- Loan Agreement
- School Certification
- Truth In Lending Disclosure Statements
- Adverse Action Letters

The Application process will be hosted by the Access Group Loan Servicing Website.

Borrowers will submit completed applications to the Originating Lender using the Access Group website and will sign the Application and Loan Agreement electronically. A paper application process is not contemplated. All documentation that is sent to Program Applicants after receipt of the Application and Loan Agreement will be sent by Access Group to the Program Applicants by mail or electronically to the extent permitted by law.

Access Group on behalf of the Originating Lender will attempt to obtain a credit report for all Program applicants and underwrite the loan application. The credit report, or the notification from the credit bureau that a credit report does not exist, will be maintained in the Application file.

The Borrower will be notified of credit approval within 30 days based on the Borrower Credit Criteria outlined below, or an adverse action notice will be sent within 30 days, as required by applicable law.

Applicant will receive communications regarding any incomplete application status. Within 30 days of the Application date a letter will be sent to the Borrower notifying the Borrower of the incomplete status and indicating that the Loan will be declined for incomplete information if the required information is not provided within 120 days of the date Access Group completed the credit review process.

A FICO credit score for each applicant will be requested; the credit score will be maintained as part of the application file and used to assign each application a pricing tier.

The Originating Lender will disburse loan proceeds in accordance with the Origination Agreement and will provide interim Truth In Lending Disclosure statements to each borrower at the time of the first disbursement. The interim Truth in Lending Disclosure statement required fields will be calculated using methods approved by the Originating Lender. The Originating Lender's Privacy policy, attached as Addendum E, will be mailed to borrower with the interim Truth In Lending Disclosure statement.

Once disbursed, the loan will be transferred to a loan servicing system and borrower documentation will be maintained as provided in these guidelines.

6) Borrower Credit Criteria

Applicants must either

a) Meet the following credit criteria, based upon information contained in the credit report:

i. No filed bankruptcy, discharged bankruptcy or foreclosure within 24 months before the Loan Application date, and

ii. No judgments, charge-offs, collections, liens, or repossessions in an aggregate amount of more than $2,500.00 excluding medical related accounts, within 24 months before the Loan Application date, and

iii. No record of a student loan default, unless the default has been paid in full.

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or

b) Have been extended credit through the School "Temporary Credit" Program and have not had a filed or discharged bankruptcy within the 24 months preceding the Loan Application date, based upon information contained in the credit report.

i. School will provide a file identifying all Temporary Credit recipients.

ii. Access Group will use this information to review all applications that would otherwise be denied for any denial reason, except for bankruptcy, outlined by section a) above within 5 Business Days.

or

c) Have no credit history with the credit bureau.

An approved credit decision expires if the Loan is not first funded within 120 days from the date the credit decision was made. If the Loan isn't funded within 120 days, Access Group will send an adverse action notification to the borrower. If the applicant desires to complete the loan, a new Application must be created.

7) Credit Decision Appeals

- The applicant may appeal a denied credit decision through written correspondence, according to the Reconsideration Policy and Procedures attached as Addendum D.

8) Terms and Conditions of Loans

Table of PEAKS Private Student Loan Borrower Pricing Tiers

Pricing for each loan is based on the Borrower's FICO score*:

Tier	AGI Tier Code	FICO Score	Interest Rate Margin	Origination Fee
1	600	790+	+ 1.5%	0%
2	601	720-789	+2.5%	2%
3	602	680-719	+5%	3%
4	603	650-679	+7%	5%
5	604	600-649	+8%	7%
6	605	No credit score	+ 9%	8%
7	606	599 and below	+ 11.5%	10%

* Eligible Borrowers with an Experian/Fair Isaac Score Code of 9002 or 9003 will be priced as if part of tier 6 ("no credit score")

Interest Rate – Refer to Section 13.

Origination Fee – An Origination Fee will be added to a Loan at disbursement. This fee will be non-refundable except in cases of certain loan cancellation or refunds as described in Section 12. The applicable Origination Fee will be calculated on the Disbursed Amount and capitalized.

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9) Loan Limits

Borrower Loan Limits

i) The minimum amount for each Loan is one thousand dollars ($1,000.00).

ii) The maximum annual Loan amount is equal to the cost of attendance less financial aid for the applicable Loan Period(s) as certified by each ITT ESI School.

iii) No aggregate or annual maximum limits will be enforced by the Access Group.

iv) Aggregate limits are set by degree level and are enforced by each ITT ESI School.

(1) Associate degree programs: $35,000

(2) Bachelors degree programs: $60,000

(3) Graduate degree programs: $25,000

(4) Maximum undergraduate (associate and bachelor degree programs combined) : $60,000

(5) Maximum total of all programs : $85,000

The Origination Fee is not included in determination of the minimum and maximum loan limits.

10) School Certification

The PEAKS Loan requires School Certification. This School Certification must be provided by financial aid personnel at the applicable ITT ESI School or the School, using the Access Group web certification tool.

11) Funds Disbursement

Access Group will direct the Originating Lender to send Disbursement amounts to the School or for the account of the School via direct electronic funds transfer as provided in the Origination Agreement.

School will credit student accounts for the Disbursed Amount (which excludes the Origination Fee).

Disbursements will be scheduled in accordance with each ITT ESI School certification. Each Loan can have a maximum of four (4) disbursements. The ITT ESI School will choose the dates and disbursement amounts that best fit its needs and complies with applicable state law, as long as the first disbursement will occur at least nine (9) days after the School has certified the Loan.

If a disbursement is requested for a day on which Access Group or the Originating Lender is closed, the next available disbursement date will be used.

Access Group will determine which loans will be postponed in the event daily Disbursement volume exceeds the daily Reserve Fund balance as required by the Origination Agreement. A postponed loan Disbursement priority will be set by the date of the certification by the ITT ESI School (First In First Out priority). Any individual Disbursement that is postponed must be postponed in its entirety, and will not be partially disbursed.

Truth in Lending disclosures will be produced and sent at the time of the first disbursement.

12) Return of Loan Proceeds

The “Gross Refund Amount” of a Loan as used in these Guidelines means the portion of the Disbursed Amount on a Loan that is being credited to the Borrower’s Loan account in accordance

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with this Section. This section only applies to refunds and cancellations received from the ITT ESI School or the School. If funds are received from the Borrower directly, those funds will be processed as a pre-payment on the Borrower's Loan and Origination Fees and accrued interest will not be refunded or waived.

If a cancellation or refund on a Loan is to be made after the Loan has been sold to the Trust by the Originating Lender:

- The School will remit 72% of the Gross Refund Amount to First Associates, and will communicate to First Associates what the Gross Refund Amount with respect to that Loan is;
- First Associates will credit the Borrower's Loan account with 100% of the Gross Refund Amount;
- First Associates will remit the 72% of the Gross Refund Amount that it received from the School to the Trust; and
- The Trust will credit the subordinated note held by the School with an amount equal to 28% of the Gross Refund Amount.

If a cancellation or refund on a Loan is to be made before the Loan is sold by the Originating Lender to the Trust, or after the Loan has been sold to the Access Group:

- The School will remit 72% of the Gross Refund Amount to First Associates, and will communicate to First Associates what the Gross Refund Amount with respect to that Loan is;
- First Associates will credit the Borrower's Loan account with 100% of the Gross Refund Amount;
- First Associates will request an amount equal to 28% of the Gross Refund Amount from the Trust;
- The Trust will remit an amount equal to 28% of the Gross Refund Amount to First Associates on behalf of the School, and will credit the subordinated note held by the School with an amount equal to 28% of the Gross Refund Amount; and
- First Associates will remit 100% of the Gross Refund Amount to the Originating Lender, unless the loan has been sold to Access Group in which case Access Group will retain 100% of the Gross Refund Amount to Access Group.

In all events, if Access Group receives a check or electronic funds transfer from the School and/or an account of the School related to a cancellation or refund of a Loan:

- If the cancellation or refund proceeds are received within 60 days of the Disbursement date:
    - If the Gross Refund Amount equals the Disbursed Amount, then related fees and interest will be waived by the Originating Lender and credited in full to the Borrower's account; and
    - If the Gross Refund Amount is less than the Disbursed Amount, then the related fees and interest will be waived by the Originating Lender and credited on a pro-rata basis to the Borrower's account.
- If the cancellation or refund proceeds are received later than the 60th day after the Disbursement date, then no fees or interest will be waived or credited to the Borrower's account.

In all events, Access Group will communicate all cancellation information to the appropriate parties including the Administrator. The Originating Lender will calculate the adjustments to the fee remittance required by the Origination Agreement. Premiums and Fees on any canceled or refunded Loan will be refunded as provided in the Origination Agreement.

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13) Interest Rate

a) Accrual – Interest will accrue at the Variable Rate (as defined below) on the principal amount of each Loan outstanding.

b) Interest will be calculated on a daily simple interest basis, according to the outstanding principal balance each day of the term of the Loan. The daily interest rate will be equal to the annual interest rate in effect on that day, divided by 365.25 days and will not vary for leap years.

c) Variable Rate – The Variable Rate will be equal to the "Index" (defined below), rounded up to the nearest one-eighth of one percent (0.125%) plus a Margin assigned to the Loan based on the borrower's FICO credit score as described in Section 8 up to a maximum of 25%.

d) The Variable Rate may change, effective on the first day of any month, if the Index changes. The "Index" for any month is the U.S. Prime Rate, as published by *The Wall Street Journal* on the seventeenth (17th) day of the immediately preceding month, or if *The Wall Street Journal* is not published on the seventeenth (17th) day of the immediately preceding month, then the next day on which it is published. If *The Wall Street Journal* is no longer published, the loan holder will find an alternate source for the Index. If the Index is no longer available, the loan holder will choose a comparable Index.

e) Changes in the Variable Rate will be communicated to the Borrower consistent with federal and state regulatory requirements.

f) The Servicemembers Civil Relief Act (The Act) requires consumer lenders to reduce the interest rate to 6% on any Loan to a Borrower who is called to Active Duty if the Loan was disbursed prior to the Borrower being called to Active Duty. In order for the Borrower to be eligible, the Servicer must receive proof of military mobilization or a call to active duty (i.e.: a copy of his/her military orders) with a beginning date after the date of the first Disbursement of the Loan. If no end date to the Active Duty is provided in the documentation, the military website will be queried on a quarterly basis to determine if the Borrower is still on Active Duty. The reduced interest rate will end when the Borrower is no longer on Active Duty.

LOAN SERVICING

14) Loan File Documentation

The following documents will comprise the Loan File. These may be electronic or imaged paper documents.

a) The fully-completed Application and Loan Agreement, dated and electronically signed by the borrower.

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b) The consumer reporting agency record on the borrower, if any, obtained in the loan application process and any updated consumer reporting agency records.

c) Evidence of communicating application underwriting decision to applicant.

d) If applicable, documentary evidence that an exception was made in accordance with these Program Guidelines.

e) ITT ESI School Certification (which is also used for verification of enrollment).

f) Evidence of disbursement activity.

g) The Regulation Z disclosure statement (both interim and repayment).

h) The Loan history, maintained by the Servicer in its normal course of business, of payments made on the Loan.

i) The documentary evidence of the Servicer's efforts to affect a cure of any delinquency or default and to collect the Loan.

j) Material customer correspondence.

k) First Associates and Access Group will each maintain the loan file documentation according to its record retention schedule.

15) Capitalization of Interest

Accrued and unpaid interest will be added to the principal balance (capitalized) on the first day of each month during the Interim Period and during any period of Forbearance, excluding Administrative Forbearance and during the Modified Graduated Repayment Schedule (MGRS).

Any remaining accrued unpaid interest will be capitalized at the end of the Interim or Forbearance period, excluding Administrative Forbearance, and also at the end of each step of MGRS as described in Section 16 (h) (i)-(iv).

16) Repayment Terms

From a processing perspective, Interim Period is the in-school period plus the grace period.

(a) The Interim Period begins on the date of the first disbursement of the Borrower's first PEAKS Private Student Loan, continues while the Borrower is continuously enrolled at an ITT ESI School on at least a half-time basis, based on the ITT ESI School criteria ("In School Status"), and ends on the earliest of:

i) the date that is six months (grace period) after the borrower graduates, unless the borrower enrolls in another program at an ITT ESI School at least half-time; or

ii) the date that is three months (grace period) after the borrower ceases to be enrolled at least half-time for any reason other than graduation unless the borrower enrolls in another program at an ITT ESI School at least half-time; or

iii) the date that is 48 months after the first disbursement of the Borrower's **first** PEAKS Private Student Loan.

Any payments received from the Borrower during the Interim Period will be applied first to the accrued interest and then principal.

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(b) Entry into Repayment

If a Borrower has not yet exhausted the Interim Period for one or more PEAKS Private Student Loans and subsequently re-enrolls in an ITT ESI School on at least a half-time basis, whether or not the Borrower obtains another PEAKS Loan, the Borrower will return to an in-school status and all of the Borrower's Loans will enter Repayment together at the earliest of the Interim Period end dates outlined in section 16(a).

i) In order to continue in an In-School status, the enrollment of the Borrower on at least a half-time basis must be confirmed by the Servicer through the Clearinghouse or the Borrower must provide evidence of enrollment during the academic period in the form of a letter or other documentation from an appropriate official of the ITT ESI School.

ii) Once a Borrower has exhausted the Interim Period, the following conditions apply:

- PEAKS borrowers who transfer to *another ITT ESI School* within 48 months from the date of the first disbursement of their first PEAKS Loan will be eligible for an in-school forbearance on all of their PEAKS Private Student Loans as described in Section 18.c.
- PEAKS borrowers who transfer to *an institution other than an ITT ESI School* are not eligible for an in-school forbearance on their PEAKS Private Student Loans. Their Loans must remain in Repayment Status.

First Associates is responsible for monitoring the Clearinghouse and updating all Borrower enrollment status information to ensure it correctly applies all Interim Periods and In School Forbearance periods. Such monitoring will be conducted on at least a monthly basis and updates applied as applicable.

The following additional repayment terms apply to the PEAKS Loan.

(a) Once the loan enters into Repayment Status, the repayment term is up to 10 years (120 months) which will be extended by any periods of Forbearance.

(b) The combined monthly payment on all of a Borrower's PEAKS Loans will be at least $50 each month or the unpaid balance, whichever is less.

(c) Payments must be made in U.S. dollars drawn on a U.S. bank.

(d) No penalty for prepayment

(e) The Servicer may collect a late charge of $10.00, for any part of any installment payment, other than late charges assessed on a prior monthly payment, which is not paid in full within fifteen days after the payment due date.

(f) Any amount paid in excess of the monthly payment amount will be applied to future payments unless the Borrower specifically requests the excess amount be applied to the principal balance. The due date will be automatically advanced. If the amount paid in excess is not a multiple of the monthly payment, the next monthly payment will remain due at a lesser amount, reduced by the excess amount paid, on the following month's due date. Borrower requests to have excess payments applied to the principal balance will be granted by the Servicer.

(g) Standard Repayment

"Easy Pay Equal" Repayment plan – the standard repayment plan, requires monthly payments of both principal and interest. This amount is recalculated quarterly to determine whether the payment amount should increase or decrease based on interest rate changes, lump sum payments, periods of Forbearance, capitalization of interest, etc. to ensure the Loan is repaid

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within the remaining Repayment period. If the monthly installment payment amount is recalculated and the recalculated payment amount would differ by 2.0% or less from the monthly installment payment last in effect, the repayment amount will remain unchanged.

(h) The other repayment schedule, available upon the approval of the servicer on behalf of the loan holder, is:

Modified Graduated Repayment Schedule - With this repayment plan, the Borrower will:

i. Pay 50% of the standard monthly payment for the first six months.

ii. Pay 75% of the standard monthly payment for the second six months.

iii. Pay interest only for the second year.

iv. After two years, return to making standard monthly payments.

v. Unpaid accrued interest will be capitalized monthly.

PLEASE NOTE: MGRS is only offered once over the life of the loan and is a collections tool used during the delinquency phase. It is not a standard re-payment plan.

(i) Auto-debit payments (ACH) and interest rate discount – Borrowers who authorize First Associates to automatically withdraw their monthly loan payments from their checking or savings account automatically qualify for an interest rate discount of 0.25% on all of their PEAKS Loans.

This interest rate reduction will permanently terminate the first time a payment is returned or declined for any reason (unless the reason is due to an error outside the control or responsibility of the Borrower).

After the first return or decline of an automated payment, the Borrower can continue to make payments using the auto-debit electronic transfer method until they provide the Servicer with instructions to cancel the service or until a second incidence of a return or decline of an automated payment occurs for any reason (unless the reason is due to an error outside the control or responsibility of the Borrower), at which time the auto-debit electronic transfer method is terminated for the Borrower's account. If the Borrower subsequently makes twelve (12) consecutive monthly payments on time and in full, the Borrower may then request the Servicer to resume automatic debit payments.

If the Borrower enters any type of Forbearance, the auto-debit payment plan and the associated interest rate reduction are simultaneously suspended until the Borrower re-establishes automatic payments, at which point the interest rate reduction resumes.

Borrowers who enter a Modified Graduated Repayment Schedule repayment plan are allowed to continue using the auto-debit payment method and do not forfeit the associated interest rate discount as long as no payment is returned or declined.

To activate this interest rate reduction the first time or following any suspension during a forbearance period, the Borrower must contact First Associates and submit the required request form.

Each Borrower will be sent information about this feature at least 30 days prior to the end of the Borrower's Interim Period.

17) Account Billing

Borrowers in Repayment will be billed on a monthly basis. The billing statements will be sent at least 15 days before the due date. Payments will be processed and posted to the Borrower's account

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effective the date the payment was received. Payments will be applied so that accrued and unpaid interest and any other fees or charges (e.g., collections charges) are satisfied before outstanding principal is reduced.

18) Available Forbearances

The following Forbearances are available at the discretion of the Servicer on behalf of the loan holder. Any months that a Loan is in a period of Forbearance will correspondingly extend the Repayment Period.

(a) Economic Hardship Forbearance – This Forbearance may be granted in increments of up to three months, for periods that collectively do not exceed twelve months over the life of the loan. This Forbearance may be used retroactively to cover periods of delinquency. The Borrower must request an Economic Hardship Forbearance. The request may be made either over the phone or by using the applicable Forbearance request form. Documentation of income or expenses is not required.

(b) Administrative Forbearance – This Forbearance may be granted to cover borrower periods of delinquency arising from interruptions in payment notification, billing, or other delays not caused by the Borrower.

(c) In School Forbearance – This Forbearance will be granted in increments of up to one year (12 months), for periods that do not extend beyond four years (48 months) from the date of the first disbursement of the Borrower's first PEAKS Loan. The Borrower must be enrolled on at least a half-time basis (as defined by the School) at an ITT ESI School. To qualify for such Forbearance, the Servicer may rely on Clearinghouse data without request from the Borrower, or the Borrower must provide evidence of enrollment during each academic period in the form of a letter or other documentation from an appropriate official of such institution.

(d) U.S. Military Mobilization Forbearance – This Forbearance will be granted on Loans for Borrowers who are U.S. military personnel and who are activated or reassigned to Active Duty for a period of more than 30 days as a result of a military mobilization. Borrowers can use up to 12 months of U.S. Military Mobilization Administrative Forbearance on all private loans. The request may be made either over the phone or in writing. In order to be eligible, the Servicer must receive proof of military mobilization or a call to Active Duty (i.e.: a copy of the Borrower's military orders).

(e) Discretionary Administrative Forbearance- This forbearance may be granted in increments up to three months, for periods that collectively do not exceed twelve months over the life of the loan. This forbearance may be used to retroactively cover periods of delinquency that arise from borrowers who are in an in school status but have exhausted their 3 month grace period. The Servicer may proactively apply this forbearance.

19) Making Demographic Changes

Customer demographic changes should be made to the appropriate operating systems in a timely manner. Demographic change requests may be oral, written, via returned mail, or other official sources. Permitted changes include Borrower addresses, phone numbers, references, and other pertinent information that would allow the customer record to remain accurate. First Associates reserves the right to request supporting documentation from the Borrower for any demographic change.

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20) Reporting Loans to Consumer Credit Reporting Agencies

a) The Servicer will report the status of all Loans (other than Defaulted Loans) on a monthly basis to three of the national consumer credit reporting agencies. Loans that are "current" and those that are 59 days or less past due as of the end of a calendar month will be reported as "current." Loans that are 60 days or more past due as of the end of a calendar month and have not defaulted will be reported based on the appropriate delinquency status.

Once a loan has defaulted, that event will be reported and no further reporting will occur because the reporting of recoveries on defaulted accounts will be reported by the collection agency performing recovery activities for that Loan.

Loans in Forbearance status will be reported as such.

b) The Servicer will comply with the regulatory requirements that govern consumer credit agency reporting. The Servicer will attempt to resolve any credit reporting disputes raised by the Borrower.

21) Financial Activity Reporting

The Servicer will provide the monthly reports identified in the Servicing Agreement and the Administration Agreement.

22) Collection and Default Activities and Due Diligence

The Servicer is responsible for complying with all applicable federal and state laws while enforcing default and collection procedures.

a) Delinquent means the failure by a Borrower to pay when due a non-accelerated scheduled periodic payment due under the terms of the Loan. Delinquent does not mean the violation by a Borrower of any other term or condition of the Loan. A Loan is deemed to be delinquent (or in delinquency) as of the close of business on the installment due date for which a scheduled periodic payment has not been made in full or within 10% of the amount due, but not more than $5.00 less than the amount due. The first day of delinquency is the day following the payment due date. A Loan will continue to age or remain delinquent from that point until payment in full is made or other payment arrangements are enacted. Once a Loan becomes delinquent, the delinquency may also be referred to as "days past due."

b) Default means:

i) For any Loan owned by the Originating Lender or any institution subject to regulations promulgated by the Federal Financial Institutions Examination Council or its member regulatory agencies: a Loan that is one hundred twenty (120) days delinquent. A Loan is deemed to be 120 days delinquent and is declared to be in default when the Borrower fails to make the scheduled periodic payments in full when due or has failed to comply with other approved written payment agreements and the Loan ages to 120 days past due, or because of the Borrower's death.

ii) When ownership is by other than an entity described in (i) above: a Loan that is one hundred eighty (180) days delinquent. A Loan is deemed to be 180 days delinquent and is declared to be in default when the Borrower fails to make the scheduled periodic payments in full when due or has failed to comply with other approved written payment agreements and the Loan ages to 180 days past due, or because of the Borrower's death.

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c) Due Diligence is the group of activities that are performed during attempts to collect the Loan from the Borrower.

d) Skip Trace is the group of activities that are performed to locate a Borrower the Servicer is unable to contact using the Borrower information contained in the current loan record, such as when the address is determined to be invalid (address skips) or the telephone number is determined to be invalid (telephone skips).

i) Activities in the attempt to locate the Borrower will be documented in the account history and any documentation related to the efforts will become a part of the Loan File.

ii) The purpose of skip tracing is to obtain the necessary contact information to resume normal Due Diligence processes. Skip Trace activities will be considered complete when the Servicer has obtained a valid address (address skip) or telephone number (telephone skip) or has performed each of these activities:

(1) Attempted to contact the Borrower to obtain a new address or telephone number for the Borrower.

(2) Attempted to contact all references listed on the Loan application to obtain a new address or telephone number for the Borrower.

(3) Contacted the ITT ESI School for updated borrower contact information, if the ITT ESI School permits its release.

iii) When Skip Trace activities are complete and the process has not resulted in a new address or telephone number, no further Due Diligence activities can be performed by Servicer.

e) Due Diligence Schedule of Letters and Notices

i) When Default occurs at 120 days, the Servicer will send increasingly forceful collection letters and/or electronic communications no less frequently than the 10th, 20th, 40th, 70th, and 90th days of delinquency to the Borrower. When Default occurs at 180 days, the Servicer will send increasingly forceful collection letters no less frequently than the 10th, 20th, 40th, 70th, 90th, 120th, and 150th days of delinquency to the Borrower. The collection letters must be sent out on a timely basis, with a tolerance for error of plus or minus 5 business days.

ii) The letter and/or electronic communication sent on the 90th day of delinquency for 120-day Defaults or on the 150th day for 180-day Defaults will be a final Demand Letter which demands the full amount past due.

iii) At the 120th day of delinquency for 120-day Defaults or at the 180th day for 180-day Defaults, the Servicer will send a Notice of Default, which informs the Borrower that the Loan is in default and may be turned over to a collection agency. The Notice of Default must be sent out on a timely basis, with a tolerance for error of plus or minus 5 business days.

iv) Servicer may employ postal email and/or electronic communications for all letters and notices.

f) Due Diligence Schedule of Telephone and Letter / E-mail Contact

For purposes of this section the following definitions apply:

"Contact" is defined as a phone conversation directly between the Borrower and a representative from the Servicer or an agency representing the Servicer.

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"Attempt" is defined as an approach to try and secure communication with the Borrower. This can be through the telephone, electronic message or physical letter.

During contact with the Borrower, the representative should identify the Loan(s) being discussed and determine the reason for delinquency. The representative should then work with the Borrower to identify the best option available to assist the Borrower

Due Diligence Schedule

Servicer will perform the following actions, unless performance of them would be a violation of any applicable federal or state laws or regulations arising from the assertion of rights by the Borrower.

Diligence Bucket	***Actions ****
1 to 14 days delinquent	Past-Due Notice
15 to 29 days delinquent	One Contact with borrower or attempts made on at least three separate days
30 to 60 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
61 to 90 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
91 to 120 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
When applicable: 121 to 150 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
When applicable: 151 to 180 days delinquent	Two Contacts with borrower or attempts made on at least four separate days

* The collection telephone calls, letters and/or electronic communications must be conducted on a timely basis, with a tolerance for error of plus or minus 5 business days. Attempts may be made using telephone, email, or letters. During each Diligence Bucket (beginning with the 30 to 60 days delinquent bucket), at least one attempt must be by telephone and at least one attempt by email or letter.

g) Initiation of Skip Trace Activities

The Servicer will perform both address skips and telephone skips. It will initiate skip trace activities when it learns that the mail to the Borrower has been returned as undeliverable or when it learns a telephone number is invalid, and that discovery occurs on or before the 90th day of delinquency for 120-day Defaults and on or before the 150th day of delinquency for 180-day Defaults.

h) Recovery Activities on Defaults

The following recovery activities apply if the Servicer has been contracted by the Loan holder to perform such activities.

i) Once a Loan defaults, it is no longer a serviced Loan under the terms of the servicing agreement and the payment of servicing fees on that Loan ceases. To provide for ongoing recovery efforts on defaulted Loans, Servicer will maintain the system of record for tracking the then-current unpaid defaulted Loan balance.

ii) Servicer will assign all defaulted Loans to one or more recovery collection agencies.

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iii) Servicer may employ Deutsche Bank or its affiliates to perform collection activities provided Servicer believes the proposed fees are both cost-effective and reasonable in comparison with other potential sources.

iv) Any amounts received from collection agencies will be transferred to the loan holder or Secured Party, if applicable, in an amount calculated in accordance with the Servicing Agreement.

v) Servicer will track collection agency performance and will initially assign and subsequently re-assign defaulted Loan collection agency placements based on collection agency performance when alternative collection agencies are available.

vi) Servicer will make all decisions as to whether to accept or reject partial payments in settlement of the full defaulted Loan balance.

23) Bankruptcy

a) The Servicer will send copies of all documents relating to any bankruptcy proceeding to the owner of the Loan within 15 business days of receipt, and the Servicer will cease all collection activity. Bankruptcy proceeding may include petitions in bankruptcy court and/or correspondence concerning bankruptcy from the Borrower or an attorney representing the Borrower.

b) If the Servicer receives notice that a Borrower files for a Chapter 13 bankruptcy, the Servicer will file a Proof of Claim with the bankruptcy court and cease contact with the Borrower. Once a plan of reorganization is approved, the Servicer will resume activities in accordance with the plan.

c) If the Servicer receives notice that a Borrower files for a Chapter 7 bankruptcy, the Servicer will file a Proof of Claim with the bankruptcy court only if required by the bankruptcy court.

24) Death

a) The Servicer will send copies of all documents relating to any Borrower death to the owner of the Loan within 15 business days of receipt.

b) The Origination Agent will cancel any future disbursements that are dated after receipt of the death certificate.

c) Acceptable documentation of a death is a certified copy or a photocopy of the Death Certificate.

If the Servicer suspects the documentation related to any Borrower death is fraudulent, the Servicer may continue to perform collection/due diligence activities while completing its research and making its determination.

25) Allowable Write-Offs and Refunds

a) Any remaining loan balance of $5.00 or less will automatically be written off during the nightly update to the servicing system.

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b) Any remaining loan balance of more than $5.00 but $10.00 or less will be written off 30 days after the balance is reduced to that amount.

c) The Servicer may use its discretion to write-off amounts greater than $10.00 but less than or equal to $100.00. The write-off involves a manual entry.

d) Not including default claim balances, amounts above $100.00 will be referred to the Owner for review and approval/denial. If approved, the write-off will involve a manual entry.

e) Refund amounts less than or equal to $1.00 are written-off within 30 days. Amounts greater than $1.00 are refunded within 45 days.

f) If the borrower has other open program loans serviced by First Associates, providing the borrower did not request otherwise, refund amounts due a borrower equal to $25.00 or less will be applied to the borrower's other open program loans.

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1.
Addendum A

CUSTOMER IDENTIFICATION PROGRAM

Access Group, Inc.

For Compliance with Section 326 of the USA PATRIOT Act
Revised April 27, 2009

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Purpose

The purpose of this document is to describe the student loan processing procedures Access Group, Inc. has in place to comply with the Customer Identity Verification Requirements under Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act. Regulations issued by the Department of the Treasury on April 30, 2003 require banks to develop a Customer Identification Program (CIP) that implements reasonable procedures relative to the core concepts of Section 326: (1) collection of identifying information about customers opening an account, (2) verifying that the customers are who they say they are, (3) maintaining records of the information used to verify their identity, and (4) determining whether the customer appears on any list of suspected terrorists or terrorist organizations. Customer Identification Programs must be in place for banks by October 2003.

This Customer Identification Program has been created because: (a) Section 326 of the USA PATRIOT Act currently applies to Access Group; (b) the Department of the Treasury has indicated that separate regulations regarding Section 326 are forthcoming with respect to non-bank financial institutions and are expected to closely track the bank regulations; and (c) The Originating Lender has requested that, as origination agent for them, we share with them our Customer Identification Program.

Access Group and the Federal Family Education Loan Program (FFELP) have controls in place that mitigate the risk of providing student loans to persons for terrorist purposes. These controls have been examined in light of the CIP requirements and are described within this document. Loan processing procedures reflect the steps taken to verify identity, including what information needs to be collected and reviewed, time frames for the review and positive identification of customers, and escalation procedures for problems and discrepancies found. In consultation with the Compliance Department, the Operations processing areas will train employees on any changes that occur because of the requirements imposed by the USA PATRIOT Act as well as other statutes and regulations governing student loan processing.

Access Group has a Director of Compliance whose responsibility it is to document the CIP and monitor the company's compliance with the CIP requirements, and to include the requirements of the Act in the company's internal compliance audit function.

Identity Verification Procedures

§103.121(b)(2) –

The CIP must contain risk-based procedures for verifying the identity of each customer to the extent reasonable and practicable. The procedures must be based upon *relevant risks* such as the types of accounts being opened, the various methods of opening accounts, and the types of identifying information available, as well as the company's size and the type of customer base.

How Access Group meets the compliance requirement

Access Group believes that most of the FFELP and Private loans offered to borrowers pose little risk of fraudulent use for the following reasons:

- Except as noted below, the school certifies the student's eligibility for a loan and his/her enrollment status, giving us a reasonable belief that it knows the true identity of the customer.
- In most cases, loan funds are delivered directly to the school's financial aid department via check or electronic funds transfer.
- Stafford loans are made payable to the student or co-payable to the student and the school. PLUS loan funds disbursed by individual check must be made co-payable to the borrower and the school.
- The school applies the loan funds to unpaid educational expenses actually incurred by the student.

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- Because loan funds are only disbursed for school related expenses, a potential identity thief would have to enroll in school, certify the loan, and create the appearance of attending classes in order to obtain loan proceeds.
- For Stafford and PLUS Loans, the Title IV loan refund process provides a final safeguard against the misuse of student loan funds. For students who withdraw from school within a short time of enrollment, the school must calculate and return to the lender a refund of loan funds based on a percentage of the term enrolled. In most cases, depending on when the student withdraws from school, refunds are sent from the school directly to the originator of the loan rather than to the student. So, even a student with the intent to receive the money personally by withdrawing immediately from school is typically not able to do so.
- For Access Group PLUS and private loans that require a cosigner, sponsor, or endorser, funds are delivered to the school on behalf of the student, thereby mitigating the risk that the funds could be used for terrorist purposes by the loan cosigner or sponsor.
- Access Group PLUS and private loans require a credit bureau report that is used to determine the borrower's credit eligibility and the pricing of the private loans. The credit bureau report is considered an additional source of identity verification. For some of the loans, however, borrowers who have not established a credit history can still qualify for loan funds, and in the case of the student recipient of sponsor loan funds, no credit check is done on the student. In these cases, we rely on the school certification process in order to verify the borrower's identity and on the funds disbursement process to ensure that the loan funds are delivered to the school.
- The Access Group REL and DEL loans present a greater risk for the misuse of funds because the funds are delivered directly to the student, the school is not required to certify a borrower's eligibility, and REL and DEL borrowers do not need to be previous Access Group borrowers. To help mitigate this risk, Access Group has implemented additional identity verification requirements.
- For BEL loans, borrowers receive the funds directly and they do not need to be previous Access Group borrowers. In these instances Access Group relies on the school certification process and the credit approval process in order to verify the borrower's identity. Statistically, there are an insignificant number of BEL loans with no credit history.
- For federal Consolidation Loans, the risk is even lower since this loan is actually a refinancing of other eligible federal loans and the borrower is the recipient of a new payment schedule, not loan proceeds.
- The Treasury regulations allow an exception to the identification requirements for existing customers (returning borrowers) who have loans with Access Group prior to October 1, 2003. Access Group, however, applies the identification requirements to all customers in order to even further mitigate the risk.
- Access Group routinely purchases private loans from Lenders through a contractual arrangement. Identity verification for these loans is not necessary at the time of purchase; Access Group has already performed identity verification for these loans on behalf of The Originating Lender during the origination process.
- Students studying abroad at an eligible foreign school in a program of study that is approved by the home institution must have their enrollment verified by the school before loan proceeds are disbursed. In some cases, the student may request to have the funds disbursed directly to him or her, however, the school must certify the student's enrollment. The foreign school is notified that the funds were sent directly to the borrower.

Customer Information Required

§103.121(b)(2)(i) –

The *minimum information* that a bank must obtain from each customer prior to opening an account is as follows: (1) name; (2) street address (residential and mailing addresses); (3) date of birth; (4) an identification number.

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How Access Group meets the compliance requirement

- The borrower's name, date of birth, permanent address, and Social Security Number is collected on all loan application forms. Additionally, a mailing address is requested for REL, DEL, and BEL applicants. For federal Stafford and PLUS loan borrowers, the mandated Master Promissory Note (MPN) collects this data and the mandated federal Consolidation Loan application/promissory note is the data collection instrument for the Consolidation Loan. Instructions on the form ask specifically for a permanent home street address and indicate that a temporary street address is not acceptable. The same information is required of Access Group private loan borrowers, cosigners and sponsors on the private loan application and promissory note.
- For collecting the identification number, Access Group requires citizens to provide their Social Security Number on the loan application forms. Eligible non-citizens seeking federal aid provide their alien registration number during the FAFSA application process. For Access Group private loan borrowers who are international students, a copy of the passport showing country of origin is required. Cosigners and sponsors must be citizens in order to qualify for private loan funds.

Verification Through Documents

§103.121(b)(2)(ii)(A) –

The CIP must include procedures describing when the bank will verify identity through documents and setting forth the documents that are to be used for this purpose.

How Access Group meets the compliance requirement

As stated above, Access Group requires a copy of the passport showing country of origin for all international loan applicants.

Additionally, if discrepancies are noted in the primary identifying fields (Name, address, etc.) between the loan application and the credit bureau report, Access Group may require the applicant to submit documentary evidence to resolve the discrepancy.

Non-Documentary Verification

§103.121(b)(2)(ii)(B) –

The CIP must include procedures describing what non-documentary methods are being used to verify identity and when these methods will be used.

How Access Group meets the compliance requirement

- Access Group considers the required certification of the borrower's eligibility by the school to be non-documentary verification of the borrower's identity by a trusted third party. The school certifies all private loans, with the exception of the REL and DEL, and all federal loans.
- An address comparison is performed for all REL and DEL applicants. If the address provided on the loan application does not match the address on the credit bureau report, then additional steps are taken to verify the mailing address. If the mailing address cannot be verified through non-documentary means (such as directory assistance or www.usps.com), the applicant is contacted and asked to provide acceptable documentation of proof of residence.
- If significant discrepancies are discovered in the borrower's name, address, or Social Security Number during the credit quality control process, Access Group will compare and verify information.

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- As part of the normal processing procedures, we reconcile loan disbursement information with each school for each borrower. This is one way of ensuring that loan funds are being used for educational purposes.
- The U.S. Department of Education data match process against the Social Security Administration (SSA) and the Immigration and Naturalization Service (INS) databases verifies the identity of each Stafford and PLUS Loan borrower.
- Loan funds are released after the school has certified the borrower's eligibility and has resolved discrepancies with the SSA and INS matches.
- Schools also need to match enrollment records of foreign students, regardless of financial aid applications, against the INS database at the time the student enrolls.

Lack of Verification

§103.121(b)(2)(iii) –

The CIP must include procedures for responding to circumstances in which the bank cannot form a reasonable belief that it knows the true identity of a customer.

How Access Group meets the compliance requirement

If the borrower, cosigner, sponsor, or endorser (whenever applicable), does not submit the requested documents for identity verification, we will decline making the loan and notate the reason on the system as "failure to submit proof of identity."

Record Keeping Requirements

§103.121(b)(3)(i) and (ii)

The CIP must include procedures for making and maintaining a record of all information obtained under the procedures implementing the minimum identity verification requirements of the CIP. Records must be kept for five years after the date the account is closed or becomes dormant.

How Access Group meets the compliance requirement

- Access Group retains all borrower origination and disbursement records for all borrowers. The documentation used to verify borrower identity is scanned and imaged. Additionally, a note is placed on the borrower's account using a memo feature to indicate the type of documentation collected.
- If there is a discrepancy in any of the identification materials submitted by a loan applicant, the processing area will require new documentation be submitted, and retain in the memo feature a description of the steps taken to resolve it.

Comparison with Government Lists

§103.121(b)(4) –

The CIP must include procedures for determining whether the applicant is on any list of known or suspected terrorists or terrorist organizations issued by any federal government agency and designated as such by Treasury in consultation with federal functional regulators.

How Access Group meets the compliance requirement

- Access Group currently compares international loan applicants who pass the established credit criteria to the Treasury's *Specially Designated Nationals and Blocked Persons* (SDN) list.
- Access Group performs a name-based OFAC check on every federal loan applicant and on all private loan applicants who pass the established credit criteria.

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Customer Notice

§103.121(b)(5) –

The CIP must include procedures for providing customers with adequate notice that the bank is requesting information to verify their identity. The notice must generally describe the verification requirements and be given in a manner reasonably designed to ensure the customer views or receives the notice before opening an account.

How Access Group meets the compliance requirement

- The "Instruction and Notices" page included with each FFELP Stafford and PLUS MPN contains sufficient notice that information is collected for identity verification and anti-fraud purposes.

  "The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, Forbearance, discharge or forgiveness) under the FFELP, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect on your loan(s), if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically."

- The Application and Loan Agreement for private loans contains the following notice:

  IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

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Addendum B

Dictionary of Defined Terms

Term	Definition
Account	Refers to each Loan approved per application.
Active Duty	As defined in the Servicemembers Civil Relief Act.
Application	The electronic process or document used to collect data from the Applicant (i.e., name, address, Social Security number, date of birth, school information, etc.) to initiate a request for a Loan.
Borrower	The person who applies for and receives the benefit of the education loan.
Clearinghouse	The National Student Clearinghouse, a non-profit organization headquartered in Herndon, Virginia, or its successors.
Collection	The actions taken by a Lender or Servicer to collect payments due from the Borrower.
Disbursements	The transfer of Loan funds from the Originating Lender via Electronic Funds Transfer (EFT) for the benefit of the borrower.
Full Payment	A payment that is within 10% of the amount due but not more than $5.00 less than the amount due.
Loan	A consummated Application and Loan Agreement that is evidenced by a disbursement and has been signed by the Borrower.
Loan Agreement	The document that is incorporated by reference into the Application that has been signed by the Borrower containing the terms of the Loan.
Loan Period	The academic year or portion thereof for which the applicant is enrolled and is seeking a loan.
Servicer	First Associates.

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Addendum C

OFAC Procedure

OFAC Hit

Steps:

1. When an application is initiated, the applicant's name is automatically checked against the OFAC database for a match. When there is no match, the application continues processing in a normal fashion.
2. If name is a match, the information required by the Customer Information Program (found in Addendum A) is collected by Origination Agent.
3. Following completion of Step 2, the application is forwarded to the Servicer's Originations and Disbursement Manager.
   a. The Originations and Disbursement Manager will re-verify the match and if applicable, contact OFAC's "hotline" at 1-800-540-6322 for verification.
   b. If OFAC confirms a true hit, there are additional reporting requirements that are required to be in compliance.
   c. If OFAC confirms a true hit, the Originations and Disbursement Manager will also contact Liberty Bank.

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Addendum D

Reconsideration Procedure

Access Group's Reconsideration Policy and Procedures

My loan request was denied. Will Access Group take a second look at my request?

YES! Our policy is to allow a one-time reconsideration of your loan application on behalf of Liberty Bank, N.A. All reconsiderations must be concluded within 60 days of your initial denial. In requesting reconsideration, you are authorizing us to obtain a copy of your credit bureau report, which we will do within 60 days. In order to facilitate a thorough and timely review, all requests for reconsideration must be submitted in writing.

Your correspondence should specifically address the items listed in the enclosed denial letter and be accompanied by appropriate documentation (please list your Social Security number in your letter or fax).

All reconsideration requests should be mailed to:

Access Group, Inc.
Credit Reconsideration Dept.
P.O. Box 7410
Wilmington, DE 19803-0410

Or, you may fax your correspondence to:

Access Group, Inc.
Credit Reconsideration Dept.
(302) 477-4296

What information was used in initially denying my loan request?

We have relied upon the information contained in your credit report. Your credit report contains detailed information on your past credit history and performance. Access Group, on behalf of Liberty Bank, N.A., evaluates the information found in your credit report.

What information will be used in reconsidering this initial decision?

We will reconsider your loan application based solely on errors in your credit report, which are called to our attention or negative items you are able to correct. For this reason, we strongly urge you to get a copy of your credit report, free of charge, from the credit agency listed on the enclosed denial letter. In your correspondence with us, please list the errors you find on the report. Only errors evidenced by a corrected credit report, obtained by the Access Group directly from the credit agency, will be considered.

What procedures do I follow to have my application reconsidered?

1. Carefully read the enclosed denial letter.
2. Order a copy of your credit report by calling the consumer credit reporting agency listed in your letter.
3. Check your credit report for accuracy and report any errors by calling the consumer credit reporting agency directly and by contacting each reporting creditor who is a source of an error. In some cases, credit reports reflect issues with creditors or have reporting errors about which you may be unaware. To help ensure a timely response, we suggest that you send correspondence to the consumer credit reporting agency via registered mail.

