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Superior Court of California
County of Los Angeles

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Sherri R. Cartor, Executive Officer/Clerk
By: Judi Lara, Deputy

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF LOS ANGELES

BC 6 26 392

12 THE PEOPLE OF THE STATE OF
CALIFORNIA,

Plaintiff,

Case No. _____

COMPLAINT OF THE PEOPLE OF THE
STATE OF CALIFORNIA

14 v.

15 K12 INC. D/B/A/ DELAWARE K12 INC.;
16 CALIFORNIA VIRTUAL ACADEMY @
SAN MATEO; CALIFORNIA VIRTUAL
17 ACADEMY @ FRESNO; CALIFORNIA
VIRTUAL ACADEMY @ JAMESTOWN;
18 CALIFORNIA VIRTUAL ACADEMY @
KINGS; CALIFORNIA VIRTUAL
19 ACADEMY @ LOS ANGELES;
CALIFORNIA VIRTUAL ACADEMY @
20 MARICOPA; CALIFORNIA VIRTUAL
ACADEMY HIGH @ MARICOPA;
21 CALIFORNIA VIRTUAL ACADEMY @
SAN DIEGO; CALIFORNIA VIRTUAL
22 ACADEMY @ SAN JOAQUIN;
CALIFORNIA VIRTUAL ACADEMY @
23 SONOMA; CALIFORNIA VIRTUAL
ACADEMY @ SUTTER; INSIGHT @ SAN
24 JOAQUIN; INSIGHT @ SAN DIEGO; IQ
ACADEMY – LOS ANGELES; and DOES
201 through 300, INCLUSIVE,

Defendants.

1 The People of the State of California (“the People”), by and through Kamala D. Harris,
2 Attorney General, based on information and belief, allege in this complaint as follows:

3 **DEFENDANTS**

4 1. Defendant K12 Inc. (“K12”) is, and at all times mentioned herein was, a Delaware
5 corporation with its principal place of business located at 2300 Corporate Park Drive, Herndon,
6 Virginia 20171. At all times relevant herein, K12 transacted business throughout California.

7 2. California Virtual Academy @ San Mateo (“CAVA @ San Mateo”) is, and at all
8 times mentioned herein was, a nonprofit California Public Benefit corporation, and a charter
9 school chartered by Jefferson Elementary School District in Daly City, CA. CAVA @ San Mateo
10 enrolls students in San Mateo County and adjacent counties and lists its headquarters as Simi
11 Valley, California.

12 3. California Virtual Academy @ Fresno (“CAVA @ Fresno”) is, and at all times
13 mentioned herein was, a nonprofit California Public Benefit corporation, and a charter school
14 chartered by Orange Center School District in Fresno, CA. CAVA @ Fresno enrolls students
15 within Fresno County and adjacent counties and lists its headquarters as Simi Valley, California.

16 4. California Virtual Academy @ Jamestown (“CAVA @ Jamestown”) is, and at all
17 times mentioned herein was, a nonprofit California Public Benefit corporation, and a charter
18 school chartered by Jamestown Elementary School District in Jamestown, CA. CAVA @
19 Jamestown enrolls students within Tuolumne County and adjacent counties and lists its
20 headquarters as Simi Valley, California.

21 5. California Virtual Academy @ Kings (“CAVA @ Kings”) is, and at all times
22 mentioned herein was, a nonprofit California Public Benefit corporation, and a charter school
23 chartered by Armona Union Elementary School District in Armona, CA. CAVA @ Kings enrolls
24 students within Kings County and adjacent counties and lists its headquarters as Simi Valley,
25 California.

26 6. California Virtual Academy @ Los Angeles (“CAVA @ Los Angeles”) is, and at
27 all times mentioned herein was, a nonprofit California Public Benefit corporation, and a charter
28 school chartered by West Covina Unified School District in West Covina, CA. CAVA @ Los

1 Angeles enrolls students within Los Angeles County and adjacent counties and lists its
2 headquarters as Simi Valley, California.

3 7. On or about July 2012 and after, California Virtual Academy High @ Maricopa
4 (“CAVA High @ Maricopa”) has been a charter school chartered by Maricopa Unified School
5 District in Maricopa, CA, operated by the CAVA @ Maricopa nonprofit California Public Benefit
6 corporation. CAVA High @ Maricopa enrolls students within Kern County and adjacent
7 counties and lists its headquarters as Simi Valley, California.

