

**BEFORE THE AMERICAN ARBITRATION ASSOCIATION  
MEDFORD, OR**

JONATHAN STICKROD,

Claimant,

v.

LAMBDA, INC. D/B/A LAMBDA  
SCHOOL; JOHN DOES 1-9,

Respondents.

AAA Case No. \_\_\_\_\_

**DEMAND FOR ARBITRATION**

1. Pursuant to the American Arbitration Association's Consumer Rules, Claimant Jonathan Stickrod submits this Demand for Arbitration against Lambda, Inc. d/b/a Lambda School ("Lambda") and John Does 1-9 for violations of the California Consumer Legal Remedies Act ("CLRA"), California Civil Code § 1750, *et seq.*, Unfair Competition Law ("UCL"), California Business and Professional Code § 17200, *et seq.*, False Advertising Law ("FAL"), California Business and Professional Code § 17500, *et seq.*, as well as for intentional and negligent misrepresentation.

2. Mr. Stickrod brings this action to hold Lambda accountable for: (i) falsifying and misrepresenting its job placement rates; (ii) misrepresenting and concealing the true nature of its financial interest in students' success, including by falsely representing that Lambda only got paid after students found employment and got paid; (iii) misrepresenting and concealing from students that the state of California ordered Lambda to cease operations, stop enrolling students, cease all

instructional services, and submit a closure plan, and (iv) enrolling and providing educational services to students, including Mr. Stickrod, in violation of that order.

3. Lambda is a private, for-profit online coding school founded in 2017 by its current chief executive officer, Austen Allred. Headquartered in San Francisco, Lambda provides online six and twelve-month computer science courses.

4. Lambda charges \$30,000 for its program, more than double the reported average price of online coding bootcamps.<sup>1</sup>

5. As Mr. Allred has explained, most students come to Lambda with “no network” and are “from either inner cities or rural areas.”<sup>2</sup>

6. Lambda’s business model is predicated on convincing prospective students to pay this large amount by promising them that they will not owe any tuition unless and until they find a job that pays \$50,000 or more per year.

7. Through this financial arrangement, known as an Income Share Agreement (“ISA”), Lambda students agree to pay 17% of their post-Lambda salary for twenty-four months, but only once they are making more than \$50,000 per year in a qualifying job.

8. Job placement is the most critical component of Lambda’s operations; to a prospective student, no information is more important than the school’s record of successfully placing students in computer technology careers.

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<sup>1</sup> See Cecilia Clark, *How Much is Coding Boot Camp?* Nerdwallet (Jan. 8, 2021), available at: <https://www.nerdwallet.com/article/loans/student-loans/how-much-is-coding-bootcamp>.

<sup>2</sup> See Y Combinator, *A CS Education That’s Free Until You Get a Job - Austen Allred of Lambda School*, YouTube (Apr. 3, 2019) at 9:10 (hereinafter “Y Combinator Interview”), available at: <https://www.youtube.com/watch?v=vIAYZtdrfl&t=551s>.

9. Lambda prominently displays its purported record of job placement on its website as well as in marketing materials and on social media, including through Mr. Allred’s personal Twitter account. Until at least December 2019, Lambda advertised that its job placement rate was over 80%.

10. Lambda’s senior management, including Mr. Allred, knew that these widely disseminated job placement representations were false and misleading.

11. For example, on August 2, 2018, Mr. Allred posted to Lambda’s website that “every single Lambda School graduate who has been on the job market for six months is either employed in a full-time role as a software engineer or has joined an early startup working for equity.”<sup>3</sup> This was a lie, as confirmed the very next day in internal communications from Lambda’s senior leadership to its Director of Career Readiness stating that the school’s “[o]verall placement numbers are low and the time to placement is much higher than desired.”

12. And, at the same time it was publicly touting an 85.9% job placement rate, Lambda warned one of its investors in a private memo: “We’re at roughly 50% placement for cohorts that are 6 months graduated” and “[p]lacement to date has been manual and one-off, which isn’t possible at scale.” See Lambda Memorandum to Investors, *Human Capital: The Last Unoptimized Asset Class* at 10 (May 2019), attached hereto as Exhibit A.

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<sup>3</sup> Austen Allred, *Introducing Lambda Next — Our Revolutionary New Job Search and Placement Program*, Medium: Lambda School Blog (Aug. 2, 2018), available at: <https://medium.com/lambda-school-blog/introducing-lambda-next-our-revolutionary-new-job-search-and-placement-program-603ef12f7d37>.

13. In addition, Lambda has long advertised that “[w]e don’t get paid until you do, so we’re in this together, from your first day of classes to your first day on the job.”<sup>4</sup> Together with its purportedly high job placement rate, this statement led Mr. Stickrod to trust Lambda. But this statement was also false, as Lambda packaged and sold ISAs to investors long before students found employment.

14. Mr. Stickrod relied on Lambda’s advertised job placement rate of over 80% and its promise that Lambda would not get paid until he did when he decided to enroll at Lambda in December of 2019, financed by an ISA. Only after enrolling at Lambda and becoming aware of news stories about Lambda’s misconduct did he discover that the representations that induced him to enroll at Lambda were false and misleading.

15. In addition to these material misrepresentations, Lambda, from its inception until at least August 20, 2020, operated without approval by the state of California, in violation of California law and an order by the state requiring it to cease operations.

16. Specifically, Lambda is regulated by the California Bureau for Postsecondary Education (“BPPE”) as a post-secondary educational institution. On March 20, 2019, the BPPE found that Lambda was operating without its approval and ordered the school to cease all operations and submit a school closure plan.

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<sup>4</sup> See, e.g., Lambda School Website, Apply Now Pages, available at: <https://lambdaschool.com/learn-more-social> (last visited Apr. 28, 2021) and <https://lambdaschool.com/go/higher-ed> (last visited Apr. 28, 2021).

Lambda appealed the decision and, on July 24, 2019, BPPE affirmed its March 20, 2019 order.

17. Despite the clear requirement to cease all operations, Lambda continued to operate, advertise its educational services to the public, and enroll students. Lambda enrolled Mr. Stickrod in December 2019, months after it was ordered to stop enrolling students. Mr. Stickrod was not informed prior to enrolling that the BPPE had ordered Lambda to cease operations.

18. California law bars educational institutions such as Lambda from doing business without obtaining state approval, *see* Cal. Educ. Code § 94886, makes it a crime to “[k]nowingly operat[e] a private postsecondary institution without an approval to operate,” *see* Cal. Educ. Code § 94943, and holds that enrollment agreements are unlawful and unenforceable if, at the time of execution, the institution did not hold a valid approval to operate, *see* Cal. Educ. Code § 94902(b)(2).

19. Had Lambda truthfully represented its job placement rates or disclosed that the BPPE ordered it to cease operations, Mr. Stickrod would have investigated options for pursuing a web development education at another school, rather than signing an ISA that indebted him to \$30,000 of tuition at Lambda.

20. Mr. Stickrod brings this arbitration to cancel his ISA, for refunds of all payments he has made to date, and for actual and punitive damages.

### **THE PARTIES**

21. Claimant Jonathan Stickrod is a natural person who resides, and at all relevant times has resided, in Medford, Oregon. Mr. Stickrod was enrolled as a student at Lambda from December 2019 until January 2021, when he withdrew.

