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18 **UNITED STATES DISTRICT COURT**
19 **NORTHERN DISTRICT OF CALIFORNIA**

20 THERESA SWEET, ALICIA
21 DAVIS, TRESA APODACA,
CHENELLE ARCHIBALD,
22 DANIEL DEEGAN, SAMUEL
HOOD, and JESSICA
23 JACOBSON on behalf of
themselves and all others similarly
24 situated,

25 Plaintiffs,

26 v.

27 MIGUEL CARDONA, in his
official capacity as Secretary of
28

CASE NO. 19-cv-03674-WHA

Judge: Hon. William H. Alsup
Ctm: 12

**NOTICE OF MOTION AND MOTION
TO INTERVENE OF PROPOSED
INTERVENORS AMERICAN
NATIONAL UNIVERSITY AND
LINCOLN EDUCATIONAL
SERVICES CORPORATION**

Hearing Date: August 18, 2022
Hearing Time: 8:00 a.m.

(Class Action)

1 the United States Department of
2 Education, and

(Administrative Procedure Act Case)

3 THE UNITED STATES
4 DEPARTMENT OF
5 EDUCATION,

6
7 Defendants.

8 **TO THE HONORABLE COURT, PARTIES, AND COUNSEL OF RECORD:**

9 PLEASE TAKE NOTICE that on August 18, 2022, at 8:00 a.m., or on a date
10 selected by the Court, in the courtroom of the Honorable William Alsup, Courtroom
11 12, 19th Floor of the United States District Court for the Northern District of
12 California, 450 Golden Gate Avenue, San Francisco, California 94102, Proposed
13 Intervenors American National University and Lincoln Educational Services
14 Corporation will and do hereby seek an order granting them intervention in the above
15 captioned matter as a matter of right, or alternatively, with permission of the Court,
16 pursuant to Federal Rule of Civil Procedure 24(a)(2) or 24(b)(1) (“Motion”).

17 This Motion is based upon this Notice of Motion and Motion to Intervene, the
18 Memorandum of Points and Authorities, the Declarations of Steven S. Cotton and
19 Francis Giglio, the pleadings and documents on file in this matter, any oral argument
20 of counsel, and upon such other information as the Court may allow.

21 **STATEMENT OF RELIEF SOUGHT**

22 Proposed Intervenors seek an order granting them leave to intervene of right,
23 or in the alternative, permissive intervention because they have a significant interest
24 in the outcome of this litigation, in light of the proposed settlement.

1 DATED: July 13, 2022

Respectfully submitted,

2 **MCGUIREWOODS LLP**

3
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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Proposed Intervenors American National University and Lincoln Educational
4 Services Corporation (“Lincoln”) (collectively, “Proposed Intervenors”) are
5 educational institutions who seek intervention to ensure that their interests are
6 protected in any finalization and implementation of the proposed settlement of this
7 litigation, which the parties submitted to the Court and first made public on June 22,
8 2022. *See* Dkt. 246.

9 The proposed settlement has introduced, for the first time, the prospect that
10 the U.S. Department of Education will “automatically” and fully discharge loans
11 and refund payments to student borrowers, *see* Dkt. 246-1 (defining “Full
12 Settlement Relief”), without adjudication of the merits of the students’ borrower-
13 defense applications in accordance with the Department’s borrower-defense
14 regulations, *see* 34 C.F.R. §§ 685.206(c), 685.222, and without ensuring that
15 Proposed Intervenors and other similarly situated institutions can defend against
16 allegations asserted in individual borrower-defense applications. The Department
17 proposes to treat attendance at certain schools—schools on a list explained with
18 nothing more than a few words of *ipse dixit*—as grounds for “presumptive relief.”
19 In addition, the proposed settlement commits the Department to adjudicating other
20 borrower-defense claims under otherwise inapplicable regulations. While the Court
21 has considered a proposed settlement once before in 2020, that proposed settlement
22 would have established a timeline for clearing the Department’s backlog of
23 applications; it would not have altered the standards or procedures for granting
24 relief. *See* Dkt. 97-2, at 5–7.

25 Proposed Intervenors have a clear entitlement under Rule 24 to intervene in
26 the litigation and to have a seat at the table in the finalization and implementation of
27 a settlement that affects their interests. This motion is “timely,” *Citizens for*
28 *Balanced Use v. Montana Wilderness Ass’n*, 647 F.3d 893, 897 (9th Cir. 2011),

1 because Proposed Intervenors come to the Court promptly following the release of
2 the proposed settlement, which put their interests at stake for the first time well into
3 the course of this litigation. Proposed Intervenors have “significant protectable
4 interest[s]” which the proposed settlement “may, as a practical matter, impair or
5 impede [their] ability to protect,” *id.*, including their interests in the procedural
6 rights afforded to educational institutions under the Department’s regulations when
7 it adjudicates borrower-defense applications, and their interests in the potential
8 adverse consequences of the proposed settlement, as written. And “the existing
9 parties may not adequately represent [their] interest[s],” *id.*, because, as the
10 proposed settlement reflects on its face, both Plaintiffs and the Department are
11 willing to forgo the regulatory (and constitutional) protections afforded to
12 educational institutions in order to resolve Plaintiffs’ long-pending claims about
13 undue delay.

14 If the Court does not grant intervention as of right (as it should), the Court
15 should nevertheless exercise its discretion to permit permissive intervention,
16 pursuant to Rule 24(b). Proposed Intervenors’ motion is timely; their participation
17 in this litigation (and specifically, the proposed settlement) is inherently tied to this
18 case; and they reasonably seek a seat at the table for ongoing proceedings. For these
19 reasons, and those described below, this Court should grant Proposed Intervenors’
20 motion to intervene.