8 8. California Virtual Academy @ San Diego (“CAVA @ San Diego”) is, and at all
9 times mentioned herein was, a nonprofit California Public Benefit corporation, and a charter
10 school chartered by Spencer Valley Elementary School District in Santa Ysabel, CA. CAVA @
11 San Diego enrolls students within San Diego County and adjacent counties and lists its
12 headquarters as Simi Valley, California.

13 9. At all times on or about July 2012 and after, California Virtual Academy @ San
14 Joaquin (“CAVA @ San Joaquin”) has been and is a nonprofit California Public Benefit
15 corporation, and a charter school chartered by New Jerusalem Elementary School District in
16 Tracy, CA. CAVA @ San Joaquin enrolls students within San Joaquin County and adjacent
17 counties and lists its headquarters as Simi Valley, California. Prior to on or about July 2012,
18 CAVA @ San Joaquin was chartered by Stockton Unified School District in Stockton, CA.

19 10. California Virtual Academy @ Sonoma (“CAVA @ Sonoma”) is, and at all times
20 mentioned herein was, a nonprofit California Public Benefit corporation, and a charter school
21 chartered by Liberty Elementary School District in Petaluma, CA. CAVA @ Sonoma enrolls
22 students within Sonoma County and adjacent counties and lists its headquarters as Simi Valley,
23 California.

24 11. At all times on or about July 2013 and after, California Virtual Academy @ Sutter
25 (“CAVA @ Sutter”) has been and is a nonprofit California Public Benefit corporation, and a
26 charter school chartered by Meridian Elementary School District in Meridian, CA. CAVA @
27 Sutter enrolls students within Sutter County and adjacent counties and lists its headquarters as
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1 Simi Valley, California. Prior to on or about July 2013, CAVA @ Sutter was chartered by
2 Nuestro Elementary School District in Live Oak, CA.

3 12. CAVA @ San Mateo, CAVA @ Fresno, CAVA @ Jamestown, CAVA @ Kings,
4 CAVA @ Los Angeles, CAVA @ Maricopa, CAVA High @ Maricopa, CAVA @ San Diego,
5 CAVA @ San Joaquin, CAVA @ Sonoma, and CAVA @ Sutter are collectively referred to as
6 “CAVA” or “the CAVA schools” in this Complaint.

7 13. Insight @ San Joaquin is, and at all times mentioned herein was, a nonprofit
8 California Public Benefit corporation, and a charter school chartered by New Jerusalem
9 Elementary School District in Tracy, CA. Insight @ San Joaquin enrolls students within San
10 Joaquin County and adjacent counties and lists its headquarters as Simi Valley, California.

11 14. Insight @ San Diego is, and at all times mentioned herein was, a charter school
12 operated by the CAVA @ San Diego nonprofit California Public Benefit corporation and a
13 charter school chartered by Spencer Valley Elementary School District in Santa Ysabel, CA.
14 Insight @ San Diego enrolls students within San Diego County and adjacent counties and lists its
15 headquarters as Simi Valley, California. The Insight schools may be referred to collectively as
16 “the Insight schools” in this Complaint.

17 15. iQ Academy – Los Angeles is, and at all times mentioned herein was, a nonprofit
18 California Public Benefit Corporation, and a charter school chartered by Rowland Unified School
19 District in Rowland Heights, CA. iQ Academy – Los Angeles enrolls students within Los
20 Angeles County and adjacent Counties and lists its headquarters as Simi Valley, California.

21 16. Defendants Does 201-300, inclusive, are sued herein under fictitious names. Their
22 true names and capacities are unknown to the People at this time. When their true names and
23 capacities are ascertained, the People will amend this Complaint by inserting their true names and
24 capacities. The People are informed and believe, and thereon allege that each of the fictitiously-
25 named Defendants is responsible in some manner for the occurrences alleged herein and that the
26 legal violations underlying the penalties alleged herein were proximately caused by such
27 Defendants.
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17. The CAVA schools, the Insight schools, and iQ Academy – Los Angeles are collectively referred to herein as “Virtual School Defendants.”

18. Each Virtual School Defendant has a contractual relationship with K12 wherein K12 furnishes curriculum, administrative services, management services, enrollment services, and other services. These services include K12’s employment of the Heads of Schools of the Virtual School Defendants.

19. K12, the Virtual School Defendants, and Doe Defendants 201 to 300 are referred to collectively in this Complaint as “Defendants.” Each Defendant is a “person” as defined in Business and Professions Code section 17201.