22. Respondent Lambda is a corporation organized and existing under the laws of the State of Delaware, having its principal place of business at 250 Montgomery Street, Floor 16, San Francisco, California 94104.

23. John Does 1-9 are individuals or corporations who may own all or a portion of Mr. Stickrod's ISA.

### **JURISDICTION AND VENUE**

24. The American Arbitration Association ("AAA") has jurisdiction over this action pursuant to Claimant's ISA, which specifies that "any Claim against [Lambda] shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act ("FAA"), 9 U.S.C. §§1 et seq., before the American Arbitration Association ("AAA") under its Consumer Arbitration Rules then in effect." Claimant's ISA further specifies that any arbitration hearing "shall be held in the same city as the U.S. District Court closest to [claimant's] address."

### **FACTUAL ALLEGATIONS**

#### **Lambda Background**

25. Lambda is a private, for-profit online coding school founded in 2017 by its current CEO, Austen Allred. Lambda is not a degree-granting institution and is not accredited, meaning students cannot take out federal student loans to attend.

26. Since 2017, Lambda has offered various computer science programs including UX design, data science, and full-stack web development. Lambda

programs previously lasted between nine and eighteen months and currently last between six months and a year.

27. While students can elect to pay for Lambda upfront, most students choose to finance their Lambda program through an ISA. As Lambda describes it: “A Lambda School ISA is a contract under which you agree to pay 17% of your post-Lambda School salary for 24 months, but only once you're making more than \$50,000 per year (or the equivalent of \$4,166.66 per month). The ISA is capped at a maximum repayment of \$30,000, so you won't pay more than \$30,000 under any circumstances.”<sup>5</sup>

28. Lambda ISAs are managed by third-party servicers who handle ISA origination and payment processing.<sup>6</sup> Mr. Stickrod's ISA is serviced by Leif Technologies, Inc. (“Leif”).

29. Mr. Stickrod entered into an ISA with Lambda on December 8, 2019. Lambda has not disclosed whether or not it has sold his ISA.

30. Lambda has long touted “experienced industry expert” instructors and a top-of-the-line curriculum that is “designed to get you hired.” On April 3, 2019, Mr. Allred stated that Lambda's “educational experience is, I think, among the best in the world.”<sup>7</sup>

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<sup>5</sup> Lambda School Website, *Frequently Asked Questions*, available at: <https://lambdaschool.com/faq> (last visited May 12, 2021).

<sup>6</sup> Lambda School Website, *The Lambda School Income Share Agreement*, available at: <https://lambdaschool.com/tuition/isa> (scroll to FAQs) (last visited May 12, 2021).

<sup>7</sup> Y Combinator Interview at 15:05.

31. By April 2019, Lambda was growing at “an insane pace.” As Mr.

Allred explained:

We agreed as a team to no longer share the number of students that we have enrolled, but it is not a small number and it is growing at an insane pace. We’ll soon be measuring Lambda School scale by percentage of the overall number of students learning to program every year, to give you some context. And being able to support that kind of scale effectively is what keeps me up at night. Mostly specifically hiring, mostly hiring executives right now who can build out 100, 150 person teams beneath them . . . and we need like 5 of them yesterday.<sup>8</sup>

32. Although Lambda may not have wanted to share information about its students publicly, in a May 2019 memorandum to its investor Y Combinator,

Lambda executives stated:

When a Lambda School student is hired for \$75k/yr, they pay us back approximately \$25k. At 4,000 placed software engineers/year we’ll hit a \$100mm/yr run rate. In 2019 we’ll enroll over 3,000 students. In May 2019 we’ll enroll over 500. We plan on enrolling more than 10,000 students in 2020.

33. Mr. Allred has attributed Lambda’s growth in part to his active personal Twitter account, stating in January 2020 that his frequent tweets have “certainly helped Lambda school grow.”<sup>9</sup>

34. Mr. Allred has further stated: “If there’s one thing I’m good at in life, it’s growing something quickly, building hype for something quickly. That’s kind of my superpower.”<sup>10</sup>

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<sup>8</sup> *Id.* at 47:50.

<sup>9</sup> Vincent Woo, *Interview with Austen Allred*, Soundcloud (Jan. 22, 2020) at 42:10 (hereinafter “Woo Interview”), available at: <https://soundcloud.com/vwoo/interview-with-austen-allred>.

<sup>10</sup> *Id.* at 22:25.



35. While the hype may have helped Lambda to raise over a hundred million dollars in venture capital,<sup>11</sup> it has not translated into success for Lambda or its students.

36. In September 2020, Lambda held a “Student Assembly” where it announced a major restructuring of educational services. Whereas previously, Lambda paid Team Leads (“TLs”) to guide students through the course work, Lambda announced that all TLs would be eliminated.<sup>12</sup> In addition, Lambda reduced the length of its programs, stopped taking attendance, and required students to grade their own work.<sup>13</sup>

37. In place of paid TLs, Lambda required students to mentor each other. To sell this lower-cost model, Lambda told students that “We’re building peer mentoring into the program to double down on social learning, and give every student the benefit of learning by teaching . . . . the power you get from . . . mentoring other people—it’s a superpower, and we want to help unlock that for every student at Lambda School.”<sup>14</sup>

38. This announcement increased the volume and pitch of student complaints. A small selection of examples include:

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<sup>11</sup> Ingrid Lunden, *Lambda School raises \$74M for its virtual coding school where you pay tuition only after you get a job*, TechCrunch (Aug. 21, 2020, 8:32 AM), available at: <https://techcrunch.com/2020/08/21/lambda-school-raises-74m-for-its-virtual-coding-school-where-you-pay-tuition-only-after-you-get-a-job/>.

<sup>12</sup> According to the May 2019 memorandum to investor Y Combinator, the TL cost per student, \$3,197, was by far Lambda’s greatest expense. Instructors, second on the list, were \$1,882 per student. Ex. A at 3.

<sup>13</sup> Lambda School Student Assembly, Audio and Slide Deck Presentation to Students (Sept. 4, 2020) at 38:50 (hereinafter “Student Assembly Presentation”) (on file with Student Defense).

<sup>14</sup> *Id.* at 34:22 – 35:10.

- a) “BUYER BEWARE! Lambda was sliced and diced a month ago, almost all content was cut, almost all teachers and TLs were laid off, and all students are now directed towards websites like CodeSignal to take automated tests and google when you run into a problem. DO NOT JOIN LAMBDA SCHOOL! You WILL have to teach yourself everything! The company has screwed over ALL of its current students and staff and both are leaving in droves. Almost every staff member I have met has quit over the changes and a large number of students have as well. Many people are even discussing legal action regarding their ISA agreements. DONT PAY \$30,000 JUST TO END UP TEACHING YOURSELF EVERYTHING!”<sup>15</sup>
- b) “Imagine paying 30k for a code Bootcamp and once you are locked in they force you to be a mentor, remove your team leads and standups with fellow classmates, you grade yourself, and no more attendance. Welcome to @LambdaSchool. This is @Austen’s solution to student debt??”<sup>16</sup>
- c) “After attending 3 classes I was done. Teacher very unorganized and not knowledgeable. Given a mentor that never contacted me. Curriculum is not good. I seen all I needed in a week and a half..... Got out while the gettin was good. My advice to others thinking about it??? Just don’t!”<sup>17</sup>
- d) “It wasn’t good when I went starting in early 2020, and it only got worse over time. I would never recommend this place to anyone - I came here to modernize my skills, and thank god I knew how to code already or I would have been lost without a rudder with the complete lack of anything this place had. I thought I was taking crazy pills with the stark difference between the school and the reviews online.”<sup>18</sup>

39. When students graduate or withdraw from Lambda, they must provide their ISA servicer with frequent information and updates. According to Lambda,

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<sup>15</sup> @First Last, Comment to Y Combinator Interview.

