V I R G I N I A:

IN THE CIRCUIT COURT FOR THE CITY OF RICHMOND

COMMONWEALTH OF VIRGINIA,	)	
***EX REL.* MARK R. HERRING,**	)	
ATTORNEY GENERAL,	)	
	)	Civil Action No. _____
Plaintiff,	)	
v.	)	
	)	
JUMP START UNIVERSITY, INC.,	)	
a Virginia corporation,	)	
	)	
SERVE: Izetta Douglas, Registered Agent	)	
1900 Chamberlayne Ave.	)	
Richmond, VA 22322	)	
	)	
VASILIOS EDUCATION CENTER, INC.,	)	
a Virginia corporation,	)	
	)	
SERVE: JumpStart University, Inc.,	)	
Registered Agent	)	
1900 Chamberlayne Ave.	)	
Richmond, VA 22322	)	
	)	
CARL S. VAUGHAN,	)	
an Individual.	)	
	)	
SERVE: 1900 Chamberlayne Ave.	)	
Richmond, VA 22322	)	
	)	
Defendants.	)	
	)	

COMPLAINT

The Plaintiff, Commonwealth of Virginia, by, through and at the relation of its Attorney General, Mark R. Herring (the "Attorney General" or the "Commonwealth"), petitions this Court to declare that the activities in which the Defendants, JUMP START UNIVERSITY, INC. ("JSU"), VASILIOS EDUCATION CENTER, INC. ("VEC"), and CARL S. VAUGHAN ("Vaughan") (collectively "Defendants"), have engaged constitute violations of the Virginia Consumer

Protection Act ("VCPA"), Virginia Code §§ 59.1-196 to 59.1-207. The Plaintiff prays that this Court grant the relief requested in this Complaint and states the following in support thereof:

PRELIMINARY STATEMENT

The Commonwealth brings this action against the corporate Defendants, who have acted in concert and largely at the instruction and direction of the individual Defendant Vaughan to violate the VCPA and Virginia's landlord tenant housing laws while providing rental housing to low-income consumers in the Richmond metropolitan area. The corporate Defendants hold themselves out as mission-based organizations that offer "wraparound services," such as credit counseling, education services, and assistance with obtaining employment. Instead, the Defendants fail to provide any of these services and aggressively evict tenant consumers, often leaving consumers in a worse state than when they came to the Defendants seeking affordable housing.

JURISDICTION AND VENUE

1. The Circuit Court for the City of Richmond has authority to entertain this action and to grant the relief requested herein pursuant to §§ 59.1-203, 59.1-205, and § 59.1-206 of the VCPA, and §§ 8.01-620 and 17.1-513 of the Code of Virginia.

2. Venue is proper in this Court pursuant to Virginia Code § 8.01-262(1) as the Defendants reside in and have their principal places of business located within the City of Richmond.

3. In accordance with Virginia Code § 59.1-203(B), prior to commencement of this action, the Commonwealth gave the Defendants written notice that these proceedings were contemplated and a reasonable opportunity to appear before the Office of the Attorney General to demonstrate that no violations of the VCPA had occurred, or, in the alternative, to execute an

appropriate Assurance of Voluntary Compliance ("AVC") that is acceptable to the Commonwealth. The Defendants failed to demonstrate that no violations of the VCPA have occurred and have not agreed to execute an AVC that is acceptable to the Commonwealth.

PARTIES

4. The Plaintiff is the Commonwealth of Virginia, by, through, and at the relation of Mark R. Herring, Attorney General of Virginia.

5. Defendant JSU is a Virginia corporation with its principal place of business located at 1900 Chamberlayne Avenue, Richmond, Virginia 22322.

6. Defendant VEC is a Virginia corporation with its principal place of business located at 3221 Detroit Avenue, Richmond, 22322.

7. Defendant Vaughan is an individual person, the founder of JSU and VEC, and is named as the current Director of Defendant VEC.

8. Defendant Vaughan resides in the City of Richmond, Virginia.

9. Whenever any reference is made in this Complaint to any act of the "Defendants" or to the acts of any one of them, such allegations shall be deemed to include JSU, VEC, and Vaughan, acting jointly and severally, as if the act of any one of them were the act of the other, whether as principal, under an express or implied agency, or with actual or apparent authority to perform the acts alleged.

FACTS

10. Defendant Vaughan is a former high school principal who has purported to provide rental housing to low-income consumers in the Richmond metropolitan area over the past decade.

