

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA**

NOTICE OF SETTLEMENT

For Qualifying persons and entities in the United States who obtained or co-signed a student loan held by Northstar or a wholly-owned subsidiary of Northstar at the time of the Suspension of a Bonus on February 18, 2008
You Could Get A Payment From A Class Action Settlement.

A U.S. federal court authorized this notice. It is not from a lawyer. You are not being sued.

- This Settlement resolves four putative nationwide class actions lawsuits arising out of Northstar Education Finance, Inc. d/b/a Total Higher Education's ("Northstar") February 2008 suspension of its T.H.E. Repayment Bonus Program, which was offered as a credit to its borrowers effectively lowering the interest rate for borrowers who were no more than 59 days delinquent in making their loan repayments.
- The Settlement will provide to Settlement Class Members reinstatement of the Bonus during such time as a loan is in repayment and is owned by or on behalf of Northstar and the loan account is 59 days or less delinquent, *pro rata* payments with a minimum guarantee for five years, and/or a distribution from a Settlement Bonus Trust Account in the event that a Settlement Class Member's loan was sold, consolidated, or paid off before the Settlement Agreement was approved all in accordance with the Settlement Agreement.
- You do not need to file a claim in order to participate in the Settlement.
- *If you were a holder or co-signer of a Total Higher Education student loan as of February 18, 2008, your legal rights will be affected whether you act or don't act. Please read this Notice carefully.*

YOUR LEGAL RIGHTS AND CHOICES		DUE DATE
EXCLUDE YOURSELF	You get no payment. This is the only choice that will allow you to sue Northstar on your own about the claims discussed in this Notice.	Postmarked on or before March 19, 2010
OBJECT	If you do not exclude yourself, you can write to the Court about why you don't like the Settlement.	Postmarked on or before March 19, 2010
APPEAR AT A HEARING	If you do not exclude yourself, you can ask to speak to the Court about the fairness of the Settlement.	The Notice of Appearance must be postmarked on or before March 19, 2010 to appear at the final hearing on April 8, 2010 at 10:30 a.m. at the Federal Courthouse in St. Paul, MN

DO NOTHING	You are bound by the terms of the Settlement and give up your right to sue Northstar on these claims later.	
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These rights and options – **and the deadlines for each** – are explained in this Notice.

The Court in charge of this case has not yet finally decided whether or not to approve the Settlement. Settlement Benefits cannot be distributed until after the Court finally approves the Settlement and after any possible appeals are resolved.

BASIC INFORMATION

On December 14, 2009, Northstar and representatives of holders or co-signers of Northstar Total Higher Education student loans on or after February 18, 2008 reached a proposed class action settlement. Beginning in 2001, Northstar began offering, as part of its loan arrangements, a credit to its borrowers effectively lowering the interest rate for borrowers who were no more than 59 days delinquent in making loan repayments known as the T.H.E. Bonus Program (“Bonus”). On February 18, 2008, Northstar suspended the Bonus. The settlement is intended to resolve disputes between the parties about whether Northstar had a legal right to suspend the Bonus. This proposed class action settlement covers the entire United States.

1. Who is Involved?

You may be a member of the Settlement Class if you are a person or entity in the United States who obtained or co-signed a student loan held by Northstar or a wholly-owned subsidiary of Northstar at the time of the suspension of the Bonus on February 18, 2008, provided that the loan (a) is eligible to receive Bonus payments and (b) had not been fully paid off at the time of the Suspension. Excluded from the Class are: the Court and its employees; Northstar; any parent, subsidiary, or affiliate of Northstar; and all employees and directors who are or have been employed by Northstar during the relevant time period.

2. Why did I get this Notice package?

The Court directed this Notice package to you because Northstar’s records suggest that you obtained or co-signed a student loan held by Northstar or a wholly-owned subsidiary of Northstar as of February 18, 2008 that was eligible for a Bonus.