<sup>16</sup> u/Laja\_dev, *Lambda School is the biggest mistake I made this year*, Reddit (Dec. 11, 2020, 1:24 PM) (hereinafter “Lambda School Reddit Thread”, available at: [https://www.reddit.com/r/LambdaSchool/comments/kb87od/lambda\\_school\\_is\\_the\\_biggest\\_mistake\\_i\\_made\\_this/](https://www.reddit.com/r/LambdaSchool/comments/kb87od/lambda_school_is_the_biggest_mistake_i_made_this/) (last visited May 12, 201).

<sup>17</sup> u/jeanniecodes, Comment to Lambda School Reddit Thread (Dec. 11, 2020, 3:23 PM).

<sup>18</sup> u/technicaldebtgames, Comment to Lambda School Reddit Thread (Dec. 12, 2020, 8:45 AM).

“[u]pon withdrawal from Lambda School, being withdrawn, or starting a new job (qualified or not) you will be required to send our ISA servicer . . . a pay stub, a letter from your employer, or a contractor agreement stating your income. You must do this on a regular basis, including: No later than five days after starting your new job; Every time your income increases or decreases; Every 30 days, even if your job is outside of the tech industry.”<sup>19</sup>

### **Lambda’s False and Misleading Job Placement Rates**

40. Mr. Allred describes Lambda as “entirely vocational, we’re a trade school basically, and we want to help you make as much money as you can.”<sup>20</sup> Job placement is therefore the most critical component of Lambda’s operations.

41. Lambda communicates its record of job placement success to prospective students through disclosure of job placement rates prominently displayed on its website as well as in marketing materials and on social media.

42. Throughout at least 2018 and 2019, Lambda’s website advertised job placement rates of over 80%. At all times relevant to this demand, Lambda’s executive leadership, including Mr. Allred, knew that these widely disseminated job placement rates were false.

43. On August 2, 2018, Mr. Allred, Ben Nelson (co-founder and CTO), and Ryan Holdaway (VP of Outcomes), stated the following in a post on the Lambda School Blog: “[E]very single Lambda School graduate who has been on the job

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<sup>19</sup> Lambda School Website, *The Lambda School Income Share Agreement*, available at: <https://lambdaschool.com/tuition/isa> (last visited May 12, 2021).

<sup>20</sup> Y Combinator Interview at 13:00.

market for six months is either employed in a full-time role as a software engineer or has joined an early startup working for equity.”<sup>21</sup>

44. On August 3, 2018—the very next day—Lambda’s Director of Career Readiness received an “Employee Corrective Action Form” from Lambda’s executive leadership, reprimanding her for poor job placement performance. The form stated that the employee’s “performance in recent months has not met the expectations for the Career Coach/Director of Career Readiness role at Lambda School. Overall placement numbers are low and the time to placement is much higher than desired.”

45. The Corrective Action Form continued:

Placements are the most critical component of Lambda’s operations, not only in the School’s obligation to its students, but to the prosperity of the company as a whole. A common discussion point in regards to Outcomes is that current placement rates are too low and time to placement is too high. Creative tactics and adjustments to current careers processes as well as follow through are needed to improve both of these measurements. . . .

CS1 students graduated on 1/19/18. Since then we’ve had a new class graduate approximately every five weeks. As of 8/1/18, only 16 students of the 48 graduated students assigned to [the employee] have been placed.

46. A little more than two months later, on October 8, 2018, Lambda made the following announcement on its website: “Since Lambda School’s inception in

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<sup>21</sup> Austen Allred, *Introducing Lambda Next — Our Revolutionary New Job Search and Placement Program*, Medium: Lambda School Blog (Aug. 2, 2018), available at: <https://medium.com/lambda-school-blog/introducing-lambda-next-our-revolutionary-new-job-search-and-placement-program-603ef12f7d37>.

April 2017, over 75 Lambda School graduates have been hired, including 83% of early cohorts, with an average salary increase of over \$47,000 per hired graduate.”

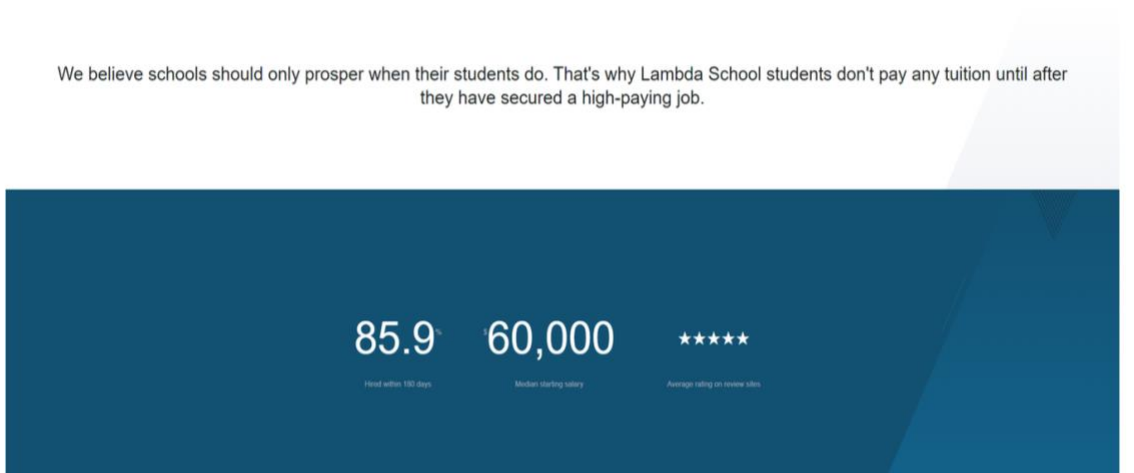
47. Lambda’s homepage contained the following statement across the top of the page:



*Screenshot from Lambda’s website on December 13, 2018.*

48. The representation of an 83% job placement rate remained on the Lambda website until on or about February 2019.

49. From on or about April 2019 until at least December 2019, Lambda’s website advertised a job placement rate of over 85%. For example, on April 18, 2019, Lambda’s homepage contained the following statement across the top of the page:



*Screenshot from Lambda’s website on April 18, 2019.*

50. On March 5, 2019, Lambda’s official twitter account provided a link to a report touting the 85.9% job placement rate and stated: “Lambda only succeeds when our students succeed, and we’re committed to a transparent, no-surprises approach to education.”<sup>22</sup>

51. In May of 2019—at the same time Lambda was advertising an 85.9% job placement rate and touting its transparency—Lambda executives sent a private memorandum to investor Y Combinator. The May 2019 memo stated:

**We’re unable to place students at scale**  
- We’re at roughly 50% placement for cohorts that are 6 months graduated  
- Placement to date has been manual and one-off, which isn’t possible at scale

See Ex. A at 10.