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Addendum E

Originating Lender's Privacy Policy

Liberty Bank, N.A.
25201 Chagrin Blvd., Suite 120
Beachwood, OH 44122-5600

Securing Your Financial Privacy

PRIVACY DISCLOSURE

Liberty Bank, N.A. is committed to the strong tradition of safeguarding our customers' private financial information. Liberty Bank, N.A. collects, retains, and uses information about individual customers only when we believe it would be useful (and allowed by law) in administering our business and to provide products, services and other opportunities to customers. This information is obtained from application information, transaction information, and consumer report information. Liberty Bank, N.A. makes disclosures to third parties only as permitted by law. This privacy policy expresses Liberty Bank N.A.'s commitment to our customers.

INFORMATION WE COLLECT ABOUT YOU

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other forms,
- Information about your transactions with us, our affiliates, or others,
- Information we receive from a consumer-reporting agency

NO DISCLOSURES OUTSIDE OF EXCEPTIONS

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law.

CONFIDENTIALITY AND SECURITY

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products or services to you.

We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

ADDITIONAL INFORMATION

If you have any questions or concerns about the protection of your personal financial information, please feel free to contact us at (216)359-5500.

ISP Form – 06/2009

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Program Guidelines

PEAKS Private Student Loan Program

Effective as of December 10, 2011

"Post TILA Transition Date"

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1) General Provisions

a) Purpose

A PEAKS Private Student Loan is a Loan designed to meet the higher education financing needs of U.S. citizens or eligible noncitizens enrolled in associate, undergraduate or graduate programs of study, who are attending a school ("ITT ESI School") owned and operated by ITT Educational Services, Inc. ("School").

Unless otherwise noted, Access Group will be responsible for executing the loan origination (Origination Agent) functions contained in these Program Guidelines. The Access Group will be entitled to assume the accuracy of all information provided by the Program Applicant, the Clearinghouse, the credit bureau and the School (including representatives of an ITT ESI School). Unless otherwise noted, and on and after the effective date of the Agreement for Servicing Private Student Loans as executed by First Associates Loan Servicing, LLC and others, First Associates (Servicer) will be responsible for the loan servicing functions contained in these Program Guidelines. First Associates will be entitled to assume the accuracy of all information provided to it by Access Group, the Program Applicant, the Clearinghouse, the credit bureau and the School.

b) Applicability of Program Guidelines

These Program Guidelines apply to Loans made under the PEAKS Private Student Loan Program applied for on or after February 12, 2010 and prior to 7/1/2011, with the first disbursement occurring no later than 7/31/2011. A new Interest Rate Margin is in effect for applications initiated on or after February 8Th, 2011. Please see section 8 Terms and Conditions of Loans for specific details.

c) Forms

In the Approval of Documents and Procedures Pursuant to Private Education Loan Origination and Sale Agreement dated February 11, 2010 the Originating Lender has approved the forms attached thereto as exhibits B through G. The Origination Agent may use other or additional forms as necessary or appropriate in connection with its collection, review and disposition of application data, and may make revisions to the attached forms that do not affect compliance with consumer protection law.

2) Definitions (Defined Terms)

See Addendum B for a list of defined terms. Capitalized terms not defined in these Program Guidelines will have the meanings assigned in other applicable documents, such as the Private Education Loan Origination and Sale Agreement (the "Origination Agreement") or the Application and Loan Agreement. Any conflict between these terms will be governed by the respective Agreement.

3) Borrower and School Eligibility Requirements

a) PEAKS Private Student Loan Borrower Eligibility

In order to borrow a Loan, a Borrower must be eligible under the following Program underwriting guidelines established by the Originating Lender:

i) ITT ESI Schools will certify in the Loan Certification process that the School has received an Institutional Student Information Report from the U.S. Department of Education for each Borrower.

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ii) Borrower must be enrolled or accepted for enrollment at least half-time (based on ITT ESI School criteria) at, or have graduated from, an ITT ESI School, as certified by the ITT ESI School. If the Borrower is accepted for enrollment, the applicable academic period must begin no later than 120 days after the Application date, based upon the school certification. If the Borrower has graduated, the graduation date must be no earlier than 120 days prior to the Application date. Former ITT ESI School students who did not graduate (e.g., dropped out of school) are not eligible for the PEAKS Loan. The applicable ITT ESI School will be responsible for determining this eligibility and will confirm through the loan certification process.

iii) Borrower must have completed by the Application date a minimum of 20 quarter credit hours (or the equivalent) of credit for college level courses. ITT ESI Schools will be responsible for determining this eligibility and will confirm through the Loan certification process.

iv) Borrower must be at least the following age, based on the Borrower's current address as set forth in the Loan Application:

(1) Alabama	19
(2) Nebraska	19
(3) Puerto Rico	21
(4) All Other U.S. Locations	18

v) Borrower must electronically execute the Application and Loan Agreement for the Program.

vi) Borrower must have a U.S. address and possess a U.S. Social Security number.

vii) Borrowers must successfully meet OFAC (Office of Foreign Asset Control) screening requirements. Access Group will perform the name verification check that is outlined in the OFAC procedure in Addendum C.

viii) Borrower must meet the Borrower credit criteria (detailed in section 6 of this document) of the Program.

b) PEAKS Private Student Loan School Eligibility

All Title IV eligible ITT ESI Schools located in the United States and its territories are eligible to participate in the PEAKS Private Student Loan Program.

4) Loan Period

Individual Program Applicants may request funds for prior and current Loan Periods at the same time. In these situations a single Application and, if approved, a single Loan will be made. In the event that the proceeds of a Loan will be utilized to refinance amounts due with respect to a prior academic year or portion thereof and a current or upcoming academic year or portion thereof, the "Enrollment Period" field on the Loan Application and the "Loan Period" field on the School Certification should be completed with the current or upcoming academic year or portion thereof.

5) Application Overview

This section contains an overview of the loan process. Further detail is found in subsequent sections of this document. Any changes to the following forms, or the method or timing of their completion, must be approved by the Originating Lender prior to implementation:

- Application
- Loan Agreement
- School Certification
- Truth In Lending Disclosure Statements
- Adverse Action Letters

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The Truth-in-Lending Disclosure Statements consist of 1) the disclosure statement provided with the Application (the Application and Solicitation Disclosure Statement), 2) the disclosure statement provided with the notice of loan approval (the Approval Disclosure Statement) and 3) the disclosure statement provided after the Borrower accepts the Loan (the Final Disclosure Statement).

The Application process will be hosted on the Access Group Loan Servicing Web site. Program Applicants will submit completed Applications to the Originating Lender using the Access Group Web site and will sign the Application and Loan Agreement electronically. Access Group will provide Program Applicants the Application and Solicitation Disclosure Statement as part of the electronic application process. A paper application process is not contemplated. All documentation that is sent to Program Applicants after receipt of the Application and Loan Agreement will be sent by Access Group to the Program Applicants by mail or electronically to the extent permitted by law.

Access Group will provide a self-certification form to the Program Applicant during the application session. Access Group will populate the self-certification form with information that the Program Applicant has provided in the loan application. Access Group will review the self-certification form to ensure that the Program Applicant has electronically signed the form before permitting the Program Applicant to continue with the application process.

Access Group on behalf of the Originating Lender will attempt to obtain a credit report for all Program applicants and underwrite the loan application. The credit report, or the notification from the credit bureau that a credit report does not exist, will be maintained in the Application file.

Each Program Applicant will be notified of the credit decision within 30 days of Access Group's receipt of the application. Program Applicants who do not meet the credit criteria described in Section 6, below, will receive a mailed adverse action notice. Program Applicants who meet the credit criteria (Borrowers) will receive notice of credit approval. Program Applicants who have not left their online session will be notified online that their applications have been approved. Access Group will send 1) Program Applicants who have left their online session before being notified of approval, or 2) Program Applicants who could not be approved during their online session, but are approved after their online session has concluded, an email directing them to return to the Access Group Loan Servicing Website to view their Approval Disclosures.

Program Applicants who have not completed their applications within 30 days of credit review will receive an adverse action letter notifying the Program Applicant of the incomplete status. The letter will indicate that the Application will be denied for incompleteness if the required information is not provided within 120 days of the date Access Group completed the credit review process. Borrowers who have received emails directing them to return to the Access Group Loan Servicing Web site to view their Approval Disclosures, but have not done so within 30 days, will also receive an adverse action letter notifying them of the incomplete status of their Applications.

A FICO credit score for each applicant will be requested; the credit score will be maintained as part of the application file and used to assign each application a pricing tier.

The Approval Disclosure Statement will be populated with an offer acceptance date that is 36 calendar days from the date of the credit decision. For purposes of the Approval Disclosure Statement, Borrowers will have until this date to accept the loan offer described in the Approval Disclosure Statement. However, Access Group's practice will be to allow the Borrower to accept
the loan offer for 120 days from the date of the credit decision. Approved Borrowers may accept the loan offer by following the instructions provided on the Access Group Loan Servicing Web site.

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Access Group will not make any changes to the loan terms summarized in the Approval Disclosure Statement other than those permitted by the Truth-in-Lending Act. Access Group may reduce the loan amount approved based on information received from the Borrower or the ITT ESI School that indicates that the Borrower's actual or certified financial need has declined. Access Group will not prepare and send a new Approval Disclosure Statement in that situation.

After Access Group has received the Borrower's acceptance of the loan offer, Access Group will prepare and mail a Final Disclosure Statement to the borrower. Borrowers will have three (3) business days from receipt of the Final Disclosure Statement to cancel the loan. Access Group will deem the Final Disclosure Statement to be received by the Borrower three (3) business days after mailing. The Borrower can cancel the loan by either calling or emailing Access Group as directed in the Final Disclosure Statement.

All Truth in Lending Disclosure Statement required fields will be calculated using methods approved by the Originating Lender. The Originating Lender's Privacy policy, attached as Addendum E, will be mailed to Borrowers with the Final Disclosure Statement.

The Originating Lender will disburse Loan proceeds in accordance with the Origination Agreement. Once disbursed, the Loan will be transferred to a loan servicing system and Borrower documentation will be maintained as provided in these guidelines.

6) Borrower Credit Criteria

Program Applicants must either

a) Meet the following credit criteria, based upon information contained in the credit report:

   i. No filed bankruptcy, discharged bankruptcy or foreclosure within 24 months before the Loan Application date, and

   ii. No judgments, charge-offs, collections, liens, or repossessions in an aggregate amount of more than $2,500.00 excluding medical related accounts, within 24 months before the Loan Application date, and

   iii. No record of a student loan default, unless the default has been paid in full.

or

b) Have been extended credit through the School "Temporary Credit" Program and have not had a filed or discharged bankruptcy within the 24 months preceding the Loan Application date, based upon information contained in the credit report.

   i. School will provide a file identifying all Temporary Credit recipients.

   ii. Access Group will use this information to review all applications that would otherwise be denied for any denial reason, except for bankruptcy, outlined by section a) above within 5 Business Days.

or

c) Have no credit history with the credit bureau.

An approved credit decision expires if the Loan is not first funded within 120 days from the date the credit decision was made. If the Loan isn't funded within 120 days, Access Group will send an adverse action notification to the Program Applicant. If the Program Applicant desires to complete the loan, a new Application must be created.

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7) Credit Decision Appeals

The Program Applicant may appeal a denied credit decision through written correspondence, according to the Reconsideration Policy and Procedures attached as Addendum D.

8) Terms and Conditions of Loans

Table of PEAKS Private Student Loan Borrower Pricing Tiers

Pricing for each loan is based on the Borrower's FICO score*:

Tier	AGI Tier Code	FICO Score	Interest Rate Margin	Origination Fee
1	600	790+	+1.5%	0%
2	601	720-789	+2.5%	2%
3	602	680-719	+5%	3%
4	603	650-679	+7%	5%
5	604	600-649	+8%	7%
6	605	No credit score	+9%	8%
7	606	599 and below	+11.5%	10%

For applications initiated on or after February 8th, 2011 the below increased margins will come into effect.

Tier	AGI Tier Code	FICO Score	Interest Rate Margin	Origination Fee
1	607	790+	+2.5%	0%
2	608	720-789	+3.5%	2%
3	609	680-719	+6%	3%
4	610	650-679	+8%	5%
5	611	600-649	+9%	7%
6	612	No credit score	+10%	8%
7	613	599 and below	+12.5%	10%

* Eligible Borrowers with an Experian/Fair Isaac Score Code of 9002 or 9003 will be priced as if part of tier 6 ("no credit score")

Interest Rate – Refer to Section 13.

Origination Fee – An Origination Fee will be added to a Loan at disbursement. This fee will be non-refundable except in cases of certain loan cancellation or refunds as described in Section 12. The applicable Origination Fee will be calculated on the Disbursed Amount and capitalized.

9) Loan Limits

Borrower Loan Limits

i) The minimum amount for each Loan is one thousand dollars ($1,000.00).

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ii) The maximum annual Loan amount is equal to the cost of attendance less financial aid for the applicable Loan Period(s) as certified by each ITT ESI School.

iii) No aggregate or annual maximum limits will be enforced by the Access Group.

iv) Aggregate limits are set by degree level and are enforced by each ITT ESI School.

(1) Associate degree programs: $35,000

(2) Bachelors degree programs: $60,000

(3) Graduate degree programs: $25,000

(4) Maximum undergraduate (associate and bachelor degree programs combined) : $60,000

(5) Maximum total of all programs : $85,000

The Origination Fee is not included in determination of the minimum and maximum loan limits.

10) School Certification

The PEAKS Loan requires School Certification. This School Certification must be provided by financial aid personnel at the applicable ITT ESI School or the School, using the Access Group web certification tool.

11) Funds Disbursement

Access Group will direct the Originating Lender to send Disbursement amounts to the School or for the account of the School via direct electronic funds transfer as provided in the Origination Agreement.

School will credit student accounts for the Disbursed Amount (which excludes the Origination Fee).

Disbursements will be scheduled in accordance with each ITT ESI School certification. Each Loan can have a maximum of four (4) disbursements. The ITT ESI School will choose the dates and disbursement amounts that best fit its needs and complies with applicable state law, as long as the first disbursement will occur at least nine (9) days after the School has certified the Loan.

If a disbursement is requested for a day on which Access Group or the Originating Lender is closed, the next available disbursement date will be used.

Access Group will determine which loans will be postponed in the event daily Disbursement volume exceeds the daily Reserve Fund balance as required by the Origination Agreement. A postponed loan Disbursement priority will be set based upon the date of the certification by the ITT ESI School (First In First Out priority). Any individual Disbursement that is postponed must be postponed in its entirety, and will not be partially disbursed.

12) Return of Loan Proceeds

The "Gross Refund Amount" of a Loan as used in these Guidelines means the portion of the Disbursed Amount on a Loan that is being credited to the Borrower's Loan account in accordance with this Section. This section only applies to refunds and cancellations received from the ITT ESI School or the School. If funds are received from the Borrower directly, those funds will be processed as a pre-payment on the Borrower's Loan and Origination Fees and accrued interest will not be refunded or waived.

If a cancellation or refund on a Loan is to be made after the Loan has been sold to the Trust by the

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Originating Lender:

- The School will remit 72% of the Gross Refund Amount to First Associates, and will communicate to First Associates what the Gross Refund Amount with respect to that Loan is;
- First Associates will credit the Borrower's Loan account with 100% of the Gross Refund Amount;
- First Associates will remit the 72% of the Gross Refund Amount that it received from the School to the Trust; and
- The Trust will credit the subordinated note held by the School with an amount equal to 28% of the Gross Refund Amount.

If a cancellation or refund on a Loan is to be made before the Loan is sold by the Originating Lender to the Trust, or after the Loan has been sold to the Access Group:

- The School will remit 72% of the Gross Refund Amount to First Associates, and will communicate to First Associates what the Gross Refund Amount with respect to that Loan is;
- First Associates will credit the Borrower's Loan account with 100% of the Gross Refund Amount;
- First Associates will request an amount equal to 28% of the Gross Refund Amount from the Trust;
- The Trust will remit an amount equal to 28% of the Gross Refund Amount to First Associates on behalf of the School, and will credit the subordinated note held by the School with an amount equal to 28% of the Gross Refund Amount; and
- First Associates will remit 100% of the Gross Refund Amount to the Originating Lender, unless the loan has been sold to Access Group in which case First Associates will remit 100% of the Gross Refund Amount to Access Group.

In all events, if First Associates receives a check or electronic funds transfer from the School and/or an account of the School related to a cancellation or refund of a Loan:

- If the cancellation or refund proceeds are received within 60 days of the Disbursement date:
  - If the Gross Refund Amount equals the Disbursed Amount, then related fees and interest will be waived by the Originating Lender and credited in full to the Borrower's account; and
  - If the Gross Refund Amount is less than the Disbursed Amount, then the related fees and interest will be waived by the Originating Lender and credited on a pro-rata basis to the Borrower's account.
- If the cancellation or refund proceeds are received later than the 60th day after the Disbursement date, then no fees or interest will be waived or credited to the Borrower's account.

In all events, First Associates will communicate all cancellation information to the appropriate parties including the Administrator. The Originating Lender will calculate the adjustments to the fee remittance required by the Origination Agreement. Premiums and Fees on any canceled or refunded Loan will be refunded as provided in the Origination Agreement.

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13) Interest Rate

a) Accrual – Interest will accrue at the Variable Rate (as defined below) on the principal amount of each Loan outstanding.

b) Interest will be calculated on a daily simple interest basis, according to the outstanding principal balance each day of the term of the Loan. The daily interest rate will be equal to the annual interest rate in effect on that day, divided by 365.25 days and will not vary for leap years.

c) Variable Rate – The Variable Rate will be equal to the "Index" (defined below), rounded up to the nearest one-eighth of one percent (0.125%) plus a Margin assigned to the Loan based on the borrower's FICO credit score as described in Section 8 up to a maximum of 25%.

d) The Variable Rate may change, effective on the first day of any month, if the Index changes. The "Index" for any month is the U.S. Prime Rate, as published by *The Wall Street Journal* on the seventeenth (17th) day of the immediately preceding month, or if *The Wall Street Journal* is not published on the seventeenth (17th) day of the immediately preceding month, then the next day on which it is published. If *The Wall Street Journal* is no longer published, the loan holder will find an alternate source for the Index. If the Index is no longer available, the loan holder will choose a comparable Index.

e) Changes in the Variable Rate will be communicated to the Borrower consistent with federal and state regulatory requirements.

f) The Servicemembers Civil Relief Act (The Act) requires consumer lenders to reduce the interest rate to 6% on any Loan to a Borrower who is called to Active Duty if the Loan was disbursed prior to the Borrower being called to Active Duty. In order for the Borrower to be eligible, the Servicer must receive proof of military mobilization or a call to active duty (i.e.: a copy of his/her military orders) with a beginning date after the date of the first Disbursement of the Loan. If no end date to the Active Duty is provided in the documentation, the military website will be queried on a quarterly basis to determine if the Borrower is still on Active Duty. The reduced interest rate will end when the Borrower is no longer on Active Duty.

LOAN SERVICING

14) Loan File Documentation

The following documents will comprise the Loan File. These may be electronic or imaged paper documents.

a) The fully-completed Application and Loan Agreement, dated and electronically signed by the Borrower.

b) The consumer reporting agency record on the Borrower, if any, obtained in the loan application process and any updated consumer reporting agency records.

c) Evidence of communicating application underwriting decision to Program applicant.

d) If applicable, documentary evidence that an exception was made in accordance with these Program Guidelines.

e) ITT ESI School Certification (which is also used for verification of enrollment).

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f) Evidence of disbursement activity.

g) The Regulation Z Approval Disclosure Statement and Final Disclosure Statement.

h) The Loan history, maintained by the Servicer in its normal course of business, of payments made on the Loan.

i) The documentary evidence of the Servicer's efforts to affect a cure of any delinquency or default and to collect the Loan.

j) Material customer correspondence.

First Associates and Access Group will each maintain the loan file documentation according to its record retention schedule.

15) Capitalization of Interest

Accrued and unpaid interest will be added to the principal balance (capitalized) on the first day of each month during the Interim Period, during any period of Forbearance, excluding Administrative Forbearance and during the Modified Graduated Repayment Schedule (MGRS).

Any remaining accrued unpaid interest will be capitalized at the end of the Forbearance period, excluding Administrative Forbearance and also at the end of each step of MGRS as described in Section 16 (h) (i)-(iv)

16) Repayment Terms

From a processing perspective, Interim Period is the in-school period plus the grace period.

(a) The Interim Period begins on the date of the first disbursement of the Borrower's first PEAKS Private Student Loan, continues while the Borrower is continuously enrolled at an ITT ESI School on at least a half-time basis, based on the ITT ESI School criteria ("In School Status"), and ends on the earliest of:

i) the date that is six months (grace period) after the Borrower graduates, unless the Borrower enrolls in another program at an ITT ESI School at least half-time; or

ii) the date that is three months (grace period) after the Borrower ceases to be enrolled at least half-time for any reason other than graduation unless the Borrower enrolls in another program at an ITT ESI School at least half-time; or

iii) the date that is 48 months after the first disbursement of the Borrower's **first** PEAKS Private Student Loan.

Any payments received from the Borrower during the Interim Period will be applied first to the accrued interest and then principal.

(b) Entry into Repayment

If a Borrower has not yet exhausted the Interim Period for one or more PEAKS Private Student Loans and subsequently re-enrolls in an ITT ESI School on at least a half-time basis, whether or not the Borrower obtains another PEAKS Loan, the Borrower will return to an in-school status and all of the Borrower's Loans will enter Repayment together at the earliest of the Interim Period end dates outlined in section 16(a).

i) In order to continue in an In-School status, the enrollment of the Borrower on at least a half-time basis must be confirmed by the Servicer through the Clearinghouse or the Borrower must provide evidence of enrollment during the academic period in the form of a letter or other documentation from an appropriate official of the ITT ESI School.

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ii) Once a Borrower has exhausted the Interim Period, the following conditions apply:

- PEAKS Borrowers who transfer to *another ITT ESI School* within 48 months from the date of the first disbursement of their first PEAKS Loan will be eligible for an in-school forbearance on all of their PEAKS Private Student Loans as described in Section 18.c.
- PEAKS Borrowers who transfer to *an institution other than an ITT ESI School* are not eligible for an in-school forbearance on their PEAKS Private Student Loans. Their Loans must remain in Repayment Status.

First Associates is responsible for monitoring the Clearinghouse and updating all Borrower enrollment status information to ensure it correctly applies all Interim Periods and In School Forbearance periods. Such monitoring will be conducted on at least a monthly basis and updates applied as applicable.

The following additional repayment terms apply to the PEAKS Loan.

(a) Once the loan enters into Repayment Status, the repayment term is up to 10 years (120 months) which will be extended by any periods of Forbearance.

(b) The combined monthly payment on all of a Borrower's PEAKS Loans will be at least $50 each month or the unpaid balance, whichever is less.

(c) Payments must be made in U.S. dollars drawn on a U.S. bank.

(d) No penalty for prepayment

(e) The Servicer may collect a late charge of $10.00, for any part of any installment payment, other than late charges assessed on a prior monthly payment, which is not paid in full within fifteen days after the payment due date.

(f) Any amount paid in excess of the monthly payment amount will be applied to future payments unless the Borrower specifically requests the excess amount be applied to the principal balance. The due date will be automatically advanced. If the amount paid in excess is not a multiple of the monthly payment, the next monthly payment will remain due at a lesser amount, reduced by the excess amount paid, on the following month's due date. Borrower requests to have excess payments applied to the principal balance will be granted by the Servicer.

(g) Standard Repayment

"Easy Pay Equal" Repayment plan – the standard repayment plan, requires monthly payments of both principal and interest. This amount is recalculated quarterly to determine whether the payment amount should increase or decrease based on interest rate changes, lump sum payments, periods of Forbearance, capitalization of interest, etc. to ensure the Loan is repaid within the remaining Repayment period. If the monthly installment payment amount is recalculated and the recalculated payment amount would differ by less than 2.0% from the monthly installment payment last in effect, the repayment amount will remain unchanged.

(h) The other repayment schedule, available upon the approval of the servicer on behalf of the loan holder, is:

Modified Graduated Repayment Schedule (MGRS) - With this repayment plan, the Borrower will:

i. Pay 50% of the standard monthly payment for the first six months.

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ii. Pay 75% of the standard monthly payment for the second six months.

iii. Pay interest only for the second year.

iv. After two years, return to making standard monthly payments.

PLEASE NOTE: MGRS is only offered once over the life of the loan and is a collections tool used during the delinquency phase. It is not a standard re-payment plan.

(i) Auto-debit payments (ACH) and interest rate discount – Borrowers who authorize First Associates to automatically withdraw their monthly loan payments from their checking or savings account automatically qualify for an interest rate discount of 0.25% on all of their PEAKS Loans.

This interest rate reduction will permanently terminate the first time a payment is returned or declined for any reason (unless the reason is due to an error outside the control or responsibility of the Borrower).

After the first return or decline of an automated payment, the Borrower can continue to make payments using the auto-debit electronic transfer method until they provide the Servicer with instructions to cancel the service or until a second incidence of a return or decline of an automated payment occurs for any reason (unless the reason is due to an error outside the control or responsibility of the Borrower), at which time the auto-debit electronic transfer method is terminated for the Borrower's account. If the Borrower subsequently makes twelve (12) consecutive monthly payments on time and in full, the Borrower may then request the Servicer to resume automatic debit payments.

If the Borrower enters any type of Forbearance, the auto-debit payment plan and the associated interest rate reduction are simultaneously suspended until the Borrower re-establishes automatic payments, at which point the interest rate reduction resumes.

Borrowers who enter a Modified Graduated Repayment Schedule repayment plan are allowed to continue using the auto-debit payment method and do not forfeit the associated interest rate discount as long as no payment is returned or declined.

To activate this interest rate reduction the first time or following any suspension during a forbearance period, the Borrower must contact First Associates and submit the required request form.

Each Borrower will be sent information about this feature at least 30 days prior to the end of the Borrower's Interim Period.

17) Account Billing

Borrowers in Repayment will be billed on a monthly basis. The billing statements will be sent at least 15 days before the due date. Payments will be processed and posted to the Borrower's account effective the date the payment was received. Payments will be applied so that accrued and unpaid interest and any other fees or charges (e.g., collections charges) are satisfied before outstanding principal is reduced.

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18) Available Forbearances

The following Forbearances are available at the discretion of the Servicer on behalf of the loan holder. Any months that a Loan is in a period of Forbearance will correspondingly extend the Repayment Period.

(a) Economic Hardship Forbearance – This Forbearance may be granted in increments of up to three months, for periods that collectively do not exceed twelve months over the life of the loan. This Forbearance may be used retroactively to cover periods of delinquency. The Borrower must request an Economic Hardship Forbearance. The request may be made either over the phone or by using the applicable Forbearance request form. Documentation of income or expenses is not required.

(b) Administrative Forbearance – This Forbearance may be granted to cover borrower periods of delinquency arising from interruptions in payment notification, billing, or other delays not caused by the Borrower.

(c) In School Forbearance – This Forbearance will be granted in increments of up to one year (12 months), for periods that do not extend beyond four years (48 months) from the date of the first disbursement of the Borrower's first PEAKS Loan. The Borrower must be enrolled on at least a half-time basis (as defined by the School) at an ITT ESI School. To qualify for such Forbearance, the Servicer may rely on Clearinghouse data without request from the Borrower, or the Borrower must provide evidence of enrollment during each academic period in the form of a letter or other documentation from an appropriate official of such institution.

(d) U.S. Military Mobilization Forbearance – This Forbearance will be granted on Loans for Borrowers who are U.S. military personnel and who are activated or reassigned to Active Duty for a period of more than 30 days as a result of a military mobilization. Borrowers can use up to 12 months of U.S. Military Mobilization Administrative Forbearance on all private loans. The request may be made either over the phone or in writing. In order to be eligible, the Servicer must receive proof of military mobilization or a call to Active Duty (i.e.: a copy of the Borrower's military orders).

(e) Discretionary Administrative Forbearance- This forbearance may be granted in increments up to three months, for periods that collectively do not exceed twelve months over the life of the loan. This forbearance may be used to retroactively cover periods of delinquency that arise from borrowers who are in an in school status but have exhausted their 3 month grace period. The Servicer may proactively apply this forbearance.

19) Making Demographic Changes

Customer demographic changes should be made to the appropriate operating systems in a timely manner. Demographic change requests may be oral, written, via returned mail, or other official sources. Permitted changes include Borrower addresses, phone numbers, references, and other pertinent information that would allow the customer record to remain accurate. First Associates reserves the right to request supporting documentation from the Borrower for any demographic change.

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20) Reporting Loans to Consumer Credit Reporting Agencies

a) The Servicer will report the status of all Loans (other than Defaulted Loans) on a monthly basis to three of the national consumer credit reporting agencies. Loans that are "current" and those that are 59 days or less past due as of the end of a calendar month will be reported as "current." Loans that are 60 days or more past due as of the end of a calendar month and have not defaulted will be reported based on the appropriate delinquency status.

Once a loan has defaulted, that event will be reported and no further reporting will occur because the reporting of recoveries on defaulted accounts will be reported by the collection agency performing recovery activities for that Loan.

Loans in Forbearance status will be reported as such.

b) The Servicer will comply with the regulatory requirements that govern consumer credit agency reporting. The Servicer will attempt to resolve any credit reporting disputes raised by the Borrower.

21) Financial Activity Reporting

The Servicer will provide the monthly reports identified in the Servicing Agreement and the Administration Agreement.

22) Collection and Default Activities and Due Diligence

The Servicer is responsible for complying with all applicable federal and state laws while enforcing default and collection procedures.

a) Delinquent means the failure by a Borrower to pay when due a non-accelerated scheduled periodic payment due under the terms of the Loan. Delinquent does not mean the violation by a Borrower of any other term or condition of the Loan. A Loan is deemed to be delinquent (or in delinquency) as of the close of business on the installment due date for which a scheduled periodic payment has not been made in full or within 10% of the amount due, but not more than $5.00 less than the amount due. The first day of delinquency is the day following the payment due date. A Loan will continue to age or remain delinquent from that point until payment in full is made or other payment arrangements are enacted. Once a Loan becomes delinquent, the delinquency may also be referred to as "days past due."

b) Default means:

i) For any Loan owned by the Originating Lender or any institution subject to regulations promulgated by the Federal Financial Institutions Examination Council or its member regulatory agencies: a Loan that is one hundred twenty (120) days delinquent. A Loan is deemed to be 120 days delinquent and is declared to be in default when the Borrower fails to make the scheduled periodic payments in full when due or has failed to comply with other approved written payment agreements and the Loan ages to 120 days past due, or because of the Borrower's death.

ii) When ownership is by other than an entity described in (i) above: a Loan that is one hundred eighty (180) days delinquent. A Loan is deemed to be 180 days delinquent and is declared to be in default when the Borrower fails to make the scheduled periodic payments in full when due or has failed to comply with other approved written payment agreements and the Loan ages to 180 days past due, or because of the Borrower's death.

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c) Due Diligence is the group of activities that are performed during attempts to collect the Loan from the Borrower.

d) Skip Trace is the group of activities that are performed to locate a Borrower the Servicer is unable to contact using the Borrower information contained in the current loan record, such as when the address is determined to be invalid (address skips) or the telephone number is determined to be invalid (telephone skips).

i) Activities in the attempt to locate the Borrower will be documented in the account history and any documentation related to the efforts will become a part of the Loan File.

ii) The purpose of skip tracing is to obtain the necessary contact information to resume normal Due Diligence processes. Skip Trace activities will be considered complete when the Servicer has obtained a valid address (address skip) or telephone number (telephone skip) or has performed each of these activities:

(1) Attempted to contact the Borrower to obtain a new address or telephone number for the Borrower.

(2) Attempted to contact all references listed on the Loan application to obtain a new address or telephone number for the Borrower.

(3) Contacted the ITT ESI School for updated borrower contact information, if the ITT ESI School permits its release.

iii) When Skip Trace activities are complete and the process has not resulted in a new address or telephone number, no further Due Diligence activities can be performed by Servicer.

e) Due Diligence Schedule of Letters and Notices

i) When Default occurs at 120 days, the Servicer will send increasingly forceful collection letters and/or electronic communication no less frequently than the 10th, 20th, 40th, 70th, and 90th days of delinquency to the Borrower. When Default occurs at 180 days, the Servicer will send increasingly forceful collection letters no less frequently than the 10th, 20th, 40th, 70th, 90th, 120th, and 150th days of delinquency to the Borrower. The collection letters must be sent out on a timely basis, with a tolerance for error of plus or minus 5 business days.

ii) The letter and/or electronic communication sent on the 90th day of delinquency for 120-day Defaults or on the 150th day for 180-day Defaults will be a final Demand Letter which demands the full amount past due.

iii) At the 120th day of delinquency for 120-day Defaults or at the 180th day for 180-day Defaults, the Servicer will send a Notice of Default, which informs the Borrower that the Loan is in default and may be turned over to a collection agency. The Notice of Default must be sent out on a timely basis, with a tolerance for error of plus or minus 5 business days.

iv) Servicer may employ either email and/or electronic communication for all letters and notices.

f) Due Diligence Schedule of Telephone and Letter / E-mail Contact

For purposes of this section the following definitions apply:

"Contact" is defined as a phone conversation directly between the Borrower and a representative from the Servicer or an agency representing the Servicer.

"Attempt" is defined as an approach to try and secure communication with the Borrower.

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This can be through the telephone, electronic message or physical letter.

During contact with the Borrower, the representative should identify the Loan(s) being discussed and determine the reason for delinquency. The representative should then work with the Borrower to identify the best option available to assist the Borrower

Due Diligence Schedule

Servicer will perform the following actions, unless performance of them would be a violation of any applicable federal or state laws or regulations arising from the assertion of rights by the Borrower.

Diligence Bucket	***Actions ****
1 to 14 days delinquent	Past-Due Notice
15 to 29 days delinquent	One Contact with borrower or attempts made on at least three separate days
30 to 60 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
61 to 90 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
91 to 120 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
When applicable: 121 to 150 days delinquent	Two Contacts with borrower or attempts made on at least four separate days
When applicable: 151 to 180 days delinquent	Two Contacts with borrower or attempts made on at least four separate days

* The collection telephone calls, letters and or electronic communication must be conducted on a timely basis, with a tolerance for error of plus or minus 5 business days. Attempts may be made using telephone, email, or letters. During each Diligence Bucket (beginning with the 30 to 60 days delinquent bucket), at least one attempt must be by telephone and at least one attempt by email or letter.

g) Initiation of Skip Trace Activities

The Servicer will perform both address skips and telephone skips. It will initiate skip trace activities when it learns that the mail to the Borrower has been returned as undeliverable or when it learns a telephone number is invalid, and that discovery occurs on or before the 90th day of delinquency for 120-day Defaults and on or before the 150th day of delinquency for 180-day Defaults.

h) Recovery Activities on Defaults

The following recovery activities apply if the Servicers has been contracted by the Loan holder to perform such activities.

i) Once a Loan defaults, it is no longer a serviced Loan under the terms of the servicing agreement and the payment of servicing fees on that Loan ceases. To provide for ongoing recovery efforts on defaulted Loans, Servicer will maintain the system of record for tracking the then-current unpaid defaulted Loan balance.

ii) Servicer will assign all defaulted Loans to one or more recovery collection agencies.

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iii) Servicer may employ Deutsche Bank or its affiliates to perform collection activities provided Servicer believes the proposed fees are both cost-effective and reasonable in comparison with other potential sources.

iv) Any amounts received from collection agencies will be transferred to the loan holder or Secured Party, if applicable, in an amount calculated in accordance with the Servicing Agreement.

v) Servicer will track collection agency performance and will initially assign and subsequently re-assign defaulted Loan collection agency placements based on collection agency performance when alternative collection agencies are available.

vi) Servicer will make all decisions as to whether to accept or reject partial payments in settlement of the full defaulted Loan balance.

23) Bankruptcy

a) The Servicer will send copies of all documents relating to any bankruptcy proceeding to the owner of the Loan within 15 business days of receipt, and the Servicer will cease all collection activity. Bankruptcy proceeding may include petitions in bankruptcy court and/or correspondence concerning bankruptcy from the Borrower or an attorney representing the Borrower.

b) If the Servicer receives notice that a Borrower files for a Chapter 13 bankruptcy, the Servicer will file a Proof of Claim with the bankruptcy court and cease contact with the Borrower. Once a plan of reorganization is approved, the Servicer will resume activities in accordance with the plan.

c) If the Servicer receives notice that a Borrower files for a Chapter 7 bankruptcy, the Servicer will file a Proof of Claim with the bankruptcy court only if required by the bankruptcy court.

24) Death

a) The Servicer will send copies of all documents relating to any Borrower death to the owner of the Loan within 15 business days of receipt.

b) The Origination Agent will cancel any future disbursements that are dated after receipt of the death certificate.

c) Acceptable documentation of a death is a certified copy or a photocopy of the Death Certificate.

If the Servicer suspects the documentation related to any Borrower death is fraudulent, the Servicer may continue to perform collection/due diligence activities while completing its research and making its determination.

25) Allowable Write-Offs and Refunds

a) Any remaining loan balance of $5.00 or less will automatically be written off during the nightly update to the servicing system.

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b) Any remaining loan balance of more than $5.00 but $10.00 or less will be written off 30 days after the balance is reduced to that amount.

c) The Servicer may use its discretion to write-off amounts greater than $10.00 but less than or equal to $100.00. The write-off involves a manual entry.

d) Not including default claim balances, amounts above $100.00 will be referred to the Owner for review and approval/denial. If approved, the write-off will involve a manual entry.

e) Refund amounts less than or equal to $1.00 are written-off within 30 days. Amounts greater than $1.00 are refunded within 45 days.

f) If the borrower has other open program loans serviced by First Associates, providing the borrower did not request otherwise, refund amounts due a borrower equal to $25.00 or less will be applied to the borrower's other open program loans.

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Addendum A

CUSTOMER IDENTIFICATION PROGRAM

Access Group, Inc.

For Compliance with Section 326 of the USA PATRIOT Act
Revised April 27, 2009

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Purpose

The purpose of this document is to describe the student loan processing procedures Access Group, Inc. has in place to comply with the Customer Identity Verification Requirements under Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act. Regulations issued by the Department of the Treasury on April 30, 2003 require banks to develop a Customer Identification Program (CIP) that implements reasonable procedures relative to the core concepts of Section 326: (1) collection of identifying information about customers opening an account, (2) verifying that the customers are who they say they are, (3) maintaining records of the information used to verify their identity, and (4) determining whether the customer appears on any list of suspected terrorists or terrorist organizations. Customer Identification Programs must be in place for banks by October 2003.

This Customer Identification Program has been created because: (a) Section 326 of the USA PATRIOT Act currently applies to Access Group; (b) the Department of the Treasury has indicated that separate regulations regarding Section 326 are forthcoming with respect to non-bank financial institutions and are expected to closely track the bank regulations; and (c) The Originating Lender has requested that, as origination agent for them, we share with them our Customer Identification Program.

Access Group and the Federal Family Education Loan Program (FFELP) have controls in place that mitigate the risk of providing student loans to persons for terrorist purposes. These controls have been examined in light of the CIP requirements and are described within this document. Loan processing procedures reflect the steps taken to verify identity, including what information needs to be collected and reviewed, time frames for the review and positive identification of customers, and escalation procedures for problems and discrepancies found. In consultation with the Compliance Department, the Operations processing areas will train employees on any changes that occur because of the requirements imposed by the USA PATRIOT Act as well as other statutes and regulations governing student loan processing.

Access Group has a Director of Compliance whose responsibility it is to document the CIP and monitor the company's compliance with the CIP requirements, and to include the requirements of the Act in the company's internal compliance audit function.

Identity Verification Procedures

§103.121(b)(2) –

The CIP must contain risk-based procedures for verifying the identity of each customer to the extent reasonable and practicable. The procedures must be based upon *relevant risks* such as the types of accounts being opened, the various methods of opening accounts, and the types of identifying information available, as well as the company's size and the type of customer base.

How Access Group meets the compliance requirement

Access Group believes that most of the FFELP and Private loans offered to borrowers pose little risk of fraudulent use for the following reasons:

- Except as noted below, the school certifies the student's eligibility for a loan and his/her enrollment status, giving us a reasonable belief that it knows the true identity of the customer.
- In most cases, loan funds are delivered directly to the school's financial aid department via check or electronic funds transfer.
- Stafford loans are made payable to the student or co-payable to the student and the school. PLUS loan funds disbursed by individual check must be made co-payable to the borrower and the school.
- The school applies the loan funds to unpaid educational expenses actually incurred by the student.

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- Because loan funds are only disbursed for school related expenses, a potential identity thief would have to enroll in school, certify the loan, and create the appearance of attending classes in order to obtain loan proceeds.
- For Stafford and PLUS Loans, the Title IV loan refund process provides a final safeguard against the misuse of student loan funds. For students who withdraw from school within a short time of enrollment, the school must calculate and return to the lender a refund of loan funds based on a percentage of the term enrolled. In most cases, depending on when the student withdraws from school, refunds are sent from the school directly to the originator of the loan rather than to the student. So, even a student with the intent to receive the money personally by withdrawing immediately from school is typically not able to do so.
- For Access Group PLUS and private loans that require a cosigner, sponsor, or endorser, funds are delivered to the school on behalf of the student, thereby mitigating the risk that the funds could be used for terrorist purposes by the loan cosigner or sponsor.
- Access Group PLUS and private loans require a credit bureau report that is used to determine the borrower's credit eligibility and the pricing of the private loans. The credit bureau report is considered an additional source of identity verification. For some of the loans, however, borrowers who have not established a credit history can still qualify for loan funds, and in the case of the student recipient of sponsor loan funds, no credit check is done on the student. In these cases, we rely on the school certification process in order to verify the borrower's identity and on the funds disbursement process to ensure that the loan funds are delivered to the school.
- The Access Group REL and DEL loans present a greater risk for the misuse of funds because the funds are delivered directly to the student, the school is not required to certify a borrower's eligibility, and REL and DEL borrowers do not need to be previous Access Group borrowers. To help mitigate this risk, Access Group has implemented additional identity verification requirements.
- For BEL loans, borrowers receive the funds directly and they do not need to be previous Access Group borrowers. In these instances Access Group relies on the school certification process and the credit approval process in order to verify the borrower's identity. Statistically, there are an insignificant number of BEL loans with no credit history.
- For federal Consolidation Loans, the risk is even lower since this loan is actually a refinancing of other eligible federal loans and the borrower is the recipient of a new payment schedule, not loan proceeds.
- The Treasury regulations allow an exception to the identification requirements for existing customers (returning borrowers) who have loans with Access Group prior to October 1, 2003. Access Group, however, applies the identification requirements to all customers in order to even further mitigate the risk.
- Access Group routinely purchases private loans from Lenders through a contractual arrangement. Identity verification for these loans is not necessary at the time of purchase; Access Group has already performed identity verification for these loans on behalf of The Originating Lender during the origination process.
- Students studying abroad at an eligible foreign school in a program of study that is approved by the home institution must have their enrollment verified by the school before loan proceeds are disbursed. In some cases, the student may request to have the funds disbursed directly to him or her, however, the school must certify the student's enrollment. The foreign school is notified that the funds were sent directly to the borrower.

Customer Information Required

§103.121(b)(2)(i) –

The *minimum information* that a bank must obtain from each customer prior to opening an account is as follows: (1) name; (2) street address (residential and mailing addresses); (3) date of birth; (4) an identification number.