20. Whenever reference is made in this Complaint to any act of “K12,” “Virtual School Defendants,” “K12 and Virtual School Defendants,” and/or “Defendants,” that allegation shall mean that each Defendant acted individually and jointly with the other Defendants named in that cause of action. At all times mentioned herein, each of the Defendants, including each and every of their officers, directors, employees, agents and/or representatives, acted as the principal, agent, or representative of each of the other Defendants, and in doing the acts herein alleged, each Defendant was acting within the course and scope of the agency relationship with each of the other Defendants, and with the permission and ratification of each of the other Defendants.

21. Whenever reference is made in this Complaint to any act of any Defendant or Defendants, the allegation shall mean that the Defendant or Defendants did the acts alleged in this Complaint either personally or through the Defendant’s or Defendants’ officers, directors, employees, agents and/or representatives acting within the actual or ostensible scope of their authority.

JURISDICTION AND VENUE

22. This Court has original jurisdiction over this action pursuant to California Constitution, article VI, section 10.

23. This Court has jurisdiction over Defendants because each Defendant’s principal place of business is in California or each Defendant otherwise intentionally avails itself of the

1 California market so as to render the exercise of jurisdiction over it by the California courts
2 consistent with traditional notions of fair play and substantial justice.

3 24. The violations of law alleged in this Complaint occurred in the City and County of
4 Los Angeles and elsewhere throughout California.

5 25. Venue is also proper in this Court pursuant to Code of Civil Procedure section 393,
6 subdivision (a) because violations of law that occurred in the City and County of Los Angeles are
7 a “part of the cause” upon which the People seek the relief imposed by statute.

8 **FACTUAL BACKGROUND**

9 26. K12 is a for-profit publicly traded company. Its business includes Public School
10 Programs (including Managed Programs), under which K12 furnishes curriculum, administrative
11 services, management services, enrollment services, and other services to schools including the
12 Virtual School Defendants.

13 27. All of the Virtual School Defendants named herein are public charter schools
14 organized as, or operated by, nonprofit California Public Benefit corporations.

15 28. All of the Virtual School Defendants named herein are K12 Public School
16 Managed Programs. Under these programs, K12 “provides substantially all of the management,
17 technology and academic support services in addition to curriculum, learning systems and
18 instructional services” for the Virtual School Defendants.

19 29. In the virtual school environment, students do not go in-person to a traditional
20 brick-and-mortar school building and sit in a classroom with other students and a teacher. Rather,
21 students receive nonclassroom-based instruction through online lessons delivered over the
22 Internet using, in part, K12’s proprietary software and curriculum.

23 30. The Virtual School Defendants receive funds from the State of California every
24 year to pay for the education of the approximately 13,000 students attending these schools.
25 Pursuant to the Agreements, the Virtual School Defendants pay significant management and
26 technology fees to K12 based on a percentage of the total funding the Virtual School Defendants
27 receive.
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31. Defendants made or disseminated untrue or misleading statements or caused untrue or misleading statements to be made in or from California, to induce members of the public to enroll in the educational programs offered by Defendants. Specifically, the untrue or misleading statements are the following:

(a) Statements regarding student academic progress. These statements consisted of K12 overstating the level of its students' progress on a standardized test during a given school year and in relation to national standards. By failing to include a large number of students whose test results did not show significant change, K12 significantly overstated its students' progress.

(b) Statements to prospective students, their parents and others regarding parent satisfaction rates. These statements consisted of K12 claiming parent satisfaction rates of 94 or 95 percent. These ratings, however, were misleading for a number of reasons. These include the fact that they reflected survey responses as to questions other than parent satisfaction, were not kept updated as new surveys were conducted, and only reflected responses from K-8 parents but were used for all of Defendants' schools.

(c) Statements that Defendants' schools' offer the full range of courses required for graduates to be eligible for admission to California public universities. These statements are false and misleading, because Defendants do not currently offer classes in all of the seven areas that are required.

(d) Statements regarding the flexibility and individualization of K12's curriculum. Defendants made such statements even though, for example, students' Individual Learning Plans are often not individualized in a meaningful way. Further, the level of flexibility that Defendants promise is not actually available (for example, parents cannot unilaterally choose which grade level curriculum their students will be placed in).

(e) Statements that Defendants provide students with education at no cost. Students are required to incur costs for a number of items necessary for them to

1 access the educational program, including costs related to establishing and
2 maintaining adequate Internet access. Defendants also failed to consistently
3 provide supplies necessary to satisfy various requirements of the Defendant's
4 courses, such as science, literature and foreign language courses.

5 (f) Statements regarding the quality of instructional materials. Although K12
6 and Virtual School Defendants advertise the availability of "loaner computers"
7 with particular technical specifications, many of these computers and peripherals
8 are deficient and prevent students from gaining meaningful access to K12's
9 educational program.