52. Nevertheless, Lambda’s website continued to represent over an 85% placement rate. On December 14, 2019, Lambda’s homepage stated:



*Screenshot from Lambda’s website on December 14, 2019.*

<sup>22</sup> Lambda School (@LambdaSchool), Twitter (Mar. 5, 2019, 7:02 PM), available at: <https://twitter.com/LambdaSchool/status/1103083315945328640>.

53. When asked in an interview to explain the discrepancy between the representations on Lambda’s website and representations to its investors, Mr. Allred explained: “I mean you’re literally looking at what are the risks, right? Like, we’re going to pick our lowest number for that – there are cohorts that have been at 50% placed within 6 months, yes.”<sup>23</sup>

54. When asked whether the advertised 85% job placement rate was accurate, he stated: “the way that that number was measured was an average across cohorts at a specific time. I don’t know what it is right now, but that’s directionally correct.”<sup>24</sup>

55. On February 19, 2020, New York Magazine published an article titled “Lambda School’s Misleading Promises,” in which the writer concluded that Lambda was “selling unprepared students an incomplete education, fueled by overpromising marketing and misleading, if not downright fraudulent, figures.”<sup>25</sup> The story described Lambda’s job placement rate misrepresentations and also recounted an interview with a former employee who “confirmed . . . that the company’s own internal numbers, which the interviewee was provided as part of their interview process, seem to indicate a roughly 50 percent or lower placement rate.”<sup>26</sup>

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<sup>23</sup> Woo Interview at 13:00–14:30.

<sup>24</sup> *Id.* at 11:13-11:26.

<sup>25</sup> Vincent Woo, *Lambda School’s Misleading Promises*, New York Magazine (Feb. 19, 2020), available at: <https://nymag.com/intelligencer/2020/02/lambda-schools-job-placement-rate-is-lower-than-claimed.html>.

<sup>26</sup> *Id.*

56. On February 24, 2020, Mr. Allred posted “A Note About Outcomes Data At Lambda School” on the Lambda website, in which he stated that the 50% number was “technically accurate.” Allred stated:

Recently an online article referenced a 50% hiring rate. There are a couple of reasons why this number is technically accurate, but it’s a different measure than outcomes. This number came from the “Risks” section of an investor memo written as a mock exercise for the Y Combinator Growth group and was based on the total percent of \*enrolled\* students that were hired, rather than the total percent of \*graduates\* hired.

57. In a separate slide deck reportedly prepared for investors in Lambda’s ISAs, *see infra*, Lambda stated that its graduation rate was 77% and that its “180 Day Placement Rate” was 54%.<sup>27</sup>

58. Mr. Allred has long painted a misleading picture of Lambda’s success on Twitter. For example, on November 16, 2019, he tweeted: “First track just graduated. Hit 100% hired but was VERY small sample size.” Subsequent reporting revealed that this small sample size consisted of a single student.<sup>28</sup>

59. Mr. Allred’s misleading tweets continue to this day. In just the last few months, he has tweeted:

- a) January 24, 2021: “I think we’re like 2-3 solvable problems being solved away from 100% of Lambda School grads being hired. Still a lot of unknowns, but I think it will be possible.” When a commentor asked what the problems were, Mr. Allred responded: “Boring stuff.”<sup>29</sup>

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<sup>27</sup> Joe Weisenthal (@TheStalwart), Twitter (Feb. 25, 2020, 7:50 AM) (linking to presentation), available at: <https://twitter.com/TheStalwart/status/1232286649079468032/photo/1>.

<sup>28</sup> See Zoe Schiffer and Megan Farokhmanesh, *The High Cost of a Free Coding Bootcamp*, The Verge (Feb. 11, 2020, 11:15 EST), available at: <https://www.theverge.com/2020/2/11/21131848/lambda-school-coding-bootcamp-isa-tuition-cost-free>; Ryan Mac (@RMac18), Twitter (Feb. 11, 2020, 1:59 PM), available at: <https://twitter.com/RMac18/status/1227306243733295108>.

<sup>29</sup> Austen Allred (@Austen), Twitter (Jan. 24, 2021, 1:55 AM), available at: <https://twitter.com/austen/status/1353234915643568128>.



- b) April 22, 2021: “When I started Lambda School early detractors gave me hell because I said that Lambda School would cause thousands of people to become millionaires who wouldn’t have otherwise been. It’s now pretty clear that was very conservative.”<sup>30</sup>
- c) May 4, 2021: “I get to watch a bunch of people double their income (or more) every single day. Even the worst days are punctuated by a bunch of people changing their lives and the lives of their families forever.”<sup>31</sup>
- d) May 4, 2021: “You can go from near poverty to huge future wealth in just a few months.”<sup>32</sup>

60. Mr. Allred and members of his executive leadership team acted willfully and knowingly to disseminate Lambda’s job placement representations to the public—including applicants to their school—with knowledge that they were false and misleading.

### **Lambda Misrepresents That It Only Gets Paid Once Students Get Paid**

61. Until at least April 28, 2021, Lambda’s website has declared that: “We don’t get paid until you do, so we’re in this together, from your first day of classes to your first day on the job.”<sup>33</sup> On June 27, 2019, Lambda’s homepage stated:

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<sup>30</sup> Austen Allred (@Austen), Twitter (Apr. 22, 2021, 10:24 AM), *available at*: <https://twitter.com/Austen/status/1385238109185396740>.

<sup>31</sup> Austen Allred (@Austen), Twitter (May 4, 2021, 11:50 PM), *available at*: <https://twitter.com/Austen/status/1389789532761956352>.

<sup>32</sup> Austen Allred (@Austen), Twitter (May 4, 2021, 11:53 PM), *available at*: <https://twitter.com/Austen/status/1389790386659364868>.

<sup>33</sup> *See, e.g.*, Lambda School Website, Apply Now Pages, *available at*: <https://lambdaschool.com/learn-more-social> (last visited Apr. 28, 2021) and <https://lambdaschool.com/go/higher-ed> (last visited Apr. 28, 2021).

## Higher learning. Higher earning.

Lambda is designed for student success. We don't get paid until you do, so we're in this together, from your first day of classes to your first day on the job — and beyond.

*Screenshot from Lambda's homepage on June 27, 2019.*

62. Mr. Stickrod read this statement on Lambda's website prior to enrolling. Knowing that Lambda only got paid if he obtained employment was important to his decision to attend the school.

63. But in reality, Lambda packaged and sold its ISAs to investors long before students obtained employment. Lambda did not disclose this fact to students until public reporting exposed it.

64. In May 2019, Lambda privately told investor Y Combinator: "Currently we sell some income share agreements to hedge funds." Ex. A at 2.

65. In 2019, Lambda partnered with Edly, a digital marketplace that helps schools sell ISAs to accredited investors.

66. According to an August 26, 2019 report in *Wired*, "For about half of the ISAs, the company sells the rights to a portion of its returns to investors; in return, it gets cash up front."<sup>34</sup>

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<sup>34</sup> Gregory Barber, *Lambda School's For-Profit Plan to Solve Student Debt*, *Wired* (Aug. 26, 2019, 7:00 AM), available at: <https://www.wired.com/story/how-we-learn-lambda-income-sharing-agreements/>.

