

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

SUZANNE GOLDBERG, JULI)	
MADACEY, MICHELLE REEVES,)	
and KRISTA WALSH, individually)	
and on behalf of a class of similarly)	
situated persons,)	Case No.
)	
Plaintiffs,)	
)	
v.)	
)	
CLAYTON COLLEGE OF)	
NATURAL HEALTH, INC.,)	
MAGNOLIA CORPORATE)	
SERVICES, INC., LLOYD)	
CLAYTON, JEFF GOIN, WILLIAM)	
FISHBURNE, and KAY CHANNELL,)	
)	
Defendants.)	

CLASS ACTION COMPLAINT

Plaintiffs Suzanne Goldberg, Juli Madacey, Michelle Reeves, and Krista Walsh, individually and on behalf of a class of similarly persons, by and through their attorneys, allege as follows:

Nature of Action

1. This is a class action seeking damages and other remedies for Plaintiffs and a class of similarly situated individuals who were enrolled in programs of distance education through Birmingham, Alabama-based Clayton College of Natural Health, Inc. (“CCNH”) in July 2010, when CCNH announced without warning that it was

suddenly terminating its education programs after more than 20 years of operation.

2. At the time of the sudden closure, CCNH and the other Defendants in this action (collectively, the “CCNH Defendants”) had received and been entrusted with tens of millions of dollars in advance tuition from Plaintiffs and a class of similarly situated persons for programs that CCNH summarily stopped providing.

3. As a result of the sudden closure, Plaintiffs and other members of the Class have been precluded from receiving and completing the distance education programs for which they had submitted tens of millions of dollars in advance and to which they had devoted considerable time and effort.

4. After the abrupt termination of CCNH’s distance education programs, the CCNH Defendants have failed to refund tuition to the Plaintiffs and other members of the Class.

5. Since closing the school, the CCNH Defendants have disabled their phones and website, vacated their offices, and informed Plaintiffs and other members of the Class to direct all communications to a post office box to which mail is now sent, and largely ignored.

6. Plaintiffs assert breach of fiduciary duty, conversion, negligence, and other claims against the CCNH Defendants, and seek compensation for the tuition amounts submitted for programs that are now not available and for Plaintiffs’ loss of time and opportunity, among other damages.

Parties, Jurisdiction and Venue

7. At all relevant times, Plaintiff Suzanne Goldberg was a citizen of Massachusetts.

8. At all relevant times, Plaintiff Juli Madacey was a citizen of Michigan.

9. At all relevant times, Plaintiff Michelle Reeves was a citizen of Virginia.

10. At all relevant times, Plaintiff Krista Walsh was a citizen of Virginia.

11. At all relevant times, Defendant Clayton College of Natural Health, Inc. (“CCNH”) was an Alabama corporation with its principal place of business located in Birmingham.

12. At all relevant times, Defendant Magnolia Corporate Services, Inc. (“Magnolia”) was an Alabama corporation with its principal place of business located at Birmingham.

13. At all relevant times, Defendant Lloyd Clayton was a citizen of Alabama.

14. At all relevant times, Defendant Jeff Goin was a citizen of Alabama or New Mexico.

15. At all relevant times, Defendant William Fishburne was a citizen of Alabama.

16. At all relevant times, Defendant Kay Channell was a citizen of Alabama.

17. This Court has original jurisdiction over this action pursuant to 28 U.S.C. § 1331 and 28 U.S.C. § 1332(d).

18. Venue exists pursuant to 28 U.S.C. § 1391(a).

19. The amount in controversy exceeds \$5,000,000 exclusive of interest and costs.

Class Action Allegations

20. Plaintiffs hereby incorporate by reference the preceding allegations.

21. Representative Plaintiffs bring this lawsuit as a class action pursuant to Federal Rules of Civil Procedure, Rules 23(b)(2) and (3), on behalf of a Class defined as:

All individuals who entrusted tuition in advance to CCNH and were enrolled in distance education programs of study through CCNH as of July 2010.

22. Representative Plaintiffs each submitted CCNH a substantial amount of money exceeding \$2,000 for programs of study in the natural health field.

23. The Class includes all students who, like Representative Plaintiffs, submitted tuition for programs of distance education at CCNH in July 2010 when the school abruptly terminated its programs.