21 **II. FACTUAL AND PROCEDURAL BACKGROUND**

22 **A. Proposed Intervenors**

23 American National University is a private university with campuses in several
24 U.S. States. The school was founded as the National Business College in 1886 in
25 Roanoke, Virginia. Today, American National University focuses on providing
26 students from around the world with career education at the Associate Degree,
27 Baccalaureate, and Master’s level. It is accredited by the Distance Education
28 Accrediting Commission.

1 Lincoln Educational Services Corporation and its subsidiaries provide
2 diversified career-oriented post-secondary education to recent high school graduates
3 and working adults. Lincoln, which currently operates 22 campuses in 14 states,
4 offers programs in skilled trades, automotive technology, healthcare services,
5 hospitality services, and information technology. Established in 1946, all of the
6 campuses are nationally accredited and are eligible to participate in federal financial
7 aid programs administered by the U.S. Department of Education and applicable state
8 education agencies and accrediting commissions which allow students to apply for
9 and access federal student loans as well as other forms of financial aid.

10 **B. Litigation Background**

11 Plaintiffs filed their class action complaint (“Complaint”) on June 25, 2019,
12 after the Department did not issue a final decision on any borrower-defense
13 application for over a year. *See* Dkt. 1 (“Compl.”) ¶¶ 5, 135, 181–82. The
14 Complaint sought declaratory and injunctive relief and alleged that the delay in
15 issuing decisions on borrower-defense claims since June 2018 constituted agency
16 action unlawfully withheld or unreasonably delayed. *Id.* ¶¶ 377–89.

17 As relevant here, the crux of Plaintiffs’ claim was that the Department has a
18 mandatory duty under the Higher Education Act, 20 U.S.C. § 1087e(h), and its own
19 regulations, 34 CFR §§ 685.206, 685.222, to timely decide and resolve borrowers’
20 claims. *See* Compl. ¶¶ 58–65. They argued that the Department had “stop[ped]
21 deciding borrower defenses and adopt[ed] a policy of refusing to grant any borrower
22 defenses.” *Id.* at 22. And they asked the Court to “compel the Department to start
23 granting Class Members’ individual borrower defense assertions if they are eligible
24 for a borrower defense” and “to start denying Class Members’ individual borrower
25 defense assertions if they are not eligible for a borrower defense.” Compl. ¶ 388–
26 89; *accord id.* ¶ 404 (“The Court should . . . vacate [the Department’s] refusal to
27 grant borrower defenses.”).

28 Plaintiffs moved for class certification on July 23, 2019, *see* Dkt. 20, which

1 the Court granted on October 30, 2019, Dkt. 46. The Court certified a class of “[a]ll
2 people who borrowed a Direct Loan or FFEL loan to pay for a program of higher
3 education, who have asserted a borrower defense to repayment to the U.S.
4 Department of Education, whose borrower defense has not been *granted or denied*
5 *on the merits*, and who is not a class member in *Calvillo Manriquez v. DeVos*.” *Id.*
6 at 14 (emphasis added). The Department filed an Answer on November 14, 2019,
7 Dkt. 55, and certified an Administrative Record, Dkt. 56.

8 The Department originally moved for summary judgment on December 5,
9 2019. *See* Dkt. 63. The Department argued, among other things, that its temporary
10 delay in issuing decisions on pending borrower-defense applications was reasonable
11 and that relief under Section 706(1) of the Administrative Procedure Act (“APA”)
12 would be inappropriate. *See id.* Plaintiffs filed a cross motion for summary
13 judgment on December 23, 2019, *see* Dkt. 67, and sought to supplement the
14 Administrative Record, *see* Dkt. 66.

15 The Department supplemented the Administrative Record on January 9, 2020.
16 *See* Dkt. 71. At that time, the Department represented that it had resumed the
17 issuance of final decisions on borrower-defense applications as of December 10,
18 2019, and that it had adopted a new methodology for determining the amount of
19 relief that should be afforded when it granted a borrower-defense application. *See*
20 *id.*

21 On April 7, 2020, while the cross-motions for summary judgment remained
22 pending, the parties executed a settlement agreement, which they submitted for
23 preliminary approval on April 10, 2020. *See* Dkt. 97. Consistent with the nature of
24 Plaintiffs’ claims, that tentative settlement was focused on creating a timeline and
25 associated enforcement mechanisms to ensure that the Department would continue
26 processing borrower-defense applications and would clear its backlog. Under its
27 key terms, the Department would have been bound to: (A) a “[t]imeline for clearing
28 [the] backlog of Class applications pending as of the Execution Date,” Dkt. 97-2, at

1 5; (B) a series of “[r]eporting [r]equirement[s],” *id.* at 7; (C) and three “[o]ther
2 [a]ssurances,” *id.* at 10—namely, that the Department would (1) “issue written
3 decisions resolving borrower defense applications and communicate those decisions
4 to borrower defense applicants, as required by the Department’s 2016 Borrower
5 Defense Regulations”; (2) “not take action to collect outstanding student loan debts
6 through involuntary collection activity against individuals with pending borrower
7 defense applications, as required by the Department’s 2016 Borrower Defense
8 Regulations”; and (3) “provide an interest credit for any interest that accrues on the
9 relevant federal student loan accounts [while an application is pending],” *id.*
10 Nothing in the 2020 proposed settlement would have altered the standards or
11 procedures for educational institutions to participate in the adjudication processes
12 under the Department’s regulations; to the contrary, the proposed settlement made
13 clear that applications would be adjudicated in accordance with the applicable
14 regulations.