67. Mr. Allred told Wired that this arrangement “lets the business operate without going bankrupt.”<sup>35</sup>

68. In October 2019, Mr. Allred denied that Lambda got paid for ISAs prior to students getting employed, reportedly stating on Twitter that “We never, ever get paid up front for ISAs.” Mr. Allred confirmed to Mr. Woo on January 22, 2020 that this Tweet was “totally correct.”<sup>36</sup>

69. On December 11, 2019, Edly tweeted: “Pleased to announce our latest offering [-] a Lambda School ISA Pool. We @edlyISA are excited to work with the amazing team @LambdaSchool[], one of the most impactful ISA programs in the country.”<sup>37</sup> To learn how to participate, Edly invited interested investors to join a webinar that night with Mr. Allred.<sup>38</sup>

70. On January 22, 2020, Mr. Woo asked Mr. Allred if Lambda sold ISAs to investors. Mr. Allred stated: “that was true in the early days of Lambda School, but it’s not true today.”<sup>39</sup>

71. On February 12, 2020, The Verge published an article titled “As Lambda students speak out, the school’s debt-swapping partnership disappears from the internet.”<sup>40</sup> The article reported the relationship with Edly and stated that

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<sup>35</sup> *Id.*

<sup>36</sup> Woo Interview at 6:30.

<sup>37</sup> @edlyISA, Twitter (Dec. 11, 2019, 3:01 PM), *available at*: <https://twitter.com/edlyISA/status/1204853625459216385>.

<sup>38</sup> @edlyISA, Twitter (Dec. 11, 2019, 3:02 PM), *available at*: <https://twitter.com/edlyISA/status/1204853900177743872>.

<sup>39</sup> Woo Interview at 6:20.

<sup>40</sup> Zoe Schiffer and Megan Farokhmanesh, *As Lambda students speak out, the school’s debt-swapping partnership disappears from the internet*, The Verge (Feb. 12, 2020, 4:41 PM), *available at*: <https://www.theverge.com/2020/2/12/21135134/lambda-school-students-edly-isa-debt-swapping-partnership-shares-investors>.

the arrangement “allows Lambda to receive money from the ISAs upfront, rather than waiting for students to find jobs.”

72. A few days later, the February 19, 2020 New York Magazine article remarked that Lambda’s “secret financing arrangements are a violation of Lambda’s central promise to its students — that Lambda only makes money when the students make money.”

73. The same day, Lambda admitted in an FAQ posted to its website that it had been selling ISAs before students graduate. The FAQ, which is no longer displayed on Lambda’s website, stated, in relevant part:

**Is my ISA being “sold”? Do third-parties “own” my ISAs?**

Edly is an ISA marketplace that enables investors to invest in the future cash flows of ISAs as a group. The ISAs are held in trusts that distribute cash flows to the school and investors according to a contract between school and investors. . . .

**Does this mean Lambda School gets paid before I get a job?**

Lambda School’s business model inherently requires financing because our costs to train students precede our revenues on ISAs. That is by design. There are many different forms of financing we can use, but this is the closest thing available to aligning our incentives and your incentives. As part of the partnership, while Lambda is accessing capital sooner, we maintain an interest in your post-graduation success, and our incentives are aligned. We are as committed as ever to your success.

This funding mechanism means Lambda School can effectively use the expected future value of the ISA to help offset the cost of teaching and placing the student. So instead of bearing 100% of that cost upfront, we now only bear a portion upfront, and we pay investors back as students make payments. This allows us to provide value to students, grow sustainably, and keep incentives aligned.

**Is Lambda School selling ISAs at full cost?**

The terms of the deal are not public, but this is a great deal for Lambda School because it allows access to capital sooner than post-graduation. We can tell you that two parts of the deal preserve the alignment of incentives commitment that underlies our entire approach at Lambda School. First, we share in upfront investment with investors, and second, in the form of the performance adjustment, we share upside when you succeed. We're committed as ever to your learning and success.

### **Is it still true that students must be successful in order for Lambda School to be successful?**

Yes. We believe in keeping the promise we made to students when they signed up for Lambda School. That promise is to teach them a valuable skill and help place them in a job using that skill. It seems only fair that if we didn't do our job well, it should count against us.<sup>41</sup>

74. To the contrary, the “promise [Lambda] made to students when they signed up” was that “We don't get paid until you do, so we're in this together.” That promise—which remained prominently displayed on Lambda's website until at least April 28, 2021—is false and misleading.

### **Mr. Stickrod Attends Lambda**

75. Mr. Stickrod has long had an interest in working as a web developer. In September 2019, one year after he completed high school, he enrolled at Rogue Community College to study computer science. At the time, he also worked at a car wash where he made just enough to get by each month.

76. In November 2019, only two months into his course of study at Rogue, Mr. Stickrod saw a Lambda YouTube advertisement stating that he could learn how

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<sup>41</sup> Lambda School Student Guide, *Student FAQs for announcement on 2/19/20*, available at: <https://www.notion.so/Student-FAQs-for-announcement-on-2-19-20-9b2f166f2b234e40ac924a27ecc5ff06> (last visited May 7, 2021).

to become a web developer from home, in only six to twelve months, without paying anything up front. Thinking this was too good to be true, Mr. Stickrod visited Lambda's website for more information. Lambda's high job placement rate, statement that it would only get paid if and when he did, and zero-dollar upfront cost convinced him to withdraw from college and immediately enroll in Lambda's web development program.

77. Mr. Stickrod signed an ISA with Lambda on December 8, 2019. Mr. Allred also signed Mr. Stickrod's ISA on December 8, 2019. A copy of Mr. Stickrod's ISA is attached hereto as Exhibit B.

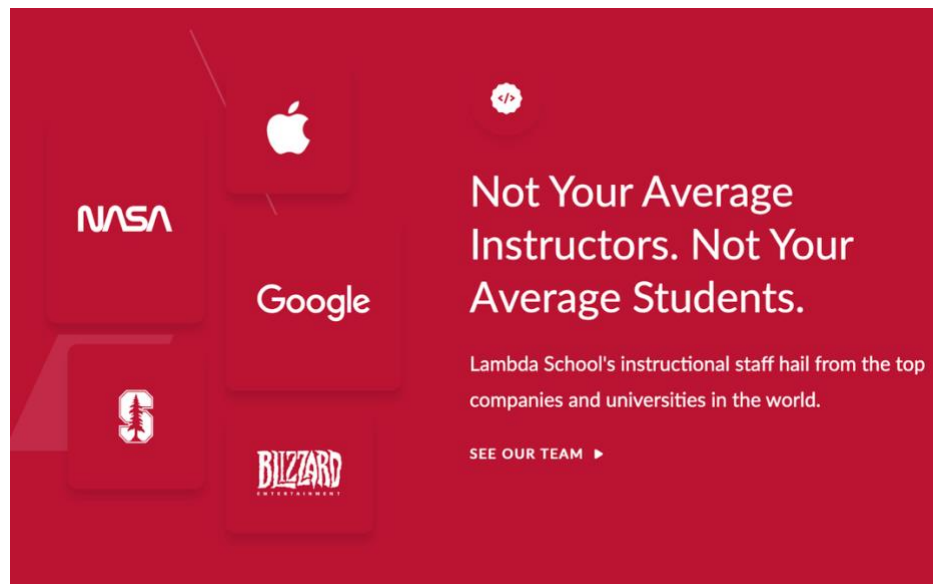
78. Mr. Stickrod does not recall signing an enrollment agreement with Lambda, and upon information and belief did not sign one—another violation of California law. *See* Cal. Educ. Code § 94902(a).