24. On information and belief, the Class includes thousands of similarly situated persons in states across the United States, except in Alabama, where CCNH did not solicit or enroll students pursuant to an arrangement made in the 1980s with the State of Alabama.

25. The Class is so numerous that joinder of all members is impracticable.

26. There are questions of law or fact common to the members of the Class that predominate over questions affecting only individual members and a class action is superior to other available methods for the fair and efficient adjudication of the controversy.

27. The claims of Representative Plaintiffs of the Class are typical of the claims of the other members of the Class.

28. The Representative Plaintiffs of the Class will fairly and adequately assert and protect the interests of the Class.

29. The maintenance of the action as a class action will be superior to other available methods of adjudication in promoting the convenient administration of justice.

General Allegations Regarding CCNH

CCNH Sold Distance Education Programs in Natural Health Fields To Adults Across The United States

30. Plaintiffs incorporate by reference the preceding allegations.

31. At all relevant times, CCNH was licensed to operate as a private school by the State of Alabama's Office of Postsecondary Education.

32. Beginning in approximately 1980 and at all relevant times, CCNH operated its school from offices in Birmingham.

33. At all relevant times, CCNH marketed and sold distance education programs in natural health fields of study to adults across the United States.

34. At all relevant times, CCNH marketed and sold distance education programs that offered adults opportunities to earn bachelor's, master's and doctorate degrees in subjects including natural health, holistic nutrition, naturopathy, and holistic wellness, as well as certificates in subjects including herbal studies.

35. At all relevant times, CCNH marketed itself to adults as a pioneer in natural health education and distance learning. In its 2008 catalog, CCNH stated, "Since its founding more than 25 years ago, Clayton College of Natural Health has been at the forefront of two of the most important revolutions of our time. The natural health revolution has changed the way we look at healthcare and empowered individuals to take responsibility for their own health. The distance learning revolution, which made education more accessible and more affordable, has enabled Clayton College to bring this powerful knowledge to a new generation of natural health enthusiasts and practitioners."

36. At all relevant times, CCNH stated that its self-paced programs afforded students the ability to learn and pursue degree and certificate programs with flexibility as to the time within which they were completed. In its 2008 catalog, CCNH stated that, "At CCNH, the self-paced programs are designed to fit your schedule, so that any part of the day becomes study time and assignments may be submitted at your

convenience. In order to help you organize your studies and ‘stay on track,’ degree programs are divided into phases. Although you must complete the phases of your program sequentially, there is no requirement that you take every course in the order it appears in the phase. It is our expectation that you will complete all phases of each individual degree program within five years. At CCNH, you enroll, study, and progress on your schedule, not ours.”

37. At all relevant times, CCNH told students that its distance education programs offered detailed and substantive curriculums of study. In its 2008 catalog, CCNH stated, “The structure of each CCNH course provides a pathway for learning and facilitates the comprehensive study of a topic. Soon after enrollment you will receive an orientation packet that includes the Student Handbook and Online Services Manual, which provides detailed information about how to be successful in your program. . . . Courses consist of one to four textbooks plus a CCNH-developed study guide. Presented as a series of modules, the guide leads you step-by-step through reading and writing assignments, progress tests or a midterm exam, and a final exam. Most courses require projects that are designed to bring a practical dimension to your studies.”

38. At all relevant times, CCNH told students that its distance education programs included support and assistance from school employees who offered help and guidance as students progressed through their programs. In its 2008 catalog,

CCNH stated, “CCNH’s operations support, academic, and IT departments work together to provide services and assistance from enrollment to graduation. Although you will work independently, the CCNH staff is available by telephone and e-mail. A program advisor is assigned to you shortly after enrollment, and is available for help during business hours. The academic department is dedicated to ensuring quality curriculum, excellent student services, and friendly communication.”

39. At all relevant times, CCNH told students that its distance education programs featured interactive communication with other students and faculty members across the country via CCNH’s website. In its 2008 catalog, CCNH stated, “While distance learning offers the busy adult student an excellent avenue for education, it may sometimes seem isolating. CCNH is constantly looking for ways to connect with you and help you connect with your peers. . . . For example, chats hosted by the academic department provide a forum for discussing pertinent topics and for getting to know CCNH students and graduates.”

40. The cost of CCNH’s distance education programs ranged from approximately \$2,000 for its certificate programs to more than \$15,000 for a combined bachelor’s, master’s, and doctorate program in a field.