11. Since 2016, Defendant Vaughan has acted as a landlord personally and through several iterations of a "service program," including JSU and VEC.

12. This "service program" purports to provide consumers with vaguely referenced "wraparound services" in addition to providing housing.

13. Defendant Vaughan directed, controlled, approved, or participated in the acts and practices described in this Complaint, including those of JSU and VEC.

14. Defendant Vaughan created, oversees, supervises, and controls all aspects of the businesses at JSU and VEC, and directs the activities of JSU and VEC.

15. Defendant Vaughan also created an entity called Vasilios Community Development Corporation ("VCDC"), which advertises for JSU and VEC and states that JSU and VEC are affiliates of VCDC.

16. Defendant Vaughan has directed the activities of VCDC, including its advertising for JSU and VEC.

Advertising Practices

17. Defendant Vaughan created JSU, advertising that it provides service programs such as:

a. **Behavior Modification** (crisis management, anger management, healthy sexual behavior, mental health support, problem solving);
b. **Education Programs** (GED, reading, writing, math, English as a second language, science, technology, engineering, math (STEM), reading program);
c. **Daily Living** (financial literacy, fitness & wellness, healthy living, parent solutions); and
d. **Independent Living** (home care management, Microsoft Office, small business development, homeownership).

18. Defendant Vaughan, through VCDC, advertises that JSU is an "educational program" designed to help adolescents and their families, and that JSU offers tutoring, classes, scholarships and "educational grants."

19. Defendant JSU does not provide any of these services or monetary awards.

20. Defendant Vaughan also created VEC, which advertises that it provides the same "wraparound service programs," listed above for JSU in Paragraph 17.

21. Defendant Vaughan advertises that VEC "has developed a very simple program that is designed to provide you, the client, with tremendous opportunities to turn homeless situations into home ownership in just three (3) short years," telling consumers that "[a]ll you have to do is prepare yourself to receive this awesome blessing. It is destined to happen!"

22. Defendant VEC has not provided tenant consumers with a three-year program to purchase their own homes.

23. While Defendants do enter into lease agreements with tenant consumers, Defendants do not provide any of these "service programs" to consumers.

24. Defendants market their product as more than traditional rental housing, telling consumers that they are "enrolling" in a housing program and will gain entry into a "supportive housing initiative."

25. Defendant JSU deceptively refers to its housing program as the "Fresh Start Housing Initiative," and Defendant VEC deceptively refers to its housing program as the "Vasilios Supportive Housing Initiative."

26. There is no meaningful distinction between Defendant JSU and the "Fresh Start Housing Initiative."

27. There is no meaningful distinction between Defendant VEC and the "Vasilios Supportive Housing Initiative."

28. Defendants use these terms and phrases intentionally to bolster their misrepresentations that they provide consumers with something other than or beyond the services of a traditional landlord.

Lease and Other Documents

29. Defendants have used two versions of a lease with tenant consumers since 2016.

30. Defendants used one version of a lease from 2016 until on or about October 2019 (hereinafter, the "Original Lease").

31. Defendants used a second version of a lease from on or about October 2019 through the present (hereinafter, the "New Lease").

32. The Original Lease included provisions which did not comply with and were unenforceable under the Virginia Residential Landlord and Tenant Act ("VRLTA"), Virginia Code §§ 55.1-1200 through 55.1-1262.

33. For example, the Original Lease stated that tenant consumers who were evicted for "disciplinary reasons" would not receive a refund of their security deposit.

34. The Original Lease also stated in two places that if tenant consumers "enter[] into the Agreement and later cancel[] or [are] released for any reason," the consumers would not receive a refund of their security deposit.

35. These security deposit forfeiture conditions did not comply with the security deposit provisions of the VRLTA, Virginia Code § 55.1-1226 (formerly § 55-246.16), which only permit landlords to retain security deposits for specifically enumerated reasons that do not include those listed in Defendants' leases with tenant consumers.

36. The Original Lease also purported to disclaim any obligation of the Defendants to repair or improve tenant consumers' housing and stated that tenant consumers were receiving their housing "as-is."

37. These provisions do not comply with the obligations imposed in the VRLTA for landlords to maintain fit and habitable premises, Virginia Code § 55.1-1220 (formerly § 55-248.13).

38. The New Lease contains misrepresentations, including that Defendant VEC is an "institution of continuing education that offers a number of non-accredited programs, including educational or training activities, seminars, courses and short programs."