79. Prior to signing the ISA, Mr. Stickrod read and relied on Lambda's representations that its job placement rate was over 80%. To Mr. Stickrod, Lambda's record of successfully placing students was critical to his decision to enroll.

80. Had Lambda truthfully represented its job placement rates, Mr. Stickrod would have continued working on his computer science degree at Rogue Community College rather than dropping out and signing an ISA that indebted him to up to \$30,000 of tuition at Lambda.

81. Shortly after starting at Lambda, Mr. Stickrod realized that the quality of instruction was far below what was advertised. Lambda's website

advertised top-of-the-line curriculum that is “designed to get you hired” and touted “experienced industry expert” instructors. One statement on its website provided that “Lambda’s instructional staff hail from the top companies and universities in the world,” and listed Apple, Google, Stanford, and NASA as examples:



*Screenshot from Lambda’s website on June 15, 2019.*

82. In fact, the curriculum—which was constantly in flux—was made up largely of publicly available online materials. The instructors had little knowledge of the curriculum, struggled to keep up with the frequent changes, and were often not available to answer questions about the material. The instructors also did not hail from the advertised top companies and universities.

83. Rather than give up, Mr. Stickrod worked hard to teach himself the material. Recognizing that he could not rely on Lambda, with the little money he had at the time he purchased books such as “Eloquent JavaScript” and “Python Crash Course” to help teach himself the materials that he could not self-teach through publicly available information.

84. Along the way, he remained hopeful that things would improve and that, at the end of his experience, the partnerships with the “some of the best technology companies in the world” would materialize. But these promises, too, were illusory.

85. Throughout his time at Lambda, students frequently complained among themselves and to Lambda leadership about the poor quality of Lambda’s education, but nothing ever changed.

86. After the student uproar following Lambda’s September 2020 announcement that it was shortening its curriculum, firing TLs, and requiring students to mentor each other, other students in Mr. Stickrod’s cohort withdrew. By this time, Mr. Strickrod had also become aware of students who had been searching for months for a job but were not getting placed. At long last, Mr. Stickrod had seen enough. In December 2020, he inquired about withdrawing from Lambda and ultimately withdrew on January 4, 2021.

87. On January 8, 2021, Mr. Stickrod filed complaints about Lambda with the Better Business Bureau (“BBB”) and the Oregon Attorney General. He informed both entities that Lambda’s advertisements misrepresented the quality of the program and the job placement rate and asked for assistance with getting his ISA canceled.

88. On January 11, 2021, the BBB informed Mr. Stickrod that his complaint was forwarded to Lambda for a response. To date, Mr. Stickrod has not received a response to his BBB complaint.



89. On February 26, 2021, Lambda sent Mr. Stickrod a response to his Oregon Attorney General complaint concluding that “[b]ecause you completed . . . 80% of the program, under Lambda School tuition proration policy, this means your Income Share Agreement (ISA) is fully vested and you are responsible for the full potential tuition of up to \$30,000.”

90. Mr. Stickrod’s decision to attend Lambda has thrown his life plan off course. While he is currently unemployed, he remains hopeful that in the coming months he will be able to teach himself the skills that Lambda did not, and ultimately find a job in the tech field.

### **Lambda Operates Without State Approval, in Violation of California Law**

91. California Education Code § 94886 provides that “a person shall not open, conduct, or do business as a private postsecondary educational institution in this state without obtaining an approval to operate under this chapter.”

92. To ensure compliance, a private postsecondary institution must register with and seek approval to operate from the BPPE.

93. On March 20, 2019, BPPE issued a “Citation: Assessment of Fine and Order of Abatement” (“Citation”) to Lambda. The Citation found that Lambda was “operating without Bureau approval,” in violation of California Education Code § 94858. A copy of the Citation is attached hereto as Exhibit C.

94. In the Citation, the BPPE ordered that Lambda “cease to operate as a private postsecondary educational institution” and “submit a school closure plan.” The Citation further required that Lambda “discontinue recruiting or enrolling

students and cease all instructional services and advertising in any form or type of media, including the <https://lambdaschool.com> and any other websites not identified here that are associated with the Institution, until such time as an approval to operate is obtained from the Bureau.”

95. Lambda appealed the Citation and, on July 24, 2019, BPPE issued an “Appeal of Citation Informal Conference Decision: Citation Affirmed” (the “Citation Affirmance”). The BPPE affirmed the Citation because “[n]o new substantive facts were presented,” and thus, BPPE ordered Lambda to “comply with the orders described in the ‘Violation Code Sections’ of this document and submit evidence of compliance within 30 days from the date of this decision.” Citation Affirmance at 1-3. A copy of the Citation Affirmance is attached hereto as Exhibit D.

96. On information and belief, Lambda did not request a hearing or file an appeal of the Citation Affirmance.

97. In direct violation of the Citation and Citation Affirmance, Lambda continued to operate, advertise its educational services to the public, and enroll students. Indeed, in December 2019—months after the Citation Affirmance required Lambda to “discontinue recruiting or enrolling students and cease all instructional services”—Lambda enrolled Mr. Stickrod in its web development program.

98. On information and belief Lambda did not apply for BPPE approval until on or around December of 2019.

99. Over the next year, Mr. Allred engaged in a public misinformation campaign about the BPPE's order. On June 24, 2020, Mr. Allred posted an announcement on Lambda's website titled "An Update on Lambda School and ISAs in California." In the announcement, Mr. Allred wrote:

Earlier this week, we learned our latest submission to the BPPE was not accepted. This is the latest step in a long process, and so while it's not the decision we hoped for or expected, this process is far from over. There will be no interruption to operations or support for students in California and school will continue as normal. We're committed to working directly with BPPE to solve the issues they raised.<sup>42</sup>

100. Mr. Allred also told Business Insider that Lambda was working with BPPE to obtain approval and that the order had been stayed while the application was pending. Mr. Allred stated that "[b]ecause we're talking with BPPE, it doesn't affect students at all."<sup>43</sup> This was false.

101. In truth, the Citation and Citation Affirmance were not stayed and Lambda's future was uncertain. In August 2020, a public information officer with California's Department of Consumer Affairs reportedly "told Business Insider that there is no stay on the order, and that if Lambda School is still operating while its registration is pending, it would be in violation of state law."<sup>44</sup> The same officer stated that Lambda had not filed an appeal of the Citation Affirmance.

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<sup>42</sup> Austen Allred, *An Update on Lambda School and ISAs in California [Updated]*, Lambda School Website (June 24, 2020), available at: <https://lambdaschool.com/the-commons/an-update-on-lambda-school-and-isas-in-california>.