15 The Court granted preliminary approval of that proposed settlement on May
16 22, 2020. *See* Dkt. 103. A final approval hearing was set for October 1, 2020. *See*
17 Dkt. 105. A dispute arose, however, over the Department’s use of form denial
18 notices, which Plaintiffs believed to be inadequate. At Plaintiffs’ request, the Court
19 held a conference on the issue and ordered further briefing, but still held the final
20 approval hearing on October 1, 2020. *See* Dkt. 115; Defs.’ Resp. to Aug. 31, 2020
21 Order, Dkt. 116; Pls.’ Motion to Enforce and for Final Approval, Dkt. 129;
22 Transcript of Oct. 1, 2020 Hearing, Dkt. 147.

23 The Court denied final approval of the settlement on October 19, 2020,
24 finding there was “no meeting of the minds.” Dkt. 146 at 10. The Court ordered the
25 parties to conduct expedited discovery because the case required “an updated record
26 . . . to determine what is going on before we again attempt to resolve the merits.”
27 *Id.* at 11. The Court also ordered the Department to show cause why it should not
28 be enjoined from issuing any further denials of Class Members’ borrower-defense

1 applications until a ruling could be had on the legality of the form denial notices.
2 *See id.* at 17. In response, the Department agreed to stop issuing denials until such a
3 ruling. *See* Defs.’ Response to Order to Show Cause, Dkt. 150, at 2–3.

4 The parties conducted discovery through the spring of 2021, and Plaintiffs
5 thereafter sought leave to file a Supplemental Complaint, *see* Dkt. 192, which the
6 Court granted on April 13, 2021, *see* Dkt. 197. The Supplemental Complaint
7 alleges that the Department had adopted an unlawful “presumption of denial” policy
8 for borrower-defense applications, in violation of Section 706(2) of the APA, and
9 had issued thousands of unlawful Form Denial Notices pursuant to this policy, in
10 violation of Section 555(e) of the APA. Dkt. 198, Supplemental Complaint (“Supp.
11 Compl.”) ¶¶ 436–47. Plaintiffs further alleged that both the policy and the Form
12 Denial Notices violated the Due Process Clause. *Id.* ¶¶ 448–55. In their
13 consolidated prayer for relief, Plaintiffs requested, *inter alia*, that the Court (i)
14 vacate the Department’s policy of refusing to adjudicate borrower-defense
15 applications and its ‘presumption of denial’ policy; (ii) declare that the Form Denial
16 Notices were invalid and vacate all such denials; (iii) compel the Department to
17 lawfully adjudicate all pending borrower-defense applications, including by
18 providing an adequate statement of grounds for any denials; and (iv) require the
19 Department to hold all Class Members in forbearance or stopped collection status
20 until their applications were granted or denied on the merits. *Id.* at 76–77.

21 Defendants answered the supplemental complaint on June 23, 2021. Dkt. 206.

22 C. Proposed Settlement

23 While it was not clear to the public at the time, it is now clear that, as of May
24 2021, a few months after the start of the Biden Administration, the parties had begun
25 a new round of settlement discussions. *See* Dkt. 246, at 7. For much of the ensuing
26 time, this litigation was stayed while the Department sought a writ of mandamus
27 from the Ninth Circuit over the deposition of former Education Secretary Betsy
28 DeVos, which the Ninth Circuit ultimately granted. *See In re U.S. Dep’t of Educ.*,

1 25 F.4th 692 (9th Cir. 2022). Notably, however, when the Court of Appeals asked
2 the parties at oral argument whether there were any pending settlement discussions
3 that might moot the discovery dispute, *see* Oral Argument in *In re U.S. Dep’t of*
4 *Educ.*, No. 21-71108, at 39:20–40:15; 45:25–46:15, *available at*
5 <https://www.ca9.uscourts.gov/media/video/?20211006/21-71108/>, the parties did not
6 disclose what they now have disclosed: that settlement discussions were actively
7 underway.

8 Following the Ninth Circuit’s ruling, this Court restarted the summary-
9 judgment process. *See* Dkt. 216, 219, 240. Plaintiffs filed their motion on June 9,
10 2022, *see* Dkt. 245, and the Department filed its cross-motion and opposition on
11 June 23, 2022, *see* Dkt. 249. In the interim, however, the parties filed their joint
12 motion for preliminary approval of a new settlement agreement. *See* Dkt. 246.
13 They also stipulated to vacatur of the summary-judgment briefing schedule, *see* Dkt.
14 247, which the Court granted, *see* Dkt. 250. The Court then ordered on July 12,
15 2022, that the summary-judgment hearing previously set for July 28, 2022, would be
16 used instead for a hearing on the motion for preliminary approval of the settlement.
17 *See* Dkt. 251.

18 The relief to class members set forth in the new proposed settlement differs
19 substantially from the relief contemplated by the earlier proposed settlement and
20 from what the Plaintiffs sought in both their original and supplemental complaints.
21 In particular, the Department agrees that, “[n]o later than one year after the Effective
22 Date, [it] will effectuate Full Settlement Relief for each and every Class Member
23 whose Relevant Loan Debt is associated with the schools, programs, and School
24 Groups listed in Exhibit C hereto”—including for borrowers whose applications the
25 Department had previously denied. Dkt. 246-1, at 6. The proposed settlement
26 defines “Full Settlement Relief” as: “(i) discharge of all of a Class Member’s
27 Relevant Loan Debt, (ii) a refund of all amounts the Class Member previously paid
28 to the Department toward any Relevant Loan Debt (including, but not limited to,

1 Relevant Loan Debt that was fully paid off at the time that borrower defense relief is
2 granted), and (iii) deletion of the credit tradeline associated with the Relevant Loan
3 Debt.” *Id.* at 4. Exhibit C then includes a list of over 150 schools, including
4 Proposed Intervenors and other similarly situated schools. *See id.*, Ex. C.¹