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How Access Group meets the compliance requirement

- The borrower's name, date of birth, permanent address, and Social Security Number is collected on all loan application forms. Additionally, a mailing address is requested for REL, DEL, and BEL applicants. For federal Stafford and PLUS loan borrowers, the mandated Master Promissory Note (MPN) collects this data and the mandated federal Consolidation Loan application/promissory note is the data collection instrument for the Consolidation Loan. Instructions on the form ask specifically for a permanent home street address and indicate that a temporary street address is not acceptable. The same information is required of Access Group private loan borrowers, cosigners and sponsors on the private loan application and promissory note.
- For collecting the identification number, Access Group requires citizens to provide their Social Security Number on the loan application forms. Eligible non-citizens seeking federal aid provide their alien registration number during the FAFSA application process. For Access Group private loan borrowers who are international students, a copy of the passport showing country of origin is required. Cosigners and sponsors must be citizens in order to qualify for private loan funds.

Verification Through Documents

§103.121(b)(2)(ii)(A) –

The CIP must include procedures describing when the bank will verify identity through documents and setting forth the documents that are to be used for this purpose.

How Access Group meets the compliance requirement

As stated above, Access Group requires a copy of the passport showing country of origin for all international loan applicants.

Additionally, if discrepancies are noted in the primary identifying fields (Name, address, etc.) between the loan application and the credit bureau report, Access Group may require the applicant to submit documentary evidence to resolve the discrepancy.

Non-Documentary Verification

§103.121(b)(2)(ii)(B) –

The CIP must include procedures describing what non-documentary methods are being used to verify identity and when these methods will be used.

How Access Group meets the compliance requirement

- Access Group considers the required certification of the borrower's eligibility by the school to be non-documentary verification of the borrower's identity by a trusted third party. The school certifies all private loans, with the exception of the REL and DEL, and all federal loans.
- An address comparison is performed for all REL and DEL applicants. If the address provided on the loan application does not match the address on the credit bureau report, then additional steps are taken to verify the mailing address. If the mailing address cannot be verified through non-documentary means (such as directory assistance or www.usps.com), the applicant is contacted and asked to provide acceptable documentation of proof of residence.
- If significant discrepancies are discovered in the borrower's name, address, or Social Security Number during the credit quality control process, Access Group will compare and verify information.

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- As part of the normal processing procedures, we reconcile loan disbursement information with each school for each borrower. This is one way of ensuring that loan funds are being used for educational purposes.
- The U.S. Department of Education data match process against the Social Security Administration (SSA) and the Immigration and Naturalization Service (INS) databases verifies the identity of each Stafford and PLUS Loan borrower.
- Loan funds are released after the school has certified the borrower's eligibility and has resolved discrepancies with the SSA and INS matches.
- Schools also need to match enrollment records of foreign students, regardless of financial aid applications, against the INS database at the time the student enrolls.

Lack of Verification

§103.121(b)(2)(iii) –

The CIP must include procedures for responding to circumstances in which the bank cannot form a reasonable belief that it knows the true identity of a customer.

How Access Group meets the compliance requirement

If the borrower, cosigner, sponsor, or endorser (whenever applicable), does not submit the requested documents for identity verification, we will decline making the loan and notate the reason on the system as "failure to submit proof of identity."

Record Keeping Requirements

§103.121(b)(3)(i) and (ii)

The CIP must include procedures for making and maintaining a record of all information obtained under the procedures implementing the minimum identity verification requirements of the CIP. Records must be kept for five years after the date the account is closed or becomes dormant.

How Access Group meets the compliance requirement

- Access Group retains all borrower origination and disbursement records for all borrowers. The documentation used to verify borrower identity is scanned and imaged. Additionally, a note is placed on the borrower's account using a memo feature to indicate the type of documentation collected.
- If there is a discrepancy in any of the identification materials submitted by a loan applicant, the processing area will require new documentation be submitted, and retain in the memo feature a description of the steps taken to resolve it.

Comparison with Government Lists

§103.121(b)(4) –

The CIP must include procedures for determining whether the applicant is on any list of known or suspected terrorists or terrorist organizations issued by any federal government agency and designated as such by Treasury in consultation with federal functional regulators.

How Access Group meets the compliance requirement

- Access Group currently compares international loan applicants who pass the established credit criteria to the Treasury's *Specially Designated Nationals and Blocked Persons* (SDN) list.
- Access Group performs a name-based OFAC check on every federal loan applicant and on all private loan applicants who pass the established credit criteria.

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Customer Notice

§103.121(b)(5) –

The CIP must include procedures for providing customers with adequate notice that the bank is requesting information to verify their identity. The notice must generally describe the verification requirements and be given in a manner reasonably designed to ensure the customer views or receives the notice before opening an account.

How Access Group meets the compliance requirement

- The "Instruction and Notices" page included with each FFELP Stafford and PLUS MPN contains sufficient notice that information is collected for identity verification and anti-fraud purposes.

  "The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, Forbearance, discharge or forgiveness) under the FFELP, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect on your loan(s), if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically."

- The Application and Loan Agreement for private loans contains the following notice:

  IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

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Addendum B

Dictionary of Defined Terms

Term	Definition
Account	Refers to each Loan approved per application.
Active Duty	As defined in the Servicemembers Civil Relief Act.
Application	The electronic process or document used to collect data from the Program Applicant (i.e., name, address, Social Security number, date of birth, school information, etc.) to initiate a request for a Loan.
Borrower	The person who applies for and receives the benefit of the education loan.
Clearinghouse	The National Student Clearinghouse, a non-profit organization headquartered in Herndon, Virginia, or its successors.
Collection	The actions taken by a Lender or Servicer to collect payments due from the Borrower.
Disbursements	The transfer of Loan funds from the Originating Lender via Electronic Funds Transfer (EFT) for the benefit of the borrower.
Full Payment	A payment that is within 10% of the amount due but not more than $5.00 less than the amount due.
Loan	A consummated Application and Loan Agreement that is evidenced by a disbursement and has been signed by the Borrower.
Loan Agreement	The document that is incorporated by reference into the Application that has been signed by the Borrower containing the terms of the Loan.
Loan Period	The academic year or portion thereof for which the Program Applicant is enrolled and is seeking a loan.
Servicer	First Associates.

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Addendum C

OFAC Procedure

OFAC Hit

Steps:

1. When an application is initiated, the Program Applicant's name is automatically checked against the OFAC database for a match. When there is no match, the application continues processing in a normal fashion.
2. If name is a match, the information required by the Customer Information Program (found in Addendum A) is collected by Origination Agent.
3. Following completion of Step 2, the application is forwarded to the Servicer's Originations and Disbursement Manager.
    a. The Originations and Disbursement Manager will re-verify the match and if applicable, contact OFAC's "hotline" at 1-800-540-6322 for verification.
    b. If OFAC confirms a true hit, there are additional reporting requirements that are required to be in compliance.
    c. If OFAC confirms a true hit, the Originations and Disbursement Manager will also contact Liberty Bank.

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Addendum D

Reconsideration Procedure

Access Group's Reconsideration Policy and Procedures

My loan request was denied. Will Access Group take a second look at my request?

YES! Our policy is to allow a one-time reconsideration of your loan application on behalf of Liberty Bank, N.A. All reconsiderations must be concluded within 60 days of your initial denial. In requesting reconsideration, you are authorizing us to obtain a copy of your credit bureau report, which we will do within 60 days. In order to facilitate a thorough and timely review, all requests for reconsideration must be submitted in writing.

Your correspondence should specifically address the items listed in the enclosed denial letter and be accompanied by appropriate documentation (please list your Social Security number in your letter or fax).

All reconsideration requests should be mailed to:

Access Group, Inc.
Credit Reconsideration Dept.
P.O. Box 7410
Wilmington, DE 19803-0410

Or, you may fax your correspondence to:

Access Group, Inc.
Credit Reconsideration Dept.
(302) 477-4296

What information was used in initially denying my loan request?

We have relied upon the information contained in your credit report. Your credit report contains detailed information on your past credit history and performance. Access Group, on behalf of Liberty Bank, N.A., evaluates the information found in your credit report.

What information will be used in reconsidering this initial decision?

We will reconsider your loan application based solely on errors in your credit report, which are called to our attention or negative items you are able to correct. For this reason, we strongly urge you to get a copy of your credit report, free of charge, from the credit agency listed on the enclosed denial letter. In your correspondence with us, please list the errors you find on the report. Only errors evidenced by a corrected credit report, obtained by the Access Group directly from the credit agency, will be considered.

What procedures do I follow to have my application reconsidered?

1. Carefully read the enclosed denial letter.
2. Order a copy of your credit report by calling the consumer credit reporting agency listed in your letter.
3. Check your credit report for accuracy and report any errors by calling the consumer credit reporting agency directly and by contacting each reporting creditor who is a source of an error. In some cases, credit reports reflect issues with creditors or have reporting errors about which you may be unaware. To help ensure a timely response, we suggest that you send correspondence to the consumer credit reporting agency via registered mail.

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Addendum E

Originating Lender's Privacy Policy

Liberty Bank, N.A.
25201 Chagrin Blvd., Suite 120
Beachwood, OH 44122-5600

Securing Your Financial Privacy

PRIVACY DISCLOSURE

Liberty Bank, N.A. is committed to the strong tradition of safeguarding our customers' private financial information. Liberty Bank, N.A. collects, retains, and uses information about individual customers only when we believe it would be useful (and allowed by law) in administering our business and to provide products, services and other opportunities to customers. This information is obtained from application information, transaction information, and consumer report information. Liberty Bank, N.A. makes disclosures to third parties only as permitted by law. This privacy policy expresses Liberty Bank N.A.'s commitment to our customers.

INFORMATION WE COLLECT ABOUT YOU

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other forms,
- Information about your transactions with us, our affiliates, or others,
- Information we receive from a consumer-reporting agency

NO DISCLOSURES OUTSIDE OF EXCEPTIONS

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law.

CONFIDENTIALITY AND SECURITY

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products or services to you.

We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

ADDITIONAL INFORMATION

If you have any questions or concerns about the protection of your personal financial information, please feel free to contact us at (216)359-5500.

ISP Form – 06/2009

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SCHEDULE F

TERMINATION CRITERIA

This Agreement may be terminated pursuant to Section 5.02(E) as follows:

(A) if the Actual Cumulative Default Rate on any Loan Pool exceeds 120% (or 140% in the case of a Differentiated Loan Pool) of the applicable Maximum Cumulative Default Rate at the end of any month (a "Trigger Point"), after the 18th month following the month in which the first Serviced Loan in that Loan Pool enters Repayment, then:

(1) the Servicer must submit to the Guarantor and the Servicing and Collections Advisor an action plan, setting forth in reasonable detail the steps that the Servicer intends to take to improve the repayment performance of the Serviced Loans in that Loan Pool; and

(2) if the Actual Cumulative Default Rate on that Loan Pool exceeds 120% (or 140% in the case of a Differentiated Loan Pool) of the applicable Maximum Cumulative Default Rate as of the end of the month (the "Second Trigger Point") that is six months following the Trigger Point with respect to that Loan Pool, then:

a. the Servicer must submit to the Guarantor and the Servicing and Collections Advisor an additional action plan, setting forth in reasonable detail the steps that the Servicer intends to take to improve the repayment performance of the Serviced Loans in that Loan Pool; and

b. If the Actual Cumulative Default Rate on that Loan Pool exceeds 120% (or 140% in the case of a Differentiated Loan Pool) of the applicable Maximum Cumulative Default Rate as of the end of the month that is six months following the Second Trigger Point, then either the Voting Party or the Servicer may terminate this Agreement by delivering, within 30 days after the date on which the Actual Cumulative Default Rate for the Loan Pool at issue was determined, notice of termination as provided in Section 5.02(E).

(B) If the Actual Cumulative Default Rate on any Loan Pool exceeds 300% of the applicable Maximum Cumulative Default Rate as of the end of any month after the ninth month following the month in which the first Serviced Loan in that Loan Pool enters Repayment, then the Voting Party may terminate this Agreement by delivering, within 30 days after the date on which the Actual Cumulative Default Rate for the Loan Pool at issue was determined, notice of termination as provided in Section 5.02(E).

(C) For purposes of this Schedule F:

(1) "Actual Cumulative Default Rate" shall mean, as of any date of determination and with respect to each Loan Pool, a fraction (expressed as a

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percentage), the numerator of which is the aggregate outstanding principal balance (including capitalized fees and interest) of Defaulted Loans in that Loan Pool (as of the respective dates on which they became Defaulted Loans), net of gross recoveries on the Defaulted Loans in that Loan Pool, and the denominator of which is the aggregate outstanding principal balance (including capitalized fees and interest) of Serviced Loans in that Loan Pool acquired by the Trust (as of the respective dates on which they were acquired by the Trust) plus all interest that has been capitalized on the Serviced Loans in that Loan Pool after the respective dates of their acquisition; provided that, for purposes of both the numerator and the denominator, the principal amount of any Defaulted Loan shall cease accreting due to capitalization of interest as of the date it becomes a Defaulted Loan.

(2) "Differentiated Loan Pool" shall mean a Loan Pool in which the aggregate outstanding principal balance of Serviced Loans in such Loan Pool the Borrower of which graduated from a School is less than 70% of the aggregate outstanding principal balance of all Serviced Loans in such Loan Pool, each determined as of the date on which the last Serviced Loan in that Loan Pool enters Repayment.

(3) "Loan Pool" shall mean each group of Serviced Loans with an aggregate outstanding principal balance (as of the respective dates on which the Serviced Loans enter Repayment) of as close as practicable to (but not less than) $100,000,000, determined on a first-in-time-of-entering-Repayment basis until such balance reaches $100,000,000; provided that (i) if, at the time that such balance of a prospective Loan Pool reaches $100,000,000, the disbursed amount (*i.e.*, without giving effect to capitalization of fees and interest) of all remaining Serviced Loans that have not yet been included in a Loan Pool is less than $60,000,000, that Loan Pool will include all remaining Serviced Loans, and (ii) if clause (i) does not apply, a separate Loan Pool will be created, without regard to whether it ultimately reaches $100,000,000.

(4) "Maximum Cumulative Default Rate" shall mean the applicable percentage set forth in the table below, based on the month being measured (with month 0 being the month in which the first Serviced Loan in the applicable Loan Pool enters Repayment):

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Month	Maximum Cumulative Default Rate	Month	Maximum Cumulative Default Rate
10	11.667%	36	29.750%
11	12.833%	37	30.042%
12	14.000%	38	30.333%
13	14.729%	39	30.625%
14	15.458%	40	30.917%
15	16.188%	41	31.208%
16	16.917%	42	31.500%
17	17.646%	43	31.792%
18	18.375%	44	32.083%
19	19.104%	45	32.375%
20	19.833%	46	32.667%
21	20.563%	47	32.958%
22	21.292%	48	33.250%
23	22.021%	49	33.396%
24	22.750%	50	33.542%
25	23.333%	51	33.688%
26	23.917%	52	33.833%
27	24.500%	53	33.979%
28	25.083%	54	34.125%
29	25.667%	55	34.271%
30	26.250%	56	34.417%
31	26.833%	57	34.563%
32	27.417%	58	34.708%
33	28.000%	59	34.854%
34	28.583%	60 and thereafter	35.000%
35	29.167%		

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CL_Review001313

EXHIBIT 10.51

Execution Copy

PURCHASE OBLIGATION AGREEMENT

This PURCHASE OBLIGATION AGREEMENT (this "***Agreement***") is dated as of January 20, 2010 and is by and among ITT EDUCATIONAL SERVICES, INC., a Delaware corporation (the "***Guarantor***"), DEUTSCHE BANK TRUST COMPANY AMERICAS, as indenture trustee and collateral agent (in such capacities, the "***Secured Party***") and each of the Senior Creditors (as hereinafter defined) whose names appear on the signature pages hereof.

RECITALS

A. The Guarantor offers certain programs of education through schools that it owns and operates.

B. PEAKS Trust 2009-1 (the "***Trust***") has been established pursuant to a Trust Agreement dated as of December 23, 2009 (as amended, supplemented, restated or otherwise modified from time to time, the "***Trust Agreement***"), between Access Group, Inc., as depositor, and Deutsche Bank Trust Company Delaware, as owner trustee, for the purpose of purchasing and holding loans made to students attending the Guarantor's schools.

C. The Trust Agreement and that certain Indenture and Credit Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time, the "***Indenture and Credit Agreement***") by and among the Trust, the Secured Party and the Lender Trustee, provide for student loan asset-backed senior notes to be issued by the Trust (the "***Senior Notes***") to provide a portion of the funds for the Trust to purchase and hold Financed Loans.

D. The Senior Notes will be purchased by certain of the Senior Creditors pursuant to a Note Purchase Agreement dated as of the date hereof between the Trust and the Note Purchasers (as defined therein) and acknowledged by the Secured Party (as amended, supplemented, restated or otherwise modified from time to time, the "***Note Purchase Agreement***").

E. The Trust Agreement and the Indenture and Credit Agreement also provide for the terms of a loan (the "***Loan***" and together with the Senior Notes, the "***Senior Credit***") to be made to the Trust in order to provide a portion of the funds for the Trust to purchase and hold Student Loans.

F. The Loan will made by a lender (the "***Lender***" and together with the Note Purchasers, the "***Senior Creditors***") to the Trust pursuant to a Loan Agreement (as amended, supplemented, restated or otherwise modified from time to time, the "***Loan Agreement***") dated as of the date hereof between the Trust, the Secured Party and such Lender.

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G. The proceeds of the Senior Credit will be used to purchase Financed Loans pursuant to that certain Private Education Loan Origination and Sale Agreement dated as of the date hereof among Liberty Bank, N.A., as Originating Lender, the Guarantor, the Lender Trustee, the Secured Party and Access Group, Inc. as Origination Agent (as amended, supplemented, restated or otherwise modified from time to time, the "***Loan Purchase Agreement***").

H. The Guarantor has agreed to guarantee all Guaranteed Payments in respect of the Senior Credit pursuant to the terms of that certain Guarantee Agreement dated as of the date hereof between the Guarantor and the Secured Party (as amended, supplemented, restated or otherwise modified from time to time, the "***Guarantee Agreement***").

I. The Senior Creditors desire that the Guarantor grant the Senior Creditors an option pursuant to which such Senior Creditors may elect to require the Guarantor to purchase, in whole or in part, the Senior Credit, on the terms herein described.

J. The parties desire to provide for the amendment of this Agreement in certain circumstances.

K. Capitalized terms used but not defined herein (including in the preamble and the recitals hereto) shall have the meanings assigned to such terms in the Indenture and Credit Agreement.

I. PURCHASE OBLIGATION AND MOST FAVORED NATION PROVISION

1. The Guarantor hereby grants to the Senior Creditors an irrevocable option to require the Guarantor to purchase (the "***Purchase Obligation***"), in whole or in part, the Senior Credit, in the circumstances and on the terms set forth below:

1.1. If, subsequent to the Closing Date, any legislative change is enacted into law to reduce the maximum allowable percentage of the Guarantor's cash revenues derived from funding under Title IV of the Higher Education Act from 90% to 75% or less (a "***Legislative Change***"), the Guarantor will give written notice (a "***Purchase Notice***") of such fact not more than five (5) days after the date upon which a Legislative Change shall have become effective (the "***Legislative Change Date***") to the Secured Party and the Secured Party shall deliver such Purchase Notice to each of the Senior Creditors not more than five (5) days after receipt of the same from the Guarantor.

1.2. The Purchase Notice shall (i) describe the scope of the Legislative Change in reasonable detail, (ii) designate a purchase date (the "***Purchase Date***"), which Purchase Date shall be not less than forty (40) days and not more than sixty (60) days following the Legislative Change Date, (iii) specify the date by which the Senior Creditors must accept the Offer to Purchase (the "***Required Acceptance Date***"), which

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Required Acceptance Date shall be not less than ten (10) days prior to the Purchase Date and (iv) refer to this Agreement and the right of the Senior Creditors to require the Guarantor to offer to purchase (the "***Offer to Purchase***") upon the same terms and conditions pro rata the Outstanding Senior Credit, in whole or in part, at the purchase price for such Senior Credit, payable in immediately available funds, equal to the unpaid principal amount of such Senior Credit, together with interest accrued and unpaid thereon to the Purchase Date (the "***Purchase Amount***"), without Call Premium or any other amounts.

1.3. Each Senior Creditor shall have the right to accept an Offer to Purchase made by the Guarantor pursuant to Section 1.2 hereof and require the purchase of the Senior Credit held by such Senior Creditor, in whole or in part, by written notice (the "***Senior Creditor Acceptance Notice***") to the Guarantor on or before the Required Acceptance Date. If 25% or more of the Senior Credit then Outstanding is tendered to the Guarantor for purchase, the Guarantor shall promptly notify or cause the Secured Party to notify the Senior Creditors of such fact (the "***25% Acceptance Notice***") and (i) the Required Acceptance Date shall be adjusted by the number of days necessary to give each such remaining Senior Creditor at least thirty (30) days from its receipt of such 25% Acceptance Notice to accept such Offer to Purchase and (ii) the Purchase Date shall be extended such that the number of days between the Required Acceptance Date and the Purchase Date shall remain unchanged. Failure to timely respond by a Senior Creditor to any Purchase Notice or 25% Acceptance Notice shall constitute a rejection of the Offer to Purchase by such Senior Creditor.

1.4. On the Purchase Date, upon receipt of the applicable Purchase Amount by each Senior Creditor having delivered a Senior Creditor Acceptance Notice to the Guarantor as to all or any portion of such Senior Creditor's then Outstanding Senior Credit, such Senior Creditor shall surrender the Senior Notes or Loan Notes corresponding to such portion of the then Outstanding Senior Credit for transfer, duly endorsed or accompanied by an assignment to the Guarantor duly executed by such Senior Creditor, and the Trust shall deliver on the Purchase Date such new Senior Notes or Loan Notes reflecting the Guarantor as a Senior Creditor as may be required in accordance with the terms of Section 2.03 of the Indenture and Credit Agreement. The Trust and the Secured Party undertake and agree that notwithstanding the terms of said Section 2.03 and the right of the Trust, the Secured Party and the Registrar to execute, authenticate and register, respectively, any Senior Note or Loan Note within ten Business Days upon surrender at the Principal Office of the Registrar, the parties shall effect any transfer of Senior Notes or Loan Notes in respect of the Purchase Obligation on the Purchase Date.

2. In furtherance of the transactions described in the Trust Agreement, the Indenture and Credit Agreement, the Note Purchase Agreement, the Loan Agreement, the Loan Purchase Agreement and the Guarantee Agreement, the Trust has entered into the several related

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transactions contemplated by that certain (i) Administration Agreement, dated as of the date hereof, among the Trust, the Owner Trustee, the Guarantor, Access Group, Inc., as Administrator, and the Secured Party (as amended, supplemented, restated or otherwise modified from time to time, the "***Administration Agreement***"), (ii) Syndication Agent Agreement dated as of the date hereof among the Trust, Deutsche Bank Securities Inc., as Syndication Agent, and the Guarantor (as amended, supplemented, restated or otherwise modified from time to time, the "***Syndication Agreement***"), and (iii) Agreement for Servicing Private Student Loans, dated as of the date hereof, among the Trust, the Secured Party, the Guarantor and Access Group, Inc., as Servicer (as amended, supplemented, restated or otherwise modified from time to time, the "***Servicing Agreement***") (the transactions contemplated by the agreements referenced in this Section 2, collectively, the "***PEAKS 2009-1 Transaction***").

3. The Guarantor covenants and agrees that in the event that the Guarantor enters into a transaction related to private education loans for its students and graduates that (i) is similar, in form or substance, to the PEAKS 2009-1 Transaction, and in which Deutsche Bank Securities Inc. (or an affiliate thereof) acts as arranging agent, collateral agent, placement agent, syndication agent, indenture trustee, lender trustee or owner trustee and in which the Guarantor guarantees payments on any loan, note or other debt obligation (each, a "***Debt Obligation***") issued in connection therewith (a "***Similar Transaction***"), and (ii) contains an obligation of the Guarantor to purchase, in whole or in part, any Debt Obligation in the event that the maximum allowable percentage of the Guarantor's cash revenues derived from funding under Title IV of the Higher Education Act is reduced from 90% to a percentage above 75% but below 90%, then the Guarantor shall (A) on the Business Day immediately following the closing date of such Similar Transaction, provide the Secured Party with notice and a description of the obligation of the Guarantor contained in the Similar Transaction (the "***Similar Transaction Notice***"), and (B) execute an amendment to this Agreement that increases the percentage from 75% in the definition of Legislative Change to the percentage utilized in the Similar Transaction.

4. The Secured Party covenants and agrees to deliver any Similar Transaction Notice to the Senior Creditors not more than five (5) days after receipt of the same from the Guarantor.

II. MISCELLANEOUS PROVISIONS

5. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered either personally or by next day courier, in each case, addressed as follows:

(a) if to the Guarantor or the Secured Party, at the address set forth in the Indenture and Credit Agreement; and

(b) if to any Senior Creditor, at the address set forth in the Credit Register maintained by the Credit Registrar, together with a copy to the Senior Creditors' counsel: Winston & Strawn LLP, 200 Park Avenue, New York, New York 10166, Attn: Alan S. Hoffman, Esq.,

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or at such other place as the respective party may, from time to time, designate in a written notice to the other party.

6. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns including in connection with an assignment or transfer of the Senior Credit pursuant to the terms of the Indenture and Credit Agreement.

7. Notwithstanding anything contained herein to the contrary, this instrument has been executed by Deutsche Bank Trust Company Delaware, not in its individual or personal capacity but solely in its capacity as Owner Trustee, and in no event shall Deutsche Bank Trust Company Delaware in its individual or personal capacity or any beneficial owner of the Issuer have any liability for the obligations of the Trust hereunder.

8. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York.

9. In connection with any suit, claim, action or proceeding arising out of or relating to the transactions contemplated hereby: each party hereto hereby consents to the in personam jurisdiction of the United States District Court for the Southern District of New York and of the Supreme Court of New York County (and each party hereto agrees not to commence any action, suit or proceeding relating thereto except in any such United States District Court or, if subject matter jurisdiction therefor is not available in such court, in such Supreme Court); each party hereto agrees that service by prepaid recorded delivery or registered post, or any other form equivalent thereto (or, in the alternative, by any other means sufficient under applicable law, rules and regulations) at the addresses referred to in Section 5 hereof shall be valid and sufficient for all purposes and hereby waives to the fullest extent it may effectively do so any challenges to the validity of service of process if service is given in accordance herewith; and each party hereto agrees to, and irrevocably waives to the fullest extent it may effectively do so any objection based on forum non conveniens or venue not to appear in such courts.

10. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO ANY OF THE AGREEMENTS AND FOR ANY COUNTERCLAIM THEREIN.

11. The Guarantor acknowledges that the Senior Creditors will have no adequate remedy at law if the Guarantor fails to perform its obligations under this Agreement. In such event, the Guarantor agrees that the Senior Creditors shall have the right, in addition to any other rights it may have, to specific performance of such obligations and that the Guarantor will not take any action to impede the Senior Creditor's efforts to enforce such right of specific performance.

12. If, at any time, any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

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13. This Agreement shall continue in force and effect until the earlier of: (i) the Senior Credit being paid in full and (ii) the purchase of the Senior Credit in full by the Guarantor as described in Section 1, at which time this Agreement shall terminate and be of no further force and effect.

14. This Agreement constitutes the only agreement between the parties relating to the Purchase Obligation granted hereunder and supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature whatsoever, whether or not in writing, relating thereto.

15. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[*Remainder of Page Intentionally Left Blank*]

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IN WITNESS WHEREOF, the parties have hereunto signed their names as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Secured Party

By: Deutsche Bank National Trust Company

By: /s/ Susan Barstock
Name: Susan Barstock
Title: Vice President

By: /s/ Mark DiGiacomo
Name: Mark DiGiacomo
Title: Assistant Vice President

LIBERTY HARBOR MASTER FUND I, L.P.

By: Liberty Harbor I GP, LLC, its general partner

By: /s/ Jonathan Lamm
Name: Jonathan Lamm
Title: Authorized Signatory

FUTURE FUND BOARD OF GUARDIANS

By: Goldman Sachs Asset Management, L.P., its investment manager

By: /s/ Jonathan Lamm
Name: Jonathan Lamm
Title: Authorized Signatory

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WELLS FARGO BANK, N.A.

By /s/ George Wick
Name: George Wick
Title: Executive Vice President

DEUTSCHE BANK AG, LONDON BRANCH

By /s/ Baxter Wasson
Name: Baxter Wasson
Title: Director

By /s/ Nir Vidre
Name: Nir Vidre
Title: Managing Director

OREGON PUBLIC EMPLOYEES RETIREMENT FUND

By /s/ Mark Casanova
Name: Mark Casanova
Title: Authorized Signatory

KKR FI PARTNERS I L.P.

By /s/ Mark Casanova
Name: Mark Casanova
Title: Authorized Signatory

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USAA LIFE INSURANCE COMPANY

By /s/ John C. Spear
Name: John C. Spear
Title: VP Insurance Portfolio

ENSIGN PEAK ADVISORS, INC.

By /s/ Robert Nydegger
Name: Robert Nydegger
Title: VP

By /s/ Kevin Lund
Name: Kevin Lund
Title: Vice President

AMERICAN EQUITY LIFE INSURANCE COMPANY

By /s/ Greg Carstensen
Name: Greg Carstensen
Title: VP - Investments

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Section 1.4 of this Agreement is hereby acknowledged and agreed to as of the date thereof.

PEAKS TRUST 2009-1, a Delaware statutory trust

By: DEUTSCHE BANK TRUST COMPANY DELAWARE, not in its individual capacity or personal capacity but solely in its capacity as Owner Trustee

By /s/ Susan Barstock
Name Susan Barstock
Title Attorney-in-fact

By /s/ Mark DiGiacomo
Name Mark DiGiacomo
Title Attorney-in-fact

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EXHIBIT 10.53

RISK SHARING AGREEMENT

This RISK SHARING AGREEMENT (this "***Agreement***"), dated as of February 20, 2009 ("***Effective Date***") is made between ITT EDUCATIONAL SERVICES, INC., a Delaware corporation, on behalf of itself and its affiliates and subsidiaries ("***ITT ESI***") and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

ARTICLE I
PURPOSE AND SCOPE

SECTION 1.1 Purpose and Scope. Pursuant to the Program Agreement, the CUSO intends to conduct the Program utilizing the Originating Entity to provide access for Students across the country to non-governmentally guaranteed student loans. The Originating Entity will originate Loans to Students. The CUSO will purchase Loans creating discrete annual pools based on dates of disbursement of Loan proceeds. The CUSO will then participate its interest in the Loans among the Credit Unions. To induce the CUSO to both induce the Originating Entity to originate Loans and itself purchase such Loans and to induce the Credit Unions to participate therein, ITT ESI has agreed to provide a guarantee for the Loans upon and subject to the terms and conditions of this Agreement.

ARTICLE II
DEFINITIONS

SECTION 2.1 Special Definitions. Terms used in this Agreement and not otherwise specifically defined herein shall have the respective meanings provided in ***Schedule A***. ***Schedule A*** and all other Schedules and Exhibits referred to in this Agreement are attached to and made a part of this Agreement.

SECTION 2.2 Other Definitional Terms.

(a) As used in this Agreement, (i) accounting terms not defined herein and (ii) accounting terms partly defined herein to the extent not defined, will have the respective meanings given to them under GAAP.

(b) The words "herein" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Sections and Subsections references are to this Agreement unless otherwise specified.

(c) As used in this Agreement, words of masculine gender include the feminine or neuter genders and vice versa, where applicable. Words of the singular number include the plural number, and vice versa, where applicable.

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ARTICLE III
ITT ESI RISK LOANS

SECTION 3.1 ITT ESI Guaranty. ITT ESI shall have no liability whatsoever with respect to any Loans in any Loan Pool unless and until such time as the aggregate amount that is Charged Off on Loans in such Loan Pool exceeds the First Loss Risk for such Loan Pool. ITT ESI hereby absolutely and unconditionally guarantees the full and prompt payment of all the ITT ESI Risk Loans in each Loan Pool, as and in the manner hereinafter provided. For example, if a Loan Pool consists of Loans the aggregate Net Disbursements on which are $100,000,000 and the applicable First Loss Percentage for such Loan Pool is thirty-five percent (35%), once an aggregate of $35,000,000 has been Charged Off on Loans in such Loan Pool, ITT ESI will have an obligation to make payments required under this ***Article III***.

SECTION 3.2 Monthly Report. So long as any Loans are outstanding in any Loan Pool, the CUSO shall provide or cause to be provided to ITT ESI on or before the tenth (10th) Business Day after the CUSO has received its regular monthly report from the Servicer, a Monthly Report on such Loan Pool as of the end of the month that is the subject of such report from the Servicer.

SECTION 3.3 Claim Package. Each Monthly Report for a Loan Pool shall also be accompanied by a Claim Package.

SECTION 3.4 Payments. Within fifteen (15) days (or on the next Business Day if such 15th day is not a Business Day) after receipt of the last of the required information, ITT ESI shall transfer, via electronic transfer, payment of the full amount of any ITT ESI Risk Payment due for such month (net of the amount, if any, due to ITT ESI pursuant to ***Section 4.1*** hereof) to such account as the CUSO may from time to time in writing designate to ITT ESI not less than ten (10) days before the due date of any ITT ESI Risk Payment.

SECTION 3.5 Repayment of Risk Share Payment. In the event that ITT ESI shall make any ITT ESI Risk Payment pursuant to ***Section 3.4*** (directly or by way of offset), the CUSO shall reimburse ITT ESI therefor to the extent and in the manner provided in ***Article IV*** hereof.

SECTION 3.6 Mature Loans. Notwithstanding the provisions of ***Section 3.4***, ITT ESI may, by written notice to the CUSO, elect to discharge all its obligations under this ***Article III*** in respect of any Mature Loan for which an ITT ESI Risk Payment is then due by both (i) giving written notice thereof to the CUSO not less than five (5) days before the due date for such ITT ESI Risk Payment and (ii) remitting, with such ITT ESI Risk Payment, the then outstanding balance plus accrued unpaid interest of such Mature Loan as reflected in the then current Monthly Report. ITT ESI may also discharge all its obligations under this ***Article III*** in respect of any Charged Off Loan on which an ITT ESI Risk Payment is due but which is not yet a Mature Loan by giving the notice required with respect to a Mature Loan and, in addition to the payment required for a Mature Loan, paying an amount equal to any additional interest that would otherwise have been payable before such Loan became a Mature Loan, subject to discount at the rate of ten percent (10%) per annum. The CUSO shall reimburse ITT ESI for all payments made pursuant to this ***Section 3.6*** to the extent and in the manner provided in ***Article IV*** hereof. Loans as to which ITT ESI has discharged all its obligations under this ***Article III*** pursuant to this ***Section 3.6*** shall, upon the payment provided for in this Section, no longer be considered an ITT ESI Risk Loan for any purpose under this Agreement. ITT ESI may, on reasonable notice to the CUSO and the Servicer, remove from servicing by the Servicer any Loans on which ITT ESI has discharged its obligations under ***Article III*** pursuant to this ***Section 3.6*** (each a "***Removed Loan***") and, after such removal, neither the CUSO nor the Servicer shall have any further servicing obligations or liabilities for any Removed Loan, other than the obligation to cooperate with ITT ESI's reasonable requests for administrative items (but their obligations and liabilities therefor arising prior to such removal shall be unaffected thereby). Notwithstanding the foregoing, the CUSO shall continue to own all Removed Loans and they shall remain a part of the Loan Pool for the Funding Year in which they were originally disbursed. ITT ESI shall cause collected proceeds of Removed Loans, net of third party collection costs, to be remitted to or as directed by the CUSO (to be thereafter paid to ITT ESI, as provided in ***Article IV*** to the extent of the CUSO's reimbursement obligation pursuant to ***Section 3.5*** and ***Section 3.6***).

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SECTION 3.7 Nature of Guarantee. ITT ESI's obligations hereunder are joint and several and independent of the obligations of any Borrower and any other guarantor. ITT ESI's obligations hereunder shall remain in effect until all Loans in each Loan Pool are either paid in full or ITT ESI has discharged its obligations with respect thereto pursuant to ***Sections 3.4*** and ***3.6***, notwithstanding any act, omission or thing that might otherwise operate as a legal or equitable discharge of ITT ESI or any Borrower, except any that otherwise arises as a result of the fraudulent or grossly negligent action or inaction or willful misconduct of the CUSO. ITT ESI's obligations hereunder are independent of and not in consideration of, or contingent upon, the liability of any other person under any guarantee, surety or similar obligation, such as the obligation of a co-signer. The release of or death of, or cancellation by, any person or entity responsible under any such guarantee, surety or similar obligation will not act to release or otherwise affect the continuing liability of ITT ESI; provided that any such release or cancellation is not a result of, or caused by, the fraudulent or grossly negligent action or inaction or willful misconduct of the CUSO. Any partial payment by any Borrower or other circumstance which operates to toll any statute of limitations as to any Borrower will operate equally to toll the statute of limitations as to ITT ESI. Notwithstanding the foregoing, ITT ESI shall have no liability hereunder in respect of any Loan as to which there is a breach of any representation or warranty by the CUSO set forth in the Program Agreement, excepting only (a) any breach that is the direct result of any fraud, willful misconduct or gross negligence by ITT ESI, and (b) any breach by the CUSO of Section 2.16(a) of the Program Agreement that is the direct result of either (i) an error by the Origination Vendor or (ii) the failure by the Origination Vendor to comply with instructions of the Originating Entity, in each case in connection with the origination of such Loan.

SECTION 3.8 Information and Audit Rights.

(a) The CUSO shall cause the Servicer to provide to ITT ESI and any designee of ITT ESI all reports (both regular and special) and other data which the Servicer shall provide to the CUSO contemporaneously with such provision and in the same format as is provided to the CUSO.

(b) Promptly upon request therefor, the CUSO shall provide to ITT ESI such information regarding the Loans as ITT ESI may, from time to time, request, including, without limitation, information regarding the servicing and collection of the Loans and any alterations made to any Loans, as provided in ***Section 3.9***.

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(c) Upon at least five (5) Business Days prior notice to the CUSO, ITT ESI shall be afforded access to all documents and records relating to Loans and/or the Program to inspect and audit the same (either itself or through a third-party auditor). Any such inspection or audit shall be at ITT ESI's sole expense; provided, however, that if any such inspection or audit shall reveal that the records or reporting with respect to any Loan Pool reflect material inaccuracies with respect to Loans, the Net Disbursements on which aggregate in excess of 10% of the aggregate Net Disbursements on all Loans in such Loan Pool, then, within ten (10) days of demand therefor by ITT ESI, the CUSO shall reimburse ITT ESI for its out-of-pocket costs for such inspection or audit, including without limitation the fees and costs of any third-party auditor.

SECTION 3.9 Alteration of Borrower Obligations. From time to time, the CUSO may modify or renew terms of any Loan (or any documentation or collateral therefor), without thereby releasing ITT ESI from its guarantee provided that such modification is within the Loan Criteria or the Collection and Charge Off Standards. However, any alteration described above that reduces the amount that a Borrower is obligated to pay under a Loan will similarly reduce ITT ESI's guarantee obligations with respect thereto. Further, any forbearance, revision, modification, extension, amendment, or other change to any Loan in any manner inconsistent with the Loan Criteria or the Collection and Charge Off Standards, will disqualify such Loan as an ITT ESI Risk Loan.

SECTION 3.10 Multiple Disbursements. The parties acknowledge that individual Loans may be funded in multiple disbursements and, as a result, funded over different Funding Years. For all purposes under this Agreement, a Loan will be deemed made in a Funding Year only to the extent disbursed in that Funding Year regardless of when originated. For example, assuming a $9,000 Loan disbursed in three (3) equal parts, one (1) in Funding Year 2009 and two (2) in Funding Year 2010, the initial $3,000 disbursement would be deemed a separate Loan that would be included in the Loan Pool for Funding Year 2009 and the later $6,000 aggregate disbursements would be deemed a separate Loan that would be included in the Loan Pool for Funding Year 2010.

SECTION 3.11 Certain Loans. Notwithstanding any other provision of this Agreement, any Loan procured through fraud, willful misconduct or gross negligence by an ITT ESI employee shall, upon written notice from the CUSO to ITT ESI (identifying such Loan and describing the fraud, willful misconduct or gross negligence by the ITT ESI employee), be deemed a Charged Off ITT ESI Risk Loan without regard to whether the First Loss Risk for the applicable Loan Pool has been exceeded. ITT ESI may, at any time, discharge its obligations with respect to any such Loan as if it were a Mature Loan subject to ***Section 3.6***, regardless of the number of monthly payments made thereon and, in such event, any such Loan shall no longer be considered an ITT ESI Risk Loan for any purpose under this Agreement.

SECTION 3.12 Benefit to Credit Unions. It is acknowledged and agreed both that (i) the Credit Unions will indirectly benefit from the guaranty and other obligations undertaken by ITT ESI pursuant to this Agreement, the Security Agreement and the Program Agreement and (ii) enforcement of such guaranty and obligations shall be effected exclusively through the CUSO.

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ARTICLE IV
REPAYMENT OF ITT ESI/APPLICATION OF CHARGED OFF LOAN PROCEEDS

SECTION 4.1 Repayment of ITT ESI/Application of Proceeds of Charged Off Loans. The CUSO's reimbursement obligations pursuant to ***Section 3.5*** and ***Section 3.6*** shall be payable by the CUSO only to the extent that collected proceeds in respect of Charged Off Loans in the Loan Pool to which such reimbursement obligations relate (whether subject to First Loss Risk or an ITT ESI Risk Loan, and any Loans as to which ITT ESI has discharged its obligations pursuant to ***Section 3.4***, ***Section 3.6***, or ***Section 3.11***) are received by or on behalf of the CUSO while there are any such unsatisfied reimbursement obligations. For the avoidance of confusion, once ITT ESI has made any ITT ESI Risk Payment or other payment pursuant to ***Article III*** on any Loan Pool, until such time as ITT ESI has recovered all ITT ESI Risk Payments or other payment pursuant to ***Article III*** made (or offset) on such Loan Pool, it shall be entitled to all proceeds of all Charged Off Loans in such Loan Pool until ITT ESI has been fully reimbursed therefor. Thereafter, ITT ESI shall be entitled to no proceeds on such Charged Off Loans unless and until it again makes an ITT ESI Risk Payment or other payment pursuant to ***Article III*** (or offset) on such Loan Pool. By way of further clarification, ITT ESI is not entitled to reimbursement on any Loans that are not Charged Off Loans, whether they be First Risk Loans or ITT ESI Risk Loans.

SECTION 4.2 Timing and Manner of Payment. Any sums payable to ITT ESI in respect of a Charged Off Loan pursuant to ***Section 4.1*** shall be paid to ITT ESI at the time and in the same manner as payment is required to be made to Credit Unions that are participants in the Loan Pool of which such Charged Off Loan is a part.

Section 4.3 Disclosure. The CUSO shall disclose to all Credit Unions ITT ESI's right to proceeds of Charged Off Loans pursuant to ***Section 4.1***. The CUSO agrees, and all participation certificates shall provide, that the rights of the CUSO and each Credit Union in respect of proceeds of Charged Off Loans are expressly subordinated to the rights thereto of ITT ESI hereunder.

