

# *In re Grand Canyon Education, Inc. Securities Litigation*

**COURT:** United States District Court for the District of Delaware  
**CASE NUMBER:** 1:20-cv-00639-MN-CJB  
**CLASS PERIOD:** 01/05/2018 - 01/27/2020  
**CASE LEADERS:** Katherine M. Sinderson, Gregory V. Varallo  
**CASE TEAM:** Robert Kravetz, Michael Mathai, Will Horowitz

On May 12, 2020, Bernstein Litowitz Berger & Grossmann filed a class action lawsuit for violations of the federal securities laws in the U.S. District Court for the District of Delaware against Grand Canyon Education, Inc. (“Grand Canyon”) and certain of Grand Canyon’s senior executives (collectively, “Defendants”), on behalf of its client, Fire and Police Pension Association of Colorado (“Lead Plaintiff”), and other investors in Grand Canyon common stock between January 5, 2018, and January 27, 2020, inclusive (the “Class Period”). The case is captioned *In re Grand Canyon Education, Inc. Securities Litigation*, No. 1:20-cv-00639-MN-CJB (D. Del.).

As alleged in the complaint, Defendants inflated Grand Canyon’s financial results by spinning off its formerly for-profit university, Grand Canyon University, (“GCU”) as a purportedly non-profit university, New GCU, which it used as an off-balance-sheet entity to which Grand Canyon was able to funnel expenses and costs in exchange for a disproportionate amount of revenue. Defendants repeatedly made false and misleading statements to investors describing New GCU as a “non-profit” and “independent” institution, misstating Grand Canyon’s role as a third-party provider of education services, and misstating the Company’s financial results. In addition, the Company failed to disclose to investors that it had received repeated communications from the U.S. Department of Education (“DOE”) putting the agency’s approval of the spinoff in doubt.

The truth emerged through a series of disclosures beginning on November 6, 2019, when Grand Canyon announced that it had received a letter from the DOE denying its application for designation of New GCU as a non-profit. That denial was based on the DOE’s finding, through an examination of several confidential analyses of the transaction commissioned by Grand Canyon’s Board of Directors, that New GCU was Grand Canyon’s “captive client” and was “not the entity actually operating” the university. The DOE concluded that the relationship between Grand Canyon and New GCU violated “the most basic tenet of nonprofit status—that the nonprofit be primarily operated for a tax-exempt purpose and not substantially for the benefit of any other purpose or entity.” Then, on January 28, 2020, financial analyst Citron Research published a report expanding on the DOE’s findings and citing hundreds of pages of non-public supporting documentation from Grand Canyon that Citron obtained through a Freedom of Information Act request. That report described Grand Canyon as the “educational Enron,” using a “captive non-reporting subsidiary” to “dump expenses and liabilities, while receiving a disproportionate amount of revenue at inflated margins in order to artificially inflate the stock price.” As a result of these disclosures, the price of Grand Canyon common stock declined precipitously.

On December 21, 2020, Defendants moved to dismiss the Complaint, which Plaintiffs opposed. After briefing and oral argument, the magistrate judge recommended dismissal of Plaintiffs’ complaint on August 9, 2021. Plaintiffs filed an amended complaint on January 21, 2022. Defendants will file their motion to dismiss the amended

complaint by March 15, 2022, Plaintiffs will file their opposition on May 6, 2022, and Defendants will file their reply on May 27, 2022.

### **Case Documents**

- January 21, 2022 - Second Amended Consolidated Class Action Complaint
- May 12, 2020 - Grand Canyon Education - Initial Complaint
- May 12, 2020 - Grand Canyon Education - PSLRA Notice