41. Upon information and belief, more than 5,000 adults, including Plaintiffs, had collectively entrusted the CCNH Defendants with tens of millions of dollars in advance tuition for distance education programs that the students had not yet

completed at the time of the school's abrupt closure in July 2010.

**CCNH Received Tens of Millions of Dollars
in Tuition from Thousands of Students
Enrolling in Distance Education Programs**

42. Students enrolling at CCNH, including Plaintiffs and members of the Class, were required to submit substantial amounts of tuition in advance prior to commencing their distance education programs. Plaintiffs and other members of the class were required to submit either the entirety of their tuition in advance or half of the total amount prior to starting, and those that did not submit all of their tuition in advance were required to make monthly submissions thereafter until the full amount was received.

43. Upon information and belief, more than 5,000 adults across the United States, including Plaintiffs, were enrolled and had submitted all or most of their tuition in advance for distance education programs with CCNH as of July 2010.

44. The CCNH Defendants received tens of millions of dollars in tuition from Plaintiffs and members of the Class.

45. For example, for the year ended December 31, 2007, CCNH's net tuition revenue was \$11.6 million, according to CCNH's audited financial statements.

**Plaintiffs Submitted Tuition for and Were Pursuing
Distance Education Programs at CCNH**

46. Each of the Plaintiffs and members of the Class entrusted substantial amounts of money in advance to the CCNH Defendants in order to be eligible to pursue distance education programs at CCNH.

47. Plaintiff Suzanne Goldberg entrusted the CCNH Defendants with more than \$6,000 in connection with her enrollment in a self-paced master's degree program in holistic nutrition.

48. Ms. Goldberg was pursuing her degree and continuing to transmit monthly submissions of addition tuition to the CCNH Defendants at the time of the discontinuation of CCNH's distance education programs in July 2010.

49. Plaintiff Juli Madacey entrusted the CCNH Defendants with approximately \$6,300 in connection with her enrollment in a self-paced master's degree program in holistic nutrition.

50. Ms. Madacey was pursuing her degree and had submitted the entire tuition amount at the time of the discontinuation of CCNH's distance education programs in July 2010.

51. Plaintiff Michelle Reeves entrusted the CCNH Defendants with approximately \$2,100 in connection with her enrollment in a self-paced family herbalist certificate program.

52. Ms. Reeves was pursuing her certificate and was continuing to transmit monthly submissions of additional tuition to the CCNH Defendants at the time of the discontinuation of CCNH's distance education programs in July 2010.

53. Plaintiff Krista Walsh entrusted the CCNH Defendants with approximately \$6,000 in connection with her enrollment in three self-paced family, consulting and master herbalist certificate programs.

54. Ms. Walsh was pursuing her certificates and had submitted the entire tuition amount at the time of the discontinuation of CCNH's distance education programs in July 2010.

CCNH Ceased to Exist as a Separate Corporation

55. On information and belief, CCNH shares and shared such a unity of interest and ownership with Magnolia Corporate Services and/or Lloyd Clayton that its separate status as a corporation has ceased to exist.

56. On information and belief, CCNH is and was a mere instrumentality or a device to avoid legal obligations of Magnolia and/or Lloyd Clayton.

57. On information and belief, CCNH and Magnolia had a single shareholder, Lloyd Clayton.

58. On information and belief, the board of directors of Magnolia managed and operated CCNH.

59. On information and belief, CCNH had no separate or independent board of directors.

60. On information and belief, CCNH officers reported to the board of directors of Magnolia, not a board of directors of CCNH.

61. On information and belief, the board of directors of Magnolia was comprised at all relevant times of Lloyd Clayton, Jeff Goin, William Fishburne and/or Kay Channell, one or more of whom also simultaneously held positions as officers at CCNH (hereafter collectively referred to as the “Magnolia Director/Officer Defendants”).

62. The Magnolia Director/Officer Defendants received substantial compensation in connection with their service as board members of Magnolia and officers of CCNH. Upon information and belief, each of the Magnolia Director/Officer Defendants received at least \$20,000 per month in compensation.

63. Defendant Jeff Goin, one of the Magnolia Director/Officer Defendants, told CCNH employees in 2010 that he had been recruited by Lloyd Clayton to come to work in Birmingham with an offer “to work half-time at full-time pay,” or words to that effect.