ARTICLE V
TERM/TERMINATION; SERVICING

SECTION 5.1 Term. This Agreement shall be for an Initial Term commencing on the Effective Date and ending December 31, 2011 and shall automatically renew for successive Renewal Terms of one (1) year each, unless not less than one (1) year prior to the end of the Initial Term or any Renewal Term, either party hereto shall provide notice to the other party of either (i) such party's intent to terminate this Agreement as of the end of the then current Term, or (ii) its desire that the First Loss Percentage and/or the Collateralization Percentage be changed for the Renewal Term (indicating the First Loss Percentage and/or the Collateralization Percentage desired). In the first such instance, this Agreement shall terminate as of the end of the then current Term. In the second such instance, the parties shall endeavor to negotiate in good faith for a First Loss Percentage and/or a Collateralization Percentage acceptable to all parties and, if they are successful, such First Loss Percentage and/or such Collateralization Percentage shall be the First Loss Percentage and/or the Collateralization Percentage for the succeeding Renewal Term and thereafter.

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SECTION 5.2 Termination. If, in a situation to which clause (ii) of ***Section 5.1*** is applicable, the parties are unsuccessful in negotiating a First Loss Percentage and/or a Collateralization Percentage acceptable to both parties by two hundred seventy (270) days before the end of the then current Term, this Agreement shall automatically terminate as of the end of the then current Term. This Agreement may also be terminated as provided in ***Section 8.4***. Notwithstanding any other provision of this Agreement, this Agreement shall also automatically terminate upon termination of the Program Agreement, for any reason. In no event may ITT ESI terminate this Agreement other than at the end of the then current Term except in the case of an Event of Default by the CUSO or termination of the Program Agreement.

SECTION 5.3 Effect of Termination. Regardless of the reason for termination of this Agreement (including pursuant to ***Section 8.4(a)***), (a) such termination will not affect the validity of any Loans made prior to such termination, (b) the existing obligations of the terminating party and the other party regarding such Loans shall remain in effect, and (c) all Loans originated while this Agreement is in effect shall remain subject to the terms of this Agreement until the last such Loan in the last Loan Pool has been paid in full.

SECTION 5.4 Loan Servicing. The CUSO, through a Servicer, will service all Loans in accordance with the terms of the Servicing Agreement and the Collection and Charge Off Standards. All Servicing Agreements, and all amendments or modifications thereto, shall be subject to ITT ESI's prior approval. Errors and/or omissions by a Servicer shall not affect the obligations of either party hereunder.

ARTICLE VI
COLLATERALIZATION BY ITT ESI

SECTION 6.1 Collateralization by ITT ESI. So long as any Loans remain outstanding that are subject to ITT ESI obligations pursuant to ***Article III***, ITT ESI shall secure its obligations thereunder with respect to each Loan Pool containing such Loans by pledging, as provided in the Security Agreement of even date herewith of which ***Exhibit 6.1*** is a copy, Collateral in the form of cash, government or agency securities, and/or one or more letters of credit, all in an aggregate amount equal to (i) the Collateralization Percentage applicable to such Loan Pool times (ii) the product of (x) the First Loss Percentage applicable to such Loan Pool times (y) the then principal balance of all Loans in such Loan Pool that are subject to ITT ESI obligations pursuant to ***Article III***, or, if the First Loss Risk has been exceeded, all ITT ESI Risk Loans in such Loan Pool. To the extent ITT ESI uses cash or government or agency securities, (a) such Collateral shall be held in a restricted account as Collateral for the benefit of the CUSO with one or more Designated Financial Institutions and subject to an appropriate account control or other similar security agreement in form and substance reasonably satisfactory to both the CUSO and ITT ESI; and (b) ITT ESI shall be entitled to all earnings thereon. If ITT ESI shall fulfill any part of its obligations pursuant to this ***Section 6.1*** by providing any letter of credit, ITT ESI shall renew or provide substitute letters of credit (or establish a restricted account as above provided) therefor not less than ten (10) days before the expiration of any such letter of credit. During 2009, not less than two-thirds (2/3) of the Collateral required to be maintained shall consist of cash, government or agency securities. After the end of 2009, not less than one-third (1/3) of the Collateral required to be maintained for each Loan Pool shall consist of cash, government or agency securities; provided, however, that, if and so long as the Collateralization Percentage for the Loan Pool for Funding Year 2009 is increased pursuant to ***Section 6.3***, not less than two-thirds (2/3) of the Collateral required to be maintained for such Loan Pool shall consist of cash, government or agency securities.

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SECTION 6.2 Establishment and Adjustment of Collateral.

(a) Establishment of Initial Collateral for Each Funding Year. The initial collateralization for each Loan Pool for each Funding Year shall be determined for each Funding Period in each such Funding Year in accordance with the following: (i) not less than twelve (12) Business Days before the First Disbursement Date of the first Funding Period, in any Funding Year, ITT ESI shall both provide the CUSO with ITT ESI's good faith estimate of the aggregate original sum to be disbursed on all Loans during such Funding Period and, on or before the First Disbursement Date of such Funding Period, shall provide the initial collateralization required for such Loan Pool for such Funding Period (based upon such estimate); (ii) within twelve (12) Business Days before the First Disbursement Date of each subsequent Funding Period in such Funding Year, ITT ESI shall provide the CUSO with ITT ESI's good faith estimate of the original sum to be disbursed on all Loans during such subsequent Funding Period and, on or before the First Disbursement Date of such Funding Period, ITT ESI shall provide the initial collateralization required for such Funding Period, subject to adjustment as provided in clause (iv) hereof; (iii) not less than twelve (12) Business Days before the First Disbursement Date of a Funding Period other than the first Funding Period for a Funding Year, the CUSO shall provide ITT ESI with all of (1) a detailed summary of Loans then in the Loan Pool for such Funding Year, (2) the aggregate current balances of all Loans then in such Loan Pool and (3) the amount of Collateral that ITT ESI is required to maintain for the subject Loan Pool based on the formula set forth in ***Section 6.1***; and (iv) if the amount of Collateral required based upon the summary provided in accordance with clause (iii) hereof exceeds or is exceeded by the amount of Collateral then provided by ITT ESI for the applicable Loan Pool pursuant to this Section, the amount of any deficiency shall be added to, and the amount of any excess shall be credited against, the amount of Collateral that ITT ESI is required to provide pursuant to clause (ii) hereof. Contemporaneously with each establishment and adjustment of Collateral pursuant to this ***Section 6.2(a)***, ITT ESI shall send evidence, reasonably satisfactory to the CUSO, of the amount of such Collateral actually provided. After the adjustment for the last Funding Period for a Loan Pool provided for at clause (iv) above, the amount of Collateral required with respect to such Loan Pool shall be adjusted as provided in ***Section 6.2(b)***.

(b) Adjustment of Collateral. Commencing with the fourth calendar quarter of the Funding Year for each Loan Pool, within fifteen (15) days after the end of each calendar quarter, the CUSO will provide ITT ESI with a detailed summary of all of the Loans in such Loan Pool, or, if the First Loss Risk has been exceeded, all of the ITT ESI Risk Loans in such Loan Pool, the aggregate principal balances of Loans in such Loan Pool, or, if the First Loss Risk has been exceeded, the aggregate principal balances of all ITT ESI Risk Loans in such Loan Pool, in each case as of the end of such calendar quarter, and the amount of Collateral that ITT ESI is required to maintain with respect to such Loan Pool based on the formula set forth in ***Section 6.1*** applied to such aggregate balances. Within thirty (30) days after receipt of each summary provided above, ITT ESI will both (i) adjust, upwards or downwards, the amount of Collateral it is required to maintain pursuant to this Article and (ii) send evidence, reasonably satisfactory to the CUSO, of the adjusted amount of such Collateral actually provided.

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SECTION 6.3 Increase of Collateral in the Event of Default by ITT ESI. In the event ITT ESI shall violate any of the financial covenants or percentages set forth in ***Section 7.2(b)***, the Collateralization Percentage applicable to each Loan Pool shall be increased by sixty-six and two-thirds percent (66-2/3%) and ITT ESI shall provide such additional Collateral within thirty (30) days after written demand therefor by the CUSO; provided however that, if the Collateralization Percentage is increased on account of ITT ESI's violation of any financial covenant or percentage and ITT ESI thereafter becomes in compliance therewith, the Collateralization Percentage for each Loan Pool shall thereafter be restored to its original amount. For example, if the Collateralization Percentage for a Loan Pool would otherwise be 15%, while ITT ESI is in violation of the financial covenants and percentages set forth in ***Section 7.2(b)***, the Collateralization Percentage shall be 25%.

ARTICLE VII
REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 7.1 Representations and Warranties of Each Party. Each of the parties hereto, severally and not jointly, makes the following representations and warranties to the other party hereto, which representations and warranties shall be deemed to be continuing so long as either party has any obligations under this Agreement:

(a) Existence and Rights. Such party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is duly qualified to transact operations in all places where such qualification is legally required. Such party has the corporate power and authority, rights and franchises to own its property and to carry on its business as now conducted. Such party has the corporate power and authority and legal right to enter into this Agreement and to perform its obligations hereunder.

(b) Agreement Authorized. The making and performance by such party of this Agreement: (i) have been duly authorized by all necessary corporate action; (ii) do not require the consent or approval of any governmental body, regulatory authority, court or official, except such as have already been obtained and are in full force and effect; (iii) do not violate or contravene or constitute a default under any provision of law or regulation or such party's charter or by-laws or any judgment, injunction, order, or mortgage, security agreement, indenture or other agreement or instrument, to which such party is a party or by which such party or any of its property may be bound or affected; and (iv) will not result in the creation or imposition of any lien or security interest on any property of such party other than as is provided in this Agreement. This Agreement is the legal, valid and binding general obligation of such party enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or similar laws generally relating to or affecting the enforcement of creditors' rights or by general principles of equity.

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(c) Litigation. There is no suit, tax claim or other proceeding pending against or, to the knowledge of such party, threatened against, or affecting such party or any of its property before any court or by or before any governmental authority which, if adversely determined, would materially adversely affect such party's ability to make and perform this Agreement.

(d) No Event of Default. No Event of Default by such party or other event which, with the giving of notice or lapse of time or both, would become an Event of Default under this Agreement, has occurred and is continuing or will occur by reason of the execution or performance of this Agreement.

SECTION 7.2 Representations, Warranties and Covenants of ITT ESI.

(a) Representations and Warranties. ITT ESI represents and warrants to the CUSO that the financial statements of ITT ESI as of December 31, 2007 and for the fiscal year then ended and as of the quarter ended September 30, 2008 and for the three (3) month period then ended, copies of which have been delivered to the CUSO, fairly present in all material respects, in conformity with GAAP, consistently applied, the financial position of ITT ESI as of such dates and its results of operations and changes in financial position for the periods then ended; provided, however, that it shall not be deemed to be a breach of this representation and warranty if such financial statements are the subject of a subsequent restatement, as long as such restatement is not the result of misconduct. Except as set forth in public filings with the SEC, since September 30, 2008, there has been no material adverse change in the business, financial position, results of operations or prospects of ITT ESI.

(b) Covenants. ITT ESI covenants with the CUSO as follows, which covenants shall continue so long as any ITT ESI Risk Loans shall be outstanding:

(1) Financial Covenants. During the Term of this Agreement, and thereafter, while any ITT ESI Risk Loans remain outstanding, measured at the end of each fiscal quarter based on ITT ESI's quarterly and year-end financial statements reported in its Forms 10-Q and 10-K, respectively, filed with the SEC, ITT ESI will maintain:

a. *Debt Service Ratio*. A debt service ratio that is equal to or greater than 1.2 to 1, defined as earnings before interest, income taxes, depreciation and amortization divided by the current portion of long-term debt plus interest expense;

b. *Long-term Debt to Equity Ratio*. A long-term debt to equity ratio, defined as loans and other liabilities with terms extending over one year divided by the shareholders' equity of ITT ESI, of equal to or less than 5 to 1;

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c. *Current Ratio*. A current ratio, defined as the current assets (assets to be sold or used up in less than one year and any cash or securities pledged as Collateral under this Agreement) divided by the current liabilities (loans or other liabilities with remaining terms of less than one year and the current portion of long-term debt), of ITT ESI, equal to or greater than 1 to 1. This calculation excludes all unsecured and uncollateralized related-party receivables and payables.

For purposes of the foregoing financial covenants, the term "debt" shall not include any securities issued by ITT ESI or a consolidated entity that are convertible into equity securities or a combination of equity securities and cash.

(2) Persistence Percentage. During the Term of this Agreement, and thereafter, while any ITT ESI Risk Loans remain outstanding, measured at the end of each fiscal quarter based on ITT ESI's quarterly and annual reports filed with the SEC, ITT ESI will maintain an average persistence percentage over the eight fiscal quarters ending on the measurement date of not less than 70%, calculated on a straight average basis.

(3) Compliance Certificate. Within thirty (30) days after the earlier of the date its Form 10-Q or Form 10-K, as the case may be, is filed or required to be filed with the SEC, ITT ESI will furnish to the CUSO a certificate setting forth the status of ITT ESI's compliance with the financial covenants and persistence percentage set forth in ***Section 7.2(b)*** as of the end of such fiscal quarter in the case of a Form 10-Q and fiscal year in the case of a Form 10-K, in each case signed by one of its officers.

(c) Corporate Existence. Except as permitted by ***Section 8.7(i)***, during the Term of this Agreement, ITT ESI will not initiate any proceedings or take any action to dissolve or liquidate or to terminate its existence as a corporation or otherwise dispose of all or a substantial part of its assets, either in a single transaction or in a series of related transactions.

ARTICLE VIII
GENERAL PROVISIONS

SECTION 8.1 Confidentiality. Each of the parties shall keep all Confidential Information as confidential and will not, without each other party's prior written consent, disclose any portion of the Confidential Information to anyone other than to persons who are representatives of such party. No party will (and will cause its representatives not to) use any of the Confidential Information for any purpose other than in connection with its responsibilities under this Agreement and the Program. Each party will inform its representatives of the confidential nature of the Confidential Information and direct each representative to treat the Confidential Information as confidential. Promptly after either party shall gain knowledge of any unauthorized use or disclosure of any Confidential Information, the party gaining such knowledge shall notify the other party of such use or disclosure so that, to the extent then possible, mitigating actions can be taken.

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SECTION 8.2 Information Excluded From Confidentiality Obligations Set Forth Above. Nothing in this Agreement will be deemed to prevent either party from disclosing any Confidential Information to the extent required by any applicable law, regulation or court order, including, without limitation, applicable securities laws, provided that (i) unless prohibited by law, regulation or court order (including applicable securities or credit union laws), such disclosing party, other than ITT ESI with respect to any information disclosed by ITT ESI under applicable securities laws and regulations, will notify the non-disclosing party of the imminent disclosure as soon as is practicable and in all events with sufficient prior notice to allow the non-disclosing party to seek a protective order or otherwise to object; and (ii) the disclosing party will use commercially reasonable best efforts to minimize or prevent such disclosure to the maximum extent allowed under applicable law, regulation or court order. Confidential Information does not include any such information which: (1) was or becomes generally available to the public other than as a result of a disclosure by the receiving party or its representatives; (2) was within the receiving party's possession prior to being furnished by or on behalf of the other party; (3) is furnished to the receiving party by a third party who has represented to the receiving party that she/he is not under an obligation of confidentiality to the other party; or (4) is independently developed by the receiving party without the use of any Confidential Information.

SECTION 8.3 Customer Information. Neither party shall disclose to any third party (other than its employees and/or representatives) or use any Customer Information, except solely to carry out the purposes under this Agreement for which such Customer Information was disclosed. Promptly after either party gains knowledge of any unauthorized use or disclosure of any Customer Information, the party gaining such knowledge shall notify the other party of such use or disclosure so that, to the extent then possible, mitigating actions can be taken.

SECTION 8.4 Event of Default and Remedies. If an Event of Default occurs, then, and in every such event, the non-defaulting party may do any one or more of the following (without presentment, protest or notice of protest, all of which are expressly waived by the defaulting party):

(a) terminate this Agreement immediately upon written notice to the other party; and

(b) exercise all other rights legally available to it.

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As used herein, "***Event of Default***" shall mean any of the following:

(1) if a party materially fails to perform any of its covenants or agreements herein and such failure, if capable of being cured, continues for 30 days without cure after written notice from the non-defaulting party specifying the nature of such failure (provided however that in no event shall ITT ESI's breach of any covenant contained in ***Section 7.2*** be deemed an Event of Default hereunder); or

(2) the filing by a party to this Agreement of a petition in bankruptcy or a proposed or actual assignment for the benefit of creditors or a similar proceeding by a party; or

(3) the filing against a party of a petition in bankruptcy or the appointment for a party or any of its assets of a trustee, receiver, executor, liquidator or conservator or other judicial representative or a similar proceeding, which is not vacated, dismissed or stayed on appeal within 60 days; or

(4) if any of a party's representations or warranties made in this Agreement or in any certificate or writing furnished by one party to another pursuant to this Agreement is false or incorrect in any material respect when made; or

(5) if either party shall breach any Program Document, other than the Management Agreement (after expiration of any applicable cure period provided in such Program Document).

SECTION 8.5 Injunctive Relief for Violation of Confidentiality Provisions. Each of the parties expressly consents and agrees that, notwithstanding anything to the contrary above provided, in the event of an actual or threatened Event of Default by reason of a breach or threatened breach by such party of any of ***Sections 8.1***, ***8.2*** or ***8.3***, in addition to any other remedies available to the other party, such other party may obtain injunctive relief in appropriate cases (including a temporary restraining order, preliminary injunction and/or specific performance) to terminate or prevent the continuation of any (or prevent any threatened) such Event of Default without having to show any actual damage and without having to post any bond. It is specifically agreed that a party may incur incalculable and irreparable damage from any violation by the other party of any of said ***Sections 8.1***, ***8.2*** or ***8.3***, and that the non-violating party does not have adequate remedy at law for such a violation and such party is entitled to injunctive relief for any such actual or threatened violation.

SECTION 8.6 Amendment; Entire Agreement. This Agreement may only be amended by the express written consent of both of the parties hereto. Together with the Program Documents, this Agreement constitutes the entire agreement between the parties with respect to the Loans and the Program.

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SECTION 8.7 Assignability. This Agreement may not be assigned or delegated by either party without the written consent of the other party, and any other attempt to delegate or assign any obligations arising under this Agreement will be void. All obligations hereunder are binding on any successors-in-interest of a party. Notwithstanding the foregoing, (i) this Agreement and all rights and obligations hereunder may be assigned by either party to any Person acquiring all or substantially all of such party's assets and business, whether by sale, merger, consolidation or similar transaction, and (ii) ITT ESI may assign or delegate any of its rights under ***Sections 3.5*** or ***3.6*** to any direct or indirect subsidiary or Affiliate of ITT ESI.

SECTION 8.8 Governing Law. This Agreement will be construed in accordance with and be governed by the laws of the State of Indiana. Each party submits to personal jurisdiction in the State of Indiana.

SECTION 8.9 Obligations Hereunder Limited; Indemnifications.

(a) The duties and obligations of the parties are limited to those expressly set forth herein and no duty, obligation, undertaking or liability is to be implied or inferred from the context hereof. The obligations under this Agreement of both parties are several and distinct, each party being responsible solely for its own performance pursuant to this Agreement.

(b) Each party agrees to indemnify and hold harmless the other party, its directors, officers and employees and their respective successors and assigns from and against any and all Losses that result from or are attributable to any breach by the indemnifying party of its representations, warranties, covenants and obligations as set forth in this Agreement.

Section 8.10 Counterparts. This Agreement may be simultaneously executed in one or more counterparts, each of which will be an original and both of which will constitute but one and the same instrument.

SECTION 8.11 Notices. Notices, requests, demands or other instruments that may be or are required or permitted to be given to either party hereto must be in writing and shall be deemed to have been properly given and effective when:

(a) Delivered personally to an officer of the party to which such notice is to be given; or

(b) Actually received by a party when mailed by registered or certified mail or delivered by an overnight delivery service that requires a signature upon receipt; or

(c) Sent by electronic mail or facsimile if delivery is confirmed and a copy is mailed to the recipient as set forth above.

All such notices will be addressed as set forth on the signature page hereto. Either party may change the address to which notices to such party are to be sent by notice to the other party given as aforesaid.

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SECTION 8.12 Binding Effect. Subject to the limitations on assignment set forth herein, all covenants and agreements herein contained and all provisions hereof will extend to, be binding upon, and inure to the benefit of the permitted successors and assigns of the respective parties.

SECTION 8.13 Survival. All representations and warranties, the parties' obligations regarding Loans disbursed prior to termination of this Agreement, and the indemnifications and confidentiality provisions of this Agreement, will survive the termination of this Agreement.

SECTION 8.14 Set Off. Upon notice to the other party specifying in reasonable detail the basis therefor, any party may set off any amount to which it is entitled from the other party against any amount that it is obligated to pay to the other party. The exercise of such right of set off in good faith, whether or not ultimately determined to be justified, shall not constitute an Event of Default under this Agreement or any Program Document. Neither exercise nor failure to exercise any right of set off will constitute any election of remedies or limit either party in any manner in the enforcement of any other remedies that may be available to it.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the Effective Date.

ITT Educational Services, Inc.

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO
Date: 2-20-09

Address:

Chief Financial Officer
ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404
Email: dfitzpatrick@ittesi.com
Fax: (317) 706-9254

Student CU Connect CUSO, LLC

By: /s/ Tony Ferris
Name: Tony Ferris
Title: Partner, Rochdale
Date: 2-20-09

Address:

8700 Indian Creek Parkway, Suite 120
Overland Park, Kansas 66210
Attention: Tony Ferris
Email: tferris@rochdalegroup.com
Fax: (913) 322-3770

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SCHEDULE A

TO

RISK SHARING AGREEMENT

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SCHEDULE A

DEFINITIONS

A. Definitions. The following terms shall have the following respective meanings:

"***2010 Funding Year Target***" means the sum of (i) the Base Funding Year Target plus (ii) the amount (if any) by which the Base Funding Year Target exceeded the aggregate dollar amount of funds deposited in the Loan Funding Account by the CUSO (excluding any amounts deposited in respect of refunds of Loans) in Funding Year 2009.

"***2011 Funding Year Target***" means the sum of (i) the Base Funding Year Target plus (ii) the amount (if any) by which the 2010 Funding Year Target exceeded the actual dollar amount of funds deposited in the Loan Funding Account by the CUSO (excluding any amounts deposited in respect of refunds of Loans) in Funding Year 2010.

"***Actual Funding Commitment***" means the amount deposited by the CUSO into the Loan Funding Account with respect to any Funding Period in order to meet actual Loan demand.

"***Actual Participation Commitment***" means, with respect to each Subscriber, the amount obtained by multiplying such Subscriber's Participation Commitment Percentage by the estimated Loan volume for a given Funding Period, less the Subscriber's share (based on Participation Commitment Percentage) of any previously unutilized amounts and any amounts permitted to be retained from refunds.

"***Actual Renewal Participation Commitment***" means, with respect to a Subscriber, a revised Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) for a Renewal Term based on estimated Loan volume.

"***Administrative Fee***" has the meaning set forth in the Participation Agreement.

"***Affiliate***" means, with respect to any Person, any other Person controlling or controlled by or under common control with such Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"***Annual Commitment***" means, with respect to each Participant, the portion of the Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) payable in a Funding Year covered by the Participation Agreement.

"***Automatic Renewal***" means the automatic renewal of a Subscriber's obligations under the applicable Subscription Agreement for one or more successive Renewal Terms.

"***Available Funded Commitment***" has the meaning set forth in the Participation Agreement.

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"***Available Participation Interest***" has the meaning set forth in the Participation Agreement.

"***Base Funding Year Target***" means one-third of the Estimated Aggregate Funding Commitment for Funding Years 2009, 2010 and 2011.

"***Borrower***" means a Student, or any guarantor or co-signer of a Student, obligated under each Loan.

"***Business Day***" means a day other than Saturday, Sunday, a United States national holiday or other day on which banks in the State of Indiana are permitted or required by law to close.

"***Charged Off***" means a Loan on which there have not been any payments made for at least 180 days, if any payments had been due during such period.

"Claim Package" means, with respect to each ITT ESI Risk Loan (if any) in a Loan Pool: (a) Loan-level information, including, without limitation, both a servicing and a payment transaction history, for that ITT ESI Risk Loan; and (b) an invoice summarizing the Loan-level remittance data for such ITT ESI Risk Loan, including loan number, name, social security number, disbursement date, outstanding loan amount, outstanding accrued interest, interest rate, aggregate monthly payment(s) amount past due, and, if requested by ITT ESI, the ten (10) day pay-off amount for such ITT ESI Risk Loan.

"***Collateral***" has the meaning set forth in the Security Agreement.

"***Collateralization Percentage***" means, with respect to the Loan Pool for Funding Year 2009, fifteen percent (15%), and, with respect to each Loan Pool other than that for Funding Year 2009, ten percent (10%), in each case, unless adjusted as provided in ***Section 6.3*** of the Risk Sharing Agreement.

"***Collection and Charge Off Standards***" mean the Loan servicing criteria mutually approved by the parties to the Program Agreement.

"***Commitment Account***" means the account maintained by the CUSO into which Participants will deposit funds in respect of Participation Commitments and from which the CUSO will withdraw funds to deposit into the Loan Funding Account for the purchase of Loans. The funds in the Commitment Account shall not be commingled with any other funds of the CUSO.

"***Commitment Share***" means, with respect to each Participant in relation to each Loan Pool and for any date of determination, a fraction (expressed as a percentage), (i) the numerator of which equals the amount of the Available Funded Commitment then funded by such Participant for such Loan Pool, and (ii) the denominator of which equals the aggregate Available Funded Commitment.

"***Commitments***" has the meaning set forth in the Participation Agreement.

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"***Confidential Information***" means (a) information disclosed to a party with respect to any Program Document; (b) all information related to the structure of and the terms of any Program Document, including items set forth in the Exhibits thereto; and (c) all information related to the other parties' operations, finances, Borrowers, customers, and Students, and any analyses, concepts, ideas, compilations, studies, materials, memoranda, notes and data pertaining thereto and/or derived from the any Program Document or the Program.

"***Credit Facility***" means any debt financing obtained by the CUSO from ITT ESI or other lender(s) to fund the CUSO's operation of the Program and the Retained CUSO Interest, if any, in the Loans in each Loan Pool.

"***Credit Facility Documents***" means any loan agreement, security agreement, promissory note, borrowing base certificate, and other documents entered into by the CUSO in connection with a Credit Facility, as amended, modified, restated or replaced from time to time.

"***Credit Lender***" means the financial institution(s) or other Person(s) providing the Credit Facility to the CUSO.

"***Credit Unions***" means, collectively, the network of participating credit unions in the Program, which includes the Originating Entity.

"***CUSO***" means Student CU Connect CUSO, LLC, a Delaware limited liability company operating as a credit union service organization.

"***Customer Information***" means non-public consumer information that is disclosed to a party by another party or any Credit Union.

"***Cut-off Date***" means the date that is five (5) Business Days prior to any Payment Date.

"***Default***" means, with respect to any Loan, any event that constitutes or, with the giving of notice or passage of time or both, would constitute a default or an event of default under the related Loan Documents.

"***Deposit Account Control Agreement***" means a Deposit Account Control Agreement among ITT ESI, the CUSO and a Designated Financial Institution substantially in the form of ***Exhibit 1.1(b)*** to the Security Agreement.

"***Designated Financial Institution***" means a financial institution selected by ITT ESI and meeting the criteria set forth in ***Exhibit A-1*** hereto.

"***Disassociated Participant***" has the meaning set forth in the Participation Agreement.

"***Distribution Account***" means the segregated account maintained by the CUSO in which Monthly Collections will be deposited and from which the CUSO will withdraw funds to make distributions to itself and the Participants as set forth in Sections 7(a)-(b) of the Participation Agreement.

"***Effective Date***" means February 20, 2009.

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"***Estimated Aggregate Funding Commitment***" means an amount equal to the sum of all Estimated Aggregate Participation Commitments. When words such as "for that Funding Year" and "for that Funding Period" are used after the term "Estimated Aggregate Funding Commitment" in any Program Document, it means the maximum portion of the Estimated Aggregate Funding Commitment that is payable in the applicable Funding Year or Funding Period, respectively, as determined in accordance with ***Section 2.9(c)*** and ***Section 2.9(d)***, respectively, of the Program Agreement.

"***Exit Transaction***" has the meaning set forth in the Participation Agreement.

"***First Disbursement Date***" means, with respect to each Funding Period, the date of the first Loan disbursement by the Originating Entity to ITT ESI in such Funding Period, as mutually determined by ITT ESI and the CUSO.

"***First Loss Percentage***" means thirty-five percent (35%) or such other percentage as ITT ESI and the CUSO shall mutually agree upon as provided in ***Section 5.1*** of the Risk Sharing Agreement.

"***First Loss Risk***" means, with respect to any Loan Pool, the product produced by multiplying (x) the applicable First Loss Percentage times (y) the aggregate Net Disbursements on all Loans in such Loan Pool.

"***Funding Periods***" means periods during a Funding Year determined from time to time by ITT ESI.

"***Funding Year***" means the calendar year in which a Loan is disbursed. For clarification, Funding Year 2009 is the period commencing on the Effective Date and terminating on December 31, 2009, and Funding Years 2010 and 2011 are the related calendar years.

"***GAAP***" means generally accepted accounting principles in the United States, or such other accounting principles as prescribed for public companies from time to time.

"***Initial Capital Contribution***" means a Credit Union's initial Capital Contribution (as defined in the Operating Agreement) in exchange for its Membership Interest.

"***Initial Term***" means the period from the Effective Date until December 31, 2011.

"***ITT ESI***" means ITT Educational Services, Inc., a Delaware corporation.

"***ITT ESI Risk Loans***" means, collectively, all Loans (representing all unpaid (i) Net Disbursements and (ii) accrued interest) in a Loan Pool in excess of the First Loss Risk for such Loan Pool.

"***ITT ESI Risk Payment***" means, as to a Loan Pool, once the First Loss Risk for such Loan Pool has been exceeded, payments due and unpaid as of the end of the applicable month on all Charged Off ITT ESI Risk Loans in such Loan Pool that are not Charged Off First Loss Risk Loans.

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"***Letter of Credit***" means an irrevocable standby letter of credit, securing payment of all or a portion of the Obligations (as defined in the Security Agreement) with respect to a Loan Pool, issued by a Designated Financial Institution.

"***Lien***" means any statutory or common law consensual or non-consensual mortgage, pledge, security interest, participation interest, encumbrance, lien, right of setoff, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, and any secured transaction under the Uniform Commercial Code of any applicable jurisdiction.

"***Loan Criteria***" means the criteria of the Originating Entity, of which ***Exhibit A-2*** hereto is a copy, which may not be amended or supplemented without the prior written approval of ITT ESI and the CUSO.

"***Loan Documents***" means, with respect to each Loan, the loan application, loan agreement, promissory note, co-signer documentation (if applicable), and other documents executed and delivered by a Borrower, as amended, modified, restated or replaced from time to time.

"***Loan File***" means the credit report, underwriting analysis, loan approval, confirmation of credit union membership, Loan Documents, payment history, and all other documentation of the Originating Entity or the CUSO with respect to any Loan.

"***Loan Funding Account***" means the account designated by the Originating Entity into which the CUSO will deposit the Purchase Price for Loans to be disbursed in each Funding Period and from which the Originating Entity will disburse the Loan proceeds to ITT ESI.

"***Loan Pool***" means all Loans disbursed during a Funding Year.

"***Loan Pool Collateral***" means as to each Loan Pool, the Collateral therefor to be determined, established and adjusted pursuant to ***Article VI*** of the Risk Sharing Agreement.

"***Loan Proceeds***" means, with respect to each Loan, all payments of principal, interest, loan fees, late fees, and other amounts received by the CUSO or the Servicer(s) in connection with such Loan.

"***Loans***" means loans to Students originated by the Originating Entity in accordance with the Loan Criteria pursuant to the Purchase Agreement.

"***Losses***" means, with respect to any indemnity or limitation of liability in any Program Document, losses, costs, claims, damages, demands, expenses, liabilities, causes of action, investigation expenses, attorneys' fees and expenses and amounts paid in settlement; provided, however, that no settlement shall be made without the written consent of the party suffering the Loss, unless such settlement provides a full release of such party without the payment of any funds by such party. "Losses" excludes, however, incidental, consequential, indirect, punitive or special damages.

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"***Management Agreement***" means the Management Services Agreement, dated as of the Effective Date, between the Program Administrator and the CUSO, as amended, modified, restated or replaced from time to time.

"***Mature Loans***" means Charged Off Loans on which an amount equal to at least ten (10) monthly payments have been made, whether by the Borrower, ITT ESI under ***Section 3.4*** of the Risk Sharing Agreement, or otherwise.

"***Membership Interest***" means a Credit Union's membership interest in the CUSO under the Operating Agreement and such Credit Union's Subscription Agreement.

"***Monthly Collections***" has the meaning set forth in the Participation Agreement.

"***Monthly Report***" means a written report concerning a Loan Pool, as of the end of the month that is the subject of such Monthly Report, containing the following information: (i) the aggregate Net Disbursements on all Loans originally in the applicable Loan Pool; (ii) the amount of the First Loss Risk for such Loan Pool; (iii) the aggregate current principal balances of all Loans in such Loan Pool; (iv) the aggregate amount that has been Charged Off on all Loans in such Loan Pool; (v) the aggregate current principal balances of all Loans in such Loan Pool, if any, that are the subject of the First Loss Risk for such Loan Pool and have not yet been subjected to Charge Off; (vi) the aggregate amount of the current principal balances of all ITT ESI Risk Loans in such Loan Pool; (vii) if the First Loss Risk has been exceeded, the aggregate ITT ESI Risk Payment; (viii) the aggregate current outstanding balance plus accrued unpaid interest of each Mature Loan reported pursuant to clause (vii) hereof; and (ix) the aggregate amount of all payments received during such month in respect of all Charged Off Loans.

"***NCUA***" means the National Credit Union Administration or any successor federal credit union regulatory agency.

"***NCUA Rules***" means the rules and regulations of the NCUA.

"***Net Disbursement***" means, as to any Loan, the total original sum disbursed to ITT ESI as payment of tuition and other charges, plus all origination and other loan fees, net of any refund or return thereof paid by ITT ESI within sixty (60) days after the disbursement date thereof. The amount of the Net Disbursement on a Loan shall not be reduced for any principal payments made on such Loan, whether by the Borrower, ITT ESI or otherwise (excepting only refunds as aforesaid), or increased for any capitalized interest charges.

"***Offer Price***" has the meaning set forth in the Participation Agreement.

"***Operating Agreement***" means the Operating Agreement of the CUSO, as amended, modified, restated or replaced from time to time.

"***Originating Entity***" means the federal credit union that will originate Loans, sell such Loans to the CUSO, and maintain a Retained Originator Interest in the Loans in each Loan Pool not less than that percentage from time to time required by NCUA Rules or other applicable law.

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"***Originating Entity Default***" shall be deemed to exist if (i) the Originating Entity withdraws from the Program or is expelled from the CUSO; (ii) the Originating Entity fails for any reason to originate any Loan which complies with the Loan Criteria and does not cure such failure within fifteen (15) days after receipt of written notice from the CUSO; (iii) an Event of Default by the Originating Entity exists under the Purchase Agreement; (iv) the Originating Entity ceases doing business or becomes insolvent, or the NCUA becomes liquidator of the assets of the Originating Entity in the event of insolvency; (v) the Originating Entity is no longer able to serve as Originating Entity or originate Loans under the Program; (vi) the Originating Entity becomes a Disassociated Participant; or (vii) the Originating Entity fails at any time to fund or maintain the Retained Originator Interest.

"***Origination Agreement***" means any agreement entered into between the Originating Entity and the Origination Vendor, with the prior approval of ITT ESI, in connection with which the Originating Entity will engage the Origination Vendor to perform origination and documentation servicing for the Loans.

"***Origination Vendor***" means any Person performing Loan origination and documentation servicing under the Origination Agreement.

"***Participant Schedule***" has the meaning set forth in the Participation Agreement.

"***Participants***" mean the Credit Unions that acquire Participation Interests in the Loans in any Loan Pool, including without limitation the Originating Entity.

"***Participation Agreement***" means the Participation Agreement entered into between the CUSO and the Participants, as amended, modified, restated or replaced from time to time.

"***Participation Commitment Percentage***" means, with respect to a Participant, the percentage such Participant's Estimated Aggregate Participation Commitment bears to the total of all Participants' Estimated Aggregate Participation Commitments.

"***Participation Commitments***" means collectively, a Subscriber's Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) and Actual Participation Commitments.

"***Participation Interest***" means, with respect to each Participant, its beneficial ownership interest in each Loan and the related Loan Documents, including such Participant's right to receive its share of Loan Proceeds on each Payment Date.

"***Participation Pledgee***" has the meaning set forth in the Participation Agreement.

"***Participation Purchase Notice***" has the meaning set forth in the Participation Agreement.

"***Payment Date***" means the 25th day of each month or, if such day is not a Business Day, the following Business Day.

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"***Percentage Interest***" means, with respect to a Member (as defined in the Operating Agreement), the percentage such Member's Membership Interest bears to the total outstanding Membership Interests.

"***Permitted Liens***" means (a) Liens of the CUSO, (b) Liens for taxes not delinquent or for taxes being diligently contested in good faith by ITT ESI by appropriate proceedings, (c) Liens arising in the ordinary course of business with respect to obligations which are not due or which are being diligently contested in good faith by ITT ESI by appropriate proceedings, provided such Liens do not, in the aggregate, materially detract from the value of the Collateral, and (d) Liens specifically consented to in writing by the CUSO.

"***Person***" shall mean any natural person, corporation, association, limited liability company, syndicate, partnership, joint venture, trust, government or agency and department thereof, or any other entity of every kind.

"***Pledge***" has the meaning set forth in the Participation Agreement.

"***Pledging Participant***" has the meaning set forth in the Participation Agreement.

"***Pro Rata Share***" means, with respect to each Participant and the CUSO in relation to each Loan Pool and for any date of determination, a fraction (expressed as a percentage), (i) the numerator of which equals the aggregate principal balance of its Participation Interests or Retained CUSO Interest, as the case may be, in the Loans in such Loan Pool, and (ii) the denominator of which equals the aggregate principal balance of all Participation Interests and the Retained CUSO Interest in the Loans in such Loan Pool.

"***Program***" means the national financing program established by the CUSO to provide private student loans to Students in accordance with the Program Agreement.

"***Program Administrator***" means the Person designated from time to time as the "Program Administrator" under the Program Agreement. The initial Program Administrator is TRG.

"***Program Agreement***" means the Financing Program Agreement, dated as of the Effective Date, between ITT ESI and the CUSO, as amended, modified, restated or replaced from time to time.

"***Program Documents***" means the Program Agreement, the Participation Agreement, the Subscription Agreements, the Purchase Agreement, the Servicing Agreement(s), the Origination Agreement, the Risk Sharing Agreement, the Security Agreement, the Operating Agreement, the Management Agreement, the Credit Facility Documents (if ITT ESI is Credit Lender), and any other documents or instruments entered into in connection with the Program, and any amendment, modification, restatement or replacement thereof.

"***Projected Renewal Participation Commitment***" means, with respect to a Subscriber, the sum of the Participation Commitments paid by or credited to such Subscriber for the four (4) Funding Periods immediately preceding a Renewal Term.

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"***Purchase Agreement***" means the Loan Purchase and Sale Agreement, dated as of the Effective Date, entered into by the Originating Entity and the CUSO, as amended, supplemented, modified, restated or replaced from time to time.

"***Purchase Option Price***" has the meaning set forth in the Participation Agreement.

"***Purchase Price***" means the principal amount of a Loan purchased by the CUSO, excluding origination fees and expenses.

"***Quarterly Report***" has the meaning set forth in the Participation Agreement.

"***Redirection Notice***" has the meaning set forth in the Participation Agreement.

"***Renewal Term***" means any one (1) year period after the Initial Term in which a Program Document is renewed.

"***representatives***" means, with respect to a party to the applicable Program Document, employees of such party and such party's agents, representatives and advisors, including without limitation, attorneys, accountants, and financial advisors.

"***Required Information***" means each Claim Package and related Monthly Report.

"***Retained CUSO Interest***" means, with respect to each Loan in a Loan Pool, at any time, the portion thereof that is not then subject to either the Retained Originator Interest or Participation Interests held by Participants.

"***Retained Originator Interest***" means, with respect to each Loan in a Loan Pool, the Originating Entity's 10% Participation Interest in such Loan. Any interest of the Participants (including the Originating Entity) in any such Loan exceeding the 10% Retained Originator Interest is a regular Participation Interest therein.

"***Risk Sharing Agreement***" means the Risk Sharing Agreement, dated as of the Effective Date, between ITT ESI and the CUSO, as amended, supplemented, modified, restated or replaced from time to time.

"***SEC***" means the United States Securities and Exchange Commission.

"***Securities Account Control Agreement***" means an agreement among ITT ESI, the CUSO and a securities intermediary substantially in the form of ***Exhibit 1.1(f)*** of the Security Agreement.

"***Security Agreement***" means the Security Agreement, dated as of the Effective Date, by ITT ESI in favor of the CUSO.

"***Security Documents***" means the Security Agreement and any and all other security agreements, assignments, subordination agreements, pledge or hypothecation agreements, instruments, letters of credit, letter-of-credit agreements and documents that are (i) now and/or hereafter existing between the CUSO and ITT ESI, and (ii) that secure any of the Obligations (as defined in the Security Agreement).

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"***Servicer***" means the Person obligated pursuant to the Servicing Agreement to, among other things, collect, monitor and report Loan payments, handle late payments and other delinquencies, and remit payments.

"***Servicing Agreement***" means the Servicing Agreement dated as of the Effective Date between the CUSO and the Servicer, as amended, supplemented, modified, or replaced from time to time.

"***Servicing Fee***" means all fees payable to Servicer or Origination Vendor for performing their respective obligations under the Servicing Agreement or the Origination Agreement.

"***Student***" means a student enrolled at one of ITT ESI's ITT Technical Institutes.

"***Subscriber***" means each Credit Union that is a party to a Subscription Agreement.

"***Subscriber 2010 Funding Year Target***" means, with respect to each Subscriber, the sum of the Subscriber Base Funding Year Target plus the amount (if any) by which the Subscriber Base Funding Year Target exceeded the actual amount that was paid by such Subscriber in Funding Year 2009.

"***Subscriber Base Funding Year Target***" means, with respect to each Subscriber, one-third of such Subscriber's Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) for Funding Years 2009, 2010 and 2011.

"***Subscriber Contact***" means, with respect to each Subscriber, such Subscriber's authorized representative designated in such Subscriber's Subscription Agreement.

"***Subscriber Shortfall***" means, with respect to a Subscriber, that the payment of the entire Actual Participation Commitment by such Subscriber for any Funding Period would exceed twenty-five percent (25%) of the maximum portion of the Estimated Aggregate Participation Commitment for the applicable Funding Year.

"***Subscriber Shortfall Period***" means a Funding Period in which a Subscriber Shortfall occurs or is to occur.

"***Subscription Agreement***" means each Subscription and Commitment Agreement between the CUSO and a Participant with respect to the Program, as amended, modified, restated or replaced from time to time.

"***Substitute Member***" has the meaning set forth in the Operating Agreement.

"***Substitute Originating Entity*** means a substitute federal credit union or group of federal credit unions, in either case acceptable to ITT ESI, designated by the CUSO to serve as the Originating Entity.

