

In re EVCI Career Colleges Holding Corporation Securities Litigation

COURT: United States District Court for the Southern District of New York
CASE NUMBER: 05-cv-10240
CLASS PERIOD: 08/14/2003 - 12/06/2005

Securities fraud class action filed on behalf of a class of persons and entities who purchased or acquired the securities of EVCI Career Colleges Holding Corp. ("EVCI") between August 14, 2003 and December 6, 2005 (the "Class Period").

On May 9, 2006, the Honorable Colleen McMahon appointed BLB&G client Arkansas Teacher Retirement System as Lead Plaintiff and BLB&G as Lead Counsel for the Class.

On July 21, 2006, Lead Plaintiff filed a Consolidated Amended Class Action Complaint on behalf of the Class, alleging that EVCI violated federal securities laws by knowingly making false and misleading statements to the investing public about the Company's financial and business condition. Specifically, EVCI "a company that provides on-campus college education through Interboro Institute, Inc. and two other subsidiaries" started touting its increasing revenue and improved operating income beginning on August 14, 2003. EVCI attributed the improved results to increasing student enrollments, new retention strategies, and expense reductions. However, EVCI failed to disclose that it failed to adequately staff and maintain its facilities to support the number of students it was admitting, which placed its schools in serious jeopardy of not meeting the minimum standards required by the New York State Education Department ("NYSED").

The Defendants agreed to settle all claims against them, and in exchange for the settlement and dismissal of the action, they agreed to create a \$7,725,000 fund to be divided, after deduction of Court-awarded attorneys' fees and expenses and settlement administration costs, among all class members who send in a valid Proof of Claim form. The Court granted preliminary approval of the settlement on April 27, 2007. A settlement fairness hearing was held at 9:30 AM on July 27, 2007 before the Honorable Colleen McMahon at the Daniel Patrick Moynihan United States Courthouse. The Court approved the settlement by Order dated July 27, 2007.

The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is considered closed.

Background

On October 19, 2005, EVCI surprised the market by announcing that it received a draft report of a compliance review of Interboro Institute performed by the NYSED. This draft report recommended that Interboro improve academic standards, admissions practices, and graduation rates. It also proposed to deny extension center status for Interboro's Yonkers location, which would prevent Interboro from enrolling students there. This announcement caused EVCI's stock to plummet by 55.69%, to \$2.45 from \$5.53.

On December 6, 2005, the NYSED published its final report, which contained more startling revelations. For example, the report exposed that:

- An EVCI employee had instructed an undercover agent to falsify his income so that he would qualify for financial aid.
- Interboro facilitated cheating on an aptitude test (the CPAT exam) used to qualify students for admission and for the receipt of financial aid. On more than one occasion, Interboro changed the answers on the CPAT exams taken by New York State undercover operatives so that the operatives would qualify for admission and financial aid. EVCI provided an undercover agent posing as a student a test booklet marked to indicate correct answers during an exam where the proctor repeatedly left the room.

The report denied the Yonkers location extension center status and required that Interboro reduce student enrollment at all its locations. Furthermore, New York State demanded significant changes in Interboro's admissions standards to improve the percentage of students who complete the school's programs.

The market reacted harshly to this announcement. EVCI's stock plunged 31% to \$1.80 from a previous close of \$2.60.

Case Documents

- July 21, 2006 - Consolidated Amended Class Action Complaint
- Notice of Pendency and Proposed Settlement of Class Action