64. At all relevant times, the Magnolia Director/Officer Defendants—specifically including Lloyd Clayton, Jeff Goin, William Fishburne and Kay Channell— were serving as actual or ostensible agents of Magnolia and CCNH.

65. In addition to serving as a director of Magnolia, Lloyd Clayton served as president and/or chief executive officer of CCNH.

66. In addition to serving as a director of Magnolia, Jeff Goin served as president and/or chief executive officer of CCNH.

67. In addition to serving as a director of Magnolia, Kay Channell served as chief executive officer and/or chief operating officer of CCNH until approximately May 2010, when she was terminated and replaced by Jeff Goin.

68. In addition to serving as a director of Magnolia, William Fishburne served as attorney for CCNH and Magnolia.

69. In addition to his role as a board member of Magnolia, Defendant William Fishburne and his law firm provided legal services to Magnolia and CCNH.

70. Upon information and belief, William Fishburne and his law firm sent invoices to, and were paid by, CCNH and Magnolia for legal services provided by Mr. Fishburne to CCNH and Magnolia.

71. At all relevant times, William Fishburne was providing professional services when he performed work for CCNH and Magnolia, including, but not limited to, his service as a Magnolia board member.

72. At all relevant times, William Fishburne was acting as an actual or ostensible agent of his law firm in connection with his activities as a member of the Magnolia board and as an attorney for CCNH and Magnolia.

73. Mr. Fishburne attended numerous meetings with officials from the State of Alabama's Department of Postsecondary Education on behalf of CCNH and Magnolia, and he identified himself to state officials as the attorney for the schools in such meetings.

**The Magnolia Director/Officer Defendants Knew that
CCNH had Received Millions in Advance from Students
Pursing Distance Education Programs**

74. At all relevant times, the Magnolia Director/Officer Defendants, specifically including Defendants Lloyd Clayton, Jeff Goin, William Fishburne, and Kay Channell, knew or should have known that the CCNH Defendants had received millions of dollars in advance from thousands of adults—including Plaintiffs—who had paid in advance for distance education programs that they had not yet completed.

75. At all relevant times, the Magnolia Director/Officer Defendants knew or should have known that the CCNH Defendants had been entrusted with millions of tuition dollars from thousands of adults—including Plaintiffs—to pay in advance for distance education programs that they had not yet completed.

76. At all relevant times, the Magnolia Director/Officer Defendants knew or should have known that CCNH treated money received from thousands of adults—including Plaintiffs—as income in the year that it was received, even though the income had not yet been earned because the programs for which the tuition was submitted had not been completed. CCNH's own accountants informed the Magnolia

Director/Office Defendants that at CCNH, “tuition revenue received in advance and the related asserts are recognized [for accounting purposes] when received rather than earned.”

77. At all relevant times, the Magnolia Director/Officer Defendants knew or should have known that the CCNH Defendants based bonuses and performance on tuition collected, rather than on other measurements, such as degree or certificate completion or job placement.

78. At all relevant times, the Magnolia Director/Officer Defendants knew or should have known that the CCNH Defendants compensated admissions staff with a bonus system that was based on the number of adults who submitted tuition and enrolled in programs and that was not based on the percentage of adults who actually progressed in or completed the programs within any particular time frame.

**The Magnolia Director/Officer Defendants Knew
They Were Receiving Money that Actually was Advance Tuition
for Distance Education Programs that had Not Been Completed**

79. At all relevant times, the Magnolia Director/Officer Defendants, specifically including Defendants Lloyd Clayton, Jeff Goin, William Fishburne, and Kay Channell, knew or should have known that they were personally receiving money as purported compensation that actually was advance tuition entrusted to the CCNH Defendants submitted by thousands of adults—including Plaintiffs—for distance education programs that were still being pursued.

80. Each of the Magnolia Director/Officer Defendants personally participated in the decision to transfer money received by and entrusted to the CCNH Defendants for distance education programs that were being pursued by thousands of adults, including Plaintiffs, to the Magnolia Director/Officer Defendants.

81. At all relevant times, the Magnolia Director/Officer Defendants received and converted such money as if it was their own, when, in fact, the money was advance tuition entrusted to the CCNH Defendants by thousands of adults—including Plaintiffs—for distance education programs that they were still being pursued.