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"***Substitute Purchase Agreement***" means a purchase agreement with a Substitute Originating Entity on the same or substantially similar terms as the Purchase Agreement or otherwise approved by the Substitute Originating Entity, the CUSO, and ITT ESI.

"***Term***" means the Initial Term and any Renewal Term(s).

"***TRG***" means The Rochdale Group, Inc., a Kansas corporation.

B. Certain Definitions to be Disregarded. Terms defined in this Schedule and not used or capitalized in the Agreement to which this Schedule is attached shall be disregarded for all purposes in connection with such Agreement (except and to the extent such terms are used in another Program Document referred to in the Agreement to which this Schedule is attached).

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EXHIBIT A-1

Designated Financial Institutions

A Designated Financial Institution shall at all times be a banking corporation or national banking association organized and doing business under the laws of the United States of America or any state thereof or of the District of Columbia and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Ten Billion U.S. dollars ($10,000,000,000) and subject to supervision or examination by federal, state, or District of Columbia authority. If such corporation or national banking association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes hereof, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent records of condition so published.

ITT ESI may not, nor may any entity directly or indirectly controlling, controlled by, or under common control with ITT ESI, be a Designated Financial Institution, notwithstanding that such corporation or national banking association shall be otherwise eligible and qualified hereunder.

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EXHIBIT A-2

Loan Criteria

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Student CU Connect Private Student Loan Program Criteria

Program Borrowing Limits

The minimum and maximum amounts that may be borrowed under this Loan Program on a per borrower basis are as follows:

Minimum Loan Amount:	$1,000 (or any other higher minimum loan amount as applicable by state law)	
Annual Maximum Loan Limit:	Cost of Education less other financial aid	
Aggregate Private Student Loan Program Limits:	Associate degree programs:	$35,000
	Bachelors degree programs:	$60,000
	*Resulting in maximum undergraduate (Associate and Bachelors combined):	$60,000
	Graduate degree programs:	$25,000
	*Resulting in maximum total of all combined:	$85,000

Repayment Terms

The minimum monthly principal and interest payment amount will be $50.00 per account per month.

1) Repayment Plans

While a student is enrolled at an ITT Technical Institute, repayment of principal and interest will be deferred until the circumstances described in the "Repayment Begins" section below occur. During the deferral period the borrower will be sent quarterly statements providing him or her the opportunity to make interest payments. During the deferral period, the borrower can also make principal payments at any time without penalty.

2) Repayment Begins

Repayment of principal and interest on each loan will begin six (6) months after the student graduates, unless the student enrolls in another program at ITT Technical Institute and begins taking courses. For students who do not maintain at least four (4) credit hours in a given quarter for any reason other than graduation, repayment of principal and interest will begin three (3) months after their last clay of attendance unless the student re-enrolls in an ITT Technical Institute and begins to take at least four (4) credit hours.

Repayment of principal and interest on each loan will begin, if not already begun pursuant to the terms of the preceding paragraph, on the first day following the seventh (7th) year anniversary of the date of the first disbursement on the loan.

3) Repayment Duration

The term of each loan will be ten (10) years from the date the repayment period begins.

4) Prepayment

The borrower may prepay all or a portion of the loan at any time without penalty.

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5) Late Charges

Borrowers will be assessed a late charge if they fail to make any part of an installment payment within 15 days after it becomes due. The late charge fee will be the lesser of $10.00 or 5% of the installment.

Program Eligibility and Credit Requirements

1) Eligible Borrower

The borrower must satisfy all of (a)-(d) below:

a) Be admitted to, or have graduated from, an ITT Technical Institute undergraduate or graduate program of study.

b) Be a U.S. Citizen or National, or a Permanent Resident.

AND

If there is a Co-signer, the Co-signer must be a U.S. Citizen or National, or a Permanent Resident.

c) Meet all credit requirements specified below in Section 3.

OR

Have a credit-worthy co-signer who meets all credit requirements specified below in Section 3.

d) Be the age of majority, as determined by individual state requirements for the primary borrower's permanent residence, at the time of the loan application.

2) Eligible Loan Periods

Current and Future
Borrowers can apply for a loan relating to an academic year that begins within twelve (12) months after the loan application date. The first disbursement for a subsequent academic year must also occur within twelve (12) months after the loan application date.

Past Enrollment
Borrowers may borrow funds for previous academic periods during which they were enrolled as long as such borrower has either graduated or is enrolled in an ITT Technical Institute on the loan application date.

3) Credit Requirements

To qualify for a loan, an eligible borrower must satisfy all of the following credit requirements:

a) No filed bankruptcy, discharged bankruptcy or foreclosure within the twenty-four (24) months immediately preceding the loan application date.

b) No judgments, charge offs, collections, liens, or repossessions in an aggregate amount of more than five hundred dollars ($500) within the twenty-four (24) months immediately preceding the loan application date.

c) No mortgage, student loans, or other installment loans that are currently 90 days or more past due. d) No record of a student loan default, unless the default has been paid in full.

e) Less than three (3) derogatory credit indications on the borrower's credit report. A derogatory credit indication is defined as a balance of at least five hundred dollars ($500) that is past due at least ninety (90) days.

f) A borrower who fails to qualify on his or her own for a loan may be eligible with an eligible co-signer who satisfies all of the credit requirements and who has a credit score of at least 680.

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Student CU Connect Private Student Loan Program Criteria

At such time, if any, that the origination vendor of the loans can support it in an automated format, the foregoing (a) and (d) credit requirements will be modified to read instead as follows:

a) No filed bankruptcy, discharged bankruptcy or foreclosure within the twenty-four (24) months immediately preceding the loan application date unless the borrower has agreed to payment arrangements and made prompt payments for at least the last consecutive 18 months.

d) No record of a student loan default, unless the default has been paid in full, or the borrower is making satisfactory progress in repaying the loan. Satisfactory progress is defined as: at least twelve (12) consecutive payments made: account is current: repayment history has no gaps: and the IRS Tax Offset Program was not used to pay default.

Notwithstanding the foregoing, a borrower who is otherwise eligible under all of the other provisions of these loan criteria does not need to satisfy all of the foregoing (a) through (f) credit requirements to qualify for a loan if .such borrower: (i) received the open account credit provided by ITT Technical Institute (known as its "Temporary Credit" program); (ii) has graduated or is enrolled in any academic quarter other than the first academic quarter of such borrower's first academic year on the loan application date; and (iii) has not declared bankruptcy within the twenty-four (24) months immediately preceding the loan application elate.

4) Credit Score

The eligible borrower's FICO Score will determine the interest rate and fee charged on the loan as follows:

Tier	FICO Score	Interest Rate Range	Origination Fee*
1	790+	Prime +0.5%	N/A
2	720-789	Prime +1.5%	2%
3	680-719	Prime +4.0%	3%
4	650-679	Prime +6.0%	5%
5	600-649	Prime +7.0%	7%
6	No credit score	Prime +8.0%	8%
7	599 and below	Prime +10.5%	10%

* Origination fee calculated as a percent of loan amount

Eligible borrowers with an Experian-Fair Isaac Score Code of 9002 or 9003 will be priced as if part of Tier 6 ("No Credit Score").

The origination fee will be credited in full to the borrower if an entire disbursement is refunded within 60 days of the disbursement date.

Notwithstanding the rates and fees set forth in the table above, the annual percentage rate, including the capitalized origination fee, on any loan will not exceed eighteen percent (18%) over the term of the loan, or such other limit under applicable law that may be in effect from time to time.

5) Deferment

a) In School

Principal and interest payments on a Joan may be deferred by the borrower during the period that the student is enrolled in an undergraduate or graduate program at an ITT Technical Institute and is taking at least four (4) credit hours. Upon graduation, the student may defer payment of the Joan principal and interest for an additional six (6) months ("grace period"). If the student enrolls in another program at an ITT Technical Institute and begins taking courses before or after the end of such six (6) months, the deferral will continue or begin again, as applicable, until such time as repayment is to begin under the terms of these loan criteria. Students whose enrollment terminates prior to graduation, or who are taking less than four (4) credit hours, will have a three (3) month grace period before principal and interest payments begin.

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If the student re-enrolls in an ITT Technical Institute and begins to take at least four (4) credit hours before or after the end of such three (3) month period, the deferral will continue or begin again, as applicable, until such time as repayment is to begin under the terms of these loan criteria. Borrowers will receive quarterly statements while enrolled.

b) Military

A military deferment will be available for a period during which a borrower is serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency ("Qualifying Duty''). A borrower who is a member of the National Guard or other reserve component of the U. S. Armed Forces (current or retired) and who begins serving Qualifying Duty while enrolled at ITT Technical Institute, or within six (6) months after having been enrolled, is eligible to defer paying any principal or interest on a loan during the Qualifying Duty service and during the 13 months following the conclusion of the Qualifying Duty service, or until the date that the borrower returns to an enrolled student status at ITT Technical Institute, whichever is earlier.

6) Forbearance

A borrower may request a forbearance of the payment of principal and interest on a loan, which Student CU Connect CUSO will grant in its sole discretion. Any single forbearance in the payment of a loan may not exceed three (3) months, and all forbearances granted with respect to a loan may not, in aggregate, exceed twelve (12) months over the life of the loan. If the borrower is delinquent at the time a forbearance is granted, all past due interest on the loan will be capitalized.

7) Interest Rate

Interest will accrue at a variable rate, beginning on the date that any portion of the loan is disbursed, on the outstanding principal balance, including any capitalized interest and origination fees. The variable rate may change monthly on the first day of each month based on the Prime Rate as of the third to last business day of the immediately preceding month. The Prime Rate is defined as the highest U.S. Prime Rate published in *The Wall Street Journal* "Money Rates'' section.

The applicable interest rate will be rounded to the nearest one-eighth of one percent (0.125%). In the event of a change in the Prime Rate, monthly payments will be calculated based on the then current principal balance, the remaining term of the loan, and the then current interest rate, based on a 365.25-day calendar year and will not vary in leap years.

Notwithstanding any other provisions herein, at no time will the applicable interest rate, inclusive of the capitalized origination fee, be such that the annual percentage rate on any loan exceeds eighteen percent (18%) or such other limit under applicable law as in effect from time to time.

8) Co-Signer Eligibility

To be eligible to co-sign a loan, a co-signer must have a FICO score of at least 680 and satisfy other criteria specified above in Sections 1 (other than 1(a)) and 3. Loans with an eligible co-signer will be charged interest and fees at the Tier 4 level in Section 4 above.

9) Default & Charge-Off

A loan will be in reportable default if any principal or interest payment under the loan is sixty (60) days past due.

A loan will be charged off if payments under the loan are due and not received for a period of one hundred and eighty (180) days.

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EXHIBIT 6.1

SECURITY AGREEMENT

THIS **SECURITY AGREEMENT** (with all amendments, modifications and supplements hereto, collectively this "***Agreement***") dated as of February 20, 2009, by ITT EDUCATIONAL SERVICES, INC., a Delaware corporation ("***ITT ESI***") in favor of STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following are a material part of this Agreement:

A. ITT ESI and the CUSO are parties to the Risk Sharing Agreement.

B. Pursuant to the Risk Sharing Agreement, ITT ESI has agreed to provide a guarantee for Loans upon and subject to the terms and conditions of the Risk Sharing Agreement.

C. One of the terms and conditions of the Risk Sharing Agreement is that, so long as any ITT ESI Risk Loan remains outstanding, ITT ESI shall secure its obligations under Article III of the Risk Sharing Agreement with respect to each Loan Pool containing such Loans by pledging, as provided herein, collateral in the form of cash, government or agency securities and/or one or more letters of credit.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, ITT ESI and the CUSO do hereby agree as follows:

ARTICLE I
CONSTRUCTION AND DEFINITION OF TERMS

SECTION 1.1 Terms used in this Agreement and not otherwise specifically defined herein shall have the respective meanings provided in Schedule A (which is attached to and made a part of this Agreement). All terms used without definition herein and which are defined by the Indiana Uniform Commercial Code shall have the meanings assigned to them by the Indiana Uniform Commercial Code, as in effect on the date hereof, unless and to the extent varied by this Agreement. Whenever the phrase "satisfactory to the CUSO" is used in this Agreement such phrase shall mean "satisfactory to the CUSO in its reasonable discretion." The use of any gender or the neuter herein shall also refer to the other gender or the neuter and the use of the plural shall also refer to the singular, and vice versa. In addition, unless the context otherwise requires, when used herein, the following terms shall have the following meanings:

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(a) "***Collateral***" means ITT ESI's described personal property, both now owned and hereafter acquired, if and to the extent the same is identified in a Deposit Account Control Agreement, a Securities Account Control Agreement or a Letter of Credit, and all proceeds and products of all of the foregoing.

(b) "***Deposit Account Control Agreement***" means a Deposit Account Control Agreement, among ITT ESI, the CUSO and a Designated Financial Institution substantially in form of ***Exhibit 1.1(b)*** attached hereto.

(c) "***Event of Default***" has the meaning provided in ***Article VI*** hereof.

(d) "***Non-Renewal Notice***" means a notice of non-renewal given by the issuer of a Letter of Credit as provided in ***Section 2.2(f)***.

(e) "***Obligations***" mean the full and punctual observance and performance of all present and future duties, covenants, liabilities and responsibilities due to the CUSO by ITT ESI under (i) Article III of the Risk Sharing Agreement and (ii) the Security Documents, whether or not any instrument or agreement relating thereto specifically refers to this Agreement, as well as all renewals, consolidations, re-castings and extensions of any of the foregoing, the parties acknowledging that the nature of the relationship created hereby contemplates the incurrence of Obligations by ITT ESI to the CUSO pursuant to the Risk Sharing Agreement and the Security Documents after the date hereof.

(f) "***Securities Account Control Agreement***" means an agreement among ITT ESI, the CUSO and a securities intermediary substantially in the form of ***Exhibit 1.1(f)*** attached hereto.

ARTICLE II
SECURITY

SECTION 2.1 Security Interest. As security for the payment and performance of all of the Obligations with respect to each Loan Pool, ITT ESI hereby assigns, pledges and grants to the CUSO a continuing security interest in the Loan Pool Collateral for such Loan Pool. The CUSO's security interest in Loan Pool Collateral for any Loan Pool shall continually exist until all Obligations with respect to such Loan Pool have been satisfied (whether paid, terminated or otherwise discharged). It is expressly understood and agreed that Loan Pool Collateral for each Loan Pool is separate and distinct and, unless otherwise expressly agreed to in writing by ITT ESI, shall not secure any Obligations with respect to any other Loan Pool.

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SECTION 2.2 Covenants and Representations Concerning Collateral. With respect to all of the Collateral, ITT ESI covenants, warrants and represents that:

(a) No financing statement covering any of the Collateral is on file in any public office or financing records except for financing statements in favor of the CUSO and ITT ESI is the legal and beneficial owner of all of the Collateral, free and clear of all Liens, except for Permitted Liens.

(b) The security interest granted the CUSO hereunder shall constitute a first priority Lien upon the Collateral. Except and to the extent permitted under the Risk Sharing Agreement or any applicable Security Document, ITT ESI shall not, and the CUSO does not authorize ITT ESI to, sell, assign or otherwise dispose of any interest in the Collateral. ITT ESI shall not, without the CUSO's prior written consent, permit any other Lien or claim or right of any third party, to be created or remain on the Collateral excepting only Permitted Liens.

(c) ITT ESI will notify the CUSO in writing of any litigation directly involving any of the Collateral which ITT ESI knows or has reason to believe is pending or threatened. ITT ESI will promptly pay when due all taxes and all other such charges and fees affecting or arising out of or relating to the Collateral and shall defend the Collateral, at ITT ESI's sole expense, against all claims and demands of any Persons claiming any interest in the Collateral adverse to the CUSO.

(d) ITT ESI shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances, instruments and documents as the CUSO may from time to time reasonably request to vest in and assure to the CUSO its rights hereunder or in any of the Collateral, including, without limitation, placing legends on Collateral or on books and records pertaining to Collateral stating that the CUSO has a security interest therein.

(e) ITT ESI shall cooperate with the CUSO to obtain and keep in effect a Deposit Account Control Agreement with respect to each deposit account, and a Securities Account Control Agreement with respect to all investment property that is a part of the Collateral.

(f) If any Obligation shall be secured by a Letter of Credit, such Letter of Credit shall be for a term of not less than one (1) year and provide that such term shall be automatically extended for successive one (1) year terms unless, not less than sixty (60) days prior to the then applicable expiration date thereof, the issuer delivers written notice (to both the CUSO and to ITT ESI) of the issuer's unwillingness to extend such expiration date. Such Letter of Credit shall provide that it may be drawn by one or more sight drafts, each accompanied by a signed statement in the form provided in ***Exhibit 2.2(f)*** attached hereto.

(g) ITT ESI authorizes the CUSO to file financing statements covering the Collateral and containing such legends as the CUSO shall reasonably deem necessary or desirable to perfect and continue perfection of the CUSO's security interest in the Collateral.

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(h) ITT ESI shall not file any amendments, correction statements or termination statements concerning the Collateral without the prior written consent of the CUSO.

SECTION 2.3 Care of Collateral. ITT ESI shall have all risk of loss of the Collateral. The CUSO shall have no liability or duty, express or implied, either before or after the occurrence of an Event of Default, on account of loss of or damage to, to collect or enforce any of its rights against, the Collateral, to collect any income accruing on the Collateral, or to preserve rights against ITT ESI or other Persons with prior interests in the Collateral. If the CUSO actually receives any notices requiring action with respect to any Collateral in the CUSO's possession, the CUSO shall take reasonable steps to forward such notices to ITT ESI. ITT ESI is responsible for responding to notices concerning the Collateral, voting the Collateral, and exercising rights and options, calls and conversions of the Collateral. The CUSO's sole responsibility is to take such action as is reasonably requested by ITT ESI in writing, however, the CUSO is not responsible to take any action that, in the CUSO's reasonable judgment, would adversely affect the value of the Collateral as security for the Obligations. While the CUSO is not required to take certain actions, if action is needed, in the CUSO's sole discretion, to preserve and maintain the Collateral, ITT ESI authorizes the CUSO to take such actions, but the CUSO is not obligated to do so.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

To induce the CUSO to enter into this Agreement, ITT ESI represents and warrants to the CUSO that:

SECTION 3.1 State of Incorporation and Legal Name. ITT ESI's state of incorporation and exact legal name are set forth in the first paragraph of this Agreement.

SECTION 3.2 Good Standing. ITT ESI is a corporation duly organized, legally existing and in good standing under the laws of the State of its incorporation.

Section 3.3 Authority. ITT ESI has full power and authority to enter into this Agreement, to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, all of which have been duly authorized by all necessary and proper corporate and other action, and no consent or approval of any Person, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

SECTION 3.4 Binding Agreements. This Agreement has been duly and properly executed by ITT ESI, constitutes the valid and legally binding obligation of ITT ESI and is fully enforceable against ITT ESI in accordance with its terms, subject only to laws affecting the rights of creditors generally and application of general principles of equity.

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SECTION 3.5 No Conflicting Agreements. Neither the execution, delivery and performance by ITT ESI of this Agreement and any Deposit Account Control Agreement and/or Securities Account Control Agreement, nor ITT ESI's procurance and delivery to the CUSO of any Letter of Credit will (a) violate (i) any provision of law or any order, rule or regulation of any court or agency of government, (ii) any award of any arbitrator, (iii) the Charter or Bylaws of ITT ESI, or (iv) any indenture, contract, agreement, mortgage, deed of trust or other instrument to which ITT ESI is a party or by which ITT ESI or any of Its property is bound, or (b) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a material default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien upon the Collateral except for Liens created in favor of the CUSO under or pursuant to this Agreement.

SECTION 3.6 Perfection and Priority of Collateral. The CUSO has or upon proper recording of any financing statement, execution of any Deposit Account Control Agreement, Securities Account Control Agreement or delivery of Collateral to the CUSO's possession, will have and will continue to have as security for the Obligations, a valid and perfected Lien on and security interest in all Collateral.

ARTICLE IV
AFFIRMATIVE COVENANTS

ITT ESI covenants and agrees with the CUSO that, until (a) all Obligations have been satisfied in full, (b) there exists no commitment by the CUSO which could give rise to any additional Obligations, and (c) all security interests granted the CUSO hereunder have terminated, ITT ESI will:

SECTION 4.1 Further Assurances and Corrective Instruments. Promptly execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, to the CUSO from time to time such supplements hereto and such other instruments and documents as may be reasonably requested by the CUSO to protect and preserve the Collateral, the CUSO's security interest therein, perfection of the CUSO's security interest and/or the CUSO's rights and remedies hereunder.

SECTION 4.2 Collateral Information. Deliver to the CUSO promptly upon the CUSO's request, and periodically if the CUSO shall so require, such written statements, schedules or reports concerning the Collateral in such form, containing such information and accompanied by such documents as the CUSO may from time to time reasonably request.

ARTICLE V
NEGATIVE COVENANTS

ITT ESI covenants and agrees with the CUSO that, until (a) all Obligations have been satisfied in full and (b) there exists no commitment by the CUSO which could give rise to any additional Obligations and (c) all security interests granted the CUSO hereunder have terminated, ITT ESI will not, directly or indirectly:

Section 5.1 Liens. Without the CUSO's prior written consent, create, incur, assume or permit to exist, directly or indirectly, any Lien (other than Permitted Liens) upon any Collateral.

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SECTION 5.2 Change of Name. Except upon prior written notice to the CUSO, change the name of ITT ESI.

ARTICLE VI
EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an "***Event of Default***" (and, unless otherwise indicated, such event shall constitute an "Event of Default" only with respect to the Loan Pool to which it relates and the occurrence of such relating only to a Loan Pool shall not vest in the CUSO any rights or remedies with respect to any other Loan Pool or any Loan Pool Collateral for any other Loan Pool):

SECTION 6.1 Failure to Pay. The failure of ITT ESI to pay any of the Obligations after the same is due and payable (whether by acceleration, declaration, extension or otherwise) within thirty (30) days after written notice to ITT ESI specifying such failure (including each amount unpaid and the Loan Pool to which it relates).

SECTION 6.2 Covenants and Agreements. The failure of ITT ESI to perform, observe or comply with any of its covenants set forth in this Agreement or any of the other Security Documents.

SECTION 6.3 Information, Representations and Warranties. If any representation or warranty made herein or if any information contained in any financial statement, application, schedule, report or any other document given by ITT ESI in connection with the any of the Collateral is not in all material respects true and accurate or if ITT ESI omitted to state any material fact or any fact necessary to make such information not materially misleading.

SECTION 6.4 Default under Risk Sharing Agreement. The occurrence of an Event of Default under the Risk Sharing Agreement by ITT ESI (which shall be deemed an Event of Default as to all Loan Pools and all Loan Pool Collateral).

SECTION 6.5 Adverse Change in Value of Collateral. The determination in good faith by the CUSO that the value of any Loan Pool Collateral has declined to an amount less than the amount that ITT ESI is required to maintain pursuant to ***Article VI*** of the Risk Sharing Agreement (a "***Collateral Deficiency***") and ITT ESI's failure to provide additional Collateral having a then current fair market value at least equal to such deficiency within thirty (30) days after written notice thereof to ITT ESI.

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ARTICLE VII
RIGHTS AND REMEDIES

SECTION 7.1 Rights and Remedies of the CUSO. Upon and after the occurrence of an Event of Default with respect to any Loan Pool, the CUSO may, without notice or demand, exercise, in any jurisdiction in which enforcement hereof is sought, the following rights and remedies with respect to the related Loan Pool Collateral, in addition to the rights and remedies available to the CUSO under the Security Documents, the rights and remedies of a secured party under the Uniform Commercial Code and all other rights and remedies available to the CUSO under applicable law, all such rights and remedies being cumulative and enforceable alternatively, successively or concurrently:

(a) Institute any proceeding or proceedings to enforce the Obligations and any Liens of the CUSO respecting the subject Loan Pool and related Loan Pool Collateral.

(b) Take possession of the related Loan Pool Collateral.

(c) Enforce ITT ESI's rights against any other obligor on any related Loan Pool Collateral.

SECTION 7.2 Power of Attorney. Effective upon the occurrence of an Event of Default with respect to any Loan Pool, ITT ESI hereby designates and appoints the CUSO and its designees as attorney-in-fact of ITT ESI, irrevocably and with power of substitution, with authority to endorse ITT ESI's name on any notes, acceptances, checks, drafts, money orders, instruments or other evidences of payment or proceeds of the related Loan Pool Collateral that may come into the CUSO's possession; to execute proofs of claim and loss; and to perform all other acts necessary and advisable, in the CUSO's sole discretion, to carry out and enforce this Agreement and the Security Documents as to the applicable Loan Pool and related Loan Pool Collateral. All acts of said attorney or designee are hereby ratified and approved by ITT ESI and said attorney or designee shall not be liable for any acts of commission or omission nor for any error of judgment or mistake of fact or law, excepting only any acts, errors or mistakes resulting from the gross negligence or willful misconduct of said attorney or designee. This power of attorney is coupled with an interest and is irrevocable so long as any of the Obligations remain unpaid or unperformed or there exists any commitment by the CUSO which could give rise to any Obligations.

SECTION 7.3 Notice of Disposition of Collateral and Disclaimer of Warranties. It is mutually agreed that commercial reasonableness and good faith require the CUSO to give ITT ESI not less than ten (10) days prior written notice of the time and place of any public disposition of any Collateral or of the time after which any private disposition or any other intended disposition is to be made.

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SECTION 7.4 Costs and Expenses. ITT ESI shall pay to the CUSO on demand the amount of all expenses paid or incurred by the CUSO after occurrence of an Event of Default, including attorneys' fees and court costs, in exercising or enforcing any of its rights, under any of the Security Documents or under applicable law. The provisions of this Subsection shall survive the termination of this Agreement and the CUSO's security interest hereunder and the payment of all Obligations.

SECTION 7.5 Letters of Credit. In the event of an Event of Default with respect to a Loan Pool secured by a Letter of Credit as to which action is permitted pursuant to ***Article VIII***, the CUSO shall draw on such Letter of Credit only so much as shall be necessary to cure such Event of Default. However, if, by the terms of any Letter of Credit, the CUSO is permitted to draw the same on account of a failure to extend the expiration date thereof or provide a substitute Letter of Credit therefor, the CUSO shall hold and apply the proceeds thereof in the same manner as provided in ***Section 7.6*** with respect to excess proceeds of Loan Pool Collateral.

SECTION 7.6 Application of Proceeds. Notwithstanding anything to the contrary provided in or implied from this Agreement, proceeds of Loan Pool Collateral shall be applied to ITT ESI Risk Payments due but not yet paid related to such Loan Pool and any excess proceeds thereof shall be held by the CUSO in an interest bearing account, maintained at a Designated Financial Institution. Such excess proceeds (including all interest) shall be applied to future ITT ESI Risk Payments due but not yet paid related to such Loan Pool until no further Loans in such Loan Pool remain subject to ITT's obligation pursuant to Article III of the Risk Sharing Agreement. Within ten (10) days thereafter, the CUSO shall remit any and all remaining proceeds to ITT ESI. To the extent proceeds are applied to ITT ESI Risk Payments due pursuant to Article III of the Risk Sharing Agreement but not yet paid, Article IV thereof shall apply to proceeds thereof thereafter received by the CUSO. The CUSO may defer the application of non-cash proceeds of Collateral to the Obligations until cash proceeds are actually received by the CUSO.

ARTICLE VIII
ORDER OF LIQUIDATION AND APPLICATION OF COLLATERAL

Notwithstanding anything to the contrary provided in or to be implied from this Agreement or any of the other Security Documents, upon occurrence of an Event of Default, any right of the CUSO to take action to enforce Liens on or otherwise with respect to any related Loan Pool Collateral shall be taken in the following order:

(a) first with respect to Loan Pool Collateral other than Letters of Credit; and

(b) if and to the extent any Obligations with respect to the subject Loan Pool remain unsatisfied, with respect to Letters of Credit that are related Loan Pool Collateral.

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ARTICLE IX
MISCELLANEOUS

SECTION 9.1 Performance for ITT ESI. The CUSO may, in the CUSO's sole discretion, but the CUSO shall not be obligated to, whether or not an Event of Default shall have occurred, advance funds on behalf of ITT ESI, upon not less than ten (10) days prior written notice to ITT ESI, in order to insure ITT ESI's compliance with any covenant, warranty, representation or agreement of ITT ESI made in or pursuant to any of the Security Documents, or to preserve or protect any right or interest of the CUSO in the Collateral or under or pursuant to this Agreement or any of the Security Documents, including, without limitation, the payment of any taxes and the satisfaction or discharge of any judgment or any Lien upon the Collateral; provided, however, that the making of any such advance by the CUSO shall not constitute a waiver by the CUSO of any Event of Default with respect to which such advance is made nor relieve ITT ESI of any such Event of Default. ITT ESI shall pay to the CUSO upon demand all such advances made by the CUSO. All such advances shall be deemed to be included in the Obligations to which they relate and secured by the security interest in the related Loan Pool Collateral; provided, however, that the provisions of this Subsection shall survive the termination of this Agreement and the CUSO's security interest hereunder and the payment of all other Obligations.

SECTION 9.2 Waivers by ITT ESI. ITT ESI waives, to the extent the same may be waived under applicable law: (a) notice of acceptance of this Agreement; and (b) upon the occurrence of any Event of Default, with respect to any Loan Pool (i) all rights of redemption of ITT ESI with respect to the related Loan Pool Collateral, (ii) presentment, demand for payment, protest and notice of non-payment and all exemptions with respect to such Loan Pool and/or the related Loan Pool Collateral, (iii) any and all other notices or demands which by applicable law must be given to or made upon ITT ESI by the CUSO with respect to such Loan Pool and/or the related Loan Pool Collateral, (iv) settlement, compromise or release of the obligations of any person primarily or secondarily liable upon any of the Obligations with respect to such Loan Pool and/or the related Loan Pool Collateral, and (v) substitution, impairment, exchange or release of any related Loan Pool Collateral. Subject to the provisions of ***Section 2.1*** and ***Article VIII*** hereof, ITT ESI agrees that the CUSO may exercise any or all of its rights and/or remedies under the Security Documents and under applicable law without resorting to and without regard to any Collateral or other sources of liability with respect to any of the Obligations.

SECTION 9.3 Release and Termination. Within ten (10) days following both all Obligations having been satisfied in full as to any Loan Pool (whether paid, terminated or otherwise discharged) and there existing no commitment by the CUSO that could give rise to any additional Obligations as to such Loan Pool, the CUSO shall (i) release control of any security interest in all related Collateral perfected by control (including without limitation providing notice to the depository institution or intermediary of termination of any subject Deposit Account Control Agreement or Securities Account Control Agreement), (ii) return all Letters of Credit related thereto to ITT ESI, and (iii) terminate any financing statement filed against the related Collateral.

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SECTION 9.4 Waivers. Neither any failure nor any delay on the part of any party in exercising any right, power or remedy, under any of the Security Documents or under applicable law shall operate as a waiver thereof by such party, nor shall a single or partial exercise thereof by any party preclude any other or further exercise thereof or the exercise of any other right, power or remedy by such party.

SECTION 9.5 Modifications. No modifications or waiver of any provision of any of the Security Documents shall in any event be effective unless the same shall be in writing signed by both parties, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand upon ITT ESI in any case shall entitle ITT ESI to any other or further notice or demand in the same, similar or other circumstances related.

SECTION 9.6 Notices. Any notice, request or other communication in connection with this Agreement shall be subject to the provisions of the Risk Sharing Agreement concerning notice.

SECTION 9.7 Applicable Law and Consent to Jurisdiction. The performance and construction of the Security Documents shall be governed by the laws of the State of Indiana.

SECTION 9.8 Survival: Successors and Assigns. All covenants, agreements, representations and warranties made in any of the Security Documents shall survive the execution and delivery thereof, and shall continue in full force and effect until all Obligations have been satisfied in full (whether paid, terminated or otherwise discharged), and there exists no commitment by the CUSO which could give rise to any Obligations. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. The CUSO shall not assign the Risk Sharing Agreement, any of the Security Documents and/or all or any part of its security interest in the Collateral without ITT ESI's express prior written consent, which consent may be withheld or delayed for any reason or for no reason. All covenants, agreements, representations and warranties by or on behalf of ITT ESI which are contained in any of the Security Documents shall inure to the benefit of the CUSO, its successors and assigns. ITT ESI may not assign this Agreement or any of its rights hereunder without the prior written consent of the CUSO which consent shall not be unreasonably withheld or delayed.

SECTION 9.9 Severability. If any term, provision or condition, or any part thereof, of this Agreement or any of the Loan Documents shall for any reason be found or held invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement and the Security Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

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SECTION 9.10 Merger and Integration. The Security Documents (with the Risk Sharing Agreement and the Program Documents) contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby, and no other agreement, statement or promise made by any party hereto, or by any employee, officer, agent or attorney of any party hereto, which is not contained herein shall be valid or binding.

SECTION 9.11 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

SECTION 9.12 Headings. The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and shall not be used or deemed to limit or diminish any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: _____
Name: _____
Title: _____

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EXHIBIT 1.1(b)

TO

SECURITY AGREEMENT

DEPOSIT ACCOUNT CONTROL AGREEMENT

Deposit Account Control Agreement (this "***Agreement***"), dated as of <DATE>, 20 , by and among STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company ("***Secured Party***"); ITT EDUCATIONAL SERVICES, INC., a Delaware corporation ("***Debtor***"); and <NAME OF BANK> with an address at <ADDRESS OF BANK> ("***Bank***").

PREAMBLE:

Debtor has granted Secured Party a security interest in a deposit account maintained by Bank for Debtor. The parties are entering into this agreement to perfect Secured Party's security interest in that account.

TERMS:

Section 1. **The Account**. Bank maintains a deposit account for Debtor, currently numbered <NUMBER> and titled <TITLE OF ACCOUNT> (as such account may be renumbered or retitled, the "***Account***"). All parties agree that the Account is a "***deposit account***" within the meaning of Article 9 of the Uniform Commercial Code of the State of Indiana (the "***UCC***").

Section 2. **Control**. Bank will comply with instructions originated by Secured Party directing disposition of the funds in the Account without further consent by Debtor. Except as provided below, Bank will not permit the withdrawal or other disposition of any funds in the Account by Debtor without Secured Party's prior written consent. Until such time as Secured Party delivers a written notice to Bank that Secured Party is thereby exercising exclusive control over the Account (a "***Notice of Exclusive Control***"), Bank will (i) distribute to ITT ESI monthly all earnings on the Account and (ii) comply with instructions directing the disposition of funds in the Account originated by Debtor or its authorized representatives and accompanied by a certification from an officer of Debtor to the effect that such disposition will not cause Debtor to be in violation of its collateralization obligations pursuant to Article VI of that certain Risk Sharing Agreement between Debtor and Creditor dated <DATE>, 2009, as from time to time amended, modified or supplemented. Bank will send a copy of any Notice of Exclusive Control that it receives to Debtor within three (3) business days after receipt thereof. After Bank receives a Notice of Exclusive Control and has had reasonable opportunity to comply, it will cease complying with instructions concerning the Account or funds on deposit therein originated by Debtor or its representatives. Bank has not and will not agree with any third party to comply with instructions or other directions concerning the Account or the disposition of funds in the Account originated by such third party without the prior written consent of Secured Party and Debtor.

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Section 3. **Subordination Of Bank's Security Interest**. Bank hereby subordinates all security interests, encumbrances, claims and rights of setoff it may have, now or in the future, against the Account or any funds in the Account other than in connection with the payment of Bank's customary fees and charges pursuant to its agreement with Debtor and for the reversal of provisional credits.

Section 4. **Statements, Confirmations And Notices Of Adverse Claims**. Bank will send copies of all statements concerning the Account to each of Debtor and Secured Party at the addresses set forth following their signatures hereto. Bank will provide Secured Party with such information concerning the Account as Secured Party shall from time to time request, provided Debtor would otherwise be entitled to such information. Upon receipt of written notice of any lien, encumbrance or adverse claim against the Account or any funds credited thereto, Bank will make reasonable efforts promptly to notify Secured Party and Debtor thereof.

Section 5. **Bank's Responsibility**. Except for acting on Debtor's instructions in violation of ***Section 2*** above, Bank shall have no responsibility or liability to Secured Party for complying with instructions concerning the Account from Debtor or Debtor's authorized representatives which are received by Bank before Bank receives a Notice of Exclusive Control and has had reasonable opportunity to act on it. Bank shall have no responsibility or liability to Debtor for complying with a Notice of Exclusive Control or complying with instructions concerning the Account originated by Secured Party, and shall have no responsibility to investigate the appropriateness of any such instruction or Notice of Exclusive Control, unless (i) Bank takes the action after it is served with an injunction, restraining order or other legal process enjoining it from doing so issued by a court of competent jurisdiction and had reasonable opportunity to act on the injunction, restraining order or other legal process or (ii) Bank acts in collusion with Secured Party in violating Debtor's rights.

Section 6. **Indemnity**. Debtor and Secured Party hereby agree to indemnify and hold harmless Bank, its directors, officers, agents and employees against any and all claims, causes of action, liabilities, lawsuits, demands and damages, including without limitation, any and all court costs and reasonable attorney's fees, in any way related to or arising out of or in connection with this Agreement or any action taken or not taken by Bank pursuant to the terms of this Agreement, except to the extent caused by Bank's gross negligence or willful misconduct or Bank's breach of any of the provisions hereof.

Section 7. **Customer Agreement**. In the event of a conflict between this Agreement and any other agreement between the Bank and the Debtor relating to the Account, the terms of this Agreement will prevail; provided, however, that this Agreement shall not alter or affect any mandatory arbitration provision currently in effect between Bank and Debtor pursuant to a separate agreement.

Section 8. **Termination**. This Agreement shall continue in effect until Secured Party has notified Bank in writing that this Agreement, or its security interest in the Account, is terminated.

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Upon receipt of such notice, the obligations of Bank hereunder with respect to the operation and maintenance of the Account after the receipt of such notice shall terminate, Secured Party shall have no further right to originate instructions concerning the Account and any previous Notice of Exclusive Control delivered by Secured Party shall be deemed to be of no further force and effect.

Section 9. **Complete Agreement; Amendments**. This Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof, and, subject to ***Section 7*** above supersedes any prior agreement and contemporaneous oral agreements of the parties concerning its subject matter. No amendment, modification or (except as otherwise specified in ***Section 8*** above) termination of this Agreement, nor any assignment of any rights hereunder (except to the extent contemplated under ***Section 12*** below), shall be binding on any party hereto unless it is in writing and is signed by each of the parties hereto, and any attempt to so amend, modify, terminate or assign except pursuant to such a writing shall be null and void. No waiver of any rights hereunder shall be binding on any party hereto unless such waiver is in writing and signed by the party against whom enforcement is sought.

Section 10. **Governing Law**. This Agreement and the agreement governing the Account shall be governed by and construed in accordance with the law of the State of Indiana. The parties agree that said State of Indiana is the "bank's jurisdiction" for purposes of the UCC.

Section 11. **Severability**. To the extent a provision of this Agreement is unenforceable, this Agreement will be construed as if the unenforceable provision were omitted.

Section 12. **Successors And Assigns**. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors, heirs and personal representatives. This Agreement may be assigned by Secured Party to any successor of Secured Party under and only as permitted in its Security Agreement with Debtor, provided that written notice thereof is given by Secured Party to Bank.

Section 13. **Notices**. Except as otherwise expressly provided herein, any notice, order, instruction, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error-free receipt is received or upon receipt of notice sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the party at the address set forth after such party's signature hereto. Any party may change its address for notices in the manner set forth above.

Section 14. **Jury Waiver**. EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS, REMEDIES, OBLIGATIONS, OR DUTIES HEREUNDER, OR THE PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF.

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Section 15. **Counterparts**. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

SIGNATURES:

SECURED PARTY:

STUDENT CU CONNECT CUSO, LLC,

By: _____
Name: _____
Title: _____
Address: 8700 Indian Creek Parkway, Suite 120
Overland Park, Kansas 66210
Attention: Tony Ferris

DEBTOR:

ITT EDUCATIONAL SERVICES, INC.

By: _____
Name: _____
Title: _____
Address: Chief Financial Officer
ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404

BANK:

<BANK>

By: _____
Name: _____
Title: _____

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EXHIBIT 1.1(f)

TO

SECURITY AGREEMENT

SECURITIES ACCOUNT CONTROL AGREEMENT

Securities Account Control Agreement (this "***Agreement***"), dated as of <DATE>, 20_____, by and among STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company ("***Secured Party***"); ITT EDUCATIONAL SERVICES, INC., a Delaware corporation ("***Debtor***"); and <NAME OF SECURITIES INTERMEDIARY> with an address at <ADDRESS OF SECURITIES INTERMEDIARY> ("***Intermediary***").

PREAMBLE:

Debtor has granted Secured Party a security interest in a securities account maintained by Intermediary for Debtor. The parties are entering into this Agreement to perfect Secured Party's security interest in that account.

TERMS:

Section 1. **The Account**. Intermediary represents and warrants to Secured Party that:

1.1 Intermediary maintains a securities account number <NUMBER> for Debtor titled <TITLE OF ACCOUNT> (as such account may be renumbered or retitled, the "***Account***").

1.2 ***Exhibit A*** is a statement produced by Intermediary in the ordinary course of its business regarding the property credited to the Account at the statement's date. Intermediary does not know of any inaccuracy in such statement.

1.3 Intermediary does not know of any claim to or interest in the Account, except for claims and interests of the parties referred to in this Agreement.

1.4 All property credited to the Account, and all other rights of Debtor against Intermediary arising out of the Account, including any free credit balances, will be treated as "financial assets" under Article 8 of the Indiana Uniform Commercial Code.

Section 2. **Control By Secured Party**. Intermediary will comply with all notifications it receives directing it to transfer or redeem any financial assets in the Account (each an "entitlement order") originated by Secured Party without further consent by Debtor.

Section 3. **Subordination Of Intermediary's Security Interest**. Intermediary subordinates in favor of Secured Party any security interest, lien or right of setoff Intermediary may have, now or in the future, against the Account or financial assets in the Account, except that Intermediary will retain its prior lien on financial assets in the Account to secure payment for financial assets purchased for the Account and normal commissions and fees for the Account.

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Section 4. **Debtor's Rights In Account**. Except as otherwise provided in this ***Section 4***, Intermediary will comply with entitlement orders originated by Debtor without further consent by Secured Party. If Secured Party notifies Intermediary that Secured Party will exercise exclusive control over the Account (a "***Notice of Exclusive Control***"), Intermediary will cease (i) complying with entitlement orders or other directions concerning the Account originated by Debtor, and (ii) distributing to Debtor interest and/or dividends on financial assets in the Account. Bank will send a copy of any Notice of Exclusive Control that it receives to Debtor within three (3) business days after receipt thereof. Until Intermediary receives a Notice of Exclusive Control, Intermediary may distribute to Debtor all interest and regular cash dividends on financial assets in the Account. Intermediary will not comply with any entitlement order originated by Debtor that would require Intermediary to make a free delivery to Debtor or any other person unless such entitlement order is accompanied by a certification from an officer of Debtor that such free delivery will not cause the Debtor to be in violation of Article VI of that certain Risk Sharing Agreement between Debtor and Secured Party dated <DATE>, 2009, as from time to time amended, modified or supplemented.

Section 5. **No Third Party Control**. Intermediary represents and warrants that no third party has a right to give an entitlement order regarding financial assets in the Account. Intermediary will not agree with any third party that Intermediary will comply with entitlement orders originated by the third party.

