

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

VANESSA ARMSTRONG,

Plaintiff,

v.

ACCREDITING COUNCIL FOR CONTINUING
EDUCATION & TRAINING, INC., et al.,

Defendants.

C.A. No. 91-3135 RCL

SETTLEMENT AGREEMENT

As a result of settlement discussions and court-ordered mediation in the above-captioned case, plaintiff and class representative Vanessa Armstrong and defendant Accrediting Council for Continuing Education and Training ("ACCET"), have reached the following settlement of the First Amended Claim for Relief in this action, contingent on approval of this settlement pursuant to Federal Rule of Civil Procedure 23(e).

1. This Agreement represents a settlement of disputed claims and does not constitute an admission of liability or fault, or admission of the validity of any defense presented in this action, on the part of the parties to this Agreement or on the part of their agents, commissioners, members of board of trustees, servants, consultants or employees, and is entered into by the parties for the purpose of settling disputed claims and avoiding the expenses and risks of litigation.

2. The "class" referred to in this Agreement is the class certified by this Court on November 14, 1995, for the prosecution of the First Amended Claim for Relief against defendant ACCET. The class consists of all former students of Market Tire Educational Services, Inc., d/b/a NBS Automotive School, who enrolled in the Automotive School in the District of Columbia, and who are debtors on federally guaranteed student loans arranged by NBS from June 1, 1987 through the date that the school closed.

Payments

3. ACCET agrees to make payments to members of the class who file acceptable claims that establish that they are members of the class described in paragraph 2. ACCET will pay a minimum of \$37,500 and a maximum of \$65,000 to members of the class under this provision of the Agreement. These funds will be distributed to members of the class who file acceptable claims as specified under paragraphs 5 and 6 of this Agreement:

- a. ACCET will pay at least \$ 900 to each member of the class who files an acceptable claim as described in paragraphs 5 and 6, unless more than 72 individuals file acceptable claims.
- b. If more than 72 individuals file acceptable claims, ACCET will pay each individual who files such a claim their pro rata share of \$65,000.
- c. If fewer than 42 individuals file acceptable claims, ACCET will pay each individual who files such a claim their pro rata share of \$37,500.

4. In addition to the payment that class representative Vanessa Armstrong is entitled to receive as a member of the class under paragraph 3, ACCET shall pay Vanessa Armstrong \$ 400 based upon her role and responsibilities as class representative.

Claims Procedures

5. To receive payments described in paragraph 3, an individual must submit a claim on the form attached hereto as Exhibit A to Armstrong Class Counsel ("Class Counsel"), Public Citizen Litigation Group, 1600 20th Street, NW, Washington, D.C. 20009, in which he or she certifies under penalty of perjury that he or she (a) enrolled in NBS Automotive School in the District of Columbia after June 1, 1987; (b) obtained a federally guaranteed student loan to attend the school; and (c) has provided documentation in his or her possession reflecting his or her attendance at the school after June 1, 1987. Such claims will be considered an "acceptable claim" and shall be paid in accordance with paragraph 3 if (i) databases of the Department of Education show that the individual received a loan to attend NBS Automotive School in the District of Columbia after June 1, 1987, or if other third party documents attached to the claim or obtained from other entities (e.g. lenders or guarantors), verify that the claimant received a federally guaranteed loan to attend NBS Automotive School in the District of Columbia after June 1, 1987; and (ii) the individual did not request to be excluded from the class in response to the Notice of Class Action mailed and published following certification of the class on November 14, 1995.

6. Claims must be postmarked or hand delivered no later than 150 days from the date of the mailing of the Notice announcing the settlement described in paragraph 11 below.