**The CCNH Defendants Terminated
CCNH's Distance Education Programs
Despite Having Received and Been Entrusted with Tens of Millions of Dollars
for Completion of Such Programs**

82. In or about late June 2010, the CCNH Defendants jointly made the decision to close CCNH.

83. Upon information and belief, Defendants Clayton, Goin, and Fishburne each personally participated in the decision to close CCNH.

84. At the time of their decision to close CCNH, the CCNH Defendants, specifically including Lloyd Clayton, Jeff Goin, and William Fishburne, knew or should have known that the CCNH Defendants had received and been entrusted with tens of millions of dollars in tuition in advance from adults pursuing distance education programs that would no longer be available due to the closing.

85. The CCNH Defendants, specifically including Lloyd Clayton, Jeff Goin, and William Fishburne, took these steps to close CCNH despite having received and been entrusted with tens of millions of dollars in tuition in advance from Plaintiffs and other members of the Class for distance education programs that the abrupt closure made it impossible to complete.

86. In late June 2010 and early July 2010, the CCNH Defendants took numerous steps to shut down CCNH, including, but not limited to terminating virtually all remaining employees of CCNH, disabling CCNH's interactive website, turning off phones, vacating office space, and stopping all communications with students who had been completing and submitting coursework and otherwise pursuing their prepaid distance education programs.

87. On or about July 8, 2010, Defendants Goin and Clayton informed CCNH employees that the school would be closing, and that their jobs would be ending on that day. During the meeting with employees, Defendants Goin and Clayton acknowledged that no arrangements whatsoever were being made to allow the school to remain open to permit adults to complete distance education programs for which they had already submitted tuition.

88. On or about July 12, 2010, Defendants Goin and Fishburne met with officials from the State of Alabama's Office of Postsecondary Education and disclosed that the school was out of business.

89. Prior to the sudden termination of CCNH's programs in July 2010, the CCNH Defendants gave no indication to students or to the State of Alabama that CCNH might be closing.

90. To the contrary, the CCNH Defendants continued to enroll new students for CCNH's distance education programs up to and including the day on which the CCNH employees were informed that they were being terminated because the school was closing.

91. Since the closing, the CCNH Defendants have failed to return the tens of millions of dollars entrusted by and received from Plaintiffs and members of the class for prepaid distance education programs that it is now impossible to complete.

**Prior to the Abrupt Closure of CCNH,
Defendants Informed Students and the State
that CCNH was Seeking Accreditation as Part of an
Effort to Improve the School**

92. For at least two years preceding the abrupt closure of CCNH in July 2010, the CCNH Defendants repeatedly informed students and the State of Alabama that CCNH was seeking accreditation from the Washington, D.C.-based Distance Education and Training Council ("DETC") as part of an effort to improve and grow the school.

93. For example, in August 2008, Defendant Kay Channell, one of the Magnolia Director/Officer Defendants, informed the chancellor of the State of

Alabama's Department of Postsecondary Education, that "in 2007, we began a study of Department of Education recognized accrediting bodies" and, after conducting "in-depth studies," "we made the decision to seek DETC accreditation."

94. In a separate letter supplied to the State of Alabama by the CCNH Defendants, Defendant Kay Channell in September 2008 stated that "we are excited about the [accreditation] process and the benefits it brings to Clayton College."

95. In another letter supplied to the state of Alabama by CCNH Defendants, Defendant Kay Channell in September 2008 stated that "[w]e have been considering this [accreditation] decision for the last couple of years and have already learned a great deal. We know this process and ultimate accreditation will strengthen our school."

96. In audited financial statements for the year ended December 31, 2007 provided to the State of Alabama, the CCNH Defendants' accountants noted that CCNH was "currently in the process of applying for accreditation with the DETC" and that "[w]hile the outcome of this matter is unknown at this time, management does not expect an unfavorable resolution or material adverse effect on the consolidated financial statements-income tax basis."

97. The CCNH Defendants' efforts to apply for and attain accreditation for CCNH came at a time of heightened regulation of private schools in Alabama. For example, in 2008, the State of Alabama had revoked the license of Chadwick

University, another private school entity owned by Defendant Lloyd Clayton and/or Magnolia and managed and controlled by Magnolia and the Magnolia Officer/Director Defendants. Thereafter, Chadwick University moved its operations to New Mexico under the ownership and/or management of Defendant Goin.