5 As explained in the parties’ motion, these provisions are intended to
6 “provide[] for automatic relief . . . for approximately 75% of the class,” which
7 includes “approximately 200,000 Class Members.” Dkt. 246, at 3. Without further
8 elaboration of how this list was assembled or settled on, the parties assert that “[t]he
9 Department has determined that attendance at one of these schools justifies
10 presumptive relief, for purposes of this settlement, based on strong indicia regarding
11 substantial misconduct by listed schools, whether credibly alleged or in some
12 instances proven, and the high rate of class members with applications related to the
13 listed schools.” *Id.*² This is apparently so whether or not the Department has ever
14 provided notice, consistent with Department regulations, to the school that the
15 Department has received the borrower’s application. While some institutions have
16 received notice of and responded to individual borrower defense claims, the
17 Department proposes to grant “automatic” relief even where the institution has not
18 received notice from the Department, much less an opportunity to respond—such
19 that the Department could not have “consider[ed]” their responses in adjudicating
20 the applications. *See* 34 C.F.R. § 685.222(e)(3)(i).

21
22 _____
23 ¹ The proposed settlement further provides that, “[i]f the Department’s borrower
24 defense or loan data includes conflicting evidence which raises a substantial
25 question as to whether a Class Member’s Relevant Loan Debt is associated with a
26 program, school, or School Group listed in Exhibit C, the question will be resolved
27 in favor of the Class Member (i.e., in favor of granting relief).” *Id.* at 7.

28 ² Of course, to say that allegations have been “in some instances proven” is to say
that, in other instances, they *have not* been proven. Likewise, allegations “credibly
alleged” are not proven.

1 The proposed settlement would also have the Department overlook any causal
2 connection between allegations of noncompliance and the individual borrower’s
3 application. The Department proposes to grant loan forgiveness regardless of
4 whether the student attended the school during the period of any alleged
5 noncompliance and without adjudicating whether the student in question was
6 actually harmed by any alleged noncompliance.

7 The parties’ motion in support of the proposed settlement demonstrates that
8 they are capable of negotiating a settlement that facilitates speedy and fair
9 adjudication of borrower defense applications, as they specify that “[t]he remaining
10 25% of the class . . . will receive final written decisions on their BD applications
11 within the specific periods of time, correlating to how long they have been waiting.”
12 *Id.* The proposed settlement includes “a streamlined process that provides certain
13 presumptions in favor of the borrower.” *Id.* That streamlined process may short-
14 circuit some of the Department’s regulations, but it also does not wholesale jettison
15 the procedural protections that they afforded to schools.

16 The process contemplated by the proposed settlement represents a clear
17 departure from the Department’s borrower-defense regulations and the procedural
18 rights afforded to educational institutions under those regulations. Indeed, the
19 Department expressly disclaims in the proposed settlement that the relief it provides
20 “could be recovered by Plaintiffs in this Action” (or that the Department has
21 violated the APA in the first place). Dkt. 246-1, at 22. The procedures
22 contemplated by the proposed settlement also represent a departure from the
23 Department’s role as a factfinder under those regulations, since the proposed
24 settlement contemplates the use of strong presumptions and “automatic” relief. The
25 proposed settlement does not make clear, as it should, that the rights of educational
26 institutions like Proposed Intervenors and other similarly situated schools cannot be
27 eliminated or reduced by the Department’s unilateral settlement with student
28 borrowers.

1 **III. ARGUMENT**

2 Proposed Intervenors have a significant interest in the proposed settlement
3 and should be allowed to intervene to ensure that their rights are adequately
4 protected. Under Rule 24(a), Proposed Intervenors are entitled to intervention of
5 right, but in any event, the Court would also be justified in exercising its discretion
6 under Rule 24(b) to allow permissive intervention. Allowing Proposed Intervenors
7 to intervene now is the best way to ensure a fair and equitable settlement and to
8 achieve finality in an expeditious manner.

9 **A. Proposed Intervenors Are Entitled to Intervene as of Right**

10 Proposed Intervenors readily meet their burden, *see Petrol Stops Nw. v.*
11 *Continental Oil Co.*, 647 F.2d 1005, 1010 (9th Cir. 1981), for intervention of right
12 under Rule 24(a) because (1) their application is timely; (2) they have a “significant
13 protectable interest” in the action; (3) “the disposition of the action may, as a
14 practical matter, impair or impede [their] ability to protect [their] interest[s];” and
15 (4) “the existing parties may not adequately represent [their] interest[s],” *Citizens*
16 *for Balanced Use*, 647 F.3d at 897. The Ninth Circuit construes “Rule 24(a)
17 liberally in favor of potential intervenors” and assesses motions for intervention
18 “primarily by practical considerations, not technical distinctions.” *Sw. Ctr. for*
19 *Biological Diversity v. Berg*, 268 F.3d 810, 818 (9th Cir. 2001) (quotation and
20 citation omitted). Such a “liberal policy in favor of intervention serves both
21 efficient resolution of issues and broadened access to the courts.” *Wilderness Soc’y*
22 *v. U.S. Forest Serv.*, 630 F.3d 1173, 1179 (9th Cir. 2011).³

23 _____
24 ³ As explained herein, Proposed Intervenors seek intervention to be heard on the
25 proposed settlement, not with an aim to litigating the case on the merits. But to the
26 extent that a merits pleading is required under Rule 24(c), Proposed Intervenors are
27 “‘content to stand on the pleading[s] that Defendants have already filed’” in this
28 case. *Westchester Fire Ins. Co. v. Mendez*, 585 F.3d 1183, 1188 (9th Cir. 2009)
(quoting 7C Charles Alan Wright, Arthur R. Miller & Mary Kay Kane, Federal