Section 6. **Statements, Confirmations And Notices Of Adverse Claims**. Intermediary will send copies of all statements and confirmations for the Account simultaneously to Debtor and Secured Party. Intermediary will provide Secured Party with such information concerning the Account as Secured Party shall from time to time request, provided Debtor would otherwise be entitled to such information. Intermediary will use reasonable efforts to promptly notify Secured Party and Debtor if any other person claims that it has a property interest in a financial asset in the Account and that it is a violation of that person's rights for anyone else to hold, transfer or deal with the financial asset.

Section 7. **Intermediary's Responsibility**.

7.1 Except for permitting a withdrawal, delivery or payment in violation of ***Section 4***, Intermediary will not be liable to Secured Party for complying with entitlement orders from Debtor that are received by Intermediary before Intermediary receives and has a reasonable opportunity to act on a Notice of Exclusive Control. Intermediary will not be liable to Debtor for complying with a Notice of Exclusive Control or with entitlement orders originated by Secured Party, unless (i) Intermediary takes the action after it is served with an injunction, restraining order or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order or other legal process, or (ii) Intermediary acts in collusion with Secured Party in violating Debtor's rights.

7.2 This Agreement does not create any obligation of Intermediary except for those expressly set forth in this Agreement. In particular, Intermediary need not investigate whether (i) Secured Party is entitled under Secured Party's agreements with Debtor to give an entitlement order or a Notice of Exclusive Control or (ii) Debtor is entitled to give an entitlement orderpursuant to ***Section 4*** hereof. Intermediary may rely on notices and communications it believes are given by the appropriate party.

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Section 8. **Indemnity**. Secured Party and Debtor will indemnify Intermediary, its officers, directors, employees, and agents against claims, liabilities and expenses with respect to Intermediary's actions in accordance with this Agreement (including reasonable attorneys' fees and disbursements), except to the extent the claims, liabilities, or expenses are caused by Intermediary's gross negligence or willful misconduct. Secured Party's and Debtor's liability under this Section is joint and several.

Section 9. **Termination**. Secured Party may terminate this Agreement by notice to Intermediary and Debtor. Intermediary may terminate this Agreement on <NUMBER> days' notice to Secured Party and Debtor. If Secured Party notifies Intermediary that Secured Party's security interest in the Account has terminated, this Agreement will immediately terminate. ***Sections 7***, "***Intermediary's Responsibility***," and ***8***, "***Indemnity***," will survive termination of this Agreement.

Section 10. **Complete Agreement; Amendments**. This Agreement is the entire agreement, and supersedes any prior agreements and contemporaneous oral agreements, of the parties concerning its subject matter; provided, however, that this Agreement shall not alter or affect any mandatory arbitration provision (if any) currently in effect between Intermediary and Debtor pursuant to a separate agreement. No amendment of, or waiver of a right under, this Agreement will be binding unless it is in writing and signed by the party to be charged.

Section 11. **Governing Law**. This Agreement will be governed by the laws of the State of Indiana.

Section 12. **Severability**. To the extent a provision of this Agreement is unenforceable, this Agreement will be construed as if the unenforceable provision were omitted.

Section 13. **Successors And Assigns**. A successor to or assignee of Secured Party's rights and obligations under the security agreement between Secured Party and Debtor will succeed to Secured Party's rights and obligations under this Agreement.

Section 14. **Notices**. A notice or other communication to a party under this Agreement will be in writing (except that entitlement orders may be given orally), will be sent to the party's address set forth below or to such other address as the party may notify the other parties and will be effective on receipt.

Section 15. **Jury Waiver**. EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS, REMEDIES, OBLIGATIONS, OR DUTIES HEREUNDER, OR THE PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF.

Section 16. **Counterparts**. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

SIGNATURES:

SECURED PARTY:

STUDENT CU CONNECT CUSO, LLC,

By: _____
Name: _____
Title: _____
Address: 8700 Indian Creek Parkway, Suite 120
Overland Park, Kansas 66210
Attention: Tony Ferris

DEBTOR:

ITT EDUCATIONAL SERVICES, INC.

By: _____
Name: _____
Title: _____
Address: Chief Financial Officer
ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404

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INTERMEDIARY:

<INTERMEDIARY>

By: _____
Name:
Title:

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CL_Review001376

EXHIBIT 2.2(F)

CERTIFICATE TO ACCOMPANY SIGHT DRAFT
ON LETTER OF CREDIT

A signed statement of an authorized officer of the CUSO certifying (under penalties of perjury) to both ITT ESI and the issuer as to either of the following:

1. That all of: (a) an "Event of Default" under that certain Security Agreement dated as of <DATE>, 2009 by ITT Educational Services, Inc. ("***ITT ESI***") in favor of Student CU Connect CUSO, LLC ("***Beneficiary***") has occurred with respect to the related Loan Pool (the "***Subject Loan Pool***"), (b) the amount that is currently due and owing Beneficiary under said Security Agreement with respect to the Subject Loan Pool, and (c) the amount requested under the related sight draft, when added to all other drawings under this Letter of Credit, does not exceed the amount of this Letter of Credit; or

2. That all of: (a) the Beneficiary has received a Non-Renewal Notice, (b) as of a date that is less than ten (10) days before the then applicable expiration date of this Letter of Credit, ITT ESI has failed to provide the Beneficiary with a replacement letter of credit and/or other substitute collateral, in all cases permitted to replace this Letter of Credit under Section 6.1 of that certain Risk Sharing Agreement dated <DATE>, 2009 between the Beneficiary and ITT ESI, and (c) the amount requested under the related sight draft, when added to all other drawings under this Letter of Credit, does not exceed the amount of this Letter of Credit.

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FIRST AMENDMENT TO
RISK SHARING AGREEMENT

This FIRST AMENDMENT TO RISK SHARING AGREEMENT (this "***Amendment***") is made and entered into effective as of January 13, 2011, by and between ITT EDUCATIONAL SERVICES, INC., a Delaware corporation, on behalf of itself and its Affiliates and subsidiaries ("***ITT ESI***"), and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following recitals are a material part of this Amendment:

A. ITT ESI and the CUSO are parties to that certain Risk Sharing Agreement entered into as of February 20, 2009 (the "***Agreement***").

B. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings provided in the Agreement and Schedule A thereto.

C. ITT ESI and the CUSO have agreed to amend the definition of Collateralization Percentage in certain respects.

D. In connection with the foregoing, the parties hereto desire to amend the Agreement as set forth in this Amendment.

AGREEMENT

NOW THEREFORE, in consideration of foregoing and the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The definition of Collateralization Percentage, as set forth on Schedule A to the Agreement, is hereby amended to read in its entirety as follows:

"***Collateralization Percentage***" means, with respect to the Loan Pool for Funding Year 2009, thirty percent (30%); with respect to the Loan Pool for Funding Year 2010 and the Loan Pool for Funding Year 2011, twelve and a half percent (12.5%); and, with respect to the Loan Pool for each and any Funding Year thereafter, ten percent (10%); in each case, unless adjusted as provided in ***Section 6.3*** of the Risk Sharing Agreement.

2. On or before January 18, 2011, ITT ESI shall pledge all additional Collateral required by the foregoing amendment to the definition of Collateralization Percentage determined based upon the principal balances of Loans in the applicable Loan Pools as of December 31, 2010.

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3. Section 6.3 of the Agreement is hereby amended by deleting such Section in its entirety and replacing it with the following:

SECTION 9.13 SECTION 6.3. Increase of Collateral in the Event of Default by ITT ESI. In the event ITT ESI shall violate any of the financial covenants or percentages set forth in *Section 7.2(b)*, the Collateralization Percentage applicable to each Loan Pool shall be increased by forty-five percent (45%) and ITT ESI shall provide such additional Collateral within thirty (30) days after written demand therefor by the CUSO; provided however that, if the Collateralization Percentage is increased on account of ITT ESI's violation of any financial covenant or percentage and ITT ESI thereafter becomes in compliance therewith, the Collateralization Percentage for each Loan Pool shall thereafter be restored to its original amount. For example, if the Collateralization Percentage for a Loan Pool would otherwise be 30%, while ITT ESI is in violation of the financial covenants and percentages set forth in *Section 7.2(b)*, the Collateralization Percentage shall be 43.5%.

4. Except as amended by this Amendment, both the remainder of the Agreement and Schedule A are unchanged and remain in full force and effect.

5. This Amendment may be executed in multiple counterparts, each of which shall for all purposes be deemed to be an original and both of which shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Blank; Signature Page Follows.]

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IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective duly authorized officers effective as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO

STUDENT CU CONNECT CUSO, LLC

By: /s/Joe Karlin
Name: Joe Karlin
Title: Program Administrator

[Signature Page to First Amendment to Risk Sharing Agreement.]

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SECOND AMENDMENT TO
RISK SHARING AGREEMENT

This SECOND AMENDMENT TO RISK SHARING AGREEMENT (this "***Amendment***") is made and entered into effective as of March 30, 2011, by and between ITT EDUCATIONAL SERVICES, INC., a Delaware corporation, on behalf of itself and its Affiliates and subsidiaries ("***ITT ESI***"), and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following recitals are a material part of this Amendment:

A. ITT ESI and the CUSO are parties to that certain Risk Sharing Agreement entered into as of February 20, 2009, as amended by that First Amendment to Risk Sharing Agreement entered into as of January 13, 2011 (as amended, the "***Agreement***").

B. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings provided in the Agreement and Schedule A thereto.

C. ITT ESI and the CUSO have agreed to amend the Agreement to provide for an alternative current ratio covenant as of certain dates.

D. In connection with the foregoing, the parties hereto desire to amend the Agreement as set forth in this Amendment.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Section 7.2(b)(1)(c) of the Agreement is hereby amended to read in its entirety as follows:

c. *Current Ratio*. A current ratio, defined as the current assets (assets to be sold or used up in less than one year and any cash or securities pledged as Collateral under this Agreement) divided by the current liabilities (loans or other liabilities with remaining terms of less than one year and the current portion of long-term debt), of ITT ESI, equal to or greater than 1 to 1, except that it shall be equal to or greater than 0.65 to 1 as of March 31, 2011, June 30, 2011 and September 30, 2011. This calculation excludes all unsecured and uncollateralized related-party receivables and payables.

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2. Except as amended by this Amendment, the remainder of the Agreement is unchanged and remains in full force and effect.

3. This Amendment may be executed in multiple counterparts, each of which shall for all purposes be deemed to be an original and both of which shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Blank; Signature Page Follows.]

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IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective duly authorized officers effective as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/Dan Fitzpatrick
Name: Dan Fitzpatrick
Title: EVP CFO

STUDENT CU CONNECT CUSO, LLC

By: /s/Tony Ferris
Name: Tony Ferris
Title: Partner

[Signature Page to Second Amendment to Risk Sharing Agreement.]

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THIRD AMENDMENT TO
RISK SHARING AGREEMENT

This THIRD AMENDMENT TO RISK SHARING AGREEMENT (this "***Amendment***") is made and entered into effective as of May 18, 2012, by and between ITT EDUCATIONAL SERVICES, INC., a Delaware corporation, on behalf of itself and its Affiliates and subsidiaries ("***ITT ESI***"), and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following recitals are a material part of this Amendment:

A. ITT ESI and the CUSO are parties to that certain Risk Sharing Agreement entered into as of February 20, 2009, and subsequently amended on January 13, 2011, and March 30, 2011 (as so amended, the "***Agreement***").

B. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings provided in the Agreement and Schedule A thereto.

C. ITT ESI and the CUSO have agreed to amend certain provisions of the Agreement in certain respects.

D. In connection with the foregoing, the parties hereto desire to amend the Agreement as set forth in this Amendment.

AGREEMENT

NOW THEREFORE, in consideration of foregoing and the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The definition of "Net Disbursement," as set forth on Schedule A, is hereby amended for all Loan Pools established on or subsequent to January 1, 2011, but only with respect to the use of the term "Net Disbursements" in the definition of "First Loss Risk":

"***Net Disbursement***" means, as to any Loan, the total original sum disbursed, utilizing cash funding from the Participants and the CUSO (but excluding the amount of disbursements made with accumulated refunds from the Commitment Account), to ITT ESI as payment of tuition and other charges, plus all origination and other loan fees, net of any refund or return thereof paid by ITT ESI within sixty (60) days after the disbursement date thereof. The amount of the Net Disbursement on a Loan shall not be reduced for any principal payments made on such Loan, whether by the Borrower, ITT ESI, or otherwise (excepting only refunds as aforesaid), or increased for any capitalized interest charges.

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2. The definition of "First Loss Risk," as set forth on Schedule A, is hereby amended in its entirety as follows:

"***First Loss Risk***" means, with respect to any Loan Pool, the product produced by multiplying (x) the applicable First Loss Percentage times (y) the aggregate Net Disbursements on all Loans in such Loan Pool. Without limitation of the foregoing, based on reports received from the Servicer, the First Loss Risk for each of the Loan Pools is as follows: (i) 2009 Loan Pool: $21,632,460; (ii) 2010 Loan Pool: $13,849,291; and (iii) 2011 Loan Pool: $19,653,013.

3. Section 3.9 of the Agreement is hereby amended to read in its entirety as follows:

SECTION 3.9 Alteration of Borrower Obligations. From time to time, the CUSO may forbear, revise, modify, extend, amend, change or renew (collectively, an "***Alteration***") terms of any Loan (or any documentation or collateral therefor), without thereby releasing ITT ESI from its guarantee provided that such modification is within the Loan Criteria or the Collection and Charge Off Standards. However, any Alteration that reduces the amount that a Borrower is obligated to pay under a Loan will similarly reduce ITT ESI's guarantee obligations with respect thereto, unless the Alteration consists of a partial payment in settlement of the full outstanding balance of a Charged Off Loan in compliance with an agreement between the CUSO and a collection agency that has been previously consented to by ITT ESI in accordance with the Collection and Charge Off Standards. Further, any Alteration to any Loan in any manner inconsistent with the Loan Criteria or the Collection and Charge Off Standards, will disqualify such Loan as an ITT ESI Risk Loan.

4. Section 7.2(b)(1)(b) of the Agreement is hereby amended to read in its entirety as follows:

b. Long-term Debt to Equity Ratio. A long-term debt to equity ratio, defined as loans and other liabilities with terms extending over one year divided by the shareholders' equity of ITT ESI, of equal to or less than 5 to 1; provided, however, that ITT ESI shall not be required to maintain any specified long-term debt to equity ratio with respect to the measurement points as of June 30, 2012 and September 30, 2012;

5. Section 7.2(b)(1)(c) of the Agreement is hereby amended to read in its entirety as follows:

c. Current Ratio. A current ratio, defined as the "Total Current Assets" as reported on ITT ESI's consolidated balance sheet contained in its Forms 10-Q and 10-K filed with the SEC and any cash or securities pledged as Collateral under this Agreement, divided by the "Total Current Liabilities" as reported on ITT ESI's consolidated balance sheet contained in its Forms 10-Q and 10-K filed with the SEC, of ITT ESI, equal to or greater than: (i) 0.75 to 1 as of June 30, 2012 and September 30, 2012; and (ii) 1 to 1 as of December 31, 2012 and every measurement period thereafter. This calculation excludes all unsecured and uncollateralized related-party receivables and payables.

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6. Within two Business Days following the date of this Amendment, ITT ESI agrees to pay to the CUSO a fee (the "Waiver Fee") in respect of the amendments to Sections 7.2(b)(1)(b) and 7.2(b)(1)(c) of the Agreement contained herein, in an amount equal to $200,000.00. The Waiver Fee will be paid by wire transfer to the Operating Account (as defined in the Credit Facility Agreement) of the CUSO. The CUSO shall utilize the Waiver Fee solely to pay valid fees and expenses of the CUSO. The Waiver Fee shall not be considered a part of Monthly Collections or otherwise be payable to or for the benefit of the Participants.

7. Except as amended by this Amendment, both the remainder of the Agreement and Schedule A are unchanged and remain in full force and effect.

8. This Amendment may be executed in multiple counterparts, each of which shall for all purposes be deemed to be an original and both of which shall together constitute but one and the same instrument.

[*Signatures appear on the following page*]

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IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective duly authorized officers effective as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO

STUDENT CU CONNECT CUSO, LLC

By: /s/ Lisa A. Schlehuber
Name: Lisa A. Schlehuber
Title: Board Chair / Manager

[Signature Page to Third Amendment to Risk Sharing Agreement.]

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EXHIBIT 10.54

FINANCING PROGRAM AGREEMENT

This FINANCING PROGRAM AGREEMENT (as amended, modified, restated or replaced from time to time, this "***Agreement***") is entered into as of February 20, 2009 ("***Effective Date***") by ITT EDUCATIONAL SERVICES, INC., a Delaware corporation, on behalf of itself and its Affiliates and subsidiaries ("***ITT ESI***") and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following recitals are a material part of this Agreement:

Pursuant to this Agreement, the CUSO intends to conduct the Program utilizing the Originating Entity to provide access for Students across the country to non-governmentally guaranteed student loans. Pursuant to the Purchase Agreement, the Originating Entity will originate Loans to Students and the CUSO will purchase the Loans, creating discrete Loan Pools based on dates of disbursement of Loan proceeds. The Originating Entity will fund and disburse the Loans to ITT ESI. The CUSO will sell Participation Interests in the Loans to the Originating Entity and other Participants pursuant to the Subscription Agreements and Participation Agreement. To induce the CUSO to both induce the Originating Entity to originate, fund and disburse the Loans and itself to purchase such Loans, and to induce the Originating Entity and other Participants to participate in the Loans, ITT ESI has agreed to provide a guarantee for the Loans upon and subject to the terms of the Risk Sharing Agreement.

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

ARTICLE I
DEFINITIONS

1.1 Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings provided in **Schedule A** hereto.

1.2 Other Definitional Terms and Interpretive Principles.

(a) As used in this Agreement (i) accounting terms not defined herein, and (ii) accounting terms partly defined herein to the extent not defined, will have the respective meanings given to them under GAAP.

(b) The words "herein," "hereof" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement. Section and subsection references are to this Agreement, unless otherwise specified.

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(c) When used in this Agreement, words of the masculine gender include the feminine and neuter genders and vice versa, where applicable. Words of the singular number shall include the plural number and vice versa, where applicable.

(d) The terms "include" and "including" mean "including without limitation by reason of enumeration."

ARTICLE II
THE PROGRAM

2.1 Origination and Sale of Loans.

(a) Pursuant to the Purchase Agreement and subject to the terms and conditions contained herein and therein, (i) the Originating Entity will originate Loans to Borrowers for the purpose of assisting Students with the cost of tuition, fees, books, tools, computers and other expenses associated with their ITT Technical Institute education, (ii) the CUSO will purchase such Loans, and (iii) the Originating Entity will disburse the Loans to ITT ESI.

(b) The CUSO shall ensure that each Borrower is a Student or a co-signer of a Student.

(c) The CUSO shall pay the Purchase Price for each Loan by depositing the Purchase Price (or lesser required amount to the extent there are available funds in the Loan Funding Account) into the Loan Funding Account. The sale and purchase of each Loan shall occur contemporaneously with the disbursement of the Loan proceeds by the Originating Entity to ITT ESI from the Loan Funding Account on the applicable disbursement date. All Loans disbursed in a given Funding Year will constitute a discrete Loan Pool. The parties acknowledge that an individual Loan may provide for additional or a series of disbursements subsequent to the initial funding, in which case any disbursement subsequent to the initial Funding Year will be treated as a new Loan that is included in the Loan Pool for the Funding Year of the subsequent disbursement.

(d) It is the intention of the parties that the purchase and sale of Loans under the Program as provided for in this Agreement and the Purchase Agreement will constitute the purchase and sale of whole loans in accordance with GAAP and not a participation or secured financing.

2.2 Conversion of Open Account Credit into Loans. The parties acknowledge that ITT ESI has heretofore extended open account credit to certain Students in the absence of adequate non-governmentally guaranteed unsecured student loan sources, and may continue to do so. The CUSO shall cause the Originating Entity to originate Loans to Borrowers for the purpose of paying off any open account credit so extended by ITT ESI, so long as those Loans comply with the conditions in Section 2.1(b) of the Purchase Agreement. For this purpose, the CUSO acknowledges that at the time a Loan is originated to some recipients of such open account credit, they may no longer be active Students, so long as they were Students at the time such credit was extended. Prior to the Effective Date, ITT ESI will provide a schedule to the CUSO of the open account credit extended prior to that date, along with the credit criteria utilized by ITT ESI in connection therewith.

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2.3 Field of Membership. The CUSO shall ensure that the Originating Entity has the requisite field of membership to originate Loans under the Program.

2.4 Estimated Aggregate Funding Commitment. Notwithstanding anything to the contrary in this Agreement or any other Program Document, except as otherwise provided in Section 2.9, the aggregate disbursements to ITT ESI, net of all refunds by ITT ESI, on all Loans originated in all of Funding Years 2009, 2010 and 2011 is not required to exceed the Estimated Aggregate Funding Commitment.

2.5 Opinions of Counsel. The CUSO has obtained the following opinions directed to the Participants, as required by Section 712.4(b) of the NCUA Rules, and upon which ITT ESI may rely: (a) the opinion of the CUSO's counsel, Messick & Weber P.C., that the Program constitutes a permissible activity for a credit union service organization and that the CUSO is established in a manner that will limit the potential exposure of its member Credit Unions to no more than the loss of funds invested in, or loaned to, the CUSO, as required by Section 712.4(b) of the NCUA Rules, and (b) an opinion of Delaware counsel with respect to Delaware limited liability company law that the CUSO is established in a manner that will limit the potential exposure of its member Credit Unions to no more than the loss of funds invested in, or loaned to, the CUSO.

2.6 Compliance With Purchase Agreement.

(a) The CUSO shall not be obligated to purchase any Loan which does not comply with the conditions precedent in Section 2.11 of the Purchase Agreement.

(b) If the CUSO acquires any Loan which it subsequently determines was not in compliance with the conditions precedent in Section 2.11 of the Purchase Agreement, absent fraud, willful misconduct, gross negligence or breach of the Purchase Agreement by the Originating Entity, (i) the CUSO's sole recourse will be to exercise all rights of the Originating Entity under the Origination Agreement, and (ii) the Originating Entity will have no liability to ITT ESI, the CUSO or the Participants for any such noncompliance.

(c) ITT ESI shall be exempt from liability under the Risk Sharing Agreement with respect to any Loan which fails to comply with the conditions precedent in Section 2.11 of the Purchase Agreement, to the extent provided in Section 3.7 of the Risk Sharing Agreement.

2.7 Non-Liability of ITT ESI. ITT ESI shall have sole control over all decisions with regard to the admission, advancement, discipline, suspension, withdrawal, termination and graduation of Students. For the avoidance of doubt, except as otherwise provided in the Risk Sharing Agreement, ITT ESI shall have no liability to the Originating Entity, the CUSO or the Participants with respect to any aspect of the Program in the absence of the fraud, willful misconduct or gross negligence of any ITT ESI employee, including but not limited to (a) any acts, errors or omissions of ITT ESI's financial aid personnel, (b) any information supplied by any Borrower or other Person in connection with any Loan, or (c) any default by any Borrower under a Loan. If a Loan is originated in whole or in part through the fraud, willful misconduct or gross negligence of any ITT ESI employee, the sole remedy of the CUSO will be under Section 3.11 of the Risk Sharing Agreement, and the sole remedy of the Originating Entity and the Participants will be through the CUSO's exercise of its rights under Section 3.11 of the Risk Sharing Agreement.

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2.8 Exclusivity. During the Term of this Agreement:

(a) ITT ESI shall not enter into a non-governmentally guaranteed student loan financing program which includes any credit enhancement or similar contractual arrangement with any credit union service organization other than the CUSO, except as permitted by Section 2.9(j) or (m).

(b) The CUSO shall not enter into a similar student loan financing program with any proprietary institution of higher education, as defined under 20 USC 1002, other than with ITT ESI (or an Affiliate thereof).

(c) The CUSO shall procure the agreement of each Participant (and ITT ESI shall be named as an express third party beneficiary of all such agreements) that it will not, prior to January 1, 2012, through a credit union service organization, enter into a similar student loan financing program that includes an institution-provided enhancement or guarantee with any proprietary institution of higher education, as defined under 20 USC 1002, other than with ITT ESI (or an Affiliate thereof), but that such limitation shall not apply to (i) a program whereby the institution pays to the Participant the equivalent of an insurance premium and/or a portion of the interest on behalf of the student borrower, (ii) any participation by the Participant in the Credit Union Student Choice Program as long as the Participant does not control the direction or actions of such Credit Union Student Choice Program, or (iii) loans by the Participant to individual student borrowers who satisfy the Participant's usual and established loan underwriting standards and not under a program as described in this sentence.

2.9 Loan Funding.

(a) The CUSO shall enter into a Subscription Agreement and Participation Agreement with each Participant, pursuant to which each Participant will commit to both make a capital contribution to the CUSO and to purchase a Participation Interest in Loans originated in Funding Years 2009, 2010 and 2011. The CUSO will cause Participants to deposit their Participation Commitments into the Commitment Account. To the extent the amount of Loans purchased by the CUSO in any Loan Pool exceeds the amounts funded by the Participants for such Loan Pool, the excess will be retained by the CUSO as a Retained CUSO Interest.

(b) The CUSO shall pay the Purchase Price for Loans by transferring funds (including funds representing any CUSO Retained Interest) into the Loan Funding Account and will cause the Originating Entity to disburse Loans to ITT ESI in accordance with the Purchase Agreement.

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(c) The portion of the Estimated Aggregate Funding Commitment payable in Funding Year 2009 is not required to exceed the Base Funding Year Target. The portion of the Estimated Aggregate Funding Commitment payable in Funding Year 2010 is not required to exceed the 2010 Funding Year Target. The portion of the Estimated Aggregate Funding Commitment payable in Funding Year 2011 is not required to exceed the 2011 Funding Year Target. The Purchase Price for any Loans funded by advances under a Credit Facility provided by ITT ESI shall not be subject to the foregoing limitations.

(d) Not later than twelve (12) Business Days prior to the First Disbursement Date of each Funding Period, ITT ESI will provide the CUSO with an estimate of the aggregate amount to be disbursed on all Loans during such Funding Period.

(e) Not later than three (3) Business Days prior to each disbursement date in each Funding Period, the CUSO shall cause the Originating Entity to provide the CUSO with the actual volume of Loans to be funded on that disbursement date. The CUSO shall deposit the Purchase Price for such Loans into the Loan Funding Account not later than one (1) Business Day prior to such disbursement date; provided, however, that (i) in no event will the CUSO be required to purchase Loans in any Funding Period in an amount greater than twenty-five percent (25%) of the maximum portion of the Estimated Aggregate Funding Commitment for the applicable Funding Year (plus any additional amounts not deposited in previous Funding Periods due to the estimated amounts being less than twenty-five percent (25%) of the maximum portion of the Estimated Aggregate Funding Commitment for the applicable Funding Year), and (ii) the CUSO may deposit more than such twenty-five percent (25%) into the Loan Funding Account in any Funding Period as provided in Section 2.9(f). The CUSO shall cause the Originating Entity to disburse Loans to ITT ESI from the Loan Funding Account on each disbursement date during each Funding Period. Notwithstanding the foregoing, if ITT ESI fails to comply with its collateralization requirement under the Risk Sharing Agreement during any Funding Period, the Originating Entity's obligation to originate Loans and the CUSO's obligation to purchase Loans shall be suspended until ITT ESI provides the required Collateral.

(f) If the estimated demand for Loans during any Funding Period exceeds twenty-five percent (25%) of the maximum portion of the Estimated Aggregate Funding Commitment for the applicable Funding Year, not later than five (5) Business Days prior to the First Disbursement Date of such Funding Period, the CUSO shall do one of the following: (i) notify ITT ESI that the entire Loan demand for that Funding Period will be purchased by the CUSO, (ii) notify ITT ESI that an amount greater than twenty-five percent (25%) of the maximum portion of the Estimated Aggregate Funding Commitment for the applicable Funding Year but less than the entire Loan demand will be purchased by the CUSO, or (iii) notify ITT ESI that only the portion of the Estimated Aggregate Funding Commitment for that Funding Period will be purchased by the CUSO. Any amount referred to in clause (i), (ii) or (iii) above shall exclude the amount of any refunds or previously unused amounts in the Commitment Account, which will be dealt with in accordance with Section 2.9(k). If the CUSO fails to provide any such notice on a timely basis, it shall be deemed to have made the election described in clause (iii) above. The portion of the Purchase Price for any Loans financed under any Credit Facility provided by ITT ESI shall not be included in the amount referred to in clause (ii) or (iii) above.

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(g) The CUSO may finance the purchase of Loans in any manner it deems advisable, including but not limited to (i) selling Participation Interests in such Loans to Participants, (ii) selling Participation Interests in such Loans to additional credit unions, (iii) selling Participation Interests in such Loans to other investors, to the extent permitted under the Federal Credit Union Act and NCUA Rules, (iv) borrowing under a Credit Facility with ITT ESI or a third party Credit Lender, (v) selling additional classes of Membership Interest, whether or not coupled with a Participation Interest, and/or (vi) any other financing method, subject (in the event of any transaction referred to in clauses (i) through (iii) or (v) above) to the rights of existing Participants under the Participation Agreement and any applicable Participants' right of first refusal provided in the Subscription Agreements. The CUSO shall not enter into any financing transaction with a third party which adversely affects the ability of the CUSO or the Participants to perform their obligations under the Program Documents.

(h) ITT ESI shall have the right (but not the obligation) to finance the purchase of Loans and the CUSO's operating expenses by making a discretionary revolving Credit Facility available to the CUSO in accordance with mutually acceptable Credit Facility Documents. Any such Credit Facility may be secured by a pledge of the collateral described in the Credit Facility Documents, but in no event will the CUSO pledge any of the Participation Interests in the Loans. If ITT ESI elects to provide such Credit Facility to the CUSO, the CUSO shall use its commercially reasonable best efforts to refinance such Credit Facility with other lender(s) at such time as such financing becomes available to the CUSO on commercially reasonable terms. Any Loan refunds received by the CUSO shall be dealt with in accordance with Section 2.9(k).

(i) Subject to (i) the rights of existing Participants under the Participation Agreement, and (ii) any Participants' right of first refusal in the Subscription Agreements, the CUSO shall be free at all times to deal in Loans as it sees fit, including without limitation, securitizing Loans and selling whole Loans to ITT ESI or (to the extent permitted under the terms of any Credit Facility) any other Person. From time to time, the CUSO may also sell Participation Interests corresponding to all or a portion of the Retained CUSO Interest to the extent permitted by the Participation Agreement, with the proceeds to the CUSO from any such transaction used to pay down any Credit Facility provided by ITT ESI. No such transaction shall result in, or be deemed to constitute, an assignment of the CUSO's rights or obligations under the Risk Sharing Agreement without ITT ESI's written consent.

(j) If for any Funding Period, Funding Year or the Program, the sum of (i) the Participation Commitments of the Participants for such Funding Period, Funding Year or the Program, plus (ii) any advances ITT ESI or another Credit Lender explicitly commits to make under any Credit Facility, plus (iii) other committed funds available to the CUSO, will not be sufficient to allow the CUSO to purchase the estimated demand for Loans during such Funding Period, Funding Year or the Program, then ITT ESI shall be relieved from its obligations under Section 2.8(a) during the applicable Funding Period, Funding Year or the Program, to the extent of the excess of such estimated Loan demand over the sum of (i), (ii) and (iii) above. ITT ESI's remedy in this Section 2.9(j) shall not be affected by any election by ITT ESI not to provide or advance funds under any Credit Facility.

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(k) Any amounts in the Commitment Account not utilized in a Funding Period or Funding Year will be carried forward to the following Funding Period or Funding Year and be available for disbursements on Loans occurring in such subsequent Funding Period or Funding Year; provided, however, that no such carry-forward shall reduce the amount of the Estimated Aggregate Funding Commitment for any Funding Period or Funding Year. If any Obligations with respect to Student Loan Purchase Advances (as such terms are defined in the Credit Facility Documents) are outstanding under the Credit Facility Documents, then all amounts paid to the CUSO as Loan refunds, if any, without regard to the Loan Pool related to any such refunded Loan, will be allocated first to the CUSO (and not Monthly Collections) and applied by ITT ESI in payment of such outstanding Obligations. Any such refunded amounts not so allocated to the CUSO will be deposited in the Commitment Account to be used by the CUSO to purchase Loans, subject to Section 7(c) of the Participation Agreement.

(l) The CUSO's Estimated Aggregate Funding Commitment for any Renewal Term shall equal the sum of the Estimated Aggregate Funding Commitment amounts in effect during the four (4) Funding Periods immediately preceding the Renewal Term, unless ITT ESI and the CUSO have mutually agreed on a new Estimated Aggregate Funding Commitment for such Renewal Term. ITT ESI and the CUSO may, by mutual written agreement, revise the Estimated Aggregate Funding Commitment for any Renewal Term based on the estimated Loan volume and the amount of Participation Commitments obtained by the CUSO for such Renewal Term. Either party may also request (subject to the other party's approval) a new Estimated Aggregate Funding Commitment for a Renewal Term in accordance with Section 5.3(b)(ii). The procedures described in Sections 2.9(c) – (f) for Funding Year 2011 shall be in effect during any Renewal Term unless otherwise agreed by ITT ESI and the CUSO.

(m) The CUSO shall cause the Participants to fund all Participation Commitments called for under their Subscription Agreements in accordance with their terms and in such manner and on such dates as the CUSO deems necessary to permit the CUSO to comply with the Loan funding provisions of this Section 2.9. If a Participant fails to fully fund its Participation Commitment on a timely basis and does not cure such failure within the time period provided in its Subscription Agreement, the CUSO shall use its commercially reasonable best efforts to obtain such funding from other Participants and/or other sources as described in Section 2.9(g). If the CUSO fails to obtain such funds within sixty (60) days after the due date therefor, then (i) if the CUSO has not fully enforced its rights against any Participant under the Participant's respective Subscription Agreement and the Participation Agreement, ITT ESI may enforce all of the CUSO's rights against such Participant under the Participant's respective Subscription Agreement and the Participation Agreement, and (ii) ITT ESI shall be relieved of its obligations under Section 2.8(a) to the extent of such failure, notwithstanding any election by ITT ESI not to provide or advance funds under any Credit Facility. Unless otherwise agreed by ITT ESI in its sole discretion, no termination by a Participant of its respective Subscription Agreement because of any change in existing law or regulation as provided therein shall relieve the CUSO from its Loan purchase and funding obligations under this Agreement.

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(n) The amount to be disbursed to ITT ESI in connection with any Loan shall be the principal amount of such Loan, which shall not include origination fees and expenses.

(o) ITT ESI will obtain account agreements from Borrowers who are not already members of the Originating Entity and will pay the Originating Entity's per Borrower membership fee for each new member to the Originating Entity at the time of each Loan disbursement. Such membership fee will be non-refundable if a Loan is subsequently cancelled or refunded, but will be refunded if erroneously paid by ITT ESI.

2.10 Loan Information. At or prior to the time any Loan is purchased by the CUSO, the CUSO shall obtain from the Originating Entity the following information with respect to such Loan:

(a) The name, address, e-mail address, telephone number and social security number of each Borrower under such Loan.

(b) The original principal amount and interest rate on and the terms of such Loan.

(c) The deferment provisions applicable to such Loan.

(d) A copy of the Borrower's Loan File, including a set of fully executed Loan Documents.

(e) Confirmation that a Borrower who is a Student is a member of the Originating Entity.

(f) Confirmation that the Loan complies with the Loan Criteria.

(g) Such further instruments and information as ITT ESI or the CUSO may reasonably request.

After any Loan is purchased by the CUSO, the CUSO shall be responsible for obtaining, and shall, upon request, provide ITT ESI with copies of, all of the above referenced information about each such Loan.

2.11 Origination and Servicing Arrangements.

(a) The Originating Entity will be the named lender on the Loan Documents.

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(b) Each Loan will be purchased under the Purchase Agreement on a servicing-released basis. The CUSO will cause the Originating Entity to transfer to the CUSO with each Loan purchased the right to service such Loan. Except as otherwise provided in this Agreement, the Servicing Agreement or the Risk Sharing Agreement, all decisions with respect to the administration, collection, enforcement, servicing and charge off of any Loan shall be made by the CUSO in accordance with the Collection and Charge Off Standards and in consultation with and under the direction of ITT ESI.

(c) The CUSO will cause the origination and documentation of Loans to be serviced by the Origination Vendor pursuant to the Origination Agreement. The Origination Vendor and the terms of the Origination Agreement shall be subject to the approval of ITT ESI. The CUSO shall regularly consult with ITT ESI regarding the selection, supervision, financial condition and performance of the Origination Vendor. ITT ESI shall have the right at any time to direct the origination of Loans and the supervision and performance of the Origination Vendor. Errors and omissions of the Origination Vendor shall not affect the obligations of either party under this Agreement.

(d) The CUSO, through the Servicer, will service the Loans in accordance with the terms of the Servicing Agreement and the Collection and Charge Off Standards. Each Servicer and the terms of its respective Servicing Agreement shall be subject to the approval of ITT ESI. The CUSO shall regularly consult with ITT ESI regarding the selection, supervision, financial condition and performance of the Servicer. ITT ESI shall have the right at any time to direct the servicing and collection of Loans and the supervision and performance of the Servicer. Errors or omissions of the Servicer shall not affect the obligations of either party under this Agreement.

(e) The CUSO shall cause the Originating Entity to assign to the CUSO all rights of the Originating Entity under the Origination Agreement, which rights may be exercised by the CUSO upon any Originating Entity Default, any uncured default by the Origination Vendor under the Origination Agreement, or any breach of the representations and warranties in this Agreement or the Purchase Agreement, as fully as if the CUSO were an original party thereto.

(f) Each Origination Agreement and Servicing Agreement shall name ITT ESI as an express third-party beneficiary of such agreement, with full power and authority to enforce the same as if it were an original party thereto, and shall further provide that such agreement may not be amended, modified, terminated or assigned without ITT ESI's prior express written consent.

(g) Fees and expenses in connection with the origination and servicing of each Loan shall be paid by the CUSO in accordance with the applicable Origination Agreement and Servicing Agreement.

(h) ITT ESI shall have the right to require the CUSO to replace any Origination Vendor or Servicer with a substitute Origination Vendor or Servicer acceptable to ITT ESI upon not less than ninety (90) days notice, so long as no such replacement would cause the CUSO to violate the Origination Agreement or Servicing Agreement.

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2.12 Retained Originator Interest; Marketing of Member Services.

(a) The CUSO shall ensure that the Originating Entity acquires and maintains not less than a ten percent (10%) Retained Originator Interest in each Loan in each Loan Pool. For purposes of computing such percentage, the Retained CUSO Interest shall be taken into account.

(b) Nothing in this Agreement or the Participation Agreement shall prohibit the Originating Entity or any Participant from marketing its credit union membership services to Students, faculty or staff of ITT ESI's ITT Technical Institutes in compliance with NCUA Rules.

2.13 Originating Entity Default. Upon any Originating Entity Default or any other Event of Default by the Originating Entity under the Purchase Agreement, then:

(a) The CUSO shall terminate the Purchase Agreement and, not later than sixty (60) days after the date of the Originating Entity Default or Event of Default, enter into a Substitute Purchase Agreement with a Substitute Originating Entity acceptable to ITT ESI.

(b) If ITT ESI extends open account credit to Students as a result of any Originating Entity Default or Event of Default, then the CUSO shall cause any Substitute Originating Entity to convert such credit into Loans under the Program that comply with Section 2.1(b) of the Purchase Agreement (including Loans to Persons who are no longer Students but who were Students at the time such open account credit was extended by ITT ESI) and to sell such Loans to the CUSO in accordance with the Substitute Purchase Agreement, with the proceeds of such sales used to pay off such credit.

2.14 Collateral. The CUSO acknowledges and agrees that none of the Collateral pledged by ITT ESI under the Security Agreement shall secure any of ITT ESI's obligations under this Agreement.

2.15 Program Documents. ITT ESI is an express third-party beneficiary of each Program Document, with full right, power and authority to enforce the same as if it were an original party thereto. No Program Document or any term or provision thereof shall be amended, modified, terminated or waived without the express written consent of ITT ESI. Each Program Document shall expressly provide for the third-party beneficiary rights of ITT ESI described in this Section 2.15, but no failure of any such Program Document to provide for such third-party beneficiary rights shall affect the enforceability of this Section 2.15.

2.16 Representations and Warranties. In addition to and not in limitation of the representations and warranties of the Originating Entity in the Purchase Agreement, each of the following representations and warranties with respect to each Loan shall be accurate in all material respects on the date the Loan is originated and the date the Loan is purchased by the CUSO.

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(a) The Loan, the Loan Documents and the Borrower comply with the Loan Criteria.

(b) The CUSO has, and at all times will have, full right, power and authority to acquire, hold and enforce such Loan. The purchase, holding and enforcement of such Loan by the CUSO do not require the CUSO to obtain any federal, state or local governmental or regulatory approval, permit, license or consent that has not been obtained.

(c) The Borrower has not committed any default or event of default under any other Loan in a Loan Pool under the Program, nor does any event or condition exist which, with the giving of notice or the passage of time, or both, would constitute such a default or event of default.

(d) The Loan Documents executed by or on behalf of the Borrower with respect to such Loan are the legal, valid and binding obligation of the Borrower, enforceable in accordance with their terms, except as such enforcement may be limited by (i) fraudulent transfer, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally (except to the extent the Loans are non-dischargeable under the Bankruptcy Code), and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), and except that certain provisions in such Loan Documents may be further limited or rendered unenforceable by applicable law, but (subject to the limitations set forth in the foregoing clauses (i) and (ii)) such limitations and/or unenforceability will not render such Loan Documents invalid as a whole or substantially interfere with the CUSO's realization of the principal benefits provided thereby. Except as set forth in the immediately preceding sentence, there was no valid offset, defense, counterclaim or right of rescission available to the Borrower with respect to any of the Loan Documents, including any such valid offset, defense, counterclaim or right based on fraud, predatory lending or lender liability in connection with the origination of such Loan, that would deny the principal benefits intended to be provided by the Loan Documents for such Loan.

(e) The Borrower under such Loan is not a debtor in any state or federal bankruptcy, insolvency or similar proceeding.

(f) The Loan, including the terms thereof, and the Loan Documents comply with all applicable federal and state laws and regulations and do not satisfy any of the conditions for predatory lending or lender liability under applicable law.

(g) Other than in connection with any Credit Facility, the CUSO has not advanced funds to, or induced, solicited or knowingly received any advance of funds from, any Person other than the Borrower.

(h) Such Loan complies with applicable NCUA Rules.

(i) There exists no default, breach, violation or event of acceleration under the Loan Documents for such Loan and no event has occurred which, with the passing of time or the giving of notice and the expiration of any grace or cure period, would constitute such a default or breach.

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(j) Such Loan is a whole loan and not a participation interest in a Loan.

(k) The Loan Documents contain the standard provisions providing for recourse against the Borrower for damages sustained in connection with the Borrower's fraud or material misrepresentation.

(l) There is no collateral securing such Loan.

(m) Except as provided in the Origination Agreement and the Servicing Agreement, no Person has been granted or conveyed the right to service such Loan or receive any consideration in connection therewith.

(n) The transfer of the Loan to the CUSO does not affect the accuracy of any of the representations or warranties contained herein or in the Purchase Agreement.

(o) The transfer of the Loan to the CUSO complied with all applicable laws, and all required actions and disclosures in connection with such transfer have been taken and made.

(p) The Loan Documents contain required disclosures to permit the CUSO to provide Loan information to ITT ESI and its service providers.