10 (g) Statements regarding class sizes. K12 staff told individuals they thought
11 were prospective parents that average class sizes were between 15 and 20 pupils,
12 and even as low as 10. However, the Virtual School Defendants' actual average
13 classroom sizes are larger. For example, CAVA @ Los Angeles reported class
14 sizes for K-6 of 30 students and that high school class sizes ranged between 22 and
15 27 students per class.

16 32. Virtual School Defendants must comply with statutes governing nonprofit
17 California Public Benefit corporations, including, but not limited to Corporations Code sections
18 5231 and 5233.

19 33. K12 and/or its employees exercised management, influence and control over the
20 CAVA Board, to such a degree that K12 and/or its employees were *de facto* officers and directors
21 of the Virtual School Defendants with the attendant duty of care and loyalty to the Virtual School
22 Defendants and to their charitable beneficiaries. Despite this, K12 and/or its employees
23 encouraged the Virtual School Defendants to enter into Educational Products and Services
24 Agreements which were not in the best interests of the Virtual School Defendants.

25 **FIRST CAUSE OF ACTION**
VIOLATIONS OF FALSE ADVERTISING LAW
(Bus. & Prof. Code, §§ 17500 et seq.)

26 34. The People reallege all paragraphs set forth above and incorporate them by
27 reference as though they were fully set forth in this cause of action.

1 35. Defendants, and each of them, have engaged in the dissemination of false or
2 misleading statements relating to their educational programs in violation of California's False
3 Advertising Law, Business and Professions Code section 17500 et seq.

4 **SECOND CAUSE OF ACTION**
5 **VIOLATIONS OF UNFAIR COMPETITION LAW**
6 **AGAINST ALL DEFENDANTS**
7 **(Bus. & Prof. Code, §§ 17200 et seq.)**

8 36. The People reallege all paragraphs set forth above and incorporate them by
9 reference as though they were fully set forth in this cause of action.

10 37. Defendants, and each of them, have engaged in unlawful and unfair business
11 practices relating to their educational programs in violation of California's Unfair Competition
12 Law, Business and Professions Code section 17200 et seq.

13 38. Defendants' conduct in disseminating of false or misleading statements relating to
14 their educational programs in violation of Business and Professions Code section 17500, as set
15 forth above, violates California's Unfair Competition Law, Business and Professions Code
16 section 17200 et seq.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, the People respectfully request that the Court enter judgment in favor of
19 the People and against Defendants, jointly and severally, as follows:

20 1. That Defendants, their successors, agents, representatives, employees, assigns and
21 all persons who act in concert with Defendants be permanently enjoined from making any untrue
22 or misleading statements in violation of Business and Professions Code sections 17500 and 17508,
23 under the authority of Business and Professions Code section 17535;

24 2. That Defendants, their successors, agents, representatives, employees, assigns and
25 all persons who act in concert with Defendants be permanently enjoined from engaging in unfair
26 competition as defined in Business and Professions Code section 17200, under the authority of
27 Business and Professions Code section 17203;

1 3. That each Defendant be ordered to pay a civil penalty for each violation of
2 Business and Professions Code section 17500 under the authority of Business and Professions
3 Code section 17536;

4 4. That each Defendant be ordered to pay a civil penalty for each violation of
5 Business and Professions Code section 17200 under the authority of Business and Professions
6 Code section 17206;

7 5. That the Court make such orders or judgments as may be necessary, including
8 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of
9 any practice which violates Business and Professions Code section 17500, under the authority of
10 Business and Professions Code section 17535;

11 6. That the Court make such orders or judgments as may be necessary, including
12 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of
13 any practice which constitutes unfair competition, under the authority of Business and Professions
14 Code section 17203;

15 7. That the People recover their costs of suit, including costs of investigation;

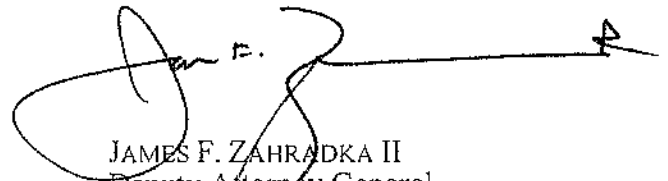
16 8. That the People receive all other relief to which they are legally entitled; and

17 9. That the Court award such other relief that it deems just, proper, and equitable.

18 Dated: July 8, 2016

Respectfully Submitted,

19 KAMALA D. HARRIS
20 Attorney General of California

21 
22 JAMES F. ZAHRADKA II
23 Deputy Attorney General
24 *Attorneys for* THE PEOPLE OF THE
STATE OF CALIFORNIA

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