If you are a member of the proposed Class, the proposed Settlement will affect your rights. You have choices to make before the Court decides whether or not to approve the Settlement.

This Notice package explains:

- What a class action lawsuit is;
- What this class action lawsuit is about;
- What your legal rights are;
- What the Settlement involves;
- What the benefits are and who is eligible to get them; and
- How to receive the benefits.

3. What is a Class Action?

In a class action lawsuit, one or more people called “Representative Plaintiffs” sue one or more Defendants on behalf of other people who have similar claims. All these people together are a “Class” or “Class Members.” One court decides all the issues in the lawsuit for all Class Members, except for those who exclude themselves from the Class.

4. What is this Class Action about?

Beginning in 2001, Northstar began offering, as part of its loan arrangements, a credit to its borrowers effectively lowering the interest rate for borrowers who were no more than 59 days late in making loan repayments. On February 18, 2008, Northstar suspended the T.H.E. Bonus Program. The Representative Plaintiffs allege that Northstar’s suspension of the Bonus was a breach of its loan contracts with Plaintiffs and the other members of the class, as well as an unfair and/or deceptive trade practice. Northstar disagrees with these allegations and believes it had a legal right to suspend the Bonus.

The Court in charge of this lawsuit is the United States District Court for the District of Minnesota. The name of the lawsuit is *In re: Northstar Education Finance Inc. Contract Litigation, Case No. 01990-MD-08*. The judge is the Honorable Donovan W. Frank.

5. Why is the class action being settled?

Rather than proceeding to litigate through a jury trial, both sides in the lawsuit have agreed to a Settlement. That way, everyone avoids the cost and risk of a trial, and the members of the Class will be compensated for missed Bonus payments caused by Northstar’s February 2008 suspension of the Bonus Program in accordance with the Settlement Agreement.

WHO IS IN THE SETTLEMENT

6. How do I know if I’m part of the Settlement?

To see if you can get benefits from this Settlement, you first have to know if you are a Class Member.

The Court has said you are a Class Member if:

- You obtained or co-signed a student loan held by Northstar or a wholly-owned subsidiary of Northstar as of February 18, 2008, the date of Northstar’s suspension of the Bonus Program provided that the loan (a) is eligible to receive Bonus payments; and (b) had not been fully paid off at the time of the Suspension

If you are a Class Member, you may qualify for reinstatement of the Bonus and/or a distribution pursuant to the criteria set forth in the Settlement Agreement.

7. Are there exceptions to being included in the Settlement?

You are ***not*** a Class Member even if you obtained or co-signed a student loan held by Northstar or a wholly-owned subsidiary of Northstar as of February 18, 2008 if:

- You were never eligible to receive Bonus payments;

- Your loan was fully paid off at the time of the Suspension;
- You exclude yourself from this Settlement;
- You previously filed a claim concerning your student loans at question in this litigation in any court of law, and the claim was resolved with a final judgment, whether or not that judgment was favorable to you;
- You are the Judge in this lawsuit, or a member of the Judge’s immediate family;
- You are a parent, subsidiary, or affiliate of Northstar; or
- You are or have been an employee and/or director of Northstar during the relevant time period.

THE SETTLEMENT BENEFITS – WHAT YOU GET

8. How does the Settlement work?

Nothing is required from you as an individual Class Member. Distributions will be paid in accordance with the formulas set forth in the Settlement Agreement.

The core settlement benefit is the reinstatement of the Bonus (according to certain terms and conditions, as set forth in the Settlement Agreement) as a guaranteed benefit so long as the loan is owned by Northstar.

Northstar shall calculate the amount each Class Member would have received had the Bonus not been suspended from the date of the Suspension through the Effective Date. This Settlement mandates that the Bonus be paid over the life of Settlement Class Members’ loans, except for in certain circumstances set forth in the Settlement Agreement.