(q) Such Loan is a "qualified education loan" within the meaning of 26 USC 221(d)(1).

(r) The Originating Entity has full right, power and authority to originate and sell such Loan under its charter and applicable laws and regulations, the Originating Entity is authorized by its Board of Directors to originate and sell Loans pursuant to the Program Documents, and the origination and sale of such Loan have been duly approved by the Originating Entity's officers and directors and do not conflict with any note, mortgage or other agreement to which the Originating Entity is a party or by which the Originating Entity or its assets may be bound.

(s) Such Loan is eligible for federal preemption of any state law that purports to limit or affect any of the matters described in NCUA Rule 701.21(b).

As the sole remedy for any breach of the representations and warranties in this Section 2.16 with respect to any Loan (i) ITT ESI shall have no liability under the Risk Sharing Agreement or Security Agreement with respect to such Loan (unless any such breach (A) is due to the fraud, willful misconduct or gross negligence of any ITT ESI employee, or (B) is of Section 2.16(a) and is the direct result of either an error by the Origination Vendor or the failure of the Origination Vendor to comply with any instructions of the Originating Entity, in each case in connection with the origination of such Loan) and (ii) the CUSO shall have no obligation to purchase such Loan. Without limiting the foregoing, in the event of any breach of the representations and warranties in Section 2.16(b), the CUSO shall use its commercially reasonable best efforts to obtain the required right, power and authority as quickly as possible and will purchase any Loan(s) so affected promptly after obtaining the same.

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ARTICLE III
PROGRAM ADMINISTRATION

3.1 Program Administrator. TRG shall serve as Program Administrator during the term of the Management Agreement. The Program Administrator will have authority to administer the Program in accordance with the terms of this Agreement, the Management Agreement and the other Program Documents, including the following:

(a) Assist the parties in performing Loan analysis and projections.

(b) Assist the parties in marketing the Program and credit union membership to the Students, faculty and staff of ITT Technical Institutes.

(c) Perform Pool projections and analyses.

(d) Prepare quarterly and annual reports for the CUSO containing the financial statements referred to in Section 4.1 and deliver such reports to the parties to the Program Documents by the dates described in Section 4.1.

(e) Provide quarterly reports of Loan Pool performance to ITT ESI, the Originating Entity and the CUSO, including such information as required by ITT ESI and the Originating Entity to meet their reporting obligations under the Securities Exchange Act of 1934 and NCUA Rules, respectively.

(f) Supervise and monitor the activities of the Origination Vendor and the Servicer and promptly report to the parties any default by the Origination Vendor under the Origination Agreement and any default by the Servicer under the Servicing Agreement.

(g) Represent the Program in discussions with the NCUA and state credit union administrators.

(h) Provide the reports required under the Risk Sharing Agreement.

(i) Perform the other functions described in the Management Agreement.

3.2 Compensation.

(a) The Program Administrator shall receive such compensation as provided in the Management Agreement. All expenses of Program administration shall be paid by the CUSO.

(b) The CUSO shall reimburse ITT ESI for (i) all costs and expenses incurred by ITT ESI related to Phase II (as defined in that certain Engagement Proposal related to Phase II of the Program executed by ITT ESI and TRG on June 19, 2008 and June 20, 2008, respectively, and in that certain Engagement Proposal related to the Phase II Extension executed by ITT ESI and TRG on October 1, 2008), and (ii) fifty percent (50%) of all costs and expenses incurred by ITT ESI related to Phase I (as defined in that certain Engagement Proposal related to Phase I of the Program executed by ITT ESI and TRG on April 4, 2008). The CUSO will make such reimbursement to ITT ESI over a three-year period, in equal quarterly payments due on or before the fifteenth (15th) day after the end of each quarter, beginning with the first quarter that the Program is effective.

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3.3 Limitation of Liability. The Program Administrator is not a fiduciary to ITT ESI, the Originating Entity, the CUSO or the Participants, and shall have no liability to ITT ESI, the Originating Entity, the CUSO or the Participants for any Losses resulting from any errors in judgment or any act or omission in connection with the promotion, implementation, documentation or administration of the Program, unless due to the Program Administrator's fraud, willful misconduct, gross negligence or breach of the Management Agreement. In all events, the Program Administrator shall be protected in acting upon any authorization or instruction by any party to the Program Documents. The CUSO shall defend, indemnify and hold the Program Administrator harmless from any Losses to which the Program Administrator may be subject or exposed as a result of its service as Program Administrator, unless due to the Program Administrator's fraud, willful misconduct, gross negligence or breach of the Management Agreement.

3.4 Resignation or Removal of the Program Administrator. TRG may resign or be removed as Program Administrator as provided in the Management Agreement. Upon any resignation or removal of TRG as Program Administrator, the CUSO shall appoint a substitute program administrator acceptable to ITT ESI which agrees to perform the functions described in the Management Agreement.

ARTICLE IV
FINANCIAL STATEMENTS AND ACCESS TO INFORMATION

4.1 Financial Statements. During the Term of this Agreement, the CUSO shall, as soon as the same are available (and in any event within ninety (90) days after the end of each fiscal year), provide ITT ESI with a copy of its audited financial statements for such fiscal year, and as soon as the same are available (and in any event within forty-five (45) days after the end of each fiscal quarter) provide ITT ESI with a copy of its unaudited financial statements for such fiscal quarter.

4.2 Access to Information.

(a) The CUSO shall cause the Originating Entity to provide ITT ESI and the CUSO with reasonable access to the Originating Entity's knowledgeable financial, accounting, origination and servicing officers for the purpose of allowing ITT ESI and the CUSO to evaluate prospective or existing Loans, the Originating Entity's Loan origination practices, any developments affecting the Originating Entity, and the Originating Entity's financial condition and performance of the Purchase Agreement.

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(b) The CUSO shall grant ITT ESI reasonable access to the CUSO's officers for the purpose of answering questions regarding the sale of Participation Interests and the administration of the Program.

(c) The CUSO shall provide ITT ESI with all Loan level information and documentation within its possession or control.

4.3 Inspection and Audit. ITT ESI and its representatives shall have the right to inspect, audit and test the books, records, procedures and internal controls of the CUSO and/or the Program Administrator for any corporate purpose. The CUSO and Program Administrator shall cooperate with any such inspection, audit or testing. Any such inspection, audit or testing shall be at ITT ESI's expense, unless (a) such inspection, audit or testing was caused by the fraud, willful misconduct or negligence of the CUSO or the Program Administrator, the CUSO's breach of any of the Program Documents, or the Program Administrator's breach of the Management Agreement, or (b) such inspection, audit or testing reveals that the records or reporting with respect to any Loan Pool reflect material inaccuracies with respect to Loans, the Net Disbursements on which aggregate in excess of ten percent (10%) of the aggregate Net Disbursements on all Loans in such Loan Pool, in which cases the CUSO or the Program Administrator, as applicable, shall reimburse ITT ESI for its out-of-pocket costs of such inspection, audit or testing, including without limitation the fees and expenses of any third party auditor. The Program Administrator shall execute a joinder to this Agreement obligating it to comply with this Section 4.3.

ARTICLE V
TERM AND TERMINATION

5.1 Term. This Agreement shall be for an Initial Term commencing on the Effective Date and ending December 31, 2011 and shall automatically renew for successive Renewal Terms of one (1) year each, unless either party provides written notice of non-renewal to the other not less than one (1) year prior to the expiration of the Initial Term or any such Renewal Term. The CUSO's Estimated Aggregate Funding Commitment during any Renewal Term shall be determined in accordance with Section 2.9(l).

5.2 Events of Default and Remedies. If an Event of Default occurs, then, and in every such event, the non-defaulting party may do one or both of the following (without presentment, protest or notice of protest, all of which are expressly waived by the defaulting party):

(a) Terminate this Agreement immediately upon written notice to the defaulting party; provided, however, that termination by the non-defaulting party will not affect the validity of any Loans originated prior to such termination, and the existing obligations, representations and warranties of the terminating party and the defaulting party regarding such Loans shall remain in effect.

(b) Exercise all other rights legally available to it (other than recovery of incidental, consequential or punitive damages).

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As used herein, "***Event of Default***" shall mean any of the following:

(1) If a party materially fails to perform any of its covenants in this Agreement or any other Program Document (other than the Management Agreement) and such failure is not cured within thirty (30) days after receipt of written notice from the non-defaulting party specifying the nature of such failure; provided, however, that no failure of ITT ESI to provide or advance funds under a Credit Facility shall be deemed a breach of this Agreement;

(2) The filing by a party of a petition in bankruptcy or a proposed or actual assignment for the benefit of creditors or similar proceeding by such party;

(3) The filing against a party of a petition in bankruptcy or the appointment for such party or any of its assets of a trustee, receiver, executor, liquidator or conservator or other judicial or administrative representative, or any similar proceeding, which is not vacated, dismissed or stayed on appeal within sixty (60) days; or

(4) With respect to the CUSO, in ITT ESI's sole discretion, (A) any Event of Default by the CUSO under any Credit Facility provided by ITT ESI, (B) any failure by the CUSO to cause the Originating Entity to originate at least seventy-five percent (75%) of the Estimated Aggregate Funding Commitment in any Funding Year, or (C) any material failure by the CUSO to purchase Loans due to any termination by a Participant of its respective Subscription Agreement because of a change in existing law or regulation as provided therein. ITT ESI's rights under clauses (B) and (C) above shall not be affected by any election by ITT ESI to advance or not advance funds under any Credit Facility.

5.3 Termination.

(a) In addition to and not in limitation of the provisions of Section 5.2, this Agreement shall immediately terminate upon the occurrence of any of the following:

(i) Upon the mutual written agreement of ITT ESI and the CUSO.

(ii) If the Program or any material aspect thereof is determined by ITT ESI or the CUSO, based upon an opinion of counsel, to be in violation of the Federal Credit Union Act, any NCUA Rule or any other federal law or regulation, or if the Loans do not qualify for the federal preemption provided in NCUA Rule 701.21(b).

(iii) If ITT ESI sells or discontinues its educational business.

(b) Without limitation of the provisions of Section 5.3(a), if either party provides a written request not later than one (1) year prior to the beginning of any Renewal Term that a new Estimated Aggregate Funding Commitment be adopted for such Renewal Term and the parties are unable to agree on a new Estimated Aggregate Funding Commitment for such Renewal Term within two hundred seventy (270) days prior to the beginning of such Renewal Term, the party making such request may terminate this Agreement effective at the end of the then current Term by giving written notice to the other party not later than two hundred sixty (260) days prior to the beginning of such Renewal Term.

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(c) The termination or non-renewal of this Agreement in accordance with its terms shall automatically terminate all other Program Documents.

(d) A termination or non-renewal of this Agreement shall not affect the validity of any Loans originated or any obligations of the CUSO arising prior to such termination or non-renewal, and the existing obligations, representations and warranties of the parties regarding such Loans and any such obligations of the CUSO shall remain in effect.

ARTICLE VI
MISCELLANEOUS

6.1 Assignment of Rights; Delegation of Duties. This Agreement may not be assigned or delegated by either party without the written consent of the other party. Likewise, no Program Document may be assigned, nor may any obligation thereunder be delegated, without ITT ESI's prior written consent. Any other attempt to delegate or assign any obligations arising under this Agreement shall be null and void. All obligations hereunder are binding on any successors-in-interest of a party. Notwithstanding the foregoing, (a) this Agreement and all rights and obligations hereunder may be assigned by either party to any Person acquiring all or substantially all of such party's assets and business, whether by sale, merger, consolidation or similar transaction, and (b) ITT ESI may assign or delegate any of its rights under this Agreement to any direct or indirect subsidiary or Affiliate of ITT ESI. The party making any assignment permitted by clause (a) or (b) above shall provide prior written notice of such assignment to the other party.

6.2 Notices. Notices, requests, demands or other instruments that may be or are required or permitted to be given to either party hereto must be in writing and shall be deemed to have been properly given and effective when:

(a) Delivered personally to an officer of the party to which such notice is to be given; or

(b) Actually received or refused by a party when mailed by registered or certified mail or delivered by an overnight delivery service that requires a signature upon receipt; or

(c) Sent by electronic mail or facsimile if delivery is confirmed and a copy is mailed to the recipient as set forth above.

All such notices will be addressed as set forth on the signature page hereto. Either party may change the address to which notices to such party are to be sent by notice to the other party given as aforesaid.

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6.3 Severability Clause. Any part, provision, representation, warranty or covenant of this Agreement that is prohibited or is held to be void or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any part, provision, representation, warranty or covenant of this Agreement that is prohibited or is held to be void or unenforceable in any particular jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.4 Counterparts. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed to be an original and both of which shall together constitute but one and the same instrument.

6.5 GOVERNING LAW; CONSENT TO JURISDICTION. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF INDIANA, APPLICABLE TO AGREEMENTS NEGOTIATED, MADE AND TO BE PERFORMED ENTIRELY IN SAID STATE. TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW, THE CUSO HEREBY IRREVOCABLY (A) SUBMITS TO THE JURISDICTION OF ANY INDIANA STATE AND FEDERAL COURTS SITTING IN INDIANAPOLIS, INDIANA WITH RESPECT TO MATTERS ARISING OUT OF OR RELATING TO THIS AGREEMENT; (B) AGREES THAT ALL CLAIMS WITH RESPECT TO SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH INDIANA STATE OR FEDERAL COURTS; (C) WAIVES THE DEFENSE OF AN INCONVENIENT FORUM; AND (D) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

6.6 Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns.

6.7 Changes, Waivers, Modifications, Discharges and Terminations. Neither this Agreement nor any term or provision hereof may be changed, waived, modified, discharged or terminated except by a writing signed by a duly authorized officer of the party against which enforcement of such change, waiver, modification, discharge or termination is sought to be enforced.

6.8 Schedules and Exhibits. The Schedules and Exhibits to this Agreement are hereby incorporated into and made a part hereof and are an integral part of this Agreement.

6.9 Further Assurances. Each party agrees to execute and deliver to the other such reasonable and appropriate additional documents, instruments or agreements as may be necessary or appropriate to effectuate the purposes and to carry out the terms of this Agreement.

6.10 No Partnership, Joint Venture or Agency. This Agreement does not create any sort of partnership or joint venture between the parties. Neither party shall have the authority to act as agent for the other party or to bind the other party to any obligation (except as expressly provided in this Agreement or the other Program Documents) without such party's written consent.

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6.11 Entire Agreement. Together with the other Program Documents, this constitutes the entire agreement of the parties with respect to the subject matter hereof, and may not be modified or amended without the written consent of ITT ESI and the CUSO.

6.12 Construction of Agreement. The captions and headings of the sections and paragraphs of this Agreement are for convenience only and are not to be used to interpret or define the provisions of this Agreement. This Agreement has been drafted by arm's length negotiation of the parties hereto and should not be interpreted against either party as the primary drafter of this Agreement.

6.13 Attorneys' Fees and Costs. If any lawsuit or proceeding is brought by either party to enforce the terms of this Agreement, the unsuccessful party shall pay the prevailing party's costs and reasonable attorneys' fees incurred in bringing or defending such action.

6.14 Specific Performance. The parties recognize that irreparable injury will result from a breach of any provision of this Agreement and that money damages will be inadequate to fully remedy the injury. Accordingly, in the event of a breach or threatened breach of one or more of the provisions of this Agreement, the party who may be injured (in addition to any other remedies which may be available to that party) shall be entitled to one or more preliminary or permanent orders (a) restraining and enjoining any act which would constitute a breach, or (b) compelling the performance of any obligation which, if not performed, would constitute a breach.

6.15 No Incidental or Consequential Damages. Neither party shall be responsible for any special, indirect, incidental or consequential damages arising from any breach of this Agreement or any Program Document.

6.16 Confidential Information. Each of the parties agrees that it will keep all Confidential Information as confidential and will not, without each other party's prior written consent, disclose any portion of the Confidential Information to anyone other than to its representatives. Neither party will (and will cause its representatives not to) use any of the Confidential Information for any purpose other than in connection with its responsibilities under this Agreement and the Program. Each party will inform its representatives of the confidential nature of the Confidential Information and direct each representatives to treat the Confidential Information as confidential.

Nothing in this Agreement will be deemed to prevent either party from disclosing any Confidential Information to the extent required by any applicable law, regulation or court order (including applicable securities or credit union laws), but, other than any information disclosed by ITT ESI under applicable securities laws and regulations (a) the receiving party must (unless prohibited by law, regulation or court order) notify the disclosing party of the imminent disclosure as soon as is practicable and in all events with sufficient prior notice to allow the disclosing party to seek a protective order or otherwise to object, and (b) the receiving party will use commercially reasonable best efforts to minimize or prevent such disclosure to the maximum extent allowed under applicable law, regulation or court order. Confidential Information does not include any such information that: (i) was or becomes generally available to the public other than as a result of a disclosure by the receiving party or its representatives; (ii) was within the receiving party's possession prior to being furnished by or on behalf of the disclosing party; (iii) is furnished to the receiving party by a third party who has represented to the receiving party that it is not under an obligation of confidentiality to the disclosing party; or (iv) is independently developed by the receiving party without the use of any Confidential Information.

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Neither party may use or disclose to any third party (other than its employees and/or representatives) any Customer Information except solely to carry out the purposes under this Agreement for which such Customer Information was disclosed.

Promptly after either party gains knowledge of any unauthorized use or disclosure of any Confidential Information or Customer Information, such party shall promptly notify the other party hereto in writing of such use or disclosure so that, to the extent then possible, mitigating actions can be taken.

Each party expressly consents and agrees that, notwithstanding anything to the contrary in this Section 6.16, the other party may, in addition to any other remedies available to such other party, obtain injunctive relief in appropriate cases (including a temporary restraining order, preliminary injunction or specific performance) to terminate or prevent the continuation of any (or prevent any threatened) default or breach under this Section 6.16 without having to show any actual damage and without having to post any bond. It is specifically agreed that each party may incur incalculable and irreparable damage from any violation by the other party of any of this Section 6.16 and that such party will not have an adequate remedy at law for such a violation and the parties are entitled to injunctive relief for any such actual or threatened violation.

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IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized on the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman, CEO and President

Address: 13000 North Meridian Street
Carmel, Indiana 46032
Attn: Chief Financial Officer
Email: dfitzpatrick@ittesi.com
Fax: (317) 706-9254

STUDENT CU CONNECT CUSO, LLC

By: /s/ Tony Ferris
Name: Tony Ferris
Title: Partner, Rochdale

Address: 8700 Indian Creek Parkway
Suite 120
Overland Park, Kansas 66210
Email: tferris@rochdalegroup.com
Fax: (913) 322-3770

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JOINDER

The undersigned hereby joins this Agreement for the purpose of accepting and agreeing to be bound by the provisions of Section 4.3 hereof.

THE ROCHDALE GROUP, INC.

By: /s/ Tony Ferris
Name: Tony Ferris
Title: Partner, Rochdale

Address: 8700 Indian Creek Parkway
Suite 120
Overland Park, KS 55216
Email: tferris@rochdalegroup.com
Fax: (913) 322-3770

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SCHEDULE A

DEFINITIONS

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SCHEDULE A

DEFINITIONS

A. Definitions. The following terms shall have the following respective meanings:

"2010 Funding Year Target" means the sum of (i) the Base Funding Year Target plus (ii) the amount (if any) by which the Base Funding Year Target exceeded the aggregate dollar amount of funds deposited in the Loan Funding Account by the CUSO (excluding any amounts deposited in respect of refunds of Loans) in Funding Year 2009.

"2011 Funding Year Target" means the sum of (i) the Base Funding Year Target plus (ii) the amount (if any) by which the 2010 Funding Year Target exceeded the actual dollar amount of funds deposited in the Loan Funding Account by the CUSO (excluding any amounts deposited in respect of refunds of Loans) in Funding Year 2010.

"Actual Funding Commitment" means the amount deposited by the CUSO into the Loan Funding Account with respect to any Funding Period in order to meet actual Loan demand.

"Actual Participation Commitment" means, with respect to each Subscriber, the amount obtained by multiplying such Subscriber's Participation Commitment Percentage by the estimated Loan volume for a given Funding Period, less the Subscriber's share (based on Participation Commitment Percentage) of any previously unutilized amounts and any amounts permitted to be retained from refunds.

"Actual Renewal Participation Commitment" means, with respect to a Subscriber, a revised Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) for a Renewal Term based on estimated Loan volume.

"Administrative Fee" has the meaning set forth in the Participation Agreement.

"***Affiliate***" means, with respect to any Person, any other Person controlling or controlled by or under common control with such Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Annual Commitment" means, with respect to each Participant, the portion of the Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) payable in a Funding Year covered by the Participation Agreement.

"Automatic Renewal" means the automatic renewal of a Subscriber's obligations under the applicable Subscription Agreement for one or more successive Renewal Terms.

"Available Funded Commitment" has the meaning set forth in the Participation Agreement.

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"***Available Participation Interest***" has the meaning set forth in the Participation Agreement.

"***Base Funding Year Target***" means one-third of the Estimated Aggregate Funding Commitment for Funding Years 2009, 2010 and 2011.

"***Borrower***" means a Student, or any guarantor or co-signer of a Student, obligated under each Loan.

"***Business Day***" means a day other than Saturday, Sunday, a United States national holiday or other day on which banks in the State of Indiana are permitted or required by law to close.

"***Charged Off***" means a Loan on which there have not been any payments made for at least 180 days, if any payments had been due during such period.

"***Claim Package***" means, with respect to each ITT ESI Risk Loan (if any) in a Loan Pool: (a) Loan-level information, including, without limitation, both a servicing and a payment transaction history, for that ITT ESI Risk Loan; and (b) an invoice summarizing the Loan-level remittance data for such ITT ESI Risk Loan, including loan number, name, social security number, disbursement date, outstanding loan amount, outstanding accrued interest, interest rate, aggregate monthly payment(s) amount past due, and, if requested by ITT ESI, the ten (10) day pay-off amount for such ITT ESI Risk Loan.

"***Collateral***" has the meaning set forth in the Security Agreement.

"***Collateralization Percentage***" means, with respect to the Loan Pool for Funding Year 2009, fifteen percent (15%), and, with respect to each Loan Pool other than that for Funding Year 2009, ten percent (10%), in each case, unless adjusted as provided in ***Section 6.3*** of the Risk Sharing Agreement.

"***Collection and Charge Off Standards***" mean the Loan servicing criteria mutually approved by the parties to the Program Agreement.

"***Commitment Account***" means the account maintained by the CUSO into which Participants will deposit funds in respect of Participation Commitments and from which the CUSO will withdraw funds to deposit into the Loan Funding Account for the purchase of Loans. The funds in the Commitment Account shall not be commingled with any other funds of the CUSO.

"***Commitment Share***" means, with respect to each Participant in relation to each Loan Pool and for any date of determination, a fraction (expressed as a percentage), (i) the numerator of which equals the amount of the Available Funded Commitment then funded by such Participant for such Loan Pool, and (ii) the denominator of which equals the aggregate Available Funded Commitment.

"***Commitments***" has the meaning set forth in the Participation Agreement.

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"***Confidential Information***" means (a) information disclosed to a party with respect to any Program Document; (b) all information related to the structure of and the terms of any Program Document, including items set forth in the Exhibits thereto; and (c) all information related to the other parties' operations, finances, Borrowers, customers, and Students, and any analyses, concepts, ideas, compilations, studies, materials, memoranda, notes and data pertaining thereto and/or derived from the any Program Document or the Program.

"***Credit Facility***" means any debt financing obtained by the CUSO from ITT ESI or other lender(s) to fund the CUSO's operation of the Program and the Retained CUSO Interest, if any, in the Loans in each Loan Pool.

"***Credit Facility Documents***" means any loan agreement, security agreement, promissory note, borrowing base certificate, and other documents entered into by the CUSO in connection with a Credit Facility, as amended, modified, restated or replaced from time to time.

"***Credit Lender***" means the financial institution(s) or other Person(s) providing the Credit Facility to the CUSO.

"***Credit Unions***" means, collectively, the network of participating credit unions in the Program, which includes the Originating Entity.

"***CUSO***" means Student CU Connect CUSO, LLC, a Delaware limited liability company operating as a credit union service organization.

"***Customer Information***" means non-public consumer information that is disclosed to a party by another party or any Credit Union.

"***Cut-off Date***" means the date that is five (5) Business Days prior to any Payment Date.

"***Default***" means, with respect to any Loan, any event that constitutes or, with the giving of notice or passage of time or both, would constitute a default or an event of default under the related Loan Documents.

"***Deposit Account Control Agreement***" means a Deposit Account Control Agreement among ITT ESI, the CUSO and a Designated Financial Institution substantially in the form of ***Exhibit 1.1(b)*** to the Security Agreement.

"***Designated Financial Institution***" means a financial institution selected by ITT ESI and meeting the criteria set forth in ***Exhibit A-1*** hereto.

"***Disassociated Participant***" has the meaning set forth in the Participation Agreement.

"***Distribution Account***" means the segregated account maintained by the CUSO in which Monthly Collections will be deposited and from which the CUSO will withdraw funds to make distributions to itself and the Participants as set forth in Sections 7(a)-(b) of the Participation Agreement.

"***Effective Date***" means February 20, 2009.

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"Estimated Aggregate Funding Commitment" means an amount equal to the sum of all Estimated Aggregate Participation Commitments. When words such as "for that Funding Year" and "for that Funding Period" are used after the term "Estimated Aggregate Funding Commitment" in any Program Document, it means the maximum portion of the Estimated Aggregate Funding Commitment that is payable in the applicable Funding Year or Funding Period, respectively, as determined in accordance with ***Section 2.9(c)*** and ***Section 2.9(d)***, respectively, of the Program Agreement.

"Exit Transaction" has the meaning set forth in the Participation Agreement.

"First Disbursement Date" means, with respect to each Funding Period, the date of the first Loan disbursement by the Originating Entity to ITT ESI in such Funding Period, as mutually determined by ITT ESI and the CUSO.

"First Loss Percentage" means thirty-five percent (35%) or such other percentage as ITT ESI and the CUSO shall mutually agree upon as provided in ***Section 5.1*** of the Risk Sharing Agreement.

"First Loss Risk" means, with respect to any Loan Pool, the product produced by multiplying (x) the applicable First Loss Percentage times (y) the aggregate Net Disbursements on all Loans in such Loan Pool.

"Funding Periods" means periods during a Funding Year determined from time to time by ITT ESI.

"Funding Year" means the calendar year in which a Loan is disbursed. For clarification, Funding Year 2009 is the period commencing on the Effective Date and terminating on December 31, 2009, and Funding Years 2010 and 2011 are the related calendar years.

"GAAP" means generally accepted accounting principles in the United States, or such other accounting principles as prescribed for public companies from time to time.

"Initial Capital Contribution" means a Credit Union's initial Capital Contribution (as defined in the Operating Agreement) in exchange for its Membership Interest.

"Initial Term" means the period from the Effective Date until December 31, 2011.

"ITT ESI" means ITT Educational Services, Inc., a Delaware corporation.

"ITT ESI Risk Loans" means, collectively, all Loans (representing all unpaid (i) Net Disbursements and (ii) accrued interest) in a Loan Pool in excess of the First Loss Risk for such Loan Pool.

"ITT ESI Risk Payment" means, as to a Loan Pool, once the First Loss Risk for such Loan Pool has been exceeded, payments due and unpaid as of the end of the applicable month on all Charged Off ITT ESI Risk Loans in such Loan Pool that are not Charged Off First Loss Risk Loans.

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"Letter of Credit" means an irrevocable standby letter of credit, securing payment of all or a portion of the Obligations (as defined in the Security Agreement) with respect to a Loan Pool, issued by a Designated Financial Institution.

"Lien" means any statutory or common law consensual or non-consensual mortgage, pledge, security interest, participation interest, encumbrance, lien, right of setoff, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, and any secured transaction under the Uniform Commercial Code of any applicable jurisdiction.

"Loan Criteria" means the criteria of the Originating Entity, of which ***Exhibit A-2*** hereto is a copy, which may not be amended or supplemented without the prior written approval of ITT ESI and the CUSO.

"Loan Documents" means, with respect to each Loan, the loan application, loan agreement, promissory note, co-signer documentation (if applicable), and other documents executed and delivered by a Borrower, as amended, modified, restated or replaced from time to time.

"Loan File" means the credit report, underwriting analysis, loan approval, confirmation of credit union membership, Loan Documents, payment history, and all other documentation of the Originating Entity or the CUSO with respect to any Loan.

"Loan Funding Account" means the account designated by the Originating Entity into which the CUSO will deposit the Purchase Price for Loans to be disbursed in each Funding Period and from which the Originating Entity will disburse the Loan proceeds to ITT ESI.

"Loan Pool" means all Loans disbursed during a Funding Year.

"Loan Pool Collateral" means as to each Loan Pool, the Collateral therefor to be determined, established and adjusted pursuant to ***Article VI*** of the Risk Sharing Agreement.

"Loan Proceeds" means, with respect to each Loan, all payments of principal, interest, loan fees, late fees, and other amounts received by the CUSO or the Servicer(s) in connection with such Loan.

"Loans" means loans to Students originated by the Originating Entity in accordance with the Loan Criteria pursuant to the Purchase Agreement.

"Losses" means, with respect to any indemnity or limitation of liability in any Program Document, losses, costs, claims, damages, demands, expenses, liabilities, causes of action, investigation expenses, attorneys' fees and expenses and amounts paid in settlement; provided, however, that no settlement shall be made without the written consent of the party suffering the Loss, unless such settlement provides a full release of such party without the payment of any funds by such party. "Losses" excludes, however, incidental, consequential, indirect, punitive or special damages.

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"***Management Agreement***" means the Management Services Agreement, dated as of the Effective Date, between the Program Administrator and the CUSO, as amended, modified, restated or replaced from time to time.

"***Mature Loans***" means Charged Off Loans on which an amount equal to at least ten (10) monthly payments have been made, whether by the Borrower, ITT ESI under ***Section 3.4*** of the Risk Sharing Agreement, or otherwise.

"***Membership Interest***" means a Credit Union's membership interest in the CUSO under the Operating Agreement and such Credit Union's Subscription Agreement.

"***Monthly Collections***" has the meaning set forth in the Participation Agreement.

"***Monthly Report***" means a written report concerning a Loan Pool, as of the end of the month that is the subject of such Monthly Report, containing the following information: (i) the aggregate Net Disbursements on all Loans originally in the applicable Loan Pool; (ii) the amount of the First Loss Risk for such Loan Pool; (iii) the aggregate current principal balances of all Loans in such Loan Pool; (iv) the aggregate amount that has been Charged Off on all Loans in such Loan Pool; (v) the aggregate current principal balances of all Loans in such Loan Pool, if any, that are the subject of the First Loss Risk for such Loan Pool and have not yet been subjected to Charge Off; (vi) the aggregate amount of the current principal balances of all ITT ESI Risk Loans in such Loan Pool; (vii) if the First Loss Risk has been exceeded, the aggregate ITT ESI Risk Payment; (viii) the aggregate current outstanding balance plus accrued unpaid interest of each Mature Loan reported pursuant to clause (vii) hereof; and (ix) the aggregate amount of all payments received during such month in respect of all Charged Off Loans.

"***NCUA***" means the National Credit Union Administration or any successor federal credit union regulatory agency.

"***NCUA Rules***" means the rules and regulations of the NCUA.

"***Net Disbursement***" means, as to any Loan, the total original sum disbursed to ITT ESI as payment of tuition and other charges, plus all origination and other loan fees, net of any refund or return thereof paid by ITT ESI within sixty (60) days after the disbursement date thereof. The amount of the Net Disbursement on a Loan shall not be reduced for any principal payments made on such Loan, whether by the Borrower, ITT ESI or otherwise (excepting only refunds as aforesaid), or increased for any capitalized interest charges.

"***Offer Price***" has the meaning set forth in the Participation Agreement.

"***Operating Agreement***" means the Operating Agreement of the CUSO, as amended, modified, restated or replaced from time to time.

"***Originating Entity***" means the federal credit union that will originate Loans, sell such Loans to the CUSO, and maintain a Retained Originator Interest in the Loans in each Loan Pool not less than that percentage from time to time required by NCUA Rules or other applicable law.

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"*Originating Entity Default*" shall be deemed to exist if (i) the Originating Entity withdraws from the Program or is expelled from the CUSO; (ii) the Originating Entity fails for any reason to originate any Loan which complies with the Loan Criteria and does not cure such failure within fifteen (15) days after receipt of written notice from the CUSO; (iii) an Event of Default by the Originating Entity exists under the Purchase Agreement; (iv) the Originating Entity ceases doing business or becomes insolvent, or the NCUA becomes liquidator of the assets of the Originating Entity in the event of insolvency; (v) the Originating Entity is no longer able to serve as Originating Entity or originate Loans under the Program; (vi) the Originating Entity becomes a Disassociated Participant; or (vii) the Originating Entity fails at any time to fund or maintain the Retained Originator Interest.

"*Origination Agreement*" means any agreement entered into between the Originating Entity and the Origination Vendor, with the prior approval of ITT ESI, in connection with which the Originating Entity will engage the Origination Vendor to perform origination and documentation servicing for the Loans.

"*Origination Vendor*" means any Person performing Loan origination and documentation servicing under the Origination Agreement.

"*Participant Schedule*" has the meaning set forth in the Participation Agreement.

"*Participants*" mean the Credit Unions that acquire Participation Interests in the Loans in any Loan Pool, including without limitation the Originating Entity.

"*Participation Agreement*" means the Participation Agreement entered into between the CUSO and the Participants, as amended, modified, restated or replaced from time to time.

"*Participation Commitment Percentage*" means, with respect to a Participant, the percentage such Participant's Estimated Aggregate Participation Commitment bears to the total of all Participants' Estimated Aggregate Participation Commitments.

"*Participation Commitments*" means collectively, a Subscriber's Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) and Actual Participation Commitments.

"*Participation Interest*" means, with respect to each Participant, its beneficial ownership interest in each Loan and the related Loan Documents, including such Participant's right to receive its share of Loan Proceeds on each Payment Date.

"*Participation Pledgee*" has the meaning set forth in the Participation Agreement.

"*Participation Purchase Notice*" has the meaning set forth in the Participation Agreement.

"*Payment Date*" means the 25th day of each month or, if such day is not a Business Day, the following Business Day.

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"***Percentage Interest***" means, with respect to a Member (as defined in the Operating Agreement), the percentage such Member's Membership Interest bears to the total outstanding Membership Interests.

"***Permitted Liens***" means (a) Liens of the CUSO, (b) Liens for taxes not delinquent or for taxes being diligently contested in good faith by ITT ESI by appropriate proceedings, (c) Liens arising in the ordinary course of business with respect to obligations which are not due or which are being diligently contested in good faith by ITT ESI by appropriate proceedings, provided such Liens do not, in the aggregate, materially detract from the value of the Collateral, and (d) Liens specifically consented to in writing by the CUSO.

"***Person***" shall mean any natural person, corporation, association, limited liability company, syndicate, partnership, joint venture, trust, government or agency and department thereof, or any other entity of every kind.

"***Pledge***" has the meaning set forth in the Participation Agreement.

"***Pledging Participant***" has the meaning set forth in the Participation Agreement.

"***Pro Rata Share***" means, with respect to each Participant and the CUSO in relation to each Loan Pool and for any date of determination, a fraction (expressed as a percentage), (i) the numerator of which equals the aggregate principal balance of its Participation Interests or Retained CUSO Interest, as the case may be, in the Loans in such Loan Pool, and (ii) the denominator of which equals the aggregate principal balance of all Participation Interests and the Retained CUSO Interest in the Loans in such Loan Pool.

"***Program***" means the national financing program established by the CUSO to provide private student loans to Students in accordance with the Program Agreement.

"***Program Administrator***" means the Person designated from time to time as the "Program Administrator" under the Program Agreement. The initial Program Administrator is TRG.

"***Program Agreement***" means the Financing Program Agreement, dated as of the Effective Date, between ITT ESI and the CUSO, as amended, modified, restated or replaced from time to time.

"***Program Documents***" means the Program Agreement, the Participation Agreement, the Subscription Agreements, the Purchase Agreement, the Servicing Agreement(s), the Origination Agreement, the Risk Sharing Agreement, the Security Agreement, the Operating Agreement, the Management Agreement, the Credit Facility Documents (if ITT ESI is Credit Lender), and any other documents or instruments entered into in connection with the Program, and any amendment, modification, restatement or replacement thereof.

"***Projected Renewal Participation Commitment***" means, with respect to a Subscriber, the sum of the Participation Commitments paid by or credited to such Subscriber for the four (4) Funding Periods immediately preceding a Renewal Term.

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"Purchase Agreement" means the Loan Purchase and Sale Agreement, dated as of the Effective Date, entered into by the Originating Entity and the CUSO, as amended, supplemented, modified, restated or replaced from time to time.

"Purchase Option Price" has the meaning set forth in the Participation Agreement.

"Purchase Price" means the principal amount of a Loan purchased by the CUSO, excluding origination fees and expenses.

"Quarterly Report" has the meaning set forth in the Participation Agreement.

"Redirection Notice" has the meaning set forth in the Participation Agreement.

"Renewal Term" means any one (1) year period after the Initial Term in which a Program Document is renewed.

"representatives" means, with respect to a party to the applicable Program Document, employees of such party and such party's agents, representatives and advisors, including without limitation, attorneys, accountants, and financial advisors.

"Required Information" means each Claim Package and related Monthly Report.

"Retained CUSO Interest" means, with respect to each Loan in a Loan Pool, at any time, the portion thereof that is not then subject to either the Retained Originator Interest or Participation Interests held by Participants.

"Retained Originator Interest" means, with respect to each Loan in a Loan Pool, the Originating Entity's 10% Participation Interest in such Loan. Any interest of the Participants (including the Originating Entity) in any such Loan exceeding the 10% Retained Originator Interest is a regular Participation Interest therein.

"Risk Sharing Agreement" means the Risk Sharing Agreement, dated as of the Effective Date, between ITT ESI and the CUSO, as amended, supplemented, modified, restated or replaced from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Securities Account Control Agreement" means an agreement among ITT ESI, the CUSO and a securities intermediary substantially in the form of ***Exhibit 1.1(f)*** of the Security Agreement.

"Security Agreement" means the Security Agreement, dated as of the Effective Date, by ITT ESI in favor of the CUSO.

"Security Documents" means the Security Agreement and any and all other security agreements, assignments, subordination agreements, pledge or hypothecation agreements, instruments, letters of credit, letter-of-credit agreements and documents that are (i) now and/or hereafter existing between the CUSO and ITT ESI, and (ii) that secure any of the Obligations (as defined in the Security Agreement).

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"***Servicer***" means the Person obligated pursuant to the Servicing Agreement to, among other things, collect, monitor and report Loan payments, handle late payments and other delinquencies, and remit payments.

"***Servicing Agreement***" means the Servicing Agreement dated as of the Effective Date between the CUSO and the Servicer, as amended, supplemented, modified, or replaced from time to time.

"***Servicing Fee***" means all fees payable to Servicer or Origination Vendor for performing their respective obligations under the Servicing Agreement or the Origination Agreement.

"***Student***" means a student enrolled at one of ITT ESI's ITT Technical Institutes.

"***Subscriber***" means each Credit Union that is a party to a Subscription Agreement.

"***Subscriber 2010 Funding Year Target***" means, with respect to each Subscriber, the sum of the Subscriber Base Funding Year Target plus the amount (if any) by which the Subscriber Base Funding Year Target exceeded the actual amount that was paid by such Subscriber in Funding Year 2009.

"***Subscriber Base Funding Year Target***" means, with respect to each Subscriber, one-third of such Subscriber's Estimated Aggregate Participation Commitment (as defined in the applicable Subscription Agreement) for Funding Years 2009, 2010 and 2011.

"***Subscriber Contact***" means, with respect to each Subscriber, such Subscriber's authorized representative designated in such Subscriber's Subscription Agreement.

"***Subscriber Shortfall***" means, with respect to a Subscriber, that the payment of the entire Actual Participation Commitment by such Subscriber for any Funding Period would exceed twenty-five percent (25%) of the maximum portion of the Estimated Aggregate Participation Commitment for the applicable Funding Year.

"***Subscriber Shortfall Period***" means a Funding Period in which a Subscriber Shortfall occurs or is to occur.

"***Subscription Agreement***" means each Subscription and Commitment Agreement between the CUSO and a Participant with respect to the Program, as amended, modified, restated or replaced from time to time.

"***Substitute Member***" has the meaning set forth in the Operating Agreement.

"***Substitute Originating Entity***" means a substitute federal credit union or group of federal credit unions, in either case acceptable to ITT ESI, designated by the CUSO to serve as the Originating Entity.

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"***Substitute Purchase Agreement***" means a purchase agreement with a Substitute Originating Entity on the same or substantially similar terms as the Purchase Agreement or otherwise approved by the Substitute Originating Entity, the CUSO, and ITT ESI.

"***Term***" means the Initial Term and any Renewal Term(s).

"***TRG***" means The Rochdale Group, Inc., a Kansas corporation.

B. Certain Definitions to be Disregarded. Terms defined in this Schedule and not used or capitalized in the Agreement to which this Schedule is attached shall be disregarded for all purposes in connection with such Agreement (except and to the extent such terms are used in another Program Document referred to in the Agreement to which this Schedule is attached).

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CL_Review001421

EXHIBIT A-1

Designated Financial Institutions

A Designated Financial Institution shall at all times be a banking corporation or national banking association organized and doing business under the laws of the United States of America or any state thereof or of the District of Columbia and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Ten Billion U.S. dollars ($10,000,000,000) and subject to supervision or examination by federal, state, or District of Columbia authority. If such corporation or national banking association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes hereof, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent records of condition so published.

ITT ESI may not, nor may any entity directly or indirectly controlling, controlled by, or under common control with ITT ESI, be a Designated Financial Institution, notwithstanding that such corporation or national banking association shall be otherwise eligible and qualified hereunder.

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EXHIBIT A-2

Loan Criteria

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Student CU Connect Private Student Loan Program Criteria

Program Borrowing Limits

The minimum and maximum amounts that may be borrowed under this Loan Program on a per borrower basis are as follows:

Minimum Loan Amount:	$1,000 (or any other higher minimum loan amount as applicable by state law)
Annual Maximum Loan Limit:	Cost of Education less other financial aid
Aggregate Private Student Loan Program Limits: Minimum Loan Amount:	
Annual Maximum Loan Limit:	
Aggregate Private Student Loan Program Limits:	

Associate degree programs:	$35,000
Bachelors degree programs:	$60,000
*Resulting in maximum undergraduate (Associate and Bachelors combined):	$60,000
Graduate degree programs:	$25,000
*Resulting in maximum total of all combined:	$85,000

Repayment Terms

The minimum monthly principal and interest payment amount will be $50.00 per account per month.

1) Repayment Plans

While a student is enrolled at an ITT Technical Institute, repayment of principal and interest will be deferred until the circumstances described in the "Repayment Begins" section below occur. During the deferral period the borrower will be sent quarterly statements providing him or her the opportunity to make interest payments. During the deferral period, the borrower can also make principal payments at any time without penalty.

2) Repayment Begins

Repayment of principal and interest on each loan will begin six (6) months after the student graduates, unless the student enrolls in another program at ITT Technical Institute and begins taking courses. For students who do not maintain at least four (4) credit hours in a given quarter for any reason other than graduation, repayment of principal and interest will begin three (3) months after their last clay of attendance unless the student re-enrolls in an ITT Technical Institute and begins to take at least four (4) credit hours.