7. Class Counsel will make a preliminary determination of acceptable claims within 15 days after the last date for receipt of the claims described in paragraph 6 by sending a written list of names and addresses of acceptable claimants to counsel for ACCET, who shall have 15 days from the receipt of such list to review it. In order to facilitate ACCET's review, Class Counsel shall provide the documentary basis for its acceptance of the claims in a manner which will be readily reviewable by ACCET's counsel or other designated reviewer and shall make available, if requested by ACCET, all submitted claim forms and other pertinent data, including the Department of Education databases in the possession, custody or control of Class Counsel relating to Class Counsel's preliminary determination of acceptable claims. If after such review ACCET objects to any of the claims, counsel for the parties will promptly submit the disputed claims to a mutually agreeable independent third party for a determination of whether the claimant satisfies the criteria set forth in paragraph 5. The independent third party shall make determinations on the disputed claims within 15 days unless good cause requires additional time. The final acceptable claim list shall consist of the names and addresses of claimants to which ACCET did not object and any disputed claims on which the independent third party rejects ACCET's objections. The acceptable claim list shall become final on the date that the independent third party makes the determination on disputed claims or, if ACCET makes

no objections, on the date that ACCET states that it has no objections to the preliminary determination of acceptable claims or on the date that the 15 days for ACCET to review the preliminary determination list expires.

8. ACCET shall mail the payments called for in this Agreement to the persons and addresses listed on the final acceptable claims list, as initially prepared by Class Counsel and modified after review as described in paragraph 7, within two weeks after the date that the acceptable claims list becomes final or the date that the approval of this settlement by the district court becomes final, whichever is later. For purposes of this paragraph and paragraph 9 below, "the date that the approval of this settlement by the district court becomes final" means the date on which the district court enters a final order approving dismissal of this action pursuant to this settlement if no objections to the settlement are presented or, if objections are presented, the date on which such a final order is no longer subject to appellate review.

9. Any claimant may submit a statement updating the mailing address on his or her claim form at any time until the date that the acceptable claims list becomes final. If payment of the acceptable claims is delayed by the filing of objections, the time for claimants to update the mailing address on their claim form shall be extended until the date that the approval of this settlement by the district court becomes final and ACCET shall issue checks to any claimants who update their address during this period. In the event that checks are returned to ACCET, ACCET shall have no responsibility to attempt to remail the returned checks. Any checks returned will be promptly forwarded to Class Counsel,

which may make further efforts to attempt delivery. Any checks not cashed within 150 days of the date that returned checks are forwarded to Class Counsel will be voided.

Notice Procedures

10. This Settlement Agreement shall be presented to the Court in January 1998 for preliminary approval and approval of the notice of the settlement for mailing and publication. Within seven days after all parties have given final approval and signed this settlement agreement, counsel for the parties will file a joint motion requesting that the court enter an order preliminarily approving the settlement and attached notices. The motion shall also request that the district court schedule a fairness hearing 60 days after ordering preliminary approval and, following notice to the class and a fairness hearing, approve this settlement agreement pursuant to Federal Rule of Civil Procedure 23(e). Counsel for each party shall file a memorandum in support of the motion which recommends that this Agreement be approved under Federal Rule of Civil Procedure 23(e) as fair, reasonable, and adequate. The parties further agree to recommend approval of the settlement during the fairness hearing, and to take any steps that may reasonably be requested by the Court in reviewing whether this settlement should be approved pursuant to Federal Rule of Civil Procedure 23(e).

11. Within two weeks of the preliminary approval by the Court, notice of the settlement shall be sent by Class Counsel by first class mail to all potential class members whose address can be identified through reasonable efforts. The notice to potential class members shall include a mutually agreeable description of the terms of the settlement,

notice of the date by which members of the class must file any objections to the settlement, notice of the date of the hearing before the Court on final approval of the settlement, and a claim form for presenting claims as described in paragraph 5, attached hereto as Exhibit A. The proposed notice is attached as Exhibit B.

12. Within two weeks of the preliminary approval by the Court a notice of the settlement shall be published by Class Counsel in the Washington Post, the Washington Times, the City Paper, and the Journal Newspapers in a form that is comparable in type sizes and locations to the notice announcing certification of the class that was published after the class was certified on November 14, 1995. A copy of the text of the notice to be published is attached hereto as Exhibit C. It is anticipated that the hearing to consider approval of the proposed settlement will occur in March, 1998.