In conjunction with its Settlement obligations, Northstar will create a Settlement Bonus Trust Account (“Trust”). The amount of the Bonus applicable to Settlement Class Members will be calculated according to the same formula used to fund the Bonus before the Suspension and based on the same qualifications. For any year in which the amounts available in the Settlement Bonus Trust Account are less than, or greater than, necessary to pay the Bonus amount at the same level as before the Suspension, Northstar will distribute the net available funds *pro rata* to Settlement Class Members. Minimum guaranteed payments to the Trust will be made for the first five years. Thereafter, the Trust will be funded only as money is available pursuant to the formula.

Please remember, this Notice is only a summary of important features. The Settlement Agreement, available on the website, www.NorthstarLoanSettlement.com, contains all the details about the Settlement.

9. What will I receive if I am a Class Member?

In conjunction with its Settlement obligations, Northstar will create a Settlement Bonus Trust Account that will be funded in accordance with the Settlement Agreement. The amount of the Bonus applicable to Settlement Class Members will be calculated according to the same formula used to fund the Bonus before the Suspension and based on the same qualifications. Northstar will make an Initial Payment as well as subsequent payments all subject to the terms and conditions set forth in the Settlement Agreement.

For any year in which the amounts available in the Settlement Bonus Trust Account are less than, or greater than, necessary to pay the Bonus amount at the same level as before the Suspension, Northstar will distribute the net available funds *pro rata* to Settlement Class Members.

The entirety of the Initial Payment, less any reductions mandated by Court Order, shall be distributed to (i) Settlement Class Members who were in the repayment phase at the time of the Suspension or before the Effective Date and also to (ii) Settlement Class Members whose loans have been sold. Such distribution shall be as follows:

- a. Northstar shall calculate the amount each Class Member would have received had the Bonus not been suspended from the date of Suspension through the Effective Date. For each Class Member, this amount is referred to as the “Suspended Bonus Amount.”
- b. An initial *pro rata* calculation shall be made for each Class Member whose loans were sold before the Settlement Agreement by multiplying such Class Member’s Suspended Bonus Amount by a fraction, the numerator of which is 3,500,000 and the denominator of which is the total Suspended Bonus Amount of all Class Members. The result is referred to as the “Sold Loan *Pro Rata* Share.” The Sold Loan *Pro Rata* Share shall be multiplied by 2.0 and the result distributed to such Class Members. The amount distributed is referred to as the “Sold Loan Distribution.” Such Class Members will not receive any further distribution from the Initial Payment.
- c. The Sold Loan Distribution shall be deducted from the Initial Payment with the result being referred to as the Modified Initial Payment.
- d. A *pro rata* calculation shall be made for all remaining Class Members by multiplying each Class Member’s Suspended Bonus Amount by a fraction, the numerator of which is the Modified Initial Payment and the denominator of which is the total Suspended Bonus Amounts for all such Class Members. This amount shall be distributed to such Class Members.

Distributions from the Settlement Bonus Trust Account to Settlement Class Members shall be made no less frequently than four (4) times per year. A minimum distribution is guaranteed for the first five years.

- (a) What will I receive if I am a Class Member and Northstar still owns my student loans?

The core settlement benefit is the reinstatement of the Bonus (according to certain terms and conditions, as set forth in the Settlement Agreement) as a guaranteed benefit.

Before the Suspension, the Bonus operated to reduce qualified borrowers’ interest payments. Thus, Northstar did not write checks to borrowers in the amount of the applicable Bonus but, rather, credited borrowers’ student loan accounts in the amount of the applicable Bonus.

Under this Settlement, however, the applicable Bonus amounts will be transferred first to a Settlement Bonus Trust Account and then to the Settlement Class Members’ student loan accounts from the Trust in accordance with the formula set forth in the Settlement Agreement. For loans that Northstar owns, such transfer will be made by wire transfer to the loan servicer for application to the loan amount due.

- (b) What will I receive if I am a Class Member and Northstar sold my loans before the Settlement Agreement was signed?