98. Based on the information provided to the State of Alabama in 2008 about CCNH's plan to seek accreditation, the State of Alabama issued a two-year license to CCNH in January 2009 that was conditioned upon CCNH actively continuing to seek accreditation.

99. As part of the effort to gain accreditation from DETC, the CCNH Defendants introduced in 2009 a new "term" format for pursuit of CCNH's distance education programs in which students could enroll in and provide tuition for courses based on 16-week terms, rather than enroll in and pay in advance for the entirety of a self-paced program. Plaintiffs and members of the Class were permitted to remain in their prepaid, self-paced distance education programs after the introduction of the new term format.

100. From January 2009 until approximately May 2010, Defendant Kay Channell had regular and frequent communications with DETC and with State of Alabama officials regarding CCNH's ongoing efforts to seek accreditation from DETC.

101. In or about May 2010, Defendants CCNH, Magnolia, Clayton, Goin and

Fishburne made the decision to terminate Defendant Kay Channell.

102. After terminating Defendant Kay Channell, Defendants CCNH, Magnolia, Clayton Goin and Fishburne decided to abandon efforts to attain accreditation and elected to close CCNH despite having been entrusted with tens of millions of dollars from Plaintiffs and members of the Class for distance education programs that could not be completed due to the closure.

Count I
Breach of Fiduciary Duty

103. Plaintiffs hereby incorporate by reference the preceding allegations.

104. The CCNH Defendants owed Plaintiffs a fiduciary duty.

105. Plaintiffs reposed trust in the CCNH Defendants with regard to the tuition provided to them in advance for distance education programs as well as with regard to the information and advice that the CCNH Defendants provided regarding their distance education programs.

106. A relationship existed between Plaintiffs and the CCNH Defendants in which the CCNH Defendants provided advice and counsel to Plaintiffs regarding the advance submission of tuition and the availability of distance education programs, which inspired confidence and trust in Plaintiffs that the CCNH Defendants would act in good faith to provide the programs for which they were required to entrust money in advance.

107. A relationship existed between Plaintiffs and the CCNH Defendants as a result of the CCNH Defendants' receipt of Plaintiffs' money in advance for distance education programs that the CCNH Defendants stated could be completed at Plaintiffs' own pace.

108. The fiduciary duty owed by the CCNH Defendants extended to tens of millions of dollars received from and entrusted by Plaintiffs and members of the Class for prepaid distance education programs that the CCNH Defendants knew had not yet been completed in July 2010.

109. The CCNH Defendants breached their fiduciary duty to Plaintiffs by, among other things, receiving tuition and then failing to take steps to safeguard the funds, failing to ensure that tuition received from Plaintiffs for education programs was utilized for such programs, failing to properly manage and protect tuition funds, and failing to reveal to Plaintiffs that the school was in financial difficulty that threatened their ability to provide the education programs they were selling.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count II
Conversion

110. Plaintiffs hereby incorporate by reference the preceding allegations.

111. The CCNH Defendants wrongfully took Plaintiffs' tuition money that was provided in advance for pursuit and completion of distance education programs.

112. The CCNH Defendants illegally used or misused Plaintiffs' money, which was provided to allow pursuit and completion of distance education programs.

113. The CCNH Defendants wrongfully exercised dominion over Plaintiffs' money, which was provided to allow pursuit and completion of distance education programs.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count III
Bailment

114. Plaintiffs hereby incorporate by reference the preceding allegations.

115. Plaintiffs delivered property to the CCNH Defendants for a specific purpose—namely, tuition—to allow them to pursue and complete distance education programs.

116. Plaintiffs delivered this property to the CCNH Defendants with the express or implied agreement that it would be duly accounted for to allow Plaintiffs to pursue and complete distance education programs.

117. The CCNH Defendants wrongfully used or lost the property.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count IV
Negligence

118. Plaintiffs hereby incorporate by reference the preceding allegations.

119. The CCNH Defendants owed Plaintiffs a duty of due care in all aspects of the operation of their school that affected Plaintiffs' opportunity to pursue and complete distance education programs for which they had been required to submit tuition in advance.

120. The duty of due care owed by the CCNH Defendants extended to all Plaintiffs and members of the Class who had collectively entrusted tens of millions of dollars for prepaid distance education programs that they had not yet completed in July 2010.