Notice Costs

13. Class Counsel shall be responsible for mailing the notice of the settlement and claim form described in paragraph 11, and shall bear the costs of such notice.

14. ACCET shall pay Class Counsel \$1678.70 to reimburse the costs of publishing the notice of class action published after the class was certified on November 14, 1995. This payment shall be made within two weeks of final approval of the settlement by this Court pursuant to Federal Rule of Civil Procedure 23(e). Further, ACCET shall bear the cost of publishing notice of the settlement as described in paragraph 12 and will reimburse Class Counsel within two weeks of presentation of the newspaper invoices for publication.

15. Class Counsel and the class waive any claim against ACCET for attorneys fees or costs other than the expenses that ACCET is required to pay or reimburse under this Agreement.

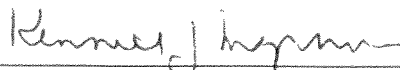
16. If approved by the Court pursuant to Federal Rule of Civil Procedure 23(e), this settlement shall constitute a final resolution and compromise of the claims of class members who did not request to be excluded from the class under the First Claim for Relief and First Amended Claim for Relief in this proceeding, and any other common law or statutory claims that class members now have or hereafter may have against ACCET, its officers, commissioners, members of its board of trustees, agents, servants, employees, predecessors, successors, subsidiaries, representatives, assigns and liability insurance carriers, arising out of their enrollment at NBS Automotive School in the District of Columbia. Upon final approval of the settlement, this action shall be dismissed with prejudice and shall bar any claims for relief that were, or could have been, brought in this action on behalf of any individual who is a member of the class against ACCET, unless an individual requested to be excluded from the class in response to the Notice of Class Action mailed and published following certification of the class on November 14, 1995. This settlement only concerns the class members' claims against ACCET and neither the settlement nor the Court's approval of the settlement shall bar any claims for relief that have been, or could have been, brought against defendants other than ACCET.

17. This settlement does not limit and may not be construed to prejudice the rights of class representative Vanessa Armstrong and members of the class to litigate the

issue of whether NBS's accreditation was misrepresented in claims against other parties, including the claims set forth against parties other than ACCET in the Second, Third and Fourth Claims for Relief of the complaint in this action. If Class Counsel file any additional motions or briefs in this action, including any appellate proceedings relating to this action, alleging that NBS's accreditation was misrepresented by ACCET, Class Counsel shall mail copies of such motions or briefs to counsel for ACCET. ACCET vigorously disputes any misrepresentation and reserves the right to seek to file an amicus brief bearing on this issue.

18. Plaintiff Armstrong, ACCET and counsel agree that, other than publication of the notices called for by this Agreement, they will not distribute any press release or contact the press concerning this settlement. However, in the event that there are requests for information concerning the settlement initiated by the press, either counsel may release a statement in writing in substantially the form attached hereto as Exhibit D upon twenty-four hours written notice to opposing counsel, delivered by telecopier. Failure of plaintiff

Armstrong to comply with this provision will be cause to void her rights under this Agreement and require return of any funds paid to her by ACCET under the settlement.



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Washington, DC 20009

Attorneys for Plaintiff
Armstrong and the Class
("Class Counsel")

settlefn.doc

CLAIM FORM

To make a claim for payment under the class settlement you must complete this claim form and mail it to the address below. You cannot qualify to receive a payment under the settlement if this claim form is not received at the address below or postmarked by [150 days from the date of mailing of this notice], 1998.

You should submit this form if you attended NBS Automotive School in Washington, D.C., after June 1, 1987, and received a federally guaranteed student loan. If you enrolled in NBS in Baltimore, MD, or if you enrolled in the NBS Law Enforcement program, you are not eligible to participate in this settlement and you should not submit a claim.

CLAIMANT'S STATEMENT

I declare under penalty of perjury under the laws of the United States of America that I enrolled in NBS Automotive School in the District of Columbia after June 1, 1987 and that I obtained a federally guaranteed student loan to attend NBS.