<sup>43</sup> Rosalie Chan, *The hot Silicon Valley coding bootcamp Lambda School is paying a \$75,000 fine for not registering properly with the state of California*, Business Insider (Aug. 29, 2019, 6:32 PM), available at: <https://www.businessinsider.com/lambda-school-coding-bootcamp-california-bppe-2019-8>.

<sup>44</sup> Rosalie Chan, *A California official says red-hot coding bootcamp Lambda School is violating state law if it operates without the right registration — but the company insists classes can go on*, Business

102. Had Mr. Stickrod been aware in December 2019 that Lambda was operating illegally, and that its future legal status was uncertain, he would have investigated options for pursuing a web development education at another school, rather than signing an ISA that indebted him for up to \$30,000 of tuition at Lambda.

103. Lambda ultimately received approval from BPPE to operate in August 2020, after agreeing to no longer issue ISAs to California residents and paying a fine.

### **CAUSES OF ACTION**

#### **FIRST CAUSE OF ACTION Violations of California’s Consumer Legal Remedies Act Cal. Civ. Code § 1750, *et seq.***

104. Mr. Stickrod hereby reincorporates the allegations in the foregoing paragraphs as though fully set forth herein.

105. The CLRA makes unlawful “unfair methods of competition and unfair or deceptive acts or practices undertaken by any person in a transaction intended to result or that results in the sale or lease of goods or services to any consumer.” Cal. Civ. Code § 1770(a).

106. The CLRA covers transactions involving the sale of services—such as education—to consumers.

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Insider (Aug. 30, 2019, 8:54 PM), *available at*: <https://www.businessinsider.com/lambda-school-california-state-law-coding-bootcamp-y-combinator-2019-8>.

107. Mr. Stickrod is a “consumer” within the meaning of Section 1761(d) of the CLRA, and he engaged in “transactions” within the meaning of sections 1761(e) and 1770 of the CLRA.

108. The CLRA enumerates numerous unlawful acts or practices, including:

- a) “Misrepresenting the source, sponsorship, approval, or certification of goods or services.” Cal. Civ. Code § 1770(a)(2).
- b) “Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation, or connection that the person does not have.” *Id.* § 1770(a)(5).
- c) “Representing that goods or services are of a particular standard, quality, or grade . . . .” when they are not. *Id.* § 1770(a)(7).
- d) “Advertising goods or services with intent not to sell them as advertised.” *Id.* § 1770(a)(9).

109. In violation of these provisions, Lambda misrepresented to the public, prospective students, and current students, including Mr. Stickrod, at least the following: (i) its job placement rates; (ii) that it only got paid after students found employment; and (iii) that it was allowed to operate and enroll students.

110. Mr. Stickrod brings his claim under the CLRA for injunctive relief, namely to cancel his ISA and for restitution of payments made.

**SECOND CAUSE OF ACTION**  
**Violations of California's Unfair Competition Law**  
**Cal. Bus. & Prof. Code §§ 17200, *et seq.***

111. Mr. Stickrod hereby reincorporates the allegations in the foregoing paragraphs as though fully set forth herein.

112. Lambda has engaged in business acts or practices that constitute unfair competition as defined in the UCL, in that such business acts and practices are unlawful, unfair, and fraudulent within the meaning of that statute.

113. The business acts and practices include:

- a) publishing and/or providing the public, prospective students, and current students, including Mr. Stickrod, with false, misleading, unreliable, and/or inaccurate job placement rate information;
- b) omitting material facts from statements to the public, prospective students, and current students, including Mr. Stickrod, related to job placement rates;
- c) misrepresenting and concealing to the public, prospective students, and current students, including Mr. Stickrod, the true nature of Lambda's financial interest in students' success, including by continuing to represent that Lambda only got paid after students did;
- d) conducting business without BPPE approval and in violation of multiple BPPE orders requiring it to cease operations;
- e) knowingly operating a private postsecondary institution without approval to do so;

- f) failing to execute an enrollment agreement with Mr. Stickrod or, if they did, executing it in violation California law;
- g) concealing from the public, prospective students, and current students, including Mr. Stickrod, that in March and July of 2019, the BPPE ordered Lambda to cease operations, stop enrolling students, cease all instructional services, and submit a closure plan, and misrepresenting, concealing, and omitting material facts related to those BPPE orders, including representing that they were stayed when they were not.

#### Unlawful Prong

114. The UCL bars business practices that are forbidden by law. If a business practice violates any law, it is *per se* a UCL violation.

115. The business acts and practices described above are unlawful because they violate numerous state and federal laws, including but not limited to:

- a) The Federal Trade Commission Act (“FTC Act”), which prohibits “unfair or deceptive acts or practices.”<sup>45</sup>
- b) Cal Educ. Code § 94897, which provides that institutions shall not “(b) [p]romise or guarantee employment, or otherwise overstate the availability of jobs upon graduation.”
- c) The CLRA, *see supra* ¶¶ 104–110;
- d) The FAL, *see infra* ¶¶ 120–122;

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<sup>45</sup> See FTC Act § 5(a)(I), 15 U.S.C. § 45(a)(I); FTC Act § 12(a), 15 U.S.C. § 52(a).

- e) Cal. Educ. Code § 94886, which provides in relevant part that “a person shall not open, conduct, or do business as a private postsecondary educational institution in this state without obtaining an approval to operate under this chapter.” Lambda violated this provision, and therefore the UCL’s unlawful prong, when it enrolled Mr. Stickrod without obtaining approval to operate.
- f) Cal. Educ. Code § 94943, which provides that it is a crime to “[k]nowingly operat[e] a private postsecondary institution without an approval to operate.” Lambda violated this provision, and therefore the UCL’s unlawful prong, when it knowingly enrolled Mr. Stickrod without approval by the BPPE to operate.
- g) Cal. Educ. Code § 94902(a), which provides that “[a] student shall enroll solely by means of executing an enrollment agreement. The enrollment agreement shall be signed by the student and by an authorized employee of the institution.” Mr. Stickrod does not recall signing an enrollment agreement with Lambda, and upon information and belief did not sign one. Mr. Stickrod was therefore never lawfully enrolled with Lambda.
- h) Even if Mr. Stickrod did sign an enrollment agreement with Lambda, it is unlawful and unenforceable pursuant to Cal. Educ. Code § 94902(b), which provides:



An enrollment agreement is not enforceable unless all of the following requirements are met:

(1) The student has received the institution's catalog and School Performance Fact Sheet prior to signing the enrollment agreement.

(2) At the time of the execution of the enrollment agreement, the institution held a valid approval to operate.

(3) Prior to the execution of the enrollment agreement, the student and the institution have signed and dated the information required to be disclosed in the Student Performance Fact Sheet pursuant to subdivisions (a) to (d), inclusive, of Section 94910. Each of these items in the Student Performance Fact Sheet shall include a line for the student to initial and shall be initialed and dated by the student.

- i. In violation of Cal. Educ. Code § 94902(b)(1), Mr. Stickrod was not provided with Lambda's School Performance Sheet.
  - ii. In violation of Cal. Educ. Code § 94902(b)(2), Lambda did not have "valid approval to operate" at the time Mr. Stickrod enrolled.
  - iii. In violation of Cal. Educ. Code § 94902(b)(3), Mr. Stickrod did not sign the information required to be disclosed in the Student Performance Fact Sheet.
- i) Cal. Educ. Code § 94902(c), which provides that "[a] student shall receive a copy of the signed enrollment agreement, in writing or electronically, regardless of whether total charges are paid by the student." Mr. Stickrod does not have a copy of his signed enrollment agreement and upon information and belief never received one.