39. The New Lease also states that tenant consumers may be evicted for failure to "comply with the Rules and Regulations as adopted by VHSI."

40. These "Rules and Regulations" are not defined and do not form a permissible basis to evict a consumer tenant.

41. In addition to the Original Lease and the New Lease, Defendants provide consumers with a host of sham documents to make their product appear like a legitimate housing program that offers additional services.

42. These documents include a list of "self-sufficiency programs," which consumers are required to participate in so that they will purportedly receive services from Defendants.

43. Defendants did not provide any self-sufficiency programs to tenant consumers.

44. Defendants also provide sample "course schedules" and a course syllabus, implying that these had been used with prior educational seminars or services.

45. Defendants have never actually used these course schedules and syllabi while providing educational services to consumers.

46. Defendants provide a list of "Program Requirements," which purports to require tenants to "attend scheduled meetings and conferences," "provide a statement of medical needs, which will include a list of prescriptions," and "refrain from abusive language at all times."

47. Since such programs do not exist, however, Defendants have no ability to enforce these Program Requirements.

48. These sham documents also include a "Zero Tolerance Policy," which represents that consumers will be evicted or "terminated from the program" for failing to participate in a "self-sufficiency program," and failing to "keep the unit and/or personal space clean at all times."

49. Defendants have no ability to evict tenant consumers from their housing for failure to comply with these provisions.

Billing Practices

50. Defendants billed tenant consumers for the service programs that they advertised and failed to provide in the form of an up-front fee and monthly recurring fees.

51. The Old Lease termed the up-front fee an "enrollment fee," which tenant consumers were required to pay to enter into the purported program.

52. The New Lease includes an up-front $50 "processing fee" which Defendants represent:

> [C]overs VHSI's work and involvement in getting the property and program services ready for Client occupancy and program participation respectively.

53. Throughout both iterations of the Lease, Defendants termed the monthly fee for program services as an "admin fee," "housing and service fee," and a "program fee."

54. Defendants represent to tenant consumers that these "administrative fees" are for "leadership and mentoring academy, workforce development and graduation ceremony."

55. Despite the variety of naming conventions, these fees were directly related to Defendants' nonexistent "wraparound services," as they are separate and distinct from tenant consumers' rent payments for housing.

56. Tenant consumers paid these amounts to Defendants but did not receive any of the service programs advertised and for which they were billed.

57. Defendants have also failed to keep accurate billing and payment records for tenant consumers.

58. Tenant consumers have frequently contested the amounts that Defendants claim they owe.

59. Defendants have relied on their flawed billing practices and inaccurate records to file unlawful detainer actions and to evict tenant consumers from their housing, creating significant stress and confusion.

60. Tenant consumers have also acquiesced to paying amounts that they did not believe they owed, solely to retain their housing.

61. Since 2016, Defendants have filed unlawful detainer actions against the vast majority of their tenant consumers.

62. For example, Defendant JSU represented to the Commonwealth that it has entered into lease agreements with approximately 275 consumers since 2016.

63. Since 2016, Defendant JSU has filed nearly 200 unlawful detainer and eviction cases in Richmond, Henrico and Chesterfield General District Courts.

Sub-Leased Properties

64. Defendants do not own the properties they rent to tenant consumers. Instead, Defendants are themselves the tenants on various leases ("primary leases") with property owners in the Richmond metropolitan area, and Defendants sublet these premises to tenant consumers.

65. Until October 2019, Defendants did not routinely advise tenant consumers that they were sub-tenants on another lease.

66. Some tenant consumers did not find out about the primary lease until they were contacted by the property management company for the primary landlord, asking the tenant consumers to complete certain paperwork.

67. Some tenant consumers did not find out about the primary lease until they reached out to Defendants to complete maintenance or repairs to their housing premises, and Defendants directed them to contact the primary landlord.

68. Tenant consumers were often confused about the responsible party when problems arose with their housing.

69. On multiple occasions, Defendants have failed to pay rent on their primary leases, subjecting them to unlawful detainer eviction actions and jeopardizing the housing of their tenant consumers.

CAUSES OF ACTION

COUNT I – Virginia Consumer Protection Act

70. The Commonwealth re-alleges and incorporates by reference the allegations of Paragraphs 1 through 69 of this Complaint.

71. Pursuant to Virginia Code § 59.1-197, the VCPA is to be applied as remedial legislation to promote fair and ethical standards of dealing between suppliers and the consuming public.