- Check one:
- () I do not have any documents showing that I attended NBS Automotive School in the District of Columbia.
 - () I have attached documents showing that I attended NBS Automotive School in the District of Columbia and obtained a federally guaranteed student loan to attend the school.

Print your name here: _____

Sign your name here: _____ Date signed: _____

Address: _____

(be sure to give the address where payment should be sent)

Deliver this claim form or mail the claim form to:

Armstrong Class Counsel
Public Citizen Litigation Group
1600 20th Street, NW
Washington, DC 20009

EXHIBIT A

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

VANESSA ARMSTRONG,)
)
Plaintiff,)
)
v.) C.A. No. 91-3135 RCL
)
ACCREDITING COUNCIL FOR CONTINUING)
EDUCATION & TRAINING, INC.,)
)
Defendant.)

NOTICE OF CLASS ACTION SETTLEMENT

This notice may affect your rights.

Please read carefully.

This notice is being sent to individuals who have been identified as former students of a vocational school known as NBS or National Business School. If you attended NBS Automotive School in Washington, D.C., after June 1, 1987, your rights may be affected and you may be eligible to receive money under a proposed settlement reached in a lawsuit pending in this Court.

TO CONFIRM THAT YOU ARE A MEMBER OF THE CLASS AND RECEIVE MONEY FROM THE SETTLEMENT, YOU MUST FILL OUT AND MAIL IN THE FORM AT THE END OF THIS NOTICE.

This lawsuit was filed on behalf of all former students of NBS Automotive School in the District of Columbia who are debtors on guaranteed student loans arranged by NBS from June 1, 1987, through the date that NBS closed, in late 1989 or early 1990. The lawsuit charges that defendant Accrediting Council for Continuing Education and Training, Inc. ("ACCET"), misrepresented the accreditation of NBS Automotive School beginning on June 1, 1987, and failed to disclose that NBS did not meet the applicable accreditation standards and was financially unstable. The lawsuit asserts that the ACCET is liable for actual and punitive damages caused by this alleged misrepresentation. ACCET denies these claims and charges.

On November 14, 1995, the Court certified this action as a class action on behalf of former students of NBS who enrolled in the Automotive School in the District of Columbia, and who obtained federally guaranteed student loans arranged by NBS from June 1, 1987, through the date that NBS closed. Students who enrolled in NBS in Baltimore, MD, and students who enrolled in the NBS Law Enforcement program are not included in this class. Thus, if you attended NBS before June 1, 1987, if you enrolled in NBS in Baltimore, MD, if you enrolled in the NBS Law Enforcement program, or if you did not have a federally guaranteed student loan arranged by NBS, you are not a member of the class and you may not participate in the settlement.

EXHIBIT B

Proposed Settlement

The named plaintiff, Vanessa Armstrong, and ACCET have agreed to a settlement which, if approved by the Court, will settle the claims of all members of the class who did not file a request for exclusion after the class was certified on November 14, 1995. Under the proposed settlement, ACCET will pay a minimum of \$37,500 and a maximum of \$65,000 to members of the class. These funds will be distributed to class members who file acceptable claims, as described below. Each class member who submits an acceptable claim will receive approximately \$900, depending on the total number of claims filed. Each class member will receive \$900 if more than 42, but less than 72, acceptable claims are submitted. If less than 42 claims are submitted, the minimum fund will be distributed pro rata, so each class member will receive more than \$900. If more than 72 claims are submitted, the maximum fund will be distributed pro rata, so each class member will receive less than \$900.

To receive a payment from these funds, a class member must submit the claim form attached to this Notice to certify under penalty of perjury that he or she (a) enrolled in NBS Automotive School in the District of Columbia after June 1, 1987; (b) obtained a federally guaranteed student loan to attend the school; and (c) has provided documentation in his or her possession reflecting his or her attendance at the school after June 1, 1987. The individual's statement that they received a loan to attend NBS Automotive School in the District of Columbia after June 1, 1987 will be verified by checking documents attached to the claim, databases of the Department of Education, or documents from other third parties. Claims will be rejected if the statement cannot be verified or if the individual requested to be excluded from the class in response to the Notice of Class Action mailed and published following certification of the class on November 14, 1995.