1. Proposed Intervenors' Motion Is Timely

Of course, a motion to intervene as of right must be timely pursued. Fed. R. Civ. P. 24(b)(1); *Cal. Dep't of Toxic Substances Control v. Com. Realty Projects, Inc.*, 309 F.3d 1113, 1119 (9th Cir. 2002). "Timeliness is a flexible concept." *U.S. v. Alisal Water Corp.*, 370 F.3d 915, 921 (9th Cir. 2004); *see also Smith v. Los Angeles Unified Sch. Dist.*, 830 F.3d 843, 854 (9th Cir. 2016) (holding motion to intervene timely even though 20 years passed since plaintiff commenced the action after a change in circumstances occurred). When assessing timeliness, courts should weigh: (1) the stage of the proceeding at which an applicant seeks to intervene; (2) the prejudice to other parties; and (3) the reason for, and length of, the delay. *Smith v. Los Angeles Unified Sch. Dist.*, 830 F.3d at 854. Each of these factors weighs strongly in favor of Proposed Intervenors and support a finding that this motion is timely.

Here, Proposed Intervenors have moved promptly to intervene upon learning of the terms of the current proposed settlement, to which they had no prior notice (and, indeed, the Department refused to acknowledge that settlement negotiations were occurring); which, for the first time, made broad allegations of noncompliance against Proposed Intervenors and similarly situated schools that have the potential to result in liabilities for institutions; and which propose new standards and procedures for resolving borrower-defense applications and thus put Proposed Intervenors' interests at stake in a materially different way.

i. Intervention at this Stage in the Litigation Is Appropriate

Proposed Intervenors' motion is precisely the sort of motion that the Ninth Circuit addressed in *Alisal Water* when it explained that "a party's interest in a specific phase of a proceeding may support intervention." *Alisal Water*, 370 F.3d at

Practice and Procedure § 1914 (3d ed. 2009)).

1 921. “Where a change of circumstances occurs, and that change is the ‘major
2 reason’ for the motion to intervene, the stage of proceedings factor should be
3 analyzed by reference to the change in circumstances, and not the commencement of
4 the litigation.” *Id.* at 854. The crucial date for assessing the timeliness of a motion
5 to intervene is when proposed intervenor should have been aware that its interests
6 would not be adequately protected by the existing parties. *Officers for Justice v.*
7 *Civil Serv. Comm’n*, 934 F.2d 1092, 1095 (9th Cir. 1991); *U.S. v. Oregon*, 745 F.2d
8 550, 552 (9th Cir. 1984).

9 It is also the type of motion that the Ninth Circuit addressed when holding in
10 *Carpenter* that intervention is timely when moved for upon learning of a proposed
11 settlement that did not protect the proposed intervenors’ interests. *U.S. v.*
12 *Carpenter*, 298 F.3d 1122, 1125 (9th Cir. 2002); *Kirkland v. New York State Dept.*
13 *of Correctional Servs.*, 711 F.2d 1117, 1125–28 (2d Cir. 1983) (approving
14 intervention of non-class members after notice of proposed settlement solely for the
15 limited purpose of objecting to the settlement); *Ctr. for Biological Diversity v.*
16 *Bartel*, No. 09CV1864 JAH (POR), 2010 WL 11508776, at *4 (S.D. Cal. Sept. 22,
17 2010) (applying *Carpenter*, and holding that applicants were not required to
18 intervene when they became aware of settlement discussions, but instead “when
19 they knew, or should have known, the government was not adequately representing
20 their interests”).

21 Under *Alisal Water*, Proposed Intervenors are justified in seeking intervention
22 now in light of the proposed settlement. Although the Complaint was filed in 2019,
23 Proposed Intervenors had no reason to believe that their interests were in jeopardy.
24 Plaintiffs sought the timely adjudication of their borrower-defense applications *in*
25 *accordance with Department regulations*. Proposed Intervenors had no reason to
26 believe their rights and obligations would be adversely changed by a settlement
27 agreement that granted “automatic” *substantive* relief based on unproven procedural
28 allegations. Neither Plaintiffs nor the Department ever sought to include Proposed

1 Intervenor or similarly situated schools as either named defendants or as relief
2 defendants and did not involve Proposed Intervenor in settlement negotiations.

3 On the contrary, Plaintiffs sought to enforce their stated procedural rights to
4 the Department's adjudication on the merits of their borrower-defense applications.
5 *See Sweet v. Devos*, 2019 WL 8754826 (N.D. Cal.) (Named Plaintiffs' Class Action
6 Complaint stating that "[a] class action is superior to other available means for the
7 fair and efficient adjudication of the claims of Named Plaintiffs and the class.").

8 While the adjudication of those applications under the Department's
9 regulations could ultimately implicate the rights and obligations of Proposed
10 Intervenor, that would come only *after* the schools were afforded the notice and
11 opportunity to be heard to which they are legally entitled by existing regulations—
12 and after the Department decided those applications in the agency process called for
13 under the Department's regulations. Proposed Intervenor had no reason to believe
14 that they needed to intervene in Plaintiffs' effort to enforce *their own* procedural
15 rights related to the Department's consideration of their applications. There was
16 thus no reason for Proposed Intervenor to seek intervention before the proposed
17 settlement; indeed, Proposed Intervenor likely would not have been permitted to do
18 so.

19 Before learning of the proposed settlement, Proposed Intervenor had no
20 notice that this litigation could have a direct impact on their rights and obligations.
21 It is only now, and only in light of the proposed terms of the settlement, that
22 Proposed Intervenor have a concrete stake in this matter, making it necessary for
23 them to intervene and to ensure that they have a seat at the table during the
24 finalization and enforcement of the proposed settlement.