72. In connection with consumer transactions, the VCPA prohibits suppliers from, among other things:

a. Misrepresenting the source, sponsorship, approval, or certification of goods or services, pursuant to Virginia Code § 59.1-200(A)(2);

b. Misrepresenting the affiliation, connection, or association of the supplier, or of the goods or services, with another, pursuant to Virginia Code § 59.1-200(A)(3);

c. Misrepresenting that goods or services have certain quantities, characteristics, ingredients, uses, or benefits, pursuant to Virginia Code § 59.1-200(A)(5);

d. Advertising goods or services with intent not to sell them as advertised, or with intent not to sell at the price or upon the terms advertised, pursuant to Virginia Code § 59.1-200(8); and

e. Using any other deception, fraud, false pretense, false promise, or misrepresentation in connection with a consumer transaction, pursuant to Virginia Code § 59.1-200(A)(14).

73. During all relevant times, Defendants were "suppliers" of "goods" or "services" in connection with "consumer transactions," as those terms are defined in Virginia Code § 59.1-198, by advertising and offering both landlord-tenant and other "wraparound" services to Virginians for personal, family or household purposes.

74. Defendants violated the VCPA through the acts and practices described in this Complaint, including without limitation:

a. Misrepresenting that they provide service programs to tenant consumers in violation of Virginia Code § 59.1-200(A)(5), (8), and (14);

b. Misrepresenting that tenant consumers were entering into a "housing program" or "housing initiative" that offered something other than or beyond traditional landlord-tenant housing in violation of Virginia Code § 59.1-200(A)(5), (8), and (14);

c. Failing to disclose the owner of the premises to tenant consumers in violation of Virginia Code § 59.1-200(A)(2), (3), and (14);

d. Engaging in deceptive conduct by failing to maintain accurate billing records in violation of Virginia Code § 59.1-200(A)(14);

e. Billing and receiving payment from tenant consumers for services that Defendants did not provide in violation of Virginia Code § 59.1-200(A)(5) and (14); and

f. Engaging in deceptive conduct by using and providing sham documents which had no meaning or effect, in violation of Virginia Code § 59.1-200(A)(14).

75. Defendants willfully engaged in the acts and practices described in this Complaint in violation of the VCPA.

76. Individual consumers have suffered losses as a result of the aforesaid violations of the VCPA by Defendants.

WHEREFORE, the Plaintiff, Commonwealth of Virginia, respectfully prays that this Court:

A. Permanently enjoin the Defendants and their members, managers, officers, employees, agents, successors and assigns from violating § 59.1-200 of the VCPA pursuant to Virginia Code § 59.1-203;

B. Grant judgment against the Defendants, jointly and severally, and award to the

Commonwealth all sums necessary to restore to any Virginia consumers the money or property acquired from them by the Defendants in connection with their violations of § 59.1-200 of the VCPA pursuant to Virginia Code § 59.1-205;

C. Enter any additional orders or decrees as may be necessary to restore to any Virginia consumers the money or property acquired from them by the Defendants in connection with their violations of § 59.1-200 of the VCPA pursuant to Virginia Code § 59.1-205;

D. Grant judgment against the Defendants, jointly and severally, and award to the Commonwealth civil penalties of up to $2,500.00 per violation for each willful violation of § 59.1-200 of the VCPA pursuant to Virginia Code § 59.1-206(A), the exact number of violations to be proven at trial;

E. Grant judgment against the Defendants, jointly and severally, and award to the Commonwealth its costs, reasonable expenses incurred in investigating and preparing the case, and its attorney's fees, pursuant to Virginia Code § 59.1-206(C); and

F. Order such other and further relief as may be deemed proper and just.

COMMONWEALTH OF VIRGINIA,
EX. REL. MARK R. HERRING,
ATTORNEY GENERAL

By: Erin E. Witte

Erin E. Witte (VSB No. 81096)
Assistant Attorney General
Consumer Protection Section

Mark R. Herring
Attorney General

Erin B. Ashwell
Chief Deputy Attorney General

Samuel T. Towell
Deputy Attorney General

Richard S. Schweiker, Jr.
Chief and Senior Assistant Attorney General

David B. Irvin (VSB No. 23927)
Unit Manager and Senior Assistant Attorney General
Consumer Protection Section

Palmer T. Heenan, III (VSB No. 85483)
Assistant Attorney General
Office of Civil Rights

202 North Ninth Street
Richmond, Virginia 23219
Phone: (703) 359-6716
Fax: (804) 786-0122