116. By violating these and other state and federal laws, Lambda violated the unlawful prong of the UCL.

Fraud Prong

117. To show that a business practice is fraudulent, it is necessary only to show that members of the public are likely to be deceived.

118. Lambda's business acts and practices—including its false job placement rate representations and representation that it does not get paid until students do—are fraudulent in that they are likely to deceive the public.

119. Each of these false and misleading representations, all of which were material, were substantial factors influencing Mr. Stickrod to attend Lambda and take out an ISA that indebted him to up to \$30,000 of tuition at Lambda.

**THIRD CAUSE OF ACTION**  
**Violations of California's False Advertising Law**  
**Cal. Bus. & Prof. Code §§ 17500, *et seq.***

120. Mr. Stickrod hereby reincorporates the allegations in the foregoing paragraphs as though fully set forth herein.

121. Lambda has also engaged in acts or practices that constitute violations of the FAL, Business and Professions Code section 17500, *et seq.*, by making or causing to be made untrue or misleading statements with the intent to induce members of the public to purchase Lambda's services. Lambda's untrue or misleading representations include, but are not limited to, the following:

- a) Lambda's statements regarding job placement rates, including but not limited to their published job placement rates in 2018 and 2019 that were prominently displayed on its website;
- b) The following statement, prominently displayed on Lambda's website:  
"We don't get paid until you do, so we're in this together, from your first [sic] of classes to your first day on the job."
- c) Failing to inform the public, prospective students, and current students, including Mr. Stickrod, that it lacked approval from BPPE to operate, that its operations were therefore unlawful, that BPPE ordered Lambda to cease advertising and instructional activities, and that it could not lawfully enroll students. Instead, Lambda's advertisements implicitly and explicitly misrepresented the lawfulness of its operations by encouraging the public and prospective students to apply for enrollment.

122. At the time these representations were made, Lambda knew or by the exercise of reasonable care should have known that the representations were untrue or misleading.

**FOURTH CAUSE OF ACTION  
Intentional Misrepresentation**

123. Mr. Stickrod hereby reincorporates the allegations in the foregoing paragraphs as though fully set forth herein.

124. Lambda made statements to Mr. Stickrod: (a) that were false representations of material fact; (b) that Lambda knew were false or were made

recklessly and without regard for their truth; (c) that Lambda intended Mr. Stickrod to rely upon; (d) that Mr. Stickrod reasonably relied upon; (e) that Mr. Stickrod's reliance upon was a substantial factor in causing him damage; and (f) that caused him damage.

125. The intentional misrepresentations and omissions by Lambda consist of at least the following:

- a) Lambda's statements, prominently displayed on its website, that its job placement rate was over 80%. Lambda knew these statements were false; according to multiple internal documents, Lambda believed the true job placement rate to be around 50%.
- b) Lambda's statement, prominently displayed on its website, that: "We don't get paid until you do, so we're in this together, from your first [sic] of classes to your first day on the job." Lambda knew this statement was false because it sold ISAs to investors long before students were placed in jobs.
- c) Lambda's representations, both implied and explicit, that it was approved to operate, advertise, enroll, and teach students prior to August 2020. Lambda knew these representations were false because the BPPE had ordered Lambda to cease all operations (including all advertising and instructional activities) and submit a school closure plan. Lambda also knew that it was concealing from students that it was barred from advertising and from enrolling and teaching students.

126. Lambda intended that Mr. Stickrod rely on these misrepresentations and omissions, as evidenced by Lambda prominently featuring them on its website and on other widely disseminated platforms, as well as by its efforts to avoid disclosing the truth.

127. Mr. Stickrod reasonably relied on these widely disseminated representations. Had he known the truth, he would not have enrolled at Lambda.

128. Mr. Allred and members of his executive leadership team acted willfully and knowingly to disseminate these representations to the public with knowledge that they were false and misleading.

129. Mr. Stickrod has been substantially harmed by Lambda's misconduct, which caused him to attend Lambda and take out an ISA that indebted him for up to \$30,000 in tuition.

**FIFTH CAUSE OF ACTION**  
**Negligent Misrepresentation**

130. Mr. Stickrod hereby reincorporates the allegations in the foregoing paragraphs as though fully set forth herein.

131. Lambda has also engaged in acts or practices that constitute negligent misrepresentation. *See supra* ¶ 125.

132. Lambda prominently displayed these representations on its website, and in advertisements that implicitly and explicitly encouraged members of the public to apply for enrollment.

133. Lambda had no reasonable grounds to believe that these representations were true. *See supra* ¶ 125.

134. Lambda intended to induce Mr. Stickrod to rely on these misrepresentations and omissions, as evidenced by Lambda prominently featuring them on its website and on other widely disseminated platforms, as well as by its efforts to avoid disclosing the truth.

135. Mr. Stickrod was justified in relying upon these widely disseminated representations. Had he known the truth, he would not have enrolled at Lambda.

136. Mr. Stickrod has been substantially harmed by Lambda's misconduct, which caused him to attend Lambda and take out an ISA that indebted him for up to \$30,000 in tuition.

### **PRAYER FOR RELIEF**

WHEREFORE, Mr. Stickrod requests that this Arbitrator:

1. Declare that his ISA is unlawful and unenforceable pursuant to Cal. Educ. Code §§ 94902(b), 94886, and 94943.
2. Declare that Lambda conducted business as a private postsecondary educational institution in California without obtaining approval to operate, in violation of Cal. Educ. Code § 94886 and the UCL.
3. Declare that Lambda knowingly operated a private postsecondary institution without approval to operate, in violation of Cal. Educ. Code § 94943 and the UCL.
4. Declare that Mr. Stickrod never lawfully enrolled with Lambda because Lambda did not comply with Cal. Educ. Code § 94902(a).

5. Declare that Lambda's job placement rate representations at the time Mr. Stickrod enrolled were fraudulent and misleading, in violation of the UCL, FAL, and CLRA.

6. Declare that Lambda's representation that it only gets paid after students get paid was and continues to be fraudulent and misleading, in violation of the UCL, FAL, and CLRA.

7. Order Lambda to cancel Mr. Stickrod's ISA and refund him for all payments he has made, or, if Lambda is not the current owner of Mr. Stickrod's ISA, order the current owner to cancel his ISA and refund him for all payments he has made.

8. Enjoin Lambda from ever collecting on Mr. Stickrod's ISA or, if Lambda is not the current owner of his ISA, enjoin the current owner from ever collecting on Mr. Stickrod's ISA.

9. Order Lambda to pay reasonable attorneys' fees and costs pursuant to Cal. Civ. Code § 1780(e).

10. Award damages to Mr. Stickrod in an amount to be determined, including punitive damages pursuant to Cal. Civ. Code § 3294(a).

11. For all such further relief as the Arbitrator deems just and proper.

Dated: May 13, 2021

Respectfully Submitted,

**/s/ Alexander S. Elson**

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