Settlement Class Members whose loans were sold before this Stipulation was executed shall obtain a distribution from the Trust in accordance with the formula set forth in the Settlement Agreement. For such loans, the calculation date for the Bonus amount shall be the date on which the loan was sold, assigned, or otherwise transferred.

- (c) What will I receive if I am a Class Member and my loans are paid off or consolidated with another lender before the first distribution of Bonus payments following the Effective Date?

Settlement Class Members whose loans are paid off or consolidated with another lender before the first distribution of Bonus payments following the Effective Date of the Settlement Agreement shall obtain a distribution from the Trust in accordance with the formula set forth in the Settlement Agreement. For such loans, the calculation date for the Bonus amount shall be the date on which the loan was paid off or consolidated.

- (d) What will I receive if I am a Class Member and my loans are sold in the future as permitted by the Settlement Agreement?

Settlement Class Members whose loans may be sold in the future as permitted in accordance with the Settlement Agreement shall remain entitled to receive distributions from the Trust according to the formula used before the Suspension and based on a *pro rata* distribution in accordance with the Settlement Agreement for three (3) full years following the date of the loan sale.

10. What are the qualifications for being reinstated with the Bonus?

Just as before the Suspension, Settlement Class Members shall receive the Bonus (according to certain terms and conditions, as explained in the Settlement Agreement) during such time as (a) their loan is in repayment and is owned by or on behalf of Northstar and (b) their student loan account is 59 days or less delinquent. Also, as before the Suspension, if a Settlement Class Member's student loan account becomes 60 or more days delinquent and he or she is therefore not entitled to receive Settlement Benefits, that Settlement Class Member will once again be entitled to start receiving Settlement Benefits when his or her loan becomes 59 days or less delinquent.

11. What happens if the Settlement is not approved by the Court?

If the Settlement is not approved at the Final Approval Hearing, then the Settlement will terminate and all Class members and Parties will be restored to the positions in which they were before the Settlement Agreement was signed.

12. When will I get my Settlement payment or student loan adjustment?

On April 8, 2010 at 10:30 a.m., the Court will hold a hearing to decide whether or not to approve the Settlement. If the Court approves the Settlement, Northstar will begin the plan of reinstating and reimbursing in accordance with the Settlement Agreement. Please note that there is often delay after a Settlement like this is approved. For example, there may be appeals of the Court's order approving the Settlement, and payments or adjustments can't be made unless appeals are finished and the Court's Order is upheld. Because of this, there could be a delay before your loan reflects your adjustment or you are reimbursed.

YOUR RIGHTS – GETTING OUT OF THE SETTLEMENT

13. What if I don't want to be part of the Settlement or the Class?

You do not have to take part in the Settlement or be a Member of the Class. You can do what is called “excluding” yourself or “opting out.” If you exclude yourself, you cannot get a Settlement Benefit and you cannot object to the Settlement. Any Court orders will not apply to you. By excluding yourself, you keep any right to file or proceed with a lawsuit about the Bonus that you may have.

14. How do I exclude myself from the Settlement?

To exclude yourself, you must send written notice of your decision to request exclusion via first class mail to Class Counsel at the following address:

Robert K. Shelquist
Lockridge Grindal Nauen P.L.L.P.
100 Washington Avenue South
Suite 2200
Minneapolis, MN 55401

Your request for exclusion should include the caption of this case, *In re: Northstar Education Finance Inc. Contract Litigation*, Case No. 01990-MD-08, and must:

- be signed by you *and* your attorney, if you have one; and
- state your name and the social security number and date of birth of the *borrower* (i.e., if you are a co-signer who wishes to request exclusion, you must still provide the social security number and date of birth of the actual borrower)

Deadline for Exclusion: Your request for exclusion from the Settlement must be postmarked or personally delivered by March 19, 2010.

If you do not follow these instructions properly, you will lose your right to exclude yourself. There are no exceptions.