Claims must be postmarked or hand delivered to the address indicated on the claim form by no later than [150 days from the date of mailing of this notice]. All claims will then be reviewed by Class Counsel and ACCET to determine if they are acceptable claims and any disputes shall be resolved by a independent third party within 30 days of the deadline for filing claims, unless good cause requires additional time. ACCET shall mail the payments called for by the proposed settlement to the addresses listed on acceptable claims within two weeks after the acceptable claims list becomes final or the date that the approval of this settlement by the district court becomes final, whichever is later. As a result, if the settlement is approved, the payment of claims will not begin until at least six months after the date of this notice, and may be delayed further if an appeal or other proceedings postpone the date that the district court's order approving the settlement becomes final.

Any claimant may submit a statement updating the mailing address on his or her claim form at any time until the date that the acceptable claims list becomes final. In the event that checks sent to claimants are returned to ACCET, the checks will be promptly forwarded to Class Counsel, which may make further efforts to attempt delivery. Any checks not cashed within 150 days of the date of the check will be voided. If payment of the acceptable claims is delayed by the filing of objections, the time for claimants to update the mailing address on their claim form shall be extended until the approval of this settlement by the district court becomes final and ACCET shall then issue checks to any claimants who update their address during this period.

In addition to the payment that class representative Vanessa Armstrong is entitled to receive as a member of the class, Vanessa Armstrong shall receive \$ 400 based upon her role and responsibilities as class representative.

Under the settlement, Class Counsel will not receive any fees or expenses out of the payments to class members described above. As part of the proposed settlement, ACCET has agreed to pay Class Counsel \$1678.70 to reimburse them for the costs of publishing the notice of class action published after the class was certified on November 14, 1995, and will also pay the cost of publishing notice of this settlement. Class Counsel has agreed to bear the cost of mailing notice to the class.

If approved by the Court, this settlement shall constitute a final resolution and compromise of the claims of class members who did not request to be excluded from the class claim against ACCET in this proceeding, and any other common law or statutory claims that class members now have or hereafter may have against ACCET, its officers, commissioners, members of its board of trustees, agents, servants, employees, predecessors, successors, subsidiaries, representatives, assigns and liability insurance carriers, arising out of their enrollment at NBS Automotive School in the District of Columbia. This settlement only concerns the class members' claims against ACCET and does not bar any claims for relief that have been, or could have been, brought against entities other than ACCET. If approved, the settlement will also waive any claims that the class or class counsel might have been able to assert against ACCET for fees or expenses, other than the expenses that ACCET is required to pay or reimburse under this Agreement.

Vanessa Armstrong, ACCET and their counsel have also agreed that, other than the publication of notices called for by the settlement agreement, they will not distribute any press release or contact the press for the purpose of seeking concerning this settlement. However, in the event that there are press inquiries for information concerning the settlement initiated by the press, either counsel may release a written statement containing information on the results of the settlement.

You may obtain a complete copy of the Settlement Agreement from Class Counsel or from the Court at the address set forth below.

Objections to the Settlement; Settlement Hearing

The Court must determine whether this proposed settlement should be approved, as recommended by both Class Counsel and the class representative. On March __, 1998 at _____ the Court will hold a hearing in the United States Courthouse at 3rd and Constitution Ave., NW, Washington, DC, to consider whether the Court should approve the settlement.

Any member of the class may appear, in person or by counsel, and object to the fairness, adequacy, and reasonableness of the settlement. Any class member who wishes to submit documents for the Court's consideration or who wishes to be heard at the settlement hearing must file a written statement with the Court, on or before [10 days before hearing date]. Attendance at the hearing is not necessary; however, class members wishing to be heard orally in opposition to the proposed settlement should indicate in their written objection whether they intend to appear

at the hearing. Class members who support the proposed settlement do not need to appear at the hearing or take any other action to indicate their approval.