25 ***ii. Proposed Intervenor's Intervention Will Not Unduly Delay***
26 ***or Prejudice the Parties***

27 Intervention by Proposed Intervenor in this action at this time also will not
28 "unduly delay or prejudice the adjudication of the original parties' rights." Fed. R.

1 Civ. P. 24(b)(3). The Court has not ruled on the parties' proposed settlement, which
2 was filed three weeks ago on June 22, 2022. Dkt. 246. The Court previously
3 considered the parties' original settlement agreement, Dkt. 97, for roughly six weeks
4 before approving it, and set a final approval hearing for over four months following
5 preliminary approval and denied final approval, finding there was "no meeting of
6 the minds." Dkt. 146, at 10. This demonstrates that (1) a filing of preliminary
7 approval in this matter is no guarantee that the settlement will be approved, and (2)
8 involving all relevant minds in settlement discussions as early as possible respects
9 judicial resources.

10 Allowing Proposed Intervenors to share their interests in the outcome of the
11 negotiation presents no conflict with the speedy and fair adjudication of Plaintiffs'
12 borrower-defense applications or the Department's compliance with their procedural
13 obligations. Proposed Intervenors seek a seat at the table to participate in the
14 crafting a fair settlement that does not infringe on their rights and obligations. *Cal.*
15 *Dep't of Toxic Substances Control*, 309 F.3d at 1120; *see also Day v. Apoliona*, 505
16 F.3d 963, 966 (9th Cir. 2007) (granting motion to intervene two years after action
17 was filed, where intervention would not prejudice existing parties or delay
18 litigation).

19 ***iii. Proposed Intervenors Have Not Delayed in Seeking***
20 ***Intervention***

21 Proposed Intervenors also have not delayed in seeking to intervene. As third
22 non-parties following this litigation from the outside, they had no notice that the
23 parties were privately negotiating a settlement agreement that would award greater
24 relief than could be obtained through litigation on the merits and that would
25 implicate their rights and obligations. As discussed above, grounds supporting
26 intervention as of right only recently arose, with the filing of the proposed
27 settlement, which unexpectedly implicated the rights and obligations of Proposed
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1 Intervenor and other similarly situated schools. *See* Dkt. 246. Once Proposed
2 Intervenor had the opportunity to review the proposed settlement and to seek the
3 advice of counsel, it became apparent that none of the parties to the instant action
4 can, or will, adequately represent them in ensuring that the proposed settlement does
5 not infringe their rights. *Cf. Officers for Justice*, 934 F.2d at 1095 (the focus of the
6 length of delay prong is on when “the person attempting to intervene should have
7 been aware his interests would no longer be protected adequately by the parties,
8 rather than the date the person learned of the litigation.”); *Carpenter*, 298 F.3d at
9 1125 (motion to intervene timely when filed promptly after learning that proposed
10 settlement failed to protect group’s interests); *Kirkland*, 711 F.2d at 1125–28
11 (approving intervention of non-class members after notice of proposed settlement
12 solely for the limited purpose of objecting to the settlement); *Ctr. for Biological*
13 *Diversity*, 2010 WL 11508776, at *4 (applying *Carpenter*, and holding that
14 applicants were not required to intervene when they became aware of settlement
15 discussions, but instead “when they knew, or should have known, the government
16 was not adequately representing their interests”).

17 Proposed Intervenor acted deliberately and expeditiously to protect their
18 interests once it became apparent that the proposed settlement threatened their rights
19 and obligations. Accordingly, this final factor, like the two before it, supports a
20 finding in favor of the timeliness of this motion.

21 **2. Proposed Intervenor Have Significant Protectable Interests**

22 It is indisputable that Proposed Intervenor have significant protectable
23 interests in this action based on the proposed resolution of borrower-defense claims
24 *without* the notice, opportunity to be heard, and other procedural protections
25 afforded to educational institutions under the Department’s regulations and
26 fundamental principles of Due Process. *See Citizens for Balanced Use*, 647 F.3d at
27 897 (quoting *Greene v. U.S.*, 996 F.2d 973, 976 (9th Cir. 1993)) (a significantly
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1 protectable interest exists when the proposed intervenor can establish an interest that
2 is protectable under some law and that is related to the claims at issue). Under the
3 Department’s regulations, *see* 34 C.F.R. §§ 685.206(c), 685.222, the Department
4 would not grant a borrower-defense application in favor of an institution’s former
5 student without first giving that institution notice and an opportunity to address the
6 borrower’s claims. *See* 34 C.F.R. § 685.222(e)(3)(i) (The Department “considers”
7 evidence and argument including “[a]ny response or submissions from the school.”).
8 The proposed settlement sidesteps that process to which Proposed Intervenors and
9 other similarly situated schools are legally and constitutionally entitled. That alone
10 establishes a concrete interest supporting intervention.

11 In addition, the Department’s resolution of a borrower-defense application in
12 favor of an applicant could ordinarily serve as a precursor to further adverse action
13 against the institution—at least if the application had been adjudicated under the
14 applicable regulations. Most notably, the Department has the right to seek
15 recoupment against the institution for the amount of the forgiven loan (again,
16 subject to procedural safeguards). *See* 34 C.F.R. §§ 685.222(e)(3)(i), 685.222(e)(7),
17 685.222(g), 685.222(h). While it would be wholly unlawful and inappropriate for
18 the Department to seek recoupment against any institution based on a loan that was
19 forgiven under the proposed settlement (and thus outside the existing regulatory
20 framework), the proposed settlement does not clearly foreclose that possibility. And
21 Proposed Intervenors have a concrete interest in ensuring that it does.