UNLESS YOU PROPERLY FILE A REQUEST FOR EXCLUSION, YOU WILL BE BOUND BY ANY JUDGMENT IN THIS CASE AND YOU WILL NOT BE PERMITTED TO PURSUE ANY PENDING OR FUTURE LITIGATION ON MATTERS RESOLVED IN THIS SETTLEMENT.

THIS IS TRUE:

- even if you have objected to the settlement;
- even if you are actively litigating a pending lawsuit regarding suspension of the T.H.E. Bonus; and
- even if you sent in an exclusion request but sent it to an incorrect location

15. If I exclude myself, can I get money from the Settlement or tell the Court that I don't think the Settlement is fair?

No. If you exclude yourself, you cannot receive any benefits from the Settlement, and you cannot tell the Court that you don't like the Settlement (which is called “objecting”). If you exclude yourself, you are no

longer part of the Class or the Settlement. But you can sue or be part of a different lawsuit against Northstar about the claims in this case.

YOUR RIGHTS – OBJECTING TO THE SETTLEMENT

16. How do I tell the Court if I don't like the Settlement?

If you're a Class Member and don't exclude yourself, you can object to the Settlement. This means you can tell the Court you don't like the Settlement or some part of it. For example, you can say you don't think the Settlement is fair or adequate or that you object to the amount of the attorneys' fees, costs, or expenses. The Court will consider your views but may approve the Settlement anyway.

To object, you or your lawyer must prepare a letter that contains all of the following:

- The name and title of the lawsuit, *In re: Northstar Education Finance Inc. Contract Litigation, Case No. 01990-MD-08*;
- A written statement of objections clearly specifying the grounds or reasons for each objection;
- A statement of whether or not you or your lawyer will ask to appear at the Final Approval Hearing to talk about your objections, and, if so, how long you will need to present your objections; and
- Copies of documents (if any) you or your lawyer will present at the Final Approval Hearing.

Your objection letter must be sent to the Court, Class Counsel, and Northstar at the addresses below, and postmarked or received **no later than March 19, 2010**.

The Court: Clerk of the Court
United States District Court for the District of Minnesota
Warren E. Burger Federal Courthouse
316 N. Robert Street
St. Paul, MN 55101

Class Counsel: Robert K. Shelquist
Lockridge, Grindal Nauen, P.L.L.P.
100 Washington Avenue South, Suite 2200
Minneapolis, MN 55401

Northstar: Todd A. Noteboom
Leonard, Street and Deinard
Professional Association
150 South Fifth Street, Suite 2300
Minneapolis, MN 55402

17. What's the difference between objecting and excluding myself?

Objecting is the way to tell the Court what you don't like about the Settlement. You can object only if you stay in the Class and the Settlement.

Excluding yourself is the way to tell the Court that you don't want to be a part of the Class and the Settlement and that you want to keep the right to file your own lawsuit. If you exclude yourself, you can't object because the Settlement doesn't affect you any more.

IF YOU DO NOTHING

18. What happens if I do nothing at all?

If you obtained or co-signed a student loan held by Northstar or a wholly-owned subsidiary of Northstar as of February 18, 2008 that was or is entitled to a Bonus, all decisions made by the Court in this lawsuit or about the Settlement will apply to you. If the Court approves the Settlement, you will have released Northstar from any further claims against it about the Bonus issues settled in this lawsuit, and you can't ever sue Northstar again about these issues.