Submission of Claims

If you fit the above description of a class member and you wish to participate in the settlement, you must complete and sign, under penalties of perjury, the claim form attached hereto and mail it, with postage, before [150 days from the date of mailing of this notice], to:

Armstrong Class Counsel
Public Citizen Litigation Group
1600 20th Street, NW
Washington, DC 20009

If you submit a claim form you should notify Class Counsel of any change in your address while your claim is pending.

Further Information

The complete settlement agreement, and the pleadings and other records in this litigation may be examined and copied at any time during regular office hours at the Office of the Clerk, United States Courthouse, 3rd and Constitution Aves., NW, Washington, DC 20001. If you wish to communicate with counsel for the class, you may do so by writing or calling:

Michael Tankersley
Lucinda Sikes
Public Citizen Litigation Group
1600 20th Street, NW
Washington, DC 20009
(202) 588-7712

You may seek the advice and guidance of your own attorney if you desire. Retention of private counsel is not, however, required as a condition of participation in the settlement and will be at your own expense.

By order of the United States District Court for the District of Columbia, United States District Judge Royce C. Lamberth.

January __, 1998

Enclosure: Claim Form

**NOTICE TO FORMER STUDENTS OF NBS AUTOMOTIVE SCHOOL
NOTICE OF SETTLEMENT OF CLASS ACTION**

The parties to a class action brought on behalf of former students who obtained federally insured student loans to attend NBS Automotive School in Washington, D.C., also known as National Business School, after June 1, 1987, have reached a proposed settlement of the disputed claims that the Accrediting Council for Continuing Education and Training, Inc. (ACCET) misrepresented the accreditation of NBS Automotive School. In reaching the proposed Agreement the parties have agreed that the settlement does not constitute any admission of liability or fault or any admission with respect to the validity of any defense raised in the pending lawsuit. If the settlement is approved, each class member who submits an acceptable claim will receive approximately \$900, depending on the number of claims filed. Under the proposed settlement, ACCET will pay a minimum of \$37,500 and a maximum of \$65,000 to members of the class. To participate in the settlement, members of the class must submit a claim form confirming that they enrolled in NBS Automotive School in the District of Columbia after June 1, 1987 and obtained a federally guaranteed student loan to attend the school. The claims must also meet other conditions set forth in the settlement.

A notice concerning the settlement has been mailed to individuals who have been identified as potential class members. **If you believe that you may be a member of this class and you have not received a notice concerning this settlement, you should provide your name and current address to: *Armstrong Class Counsel, Public Citizen Litigation Group, 1600 20th Street, NW, Washington, DC 20009, (202) 588-7712.*** You will then be mailed a more detailed explanation of the settlement, the procedure for submitting claims and objecting to the settlement, and your rights in this litigation. **Claims must be filed by [150 days from date of notice], so you should obtain a claim form as soon as possible.**

Dated: January __, 1998

By Order of the Honorable Royce C. Lamberth, United States District Court Judge for the District of Columbia.

EXHIBIT C

**Statement Concerning
Settlement Results of Armstrong-ACCET Settlement**

On January __, 1998, the Class represented by Vanessa Armstrong and the Accrediting Council for Continuing Education and Training, Inc. (ACCET) entered into a Settlement Agreement to resolve the class claim against ACCET. A copy of the settlement is available from counsel. In their agreement the parties stipulated that the settlement did not constitute any admission of liability or fault by ACCET, or an admission as to the validity of any defenses raised in the action and was done to avoid the expense and risk of litigation. The settlement [is scheduled for a fairness hearing on March __, 1998/was formally approved by the Court on March __, 1998].

Claims must be filed by _____. The claims will then be reviewed to determine whether they meet the conditions set forth in the settlement. To date, __ claims have been submitted. The validity of these claims has not been determined.

Alternative language for paragraph 2

Since the settlement was approved, __ claims have been submitted. Upon review, it was determined that __ claims satisfied the conditions set forth in the settlement agreement. A total __ dollars has been paid to the individuals who submitted these claims.

EXHIBIT D