121. The CCNH Defendants breached their duty of due care to Plaintiffs in numerous ways, including but not limited to, by not keeping and preserving tuition money for the purpose it was intended, seeking and then abandoning efforts to attain accreditation and by electing to shut down the school despite having received and been entrusted with tens of millions of dollars for distance education programs that the closure would make it impossible for Plaintiffs to complete.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count V
Fraudulent Concealment and Omission

122. Plaintiffs hereby incorporate by reference the preceding allegations.

123. The CCNH Defendants made one or more innocent, negligent, reckless or intentional misrepresentations by omissions of fact, including but not limited to, failing to disclose to students that the CCNH Defendants were spending tuition money submitted in advance even though the tuition had not yet been earned, failing to disclose that no provisions were being made to ensure that the programs for which students had submitted tuition in advance would actually be available for students to

complete, failing to disclose that tuition money received for years-long programs was being used to pay expenses in the year in which it was received, and failing to disclose that tuition money was being transferred to the Magnolia Officer/Director Defendants as salaries and bonuses for their personal use.

124. Plaintiffs detrimentally relied on one or more omissions of fact made by the CCNH Defendants.

125. Plaintiffs suffered injury as a result of their reliance on the CCNH Defendants' misrepresentations.

126. Plaintiffs' justifiable reliance was such that the injury they suffered inured to the CCNH Defendants' benefit.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count VI
Promissory Estoppel

127. Plaintiffs hereby incorporate by reference the preceding allegations.

128. The CCNH Defendants made promises alleged above to Plaintiffs including, but not limited to, that the schools would provide Plaintiffs with the entire

programs for which they had submitted tuition in advance.

129. The promises were definite and clear.

130. The CCNH Defendants should have reasonably expected to induce action of a definite and substantial character on the part of Plaintiffs.

131. Plaintiffs acted in reliance on the promises as outlined above, including by applying for admission, enrolling, submitting advance tuition, and taking other actions all in the manner the CCNH Defendants expected.

132. The CCNH Defendants retained the benefit of these promises, in the form of tuition received and other benefits.

133. The promises must be enforced if injustice is to be avoided.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count VII
Unjust Enrichment/Breach of Quasi-Contract

134. Plaintiffs hereby incorporate by reference the preceding allegations.

135. The CCNH Defendants have received benefits from Plaintiffs in the form of tuition and fees, among other benefits.

136. It is inequitable to allow the CCNH Defendants to retain these benefits granted to them by Plaintiffs.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count VIII
Equitable Estoppel

137. Plaintiffs hereby incorporate by reference the preceding allegations.

138. CCNH and Magnolia, by representations, admissions or silence intentionally or negligently induced Plaintiffs to believe facts alleged above, including but not limited to the facts that the schools would provide the education promised to Plaintiffs, and that CCNH would remain open for business to permit Plaintiffs to complete their education.

139. Plaintiffs justifiably relied on and acted in belief of those facts.

140. Plaintiffs were prejudiced as a result of their belief in those facts.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct

damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.

Count IX
Breach of Contract

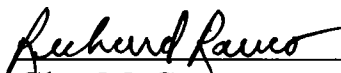
141. Plaintiffs hereby incorporate by reference the preceding allegations.

142. CCNH entered into express or implied contracts with each Plaintiff under which it agreed to provide education to Plaintiffs to permit them to complete the programs for which they had submitted tuition in advance.

143. CCNH breached its obligations under these contracts because the CCNH Defendants closed the school while students were enrolled.

144. Plaintiffs have been damaged as a proximate result of the CCNH Defendants' actions because, among other reasons, they neither have the tuition they submitted nor the education they were promised or for which they had submitted tuition in advance.

WHEREFORE, Plaintiffs request that this Court enter judgment in their favor, and against the Defendants for whatever damages Plaintiffs are found to be entitled to recover, plus interest, costs and attorney's fees, including, but not limited to, direct damages, incidental damages, consequential damages, exemplary damages, punitive damages, injunctive relief and any other or further relief the Court deems just.



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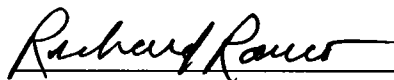
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JURY DEMAND

Plaintiffs hereby demand a trial by jury in this action



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