THE LAWYERS REPRESENTING YOU

19. Do I have a lawyer in this lawsuit?

The Court has designated the following lawyers to represent you and all Class Members. Together, these lawyers are called Lead Class Counsel. *You will not be charged for these lawyers.* The names and addresses of Lead Class Counsel are as follows:

Robert K. Shelquist
Lockridge, Grindal Nauen, P.L.L.P.
100 Washington Avenue South, Suite 2200
Minneapolis, MN 55401

Adam J. Levitt
Wolf Haldenstein Adler Freeman & Herz, LLC
55 West Monroe Street, Suite 1111
Chicago, IL 60603

Charles S. Zimmerman
Zimmerman Reed, PLLP
651 Nicollet Mall, Suite 501
Minneapolis, MN 55402

20. How will the lawyers be paid?

The lawyers who represent the Class will ask the Court for reimbursement of their out of pocket expenses and an award of attorneys' fees based on their work in this litigation. The amount of attorneys' fees to be awarded will be determined solely by the Court. The amount of expenses and fees awarded by the Court will not decrease or in any manner limit the amount of money class members will receive under the Settlement. Under the terms of the Settlement Agreement and subject to Court approval, Class Counsel will be paid guaranteed fees and costs of \$2,000,000 over five years. Class Counsel will also be paid additional non-guaranteed payments of \$2,500,000 over the life of the settlement only when and if Class Members get paid pursuant to the Settlement Agreement formula. Therefore, the total amount of attorneys' fees and costs that Class Counsel may be paid is \$4,500,000. A Motion for attorneys' fees, expenses, and costs shall be

submitted to the Court no later than March 1, 2010. The Court must approve any requests for fees, expenses, and costs.

21. Will the Class Representatives who have worked with the lawyers receive any extra payment?

Yes. To compensate them for work in this litigation on behalf of the settlement class, each named Plaintiff will receive an incentive payment of US\$7,500 (Seven thousand and Five Hundred Dollars). Northstar has agreed to pay these awards to the Named Plaintiffs over and above the Settlement Benefits.

THE COURT'S FINAL APPROVAL HEARING

22. When and where will the Court decide whether or not to approve the Settlement?

The District Court will hold a Final Approval Hearing at 10:30 a.m. on April 8, 2010. At this hearing, the Court will consider whether or not the Settlement is fair, reasonable, and adequate. If there are written objections, the Court will consider them, and the Court will listen to people who have asked to speak at the hearing. After the hearing, the Court will decide whether or not to approve the Settlement.

The Hearing will be held at: United States District Court for the District of Minnesota, Warren E. Burger Federal Courthouse, 316 N. Robert Street, St. Paul, MN 55101.

23. Do I have to come to the Hearing?

No. Class Counsel will answer questions the Court may have. But you are welcome to come at your own expense. If you send a written objection, you don't have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it's not necessary.

24. Can I have my lawyer appear at the Final Approval Hearing to tell the Court about my opinions regarding the Settlement?

Yes. As long as you don't exclude yourself, you have the right to appear through counsel at the Final Approval Hearing, so long as your Notice of Appearance and any written objections you may have are postmarked or received by the Court, Northstar, and Class Counsel by March 19, 2010. If you do this, however, the cost of having your lawyer appear will be at your own expense.

GETTING MORE INFORMATION

25. Are more details about the Settlement and my rights under the Settlement available?

This Notice summarizes the Settlement and your rights under the Settlement. It cannot tell you every right to which you may be entitled. To obtain further information or advice about your legal rights, you may contact Class Counsel without charge or consult a lawyer at your own expense.

More details about the terms of the settlement are set forth in the Settlement Agreement. If you have questions or want to know more about the settlement, you can call the Settlement Administrator toll-free, at

1-888-299-3672. You can also check the website at www.NorthstarLoanSettlement.com. The website has a copy of the complete Settlement Agreement and other important documents and will be maintained to provide answers to frequently asked questions. You may also contact the Settlement Administrator by U.S. Mail at:

Northstar Education Finance Services Settlement Administrator
c/o CAC Services Group
P.O. Box 1939
Burnsville, MN 55337-1939

You can also look at and copy the legal documents filed in this lawsuit at any time during regular office hours at the Office of the Clerk of the Court, United States District Court for the District of Minnesota, Warren E. Burger Federal Courthouse, 316 N. Robert Street, St. Paul, MN 55101.