22 The same goes for other potential consequences that could flow from the
23 Department’s forgiveness of loans under the terms of the proposed settlement—
24 including efforts by other private parties to invoke that determination against the
25 institution, or as we have already seen in the days since the proposed settlement was
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1 announced, substantial reputational harm to institutions that have been named in the
2 proposed settlement and its Exhibit C without a whiff of due process.⁴

3 The supporting declarations detail the concrete harms that could flow from
4 the proposed settlement if affected schools are not permitted to have a voice in the
5 settlement. *See* Decl. of Steven S. Cotton in Supp. Of Proposed Intervenors; Decl.
6 of Francis Giglio in Supp. of Mot. to Intervene. As explained in the declaration of
7 Lincoln’s Vice President of Compliance and Regulatory Services, Francis Giglio,
8 these harms include regulatory risk from other state and federal regulators that are
9 not parties to this litigation, *see* Decl. of Francis Giglio in Supp. of Mot. to Intervene
10 ¶ 17, potential liability from private plaintiffs, *see id.* ¶ 18, and increased numbers of
11 unmeritorious borrower-defense applications, *see id.* ¶ 19. In addition, schools
12 listed in Exhibit C suffer immediate reputational risks even though in many
13 instances there has never been a finding of wrongdoing against the school. *See id.* ¶
14 13. These harms fall not only on the schools themselves, but on students as well—
15 past, present, and future. *Id.* ¶ 16. Schools such as Lincoln therefore have a vital
16 interest in ensuring that the proposed settlement appropriately and adequately
17 addresses these harms.

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21 ⁴ For one example, recent coverage of the proposed settlement connects educational
22 institutions on Exhibit C to other now-closed, “notorious” educational institutions:
23 “The settlement agreement follows a separate Borrower Defense initiative earlier
24 this month by the Biden administration, whereby the Education Department agreed
25 to automatically cancel the federal student loan debt of over half a million
26 borrowers, who previously attended Corinthian Colleges, a notorious national chain
27 of for-profit schools that closed in 2015 following widespread allegations of
28 misconduct.” Adam S. Minsky, *264,000 Borrowers Will Get \$6 Billion In Student
Loan Forgiveness In ‘Landmark’ Settlement Agreement With Biden Administration*,
FORBES, June 23, 2022, [https://www.forbes.com/sites/adamminsky/2022/06/23/
student-loan-forgiveness-another-264000-borrowers-will-get-debt-cancelled-in-
landmark-settlement-agreement-with-biden-administration/](https://www.forbes.com/sites/adamminsky/2022/06/23/student-loan-forgiveness-another-264000-borrowers-will-get-debt-cancelled-in-landmark-settlement-agreement-with-biden-administration/).

1 Proposed Intervenors and other similarly situated schools have significant
2 protectable interests in shielding themselves from the adverse consequences that
3 may flow—and in some instances, have already started to flow—from a settlement
4 in which they had no voice. The Court should permit Proposed Intervenors to
5 intervene in this action so that they can have that voice and ensure that their rights
6 are adequately protected.

7
8 **3. Disposition of This Case Will Impair Proposed Intervenors’
Ability to Protect Their Interests**

9 It is equally indisputable that Proposed Intervenors’ ability to protect their
10 interests will be impaired if intervention is not granted. Fed. R. Civ. P. 24(a)(2); *Sw.*
11 *Ctr. for Biological Diversity*, 268 F.3d at 822. (“If an absentee would be
12 substantially affected in a practical sense by the determination made in an action, he
13 should, as a general rule, be entitled to intervene.”). As outlined above, Proposed
14 Intervenors and other similarly situated schools face both the potential and the
15 reality of negative consequences following the resolution of borrower-defense
16 claims under the current iteration of the proposed settlement. Proposed Intervenors
17 therefore seek to ensure that they do not lose their procedural rights under the
18 Department’s regulations and do not suffer material adverse consequences as a
19 result. The best way to ensure that is for them to be given the opportunity to
20 intervene now.

21 **4. No Other Party Can Adequately Protect Proposed Intervenors’
22 Interests**

23 Simply stated, no party to this action can or will defend, much less adequately
24 defend, Proposed Intervenors’ interests or those of similarly situated schools. This
25 lack of adequate protection is demonstrated by the terms of the proposed settlement
26 itself, which seeks to resolve *Plaintiffs’ procedural* claims against the Department
27 by granting *substantive* relief and by bargaining away the procedural rights afforded
28 to *educational institutions* under the Department’s regulations. *See U.S. v. City of*

1 *Los Angeles*, 288 F.3d 391, 398 (9th Cir. 2002) (Whether the movant’s interests are
2 adequately represented by the current parties depends on three factors: (1) “whether
3 the interest of a present party is such that it will undoubtedly make all the
4 [movant’s] arguments”; (2) “whether the present party is capable and willing to
5 make such arguments”; and (3) “whether the would-be intervenor would offer any
6 necessary elements to the proceedings that other parties would neglect.”).

7 The proposed settlement demonstrates that the present parties’ unwillingness
8 to consider and incorporate the rights and obligations of Proposed Intervenors and
9 other similarly situated schools. It includes no conditions, caveats, or clarifications
10 that would satisfy Proposed Intervenors, or other similarly situated institutions, that
11 their rights are not being impaired. No party currently in this matter has the
12 particularized interest in ensuring Proposed Intervenors’ rights and obligations are
13 respected. Likewise, no one is better positioned than the Proposed Intervenors to
14 make the necessary arguments concerning how the proposed settlement could (and
15 should) be modified to respect their rights and obligations.

