

SETTLEMENT AGREEMENT

This agreement is made by and between Salem International University (Salem) (OPE ID 00382000), located in Salem, West Virginia and United States Department of Education (Department), Federal Student Aid (FSA). The agreement is effective the latest date opposite the signatures below.

A. On May 19, 2004, the Department's Administrative Actions and Appeals Division (AAAD) issued a notice of its intent to fine Salem \$250,000 for violations of the Clery Disclosure of Campus Security Policy and Crime Statistics Act (Clery Act) provisions of Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. and its implementing regulations. The violations were discovered during a program review conducted at the school by the Department's Philadelphia Case Management Team on June 11-22, 2003 and August 21-24, 2001.

B. On June 1, 2004, Salem filed a timely appeal of the fine action pursuant to 34 C.F.R. § 668.91.

C. The appeal has given rise to the Federal Student Aid Proceeding entitled In the Matter of Salem International University, Docket No. 04-28-SF.

D. Salem and the Department now desire to resolve the outstanding fine and terminate the current administrative proceeding.

In consideration of the mutual covenants and conditions herein contained, the parties agree as follows:

1. Salem agrees to pay the Department a fine in the amount of \$200,000 in resolution of the fine action initiated on May 19, 2004. The fine shall be paid in 5 equal installments of \$40,000. The initial payment of \$40,000 shall be made by certified or cashier's check made payable to the U.S. Department of Education and should be sent with the signed settlement agreement. The remaining fine will be paid pursuant to the provisions of the repayment agreement to be executed between Salem and the Department's Debt Management Group. There will be no interest payments assessed under this repayment agreement.

2. Salem admits that as to years 1997, 1998, and 1999, it was in violation of the Clery Act. Salem certifies that it will continue to take whatever steps are necessary to ensure continual compliance with the provisions of the Clery Act.

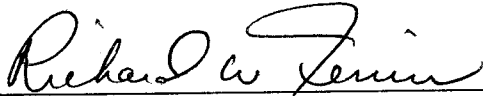
3. Salem acknowledges that future violations of the Clery Act will result in additional fines and/or other administrative actions initiated by the Department.

4. Within 5 days of the date on which this agreement and the repayment agreement are fully executed, the parties agree to submit to the hearing official a joint motion to dismiss with prejudice the administrative proceeding, cited above, relating to the subject matter of this agreement. Only the motion, and not the settlement agreement or repayment agreement, will be filed.


5. This Agreement constitutes a settlement and full accord and satisfaction of the fine action issued on May 19, 2004. This Agreement fully and finally resolves any and all possible administrative claims, obligations and/or fines for Clery Act violations by Salem in 1997, 1998, and 1999.

6. This Agreement does not waive, compromise, restrict or settle any past, present or future violations by Salem of the criminal laws of the United States or any action initiated against Salem for civil fraud against the United States.

Each of the parties warrants that its undersigned representative is fully authorized to sign this agreement on its behalf.


Richard Ferrin, Ph.D.
President & CEO
Salem International University
Salem, WV

2/23/05
Date


Mary E. Gust
Director
Administrative Actions
and Appeals Division
Federal Student Aid
U.S. Department of Education
4/7/05
Date