

More information on this and other class actions can be found on the Class Action Newsline at www.primenewswire.com/ca

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