16 This Court should grant the motion to intervene.

17 **B. Proposed Intervenors Also Satisfy All of the Requirements for**
18 **Permissive Intervention**

19 In the alternative, the Court may exercise its discretion to allow permissive
20 intervention. In instances when intervention as of right is unavailable, an intervenor
21 can obtain permissive intervention where the following three threshold requirements
22 are met: (1) the motion is timely filed; (2) a common question of law or fact shared
23 with the main action exists; and (3) an independent basis for the court to exercise
24 jurisdiction over its claims is present. Fed. R. Civ. P. 24(b). District courts have
25 broad discretion to grant permissive intervention under Rule 24(b). *See Spangler v.*
26 *Pasadena City Bd. of Ed.*, 552 F.2d 1326, 1329 (9th Cir. 1977). Proposed
27 Intervenors also meet the standards for permissive intervention, and if the Court
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1 does not grant them intervention as a matter of right, it should exercise its discretion
2 to do so permissively.

3 First, the motion is timely. Motions for permissive intervention must be
4 timely made. Fed. R. Civ. P. 24(b)(1). As addressed above, the motion is timely as
5 Proposed Intervenors acted expeditiously to pursue intervention after the parties
6 filed the proposed settlement. *See* Dkt. 246. That leaves ample basis for this Court
7 to exercise its broad discretion to allow for intervention. *See Alaniz v. Tillie Lewis*
8 *Foods*, 572 F.2d 657, 659 (9th Cir. 1978) (holding timeliness to be at the sound
9 discretion of the trial court and suggesting proposed intervenors should have moved
10 to intervene before negotiations were complete and a consent decree was filed).

11 Second, Proposed Intervenors share a common question of law or fact with
12 this action. A potential intervenor need only show that it has a “claim or defense
13 that shares with the main action a common question of law or fact.” Fed. R. Civ. P.
14 24(b)(1)(B); *Beckman Indus. v. Int’l Ins. Co.*, 966 F.2d 470, 473 (9th Cir. 1992); *see*
15 *Venegas v. Skaggs*, 867 F.2d 527, 530 (9th Cir. 1989) (district court may exercise its
16 discretion in permitting intervention where common questions of law or fact exists).
17 Proposed Intervenors’ request to participate in settlement negotiations that
18 unquestionably impact their rights and obligations clearly shares a connection with
19 this matter, in which the parties and the Court are actively considering the proposed
20 settlement. The proposed settlement involves the resolution of agency adjudication
21 in which Proposed Intervenors and other similarly situated schools play a role, and it
22 could lead to new obligations on Proposed Intervenors. *See* 34 C.F.R. §§
23 685.222(e)(3)(i), 685.222(e)(7), 685.222(g), 685.222(h). The procedural fairness in
24 agency adjudication that Plaintiffs seek in this litigation also requires, according to
25 Department regulations, procedural fairness toward Proposed Intervenors and other
26 similarly situated schools. The proposed settlement’s lack of protection for
27 Proposed Intervenors’ rights and obligations under 34 C.F.R. § 685.222 has
28 deepened the factual and legal connection between Proposed Intervenors and this

1 litigation. Thus, this factor weighs heavily in favor of a grant of permissive
2 intervention.

3 Third, there is an independent basis for jurisdiction. An applicant that seeks
4 permissive intervention must establish an independent basis for jurisdiction.
5 *Northwest Forest Resource Council v. Glickman*, 82 F.3d 825, 839 (9th Cir. 1996).
6 This requirement is primarily concerned with avoiding the inappropriate expansion
7 of the district court's jurisdiction. *Freedom from Religion Found., Inc. v. Geithner*,
8 644 F.3d 836, 844 (9th Cir. 2011). Permitting Proposed Intervenors to intervene
9 and to participate in discussion about the finalization and enforcement of the
10 proposed settlement will not expand the Court's jurisdiction.

11 Proposed Intervenors' interests and those of other similarly situated schools
12 arise directly out of existing terms of the proposed settlement, and the settlement
13 implicates Proposed Intervenors' rights and obligations under 34 C.F.R. § 685.222.
14 This Court maintains jurisdiction over preliminary and final approval of the
15 settlement agreement. By seeking to intervene in this matter to have a seat at the
16 table for settlement negotiations, Proposed Intervenors are recognizing the
17 independent basis for jurisdiction that exists within this case and is complying with,
18 rather than expanding, that jurisdiction.

19 Proposed Intervenors also satisfy Article III standing. As set forth above and
20 in the supporting declarations, schools face concrete and particularized injuries that
21 are directly traceable to the proposed settlement. Proposed Intervenors'
22 participation in the process to finalize any settlement will redress those injuries.
23 Therefore, Proposed Intervenors have an independent basis for jurisdiction.

24 As Proposed Intervenors satisfy all three requirements for permissive
25 intervention, this Court should exercise its discretion and grant intervention under
26 Rule 24(b) if it does not grant intervention as a matter of right under Rule 24(a).
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CONCLUSION

For the foregoing reasons, this Court should grant Proposed Intervenors' motion for intervention.

DATED: July 13, 2022

Respectfully submitted,

MCGUIREWOODS LLP

By: /s/ Piper A. Waldron

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CERTIFICATE OF SERVICE

I hereby certify that on July 13, 2022, the foregoing document entitled **NOTICE OF MOTION AND MOTION TO INTERVENE OF PROPOSED INTERVENORS AMERICAN NATIONAL UNIVERSITY AND LINCOLN EDUCATIONAL SERVICES CORPORATION** was filed electronically with the Clerk of the Court for the United States District Court, Northern District of California using the ECF system. Upon completion the ECF system will automatically generate a “Notice of Electronic Filing” as service through ECF to registered e-mail addresses of parties of record in the case.

/s/ Piper A. Waldron

Piper A. Waldron