Repayment of principal and interest on each loan will begin, if not already begun pursuant to the terms of the preceding paragraph, on the first day following the seventh (7th) year anniversary of the date of the first disbursement on the loan.

3) Repayment Duration

The term of each loan will be ten (10) years from the date the repayment period begins.

4) Prepayment

The borrower may prepay all or a portion of the loan at any time without penalty.

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Student CU Connect Private Student Loan Program Criteria

5) Late Charges

Borrowers will be assessed a late charge if they fail to make any part of an installment payment within 15 days after it becomes due. The late charge fee will be the lesser of $10.00 or 5% of the installment.

Program Eligibility and Credit Requirements

1) Eligible Borrower

The borrower must satisfy all of (a)-(d) below:

a) Be admitted to, or have graduated from, an ITT Technical Institute undergraduate or graduate program of study.

b) Be a U.S. Citizen or National, or a Permanent Resident.

AND

If there is a Co-signer, the Co-signer must be a U.S. Citizen or National, or a Permanent Resident. c) Meet all credit requirements specified below in Section 3.

OR

Have a credit-worthy co-signer who meets all credit requirements specified below in Section 3.

d) Be the age of majority, as determined by individual state requirements for the primary borrower's permanent residence, at the time of the loan application.

2) Eligible Loan Periods

Current and Future

Borrowers can apply for a loan relating to an academic year that begins within twelve (12) months after the loan application date. The first disbursement for a subsequent academic year must also occur within twelve (12) months after the loan application date.

Past Enrollment

Borrowers may borrow funds for previous academic periods during which they were enrolled as long as such borrower has either graduated or is enrolled in an ITT Technical Institute on the loan application date.

3) Credit Requirements

To qualify for a loan, an eligible borrower must satisfy all of the following credit requirements:

a) No filed bankruptcy, discharged bankruptcy or foreclosure within the twenty-four (24) months immediately preceding the loan application date.

b) No judgments, charge offs, collections, liens, or repossessions in an aggregate amount of more than five hundred dollars ($500) within the twenty-four (24) months immediately preceding the loan application date.

c) No mortgage, student loans, or other installment loans that are currently 90 days or more past due. d) No record of a student loan default, unless the default has been paid in full.

e) Less than three (3) derogatory credit indications on the borrower's credit report. A derogatory credit indication is defined as a balance of at least five hundred dollars ($500) that is past due at least ninety (90) days.

f) A borrower who fails to qualify on his or her own for a loan may be eligible with an eligible co-signer who satisfies all of the credit requirements and who has a credit score of at least 680.

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At such time, if any, that the origination vendor of the loans can support it in an automated format, the foregoing (a) and (d) credit requirements will be modified to read instead as follows:

a) No filed bankruptcy, discharged bankruptcy or foreclosure within the twenty-four (24) months immediately preceding the loan application date unless the borrower has agreed to payment arrangements and made prompt payments for at least the last consecutive 18 months.

d) No record of a student loan default, unless the default has been paid in full, or the borrower is making satisfactory progress in repaying the loan. Satisfactory progress is defined as: at least twelve (12) consecutive payments made: account is current: repayment history has no gaps: and the IRS Tax Offset Program was not used to pay default.

Notwithstanding the foregoing, a borrower who is otherwise eligible under all of the other provisions of these loan criteria does not need to satisfy all of the foregoing (a) through (f) credit requirements to qualify for a loan if .such borrower: (i) received the open account credit provided by ITT Technical Institute (known as its "Temporary Credit" program); (ii) has graduated or is enrolled in any academic quarter other than the first academic quarter of such borrower's first academic year on the loan application date; and (iii) has not declared bankruptcy within the twenty-four (24) months immediately preceding the loan application elate.

4) Credit Score

The eligible borrower's FICO Score will determine the interest rate and fee charged on the loan as follows:

Tier	FICO Score	Interest Rate Range	Origination Fee*
1	790+	Prime +0.5%	N/A
2	720-789	Prime +1.5%	2%
3	680-719	Prime +4.0%	3%
4	650-679	Prime +6.0%	5%
5	600-649	Prime +7.0%	7%
6	No credit score	Prime +8.0%	8%
7	599 and below	Prime +10.5%	10%

* Origination fee calculated as a percent of loan amount

Eligible borrowers with an Experian-Fair Isaac Score Code of 9002 or 9003 will be priced as if part of Tier 6 ("No Credit Score").

The origination fee will be credited in full to the borrower if an entire disbursement is refunded within 60 days of the disbursement date.

Notwithstanding the rates and fees set forth in the table above, the annual percentage rate, including the capitalized origination fee, on any loan will not exceed eighteen percent (18%) over the term of the loan, or such other limit under applicable law that may be in effect from time to time.

5) Deferment

a) In School

Principal and interest payments on a Joan may be deferred by the borrower during the period that the student is enrolled in an undergraduate or graduate program at an ITT Technical Institute and is taking at least four (4) credit hours. Upon graduation, the student may defer payment of the Joan principal and interest for an additional six (6) months ("grace period"). If the student enrolls in another program at an ITT Technical Institute and begins taking courses before or after the end of such six (6) months, the deferral will continue or begin again, as applicable, until such time as repayment is to begin under the terms of these loan criteria. Students whose enrollment terminates prior to graduation, or who are taking less than four (4) credit hours. will have a three (3) month grace period before principal and interest payments begin.

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If the student re-enrolls in an ITT Technical Institute and begins to take at least four (4) credit hours before or after the end of such three (3) month period, the deferral will continue or begin again, as applicable, until such time as repayment is to begin under the terms of these loan criteria. Borrowers will receive quarterly statements while enrolled.

b) Military

A military deferment will be available for a period during which a borrower is serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency ("Qualifying Duty''). A borrower who is a member of the National Guard or other reserve component of the U. S. Armed Forces (current or retired) and who begins serving Qualifying Duty while enrolled at ITT Technical Institute, or within six (6) months after having been enrolled, is eligible to defer paying any principal or interest on a loan during the Qualifying Duty service and during the 13 months following the conclusion of the Qualifying Duty service, or until the date that the borrower returns to an enrolled student status at ITT Technical Institute, whichever is earlier.

6) Forbearance

A borrower may request a forbearance of the payment of principal and interest on a loan, which Student CU Connect CUSO will grant in its sole discretion. Any single forbearance in the payment of a loan may not exceed three (3) months, and all forbearances granted with respect to a loan may not, in aggregate, exceed twelve (12) months over the life of the loan. If the borrower is delinquent at the time a forbearance is granted, all past due interest on the loan will be capitalized.

7) Interest Rate

Interest will accrue at a variable rate, beginning on the date that any portion of the loan is disbursed, on the outstanding principal balance, including any capitalized interest and origination fees. The variable rate may change monthly on the first day of each month based on the Prime Rate as of the third to last business day of the immediately preceding month. The Prime Rate is defined as the highest U.S. Prime Rate published in *The Wall Street Journal* "Money Rates'' section.

The applicable interest rate will be rounded to the nearest one-eighth of one percent (0.125%). In the event of a change in the Prime Rate, monthly payments will be calculated based on the then current principal balance, the remaining term of the loan, and the then current interest rate, based on a 365.25-day calendar year and will not vary in leap years.

Notwithstanding any other provisions herein, at no time will the applicable interest rate, inclusive of the capitalized origination fee, be such that the annual percentage rate on any loan exceeds eighteen percent (18%) or such other limit under applicable law as in effect from time to time.

8) Co-Signer Eligibility

To be eligible to co-sign a loan, a co-signer must have a FICO score of at least 680 and satisfy other criteria specified above in Sections 1 (other than 1(a)) and 3. Loans with an eligible co-signer will be charged interest and fees at the Tier 4 level in Section 4 above.

9) Default & Charge-Off

A loan will be in reportable default if any principal or interest payment under the loan is sixty (60) days past due.

A loan will be charged off if payments under the loan are due and not received for a period of one hundred and eighty (180) days.

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FIRST AMENDMENT TO
FINANCING PROGRAM AGREEMENT

This FIRST AMENDMENT TO FINANCING PROGRAM AGREEMENT (this "***Amendment***") is made and entered into effective as of December 30, 2009, by and between ITT EDUCATIONAL SERVICES, INC. a Delaware corporation, on behalf of itself and its Affiliates and subsidiaries ("***ITT ESI***"), and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following recitals are a material part of this Amendment:

A. ITT ESI and the CUSO are parties to that certain Financing Program Agreement entered into as of February 20, 2009 (the "***Program Agreement***").

B. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings provided in the Program Agreement and Schedule A thereto.

C. Section 3.2(b) of the Program Agreement currently provides that the CUSO shall reimburse ITT ESI for certain costs and expenses in connection with the design and implementation of the Program payable in equal quarterly installments over a three-year period.

D. In consideration of the CUSO's entry into, with ITT ESI, the First Amendment to Loan and Security Agreement and First Amendment Allonge to Revolving Note, each dated contemporaneously herewith, ITT ESI has agreed to forgo the reimbursement contemplated by Section 3.2(b) of the Program Agreement.

E. In connection with the foregoing, the parties hereto desire to amend the Program Agreement as set forth in this Amendment.

AGREEMENT

NOW THEREFORE, in consideration of foregoing and the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The Program Agreement is hereby amended by deleting Section 3.2(b) in its entirety.

2. Except as amended by this Amendment, the remainder of Section 3.2 and the Program Agreement remain unchanged and in full force and effect.

3. This Amendment may be executed in multiple counterparts, each of which shall for all purposes be deemed to be an original and both of which shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective duly authorized officers effective as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO

STUDENT CU CONNECT CUSO, LLC

By: /s/ Daniel R. Kampen
Name: Daniel R. Kampen
Title: CUSO Administrator

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SECOND AMENDMENT TO
FINANCING PROGRAM AGREEMENT

This SECOND AMENDMENT TO FINANCING PROGRAM AGREEMENT (this "***Amendment***") is made and entered into effective as of August 27, 2010, by and between ITT EDUCATIONAL SERVICES, INC., a Delaware corporation, on behalf of itself and its Affiliates and subsidiaries ("***ITT ESI***"), and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following recitals are a material part of this Amendment:

A. ITT ESI and the CUSO are parties to that certain Financing Program Agreement entered into as of February 20, 2009 and amended by that First Amendment to Financing Program Agreement entered into effective as of December 30, 2009 (as amended, the "***Program Agreement***").

B. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings provided in the Program Agreement and Schedule A thereto.

C. Section 2.11 of the Program Agreement currently contains provisions regarding origination and servicing activities related to the Loans that do not accurately reflect the intentions of the parties.

D. In connection with the foregoing, the parties hereto desire to amend the Program Agreement as set forth in this Amendment in order to clarify the parties' intentions that the CUSO has the power to direct the origination and servicing activities related to the Loans.

AGREEMENT

NOW THEREFORE, in consideration of foregoing and the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 2.11 of the Program Agreement is hereby amended to read in its entirety as follows:

"2.11 Origination and Servicing Arrangements.

(a) The Originating Entity will be the named lender on the Loan Documents.

(b) Each Loan will be purchased under the Purchase Agreement on a servicing-released basis. The CUSO will cause the Originating Entity to transfer to the CUSO with each Loan purchased the right to service such Loan. Except as otherwise provided in this Agreement, the Servicing Agreement or the Risk Sharing Agreement, all decisions with respect to the administration, collection, enforcement, servicing and charge off of any Loan shall be made by the CUSO in accordance with the Collection and Charge Off Standards and in consultation with ITT ESI.

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(c) The CUSO will cause the origination and documentation of Loans to be serviced by the Origination Vendor pursuant to the Origination Agreement. The Origination Vendor and the terms of the Origination Agreement shall be subject to the approval of ITT ESI. The CUSO shall regularly consult with ITT ESI regarding the selection, supervision, financial condition and performance of the Origination Vendor. Errors and omissions of the Origination Vendor shall not affect the obligations of either party under this Agreement.

(d) The CUSO, through the Servicer, will service the Loans in accordance with the terms of the Servicing Agreement and the Collection and Charge Off Standards. Each Servicer and the terms of its respective Servicing Agreement shall be subject to the approval of ITT ESI. The CUSO shall regularly consult with ITT ESI regarding the selection, supervision, financial condition and performance of the Servicer. Errors or omissions of the Servicer shall not affect the obligations of either party under this Agreement.

(e) The CUSO shall cause the Originating Entity to assign to the CUSO all rights of the Originating Entity under the Origination Agreement, which rights may be exercised by the CUSO upon any Originating Entity Default, any uncured default by the Origination Vendor under the Origination Agreement, or any breach of the representations and warranties in this Agreement or the Purchase Agreement, as fully as if the CUSO were an original party thereto.

(f) Each Origination Agreement and Servicing Agreement shall name ITT ESI as an express third-party beneficiary of such agreement, with full power and authority to enforce the same as if it were an original party thereto, and shall further provide that such agreement may not be amended, modified, terminated or assigned without ITT ESI's prior express written consent.

(g) Fees and expenses in connection with the origination and servicing of each Loan shall be paid by the CUSO in accordance with the applicable Origination Agreement and Servicing Agreement."

2. Except as amended by this Amendment, the remainder of the Program Agreement remains unchanged and in full force and effect.

3. This Amendment may be executed in multiple counterparts, each of which shall for all purposes be deemed to be an original and both of which shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective duly authorized officers effective as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman & CEO

STUDENT CU CONNECT CUSO, LLC

By: /s/ Dan Kampen
Name: Dan Kampen
Title: Program Administrator

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THIRD AMENDMENT TO
FINANCING PROGRAM AGREEMENT

This THIRD AMENDMENT TO FINANCING PROGRAM AGREEMENT (this "***Amendment***") is made and entered into effective as of January 3, 2011, by and between ITT EDUCATIONAL SERVICES, INC., a Delaware corporation, on behalf of itself and its Affiliates and subsidiaries ("***ITT ESI***"), and STUDENT CU CONNECT CUSO, LLC, a Delaware limited liability company operating as a credit union service organization (the "***CUSO***").

RECITALS

The following recitals are a material part of this Amendment:

A. ITT ESI and the CUSO are parties to that certain Financing Program Agreement entered into as of February 20, 2009, as amended by that First Amendment to Financing Program Agreement entered into as of December 30, 2009, and further amended by that Second Amendment to Financing Program Agreement entered into as of August 27, 2010 (as amended, the "***Agreement***").

B. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings provided in the Agreement and Schedule A thereto.

C. ITT ESI and the CUSO have agreed, among other things, to amend the Agreement to provide that the CUSO may obtain enhanced servicing with respect to the Loans.

D. In connection with the foregoing, the parties hereto desire to amend the Agreement as set forth in this Amendment.

AGREEMENT

NOW THEREFORE, in consideration of foregoing and the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The following definitions of Servicer, Servicing Agreement, and Servicing Fee, as set forth on Schedule A to the Agreement, are hereby amended to read in their entirety as follows:

"***Servicer***" means the Person or Persons obligated pursuant to one or more Servicing Agreements to, among other things, collect, monitor and report Loan payments, handle late payments and other delinquencies, and remit payments.

"***Servicing Agreement***" means any Servicing Agreement entered into from time to time between the CUSO and any Servicer, as amended, supplemented, modified, or replaced from time to time.

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"***Servicing Fee***" means all fees payable to any Servicers and/or the Origination Vendor for performing their respective obligations under the applicable Servicing Agreements or the Origination Agreement, as the case may be.

2. Schedule A to the Agreement is hereby further amended to add the following definition of Enhanced Servicing:

"***Enhanced Servicing***" means such services and activities of a Servicer provided with respect to Loans that are in addition to those services and activities set forth in that certain Business Requirements Document dated January 21, 2009.

3. Subsection 2.9(k) of the Agreement is hereby amended by adding the following at the end of such Subsection: "Notwithstanding anything contained herein to the contrary, during (and only during) Funding Year 2011, at the CUSO's option exercised from time to time during such Funding Year with prior written notice to ITT ESI, any amounts payable to the CUSO as refunds of Loans and otherwise required to be paid to ITT ESI under the Credit Facility Documents as set forth above shall be deposited in the Commitment Account to be utilized to purchase Loans from time to time, as provided in Section 7(c) of the Participation Agreement.

4. Subsection 2.11(d) of the Agreement is hereby amended in its entirety to read as follows:

(d) The CUSO, through the Servicer, will service the Loans in accordance with the terms of the Servicing Agreement and the Collection and Charge Off Standards. The CUSO may also from time to time engage one or more Servicers to provide Enhanced Servicing with respect to Loans. Each Servicer and the terms of its respective Servicing Agreement shall be subject to approval of ITT ESI. The CUSO shall regularly consult with ITT ESI regarding the selection, supervision, financial condition and performance of Servicers. Errors or omissions of a Servicer shall not affect the obligations of either party under this Agreement.

5. Except as amended by this Amendment, the remainder of each of Schedule A, Section 2.9, Section 2.11, and the Agreement are unchanged and remain in full force and effect.

6. This Amendment may be executed in multiple counterparts, each of which shall for all purposes be deemed to be an original and both of which shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Blank; Signature Page Follows.]

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IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective duly authorized officers effective as of the date first above written.

ITT EDUCATIONAL SERVICES, INC.

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO

STUDENT CU CONNECT CUSO, LLC

By: /s/ Joe Karlin
Name: Joe Karlin
Title: Program Administrator

[Signature Page to Third Amendment to Financing Program Agreement.]

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EXHIBIT 10.55

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT (this "***Agreement***") is made effective as of May 18, 2009 (the "***Effective Date***") between **STUDENT CU CONNECT CUSO, LLC**, a Delaware limited liability company ("***Borrower***"), and **ITT EDUCATIONAL SERVICES, INC.**, a Delaware corporation ("***Lender***").

In consideration of the consideration and mutual agreements set forth in this Agreement, Borrower and Lender agree as follows:

1. DEFINITIONS.

1.1 Defined Terms. The following words and phrases have the following meanings.

"***Administrative Fee***": The monthly amount paid to Borrower under, and as defined in, the Participation Agreement.

"***Advance Termination Date***": December 31, 2011.

"***Bailment Agreement***": The Bailment Agreement among the Servicer, Borrower and Lender, as amended, modified, restated or replaced from time to time.

"***Bankruptcy Code***": The United States Bankruptcy Code, as now existing or hereafter amended.

"***Business Day***": Any day other than Saturday, Sunday, a United States national holiday or other day on which banks in the State of Indiana are permitted or required by law to close.

"***Collateral***": As defined in Section 6.1.

"***Controlled Group***": All members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

"***Default Rate***": The per annum rate of interest equal to the Interest Rate plus two percent (2.00%) per annum.

"***Depository Bank***": The federal credit union at which Borrower maintains the Distribution Account and the Operating Account. The initial Depository Bank is Eli Lilly Federal Credit Union.

"***Distribution Account***": The segregated account maintained by Borrower with the Depository Bank in which collections on the Student Loans will be deposited and from which Borrower will withdraw funds to make distributions to itself and the Participants as set forth in Sections 7(a)-(b) of the Participation Agreement.

"***Employee Plan***": Any pension, stock bonus, employee stock ownership plan, retirement, disability, medical, dental or other health plan, life insurance or other death benefit plan, profit sharing, deferred compensation, stock option, bonus or other incentive plan, vacation benefit plan, severance plan or other employee benefit plan or arrangement, including any pension, profit-sharing or retirement plans, welfare plan, Defined Benefit Pension Plans (as defined in ERISA) or any multi-employer plan, maintained or administered for employees of Borrower or any member of the Controlled Group, or any such plan or arrangement to which Borrower or any member of the Controlled Group is required to contribute on behalf of any of its employees.

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"***ERISA***": The Employee Retirement Income Security Act of 1974, as amended from time to time.

"***Event of Default***": As defined in Section 10.

"***Funding Year***": The calendar year corresponding to each Student Loan Pool and in which a Student Loan is disbursed.

"***Indebtedness***": At any time (a) all Liabilities of Borrower, (b) all lease obligations of Borrower, (c) all other debt, secured or unsecured, created, issued, incurred or assumed by Borrower for money borrowed or for the deferred purchase price of any fixed or capital asset, (d) indebtedness secured by any Lien existing on property owned by Borrower (whether or not the Indebtedness secured thereby has been assumed), and (e) all contingent liabilities of Borrower whether or not reflected on its balance sheet.

"***Indemnified Party***": Lender, its successors and assigns and their respective affiliates, directors, officers, members, managers, partners, employees and agents.

"***Interest Rate***": The per annum rate equal to the Prime Rate plus 55/100 percent (0.55%) per annum.

"***Internal Revenue Code***": The Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated thereunder.

"***Liabilities***": All liabilities of Borrower that would be shown as such on a balance sheet of Borrower.

"***Lien***": any mortgage, pledge, hypothecation, judgment lien or similar legal process, title retention lien, or other lien or security interest, including the interest of a vendor under any conditional sale or other title retention agreement and the interest of a lessor under a lease of any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"***Loans***": The direct advances made from time to time by Lender to Borrower in the form of a loan under and pursuant to this Agreement, as set forth in Section 2.1.

"***Loan Documents***": As defined in Section 3.1.

"***Loan Maturity Date***": The earlier to occur of (i) December 31, 2026 or (ii) the date that is fifteen (15) years after the final disbursement of a Loan under this Agreement.

"***Management Agreement***": The Management Services Agreement dated as of February 20, 2009 between the Program Administrator and Borrower, as amended, modified, restated or replaced from time to time.

"***Material Adverse Effect***": A material adverse change in the financial condition, properties, business or operations of Borrower (in each case as determined by Lender pursuant to its Decision Power), including (i) any default by Borrower in the performance of its obligations under the Program Documents, (ii) any termination of the Management Agreement (unless a replacement management agreement acceptable to Lender is effected) and (iii) any termination of the Program Agreement or the Program (except for a termination in the normal course and contemplated term of, and without a default under, the Program).

"***Maximum Loan Amount***": The maximum aggregate amount in Loans advanced by Lender that may be outstanding on any date of determination up to but not including the Advance Termination Date, which amount is (i) One Hundred Million and 00/100 Dollars ($100,000,000.00) during the 2009 calendar year, (ii) Two Hundred Million and 00/100 Dollars ($200,000,000.00) during the 2010 calendar year, and (iii) Three Hundred Million and 00/100 Dollars ($300,000,000.00) during the 2011 calendar year until but not including the Advance Termination Date. To avoid doubt, after the Advance Termination Date, Lender will not advance any Loans and the aggregate amount of outstanding Loans will be repaid by Borrower as provided in this Agreement.

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"***Note***": As defined in Section 4.

"***Obligations***": The Loans (as evidenced by the Note), all interest accrued thereon, any fees due Lender under this Agreement, any expenses incurred by Lender under or in connection with this Agreement and any and all other liabilities and obligations of Borrower (and of any partnership in which Borrower is or may be a partner) to Lender under or in connection with this Agreement and the other Loan Documents, however created, arising or evidenced, and however owned, held or acquired, whether now or hereafter existing, whether now due or to become due, direct or indirect, absolute or contingent, and whether several, joint or joint and several.

"***Obligor***": Borrower, any other guarantor, accommodation endorser, third party pledgor, or any other party liable with respect to the Obligations.

"***Operating Account***": The segregated account maintained by Borrower with the Depository Bank in which Borrower will maintain funds for day-to-day operations.

"***Operating Expense Advance***": As defined in Section 2.1(b)(ii).

"***Origination Agreement***": The agreement between the Student Loan Originating Entity and the Origination Vendor, as amended, supplemented, modified, or replaced from time to time, pursuant to which the Origination Vendor will perform certain obligations with respect to the origination and documentation of the Student Loans.

"***Origination Vendor***": The Person performing Student Loan origination and documentation services under the Origination Agreement.

"***Participants***": The credit unions that acquire Participation Interests in the Student Loans in any Loan Pool.

"***Participation Agreement***": The Participation Agreement entered into between Borrower and the Participants, as amended, modified, restated or replaced from time to time.

"***Participation Interest***": With respect to each Participant, its beneficial ownership interest in each Student Loan in the Program, including such Participant's right to receive its share of Student Loan proceeds on each Program Payment Date.

"***Permitted Liens***": As defined in Section 8.2.

"***Person***": Any individual, partnership, limited liability company, corporation, trust, joint venture, joint stock company, association, unincorporated organization, government or agency or political subdivision thereof, or other entity.

"***Prime Rate***": The floating per annum rate of interest that, at any time and from time to time, is most recently published in the Money Rate Section of *The Wall Street Journal* as the Prime Rate, which rate is not intended to be Lender's lowest or most favorable rate of interest at any one time. For purposes of this Agreement, the Prime Rate will be determined on the first day of each month and will remain in effect for such month regardless of any published changes in the Prime Rate during such month. If more than one Prime Rate appears, then the highest rate will be used. The effective date of any change in the Prime Rate shall for purposes of this Agreement be the date such change in the Prime Rate is so published in the Money Rate Section of *The Wall Street Journal*. Lender shall not be obligated to give notice of any change in the Prime Rate.

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"***Program***": The national financing program established by Borrower to provide private student loans to Students in accordance with the Program Agreement.

"***Program Administrator***": The Person designated from time to time as the "*Program Administrator*" under the Program Agreement. The initial Program Administrator is TRG.

"***Program Agreement***": The Financing Program Agreement dated as of February 20, 2009 between Lender and Borrower, as amended, modified, restated or replaced from time to time.

"***Program Documents***": The Program Agreement, the Participation Agreement, the Servicing Agreement(s), the Risk Sharing Agreement, and any other documents or instruments entered into in connection with the Program, and any amendment, modification, restatement or replacement thereof.

"***Program Payment Date***": The 25th day of each month or, if such day is not a Business Day, the following Business Day.

"***Retained CUSO Interest***": With respect to each Student Loan in a Student Loan Pool, on any date of determination, the portion thereof that is not then subject to Participation Interests held by Participants.

"***Risk Sharing Agreement***": The Risk Sharing Agreement dated as of February 20, 2009 between Lender and Borrower in connection with the Program, as amended, supplemented, modified, restated or replaced from time to time.

"***Servicer***": The Person obligated pursuant to the Servicing Agreement to, among other things, collect, monitor and report Student Loan payments, handle late payments and other delinquencies, and remit payments.

"***Servicing Agreement***": The Servicing Agreement dated as of February 20, 2009 between Borrower and the Servicer, as amended, supplemented, modified, or replaced from time to time.

"***Servicing Fee***": The "servicing fee" payable to Servicer for performing its obligations under the Servicing Agreement.

"***Student***": A student enrolled at one of Lender's ITT Technical Institutes.

"***Student Loan***": A loan made to Students and originated in connection with the Program.

"***Student Loan Documents***": With respect to each Student Loan, the Student Loan Note and all other documents and instruments evidencing, securing or otherwise relating to such Student Loan.

"***Student Loan Funding Account***": The account designated by the Student Loan Originating Entity into which Borrower will deposit the purchase price for Student Loans in connection with the Program.

"***Student Loan Note***": The promissory note evidencing each Student Loan.

"***Student Loan Originating Entity***": The federal credit union that will originate Student Loans and sell such Student Loans to Borrower in connection with the Program.

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"***Student Loan Pool***": A discrete pool of Student Loans disbursed during a Funding Year in connection with the Program.

"***Student Loan Purchase Advance***": As defined in Section 2.1(b)(i).

"**Subsidiary**": Any corporation, partnership, limited partnership, limited liability company, limited liability partnership or other entity of which or in which Borrower owns directly or indirectly fifty percent (50.00%) or more of (a) the combined voting power of all classes of stock having general voting power under ordinary circumstances to elect a majority of the board of directors of such entity if a corporation, (b) the management authority and capital interest or profits interest of such entity, if a partnership, limited partnership, limited liability company, limited liability partnership, joint venture or similar entity, or (c) the beneficial interest of such entity, if a trust, association or other unincorporated organization.

"***TRG***": The Rochdale Group, Inc., a Kansas corporation.

"***UCC***": The Uniform Commercial Code in effect in the State of Delaware from time to time.

1.2 Accounting Terms. Any accounting terms used in this Agreement that are not specifically defined in this Agreement have the meanings customarily given them.

1.3 Other Terms Defined in UCC. All other capitalized words and phrases used in this Agreement and not otherwise specifically defined have the respective meanings assigned to such terms in the UCC, as amended from time to time.

1.4 Other Definitional Provisions; Construction. Whenever the context so requires, the neuter gender includes the masculine and feminine, the single number includes the plural, and vice versa, and in particular the word "Borrower" shall be so construed. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and references to Article, Section, Subsection, Annex, Schedule, Exhibit and like references are references to this Agreement unless otherwise specified. The term "include" or "including" means without limitation by reason of enumeration. The term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." An Event of Default shall "continue" or be "continuing" until such Event of Default has been waived in accordance with Section 12.3 of this Agreement. References in this Agreement to any party include such party's successors and permitted assigns. To the extent any of the provisions of the other Loan Documents are inconsistent with the terms of this Agreement, the provisions of this Agreement shall govern.

2. LOANS; PAYMENTS; INTEREST.

2.1 Loans; Payments.

(a) Loans. Subject to the terms and conditions of this Agreement and the other Loan Documents, and in reliance upon the representations and warranties of Borrower set forth in this Agreement and in the other Loan Documents, Lender may make Loans to Borrower at such times and in such amount as Lender deems appropriate in its sole and absolute discretion. Borrower acknowledges and agrees that (i) Lender may decline to make a Loan under this Agreement in its sole and absolute discretion and regardless of Borrower's satisfaction any precedent conditions to a Loan described in this Agreement and (ii) Lender will not and has no intention to (x) make any Loans on or after the Advance Termination Date or (y) make any Loan that would cause the aggregate outstanding principal balance of all Loans to exceed the Maximum Loan Amount. Loans made by Lender may be repaid and, subject to the terms and conditions hereof, advanced again by Lender up to (but not including) the Advance Termination Date.

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(b) Use of Loan Advances. The Loans shall be used by Borrower only to:

(i) fund the purchase of all or portions of Student Loans in connection with the Program (in such case, a "***Student Loan Purchase Advance***"); and

(ii) pay the following operating expenses of Borrower incurred in connection with the Program: (A) Servicing Fees payable to the Servicer under the Servicing Agreement; (B) loan origination or underwriting fees payable to the Origination Vendor under the Origination Agreement; (C) interest payable to Lender under this Agreement in connection with Student Loan Purchase Advances; (D) fees payable to the Student Loan Originating Entity; (E) other Borrower operating expenses, including third-party audits and reviews, legal expenses, travel expenses, administrative expenses and expenses for static pool and rate shock analyses; (F) reimbursement of certain Lender expenses relating to the development of the Program as described in Section 3.2(b) of the Program Agreement; (G) payments to the Program Administrator pursuant to the Management Agreement; (H) reimbursements to the Student Loan Originating Entity of data processing expenses related to membership; and (I) interest payable to Lender under this Agreement in connection with advances for any of the foregoing expenses (in any such case, an "***Operating Expense Advance***").

(c) Payments.

(i) Interest Payments. Without limiting the required payments described in Section 2.1(c)(iii) below, accrued and unpaid interest on the principal balance of the Loans shall be due and payable on the first (1st) day of each quarter, in arrears, commencing on January 1, 2011 and continuing on the first (1st) day of each calendar quarter thereafter (i.e. April 1, July 1, October 1 and January 1 in each year), and on the Loan Maturity Date.

(ii) Maturity Repayment. The outstanding principal balance of the Obligations (including the Loans and all accrued interest thereon) shall be repaid by Borrower on the Loan Maturity Date, unless payable sooner pursuant to the provisions of this Agreement.

(iii) Interim Payments.

(A) Allocations under the Program. If any Obligations are outstanding under this Agreement on any Program Payment Date, then all amounts payable to Borrower pursuant to Section 7(b) of the Participation Agreement in connection with its Retained CUSO Interest, if any (and *not* any amounts paid to Borrower as the Administrative Fee under the Participation Agreement), without regard to the Student Loan Pool related to such Retained CUSO Interest, shall be paid to Lender on such Program Payment Date.

(B) Student Loan Refunds. If any Obligations with respect to Student Loan Purchase Advances are outstanding under this Agreement, then all amounts payable to Borrower as refunds of Student Loans pursuant to Section 7(c) of the Participation Agreement, if any, without regard to the Student Loan Pool related to such Student Loan refund, shall be paid to Lender within two (2) Business Days after Borrower's receipt thereof. Any such refunded amounts that exceed the amount of outstanding Obligations with respect to Student Loan Purchase Advances shall be utilized by Borrower as required by the Participation Agreement and the other Program Documents. If Lender is effecting any such refund of a Student Loan and such refund is payable to Borrower, then Lender may offset and retain such amount as a payment under this Section 2.1(c)(iii)(B).

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(C) Sales and Other Transactions of Student Loans and the Retained CUSO Interest. Pursuant to the Participation Agreement and the Program Agreement, Borrower has the right under the Program to effect certain sales and transactions of its interests therein, including (i) securitizations and whole-loan sales of Student Loans in a Student Loan Pool following the related Funding Year and (ii) sales of participation interests corresponding to its related Retained CUSO Interest with respect to a Student Loan Pool. Borrower agrees that the proceeds of any such sale or other transaction received by it shall, if any Obligations are then outstanding under this Agreement and without regard to the Student Loan Pool affected by such sale or transaction, be paid to Lender on the Business Day following Borrower's receipt thereof.

(D) Loss Sharing Offsets. If any Obligations are outstanding under this Agreement and Lender has an obligation under the Risk Sharing Agreement to make a payment to or for the benefit of Borrower in connection with its Retained CUSO Interest, then such amount may be offset by Lender and retained as a payment by Borrower under this Agreement.

(iv) Optional Payments. In addition to the mandatory payments described in this Section 2.1(c), Borrower may from time to time pay down or pay off the Obligations, in whole or in part, without any prepayment penalty whatsoever.

(v) Remittance Account. All payments made under this Agreement shall be made by electronic transfer to the account designated in writing by Lender to Borrower from time to time.

(vi) Application of Payments and Collections. Borrower irrevocably waives the right to direct the application of any and all payments and collections of the Obligations at any time or times after the Effective Date received by Lender from or on behalf of Borrower or any other Obligor, and Borrower hereby agrees that Lender shall have the continuing exclusive right to apply and reapply any and all such payments and collections received at any time or times after the Effective Date by Lender against the Obligations, in such manner as Lender may deem advisable, notwithstanding any entry by Lender upon any of its books and records.

2.2 Interest Rates and Computation; Collection of Funds. Except as otherwise provided in this Section 2.2, the principal amount of the Loans outstanding from time to time shall bear interest at the Interest Rate. Any amount of principal or interest on the Loans that is not paid when due, whether at stated maturity, by acceleration or otherwise, and any other amounts under the Note and other Loan Documents not paid when due, shall accrue interest at the Default Rate. Borrower and Lender agree that the Default Rate is a reasonable and fair estimate of the losses that would be suffered by Lender in the event of a default although such losses are difficult to predict in amount. All interest and fees shall be calculated on the basis of a year consisting of 360 days and shall be paid for the actual number of days elapsed. Principal payments submitted in funds not immediately available shall continue to bear interest until collected. If any payment to be made by Borrower under this Agreement or the Note shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

2.3 Take-out Financing. Borrower agrees that it will use its commercially reasonable best efforts to obtain a line of credit or other credit facility to replace the credit line contemplated by this Agreement as soon as possible after the Effective Date when such credit facility becomes available to Borrower on commercially reasonable terms, in which case the proceeds of such replacement credit facility shall be used to pay all Obligations outstanding under this Agreement as of the closing of such credit facility and this Agreement shall terminate. Borrower further agrees that it will report to Lender in writing the status of such credit facility search on a monthly basis and as otherwise requested by Lender from time to time.

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3. CONDITIONS OF BORROWING.

3.1 Initial Advance. Prior to advancing the first Loan under this Agreement, Borrower must satisfy the following conditions to Lender's satisfaction in its sole and absolute discretion:

(a) Loan Documents. Borrower must execute and deliver to Lender the following instruments and other documents (collectively, the "***Loan Documents***"):

(i) this Agreement;

(ii) the Note;

(iii) a deposit account control agreement with respect to each of the Distribution Account and the Operating Account;

(iv) the Bailment Agreement;

(v) a Collateral Assignment of Management Agreement (with TRG);

(vi) resolutions of the board of directors, managers or members of Borrower authorizing the execution of this Agreement and the other Loan Documents; and

(vii) such other certificates, financial statements, schedules, resolutions, notes and other documents that are provided for under this Agreement or that Lender shall reasonably require.

(b) Event of Default. No Event of Default, and no any event that, with notice or lapse of time or both, would constitute an Event of Default, exists or has occurred.

(c) Adverse Changes. No Material Adverse Effect has occurred, as determined in Lender's sole and absolute discretion.

(d) Litigation. No litigation or governmental proceeding is instituted against Borrower or any of its members, managers, directors or officers, which in Lender's sole and absolute discretion, materially adversely affects Borrower's financial condition or continued operation.

(e) Representations and Warranties. Each representation or warranty of Borrower contained in this Agreement or in any other Loan Document must be true and correct.

3.2 Future Advances. Notwithstanding any other provision of this Agreement, Borrower acknowledges and agrees that this line of credit evidenced by this Agreement and the other Loan Documents is a specialty line of credit made available only as an accommodation in connection with the Program and that, accordingly, Lender retains the sole and absolute decision regarding whether any Loan advance is necessary, appropriate or advisable under any circumstances. Without limiting the foregoing, Borrower acknowledges and agrees that (i) Lender may decline to make a Loan under this Agreement in its sole and absolute discretion and regardless of Borrower's satisfaction of any conditions described in this Section 3 and regardless of whether any adverse event or circumstance (e.g. an Event of Default), whether or not material, has occurred or exists, and (ii) Lender will not and has no intention to (x) make any Loans on or after the Advance Termination Date or (y) make any Loan that would cause the aggregate outstanding principal balance of all Loans to exceed the Maximum Loan Amount.

4. NOTE EVIDENCING LOAN.

The Loans shall be evidenced by a single Revolving Note (together with any and all renewal, extension, modification or replacement notes executed by Borrower and given in substitution therefor, the "***Note***") in the form acceptable to Lender, duly executed by Borrower and payable to the order of Lender. At the time of the disbursement of any Loan, or a repayment made in whole or in part thereon, an appropriate notation thereof shall be made on the books and records of Lender. All amounts recorded shall be, absent demonstrable error, conclusive and binding evidence of (a) the principal amount of the Loans advanced under this Agreement, (b) any unpaid interest owing on the Loans and (c) all amounts repaid on the Loans. The failure to record any such amount or any error in recording such amounts shall not, however, limit or otherwise affect the obligations of Borrower under the Note to repay the principal amount of the Loans, together with all interest accruing thereon.

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5. MANNER OF BORROWING.

Borrower shall deliver to Lender a written borrowing request at least two (2) Business Days prior to the proposed advance date of a Loan, in each case specifying the proposed date and amount of and specific uses for such Loan. Each such request delivered by Borrower shall be deemed to constitute a confirmation of Borrower's representations and warranties in this Agreement and a confirmation that the conditions in Section 3.1 are satisfied, in each case as of the date of such request. Lender may request from Borrower, and Borrower will provide to Lender, supporting documentation and information in connection with any such borrowing request, including invoices for paid or payable expenses and budgets specifying future expenses.

Lender is authorized to rely on any written, verbal, electronic, telephonic or telecopy loan requests by a Person designated in writing by Borrower as authorized to make such request. The initial group of such Persons is designated on Schedule 5, which group may be modified by Borrower by delivering to Lender a revised Schedule 5 from time to time. Borrower irrevocably confirms, ratifies and approves all such advances by Lender and indemnifies Lender against losses and expenses (including attorneys' fees and expenses) with respect thereto.

Any portion of a Loan constituting a Student Loan Purchase Advance will be paid directly to the Student Loan Funding Account. Any portion of a Loan constituting an Operating Expense Advance will be paid into the Operating Account.

6. SECURITY FOR THE OBLIGATIONS.

6.1 Security for Obligations. As security for the payment of the Obligations, Borrower pledges, assigns, transfers and delivers to Lender, and grants to Lender a continuing and unconditional security interest in and to, Borrower's rights, title and interest in and to the following property, whether tangible or intangible, wherever located and whether now existing or hereafter arising or acquired (all of such property, individually and collectively, the "***Collateral***"):

(a) the Retained CUSO Interest (including any interest of Borrower in the Student Loans and the Student Loan Documents (whether tangible or electronic) evidencing or securing the Student Loans) and all accounts, general intangibles and payment intangibles related thereto;

(b) the Distribution Account, the Operating Account, all amounts deposited in such accounts and all contract rights and privileges in respect of such accounts, and all cash, checks, money orders and other items of value of Borrower now or hereafter paid, deposited, credited, held (whether for collection, provisionally or otherwise) or otherwise in the possession or under the control of, or in transit to, Lender or any agent, bailee or custodian thereof, credited or held to be credited to either such account;

(c) all personal property of, or for the account of, Borrower now or hereafter coming into the possession, control or custody of, or in transit to, Lender or any agent or bailee for Lender or any participant with Lender in the Loan (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise), including all earnings, dividends, interest, or other rights in connection therewith and the products and proceeds therefrom;

(d) all additions and accessions to, replacements and substitutions for, products and proceeds of, rents, offspring, revenues and profits from, and all right, title, security, guaranties and supporting obligations with respect to, the property and the use or operation of the property described in Sections 6.1(a)-(c) above, whether tangible or intangible, and, to the extent not otherwise included, all payments under any insurance policy (whether or not Lender is the loss payee thereof) and under any indemnity, warranty or guaranty, payable by reason of loss or damage to, or otherwise with respect to, any of the foregoing Collateral.

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To the extent that the UCC does not apply to any item of the Collateral, it is the intention of Borrower and Lender and this Agreement that Lender have a common law pledge or collateral assignment of such item of Collateral.

To avoid doubt, Lender acknowledges that (i) the Participants own Participation Interests in the Student Loans and have interests in amounts corresponding to such Participation Interests that are deposited in the Distribution Account and, (ii) accordingly, the Collateral does not include any Participation Interest in any Student Loan or any amount deposited in the Distribution Account that is payable to a Participant in connection with its Participation Interests in the Student Loans.

6.2 Possession and Transfer of Collateral.

(a) Subject to the payments required under Section 2.1(c)(iii) of this Agreement, until an Event of Default has occurred under this Agreement, Borrower shall be entitled to possession or use of the Collateral. The cancellation or surrender of the Note, upon payment or otherwise, shall not affect the right of Lender to retain the Collateral for any other of the Obligations.

(b) If any Obligations are outstanding under this Agreement, then Borrower shall not sell, assign (by operation of law or otherwise), license, lease or otherwise dispose of, or grant any option with respect to any of the Collateral, except that Borrower may, with Lender's prior written consent (which consent may be granted or denied in Lender's sole and absolute discretion), (i) effect a securitization including or a whole-loan sale of Student Loans in a Student Loan Pool following the related Funding Year, or (ii) sell one or more participation interests corresponding to all or a portion of Borrower's Retained CUSO Interest with respect to a Student Loan Pool. Borrower must deliver to Lender notice of any such transaction at least ten (10) Business Days prior to the closing thereof and, pursuant to Section 2.1(c)(iii)(C), Borrower shall pay to Lender any proceeds resulting from any such sale or other transaction (without regard to the Student Loan Pool affected by such sale or transaction) on the Business Day following Borrower's receipt thereof. Lender consent with respect to any such sale or transaction may include a condition that the proceeds thereof be paid directly to Lender without receipt by Borrower.

6.3 Financing Statements. Borrower shall, at Lender's request, at any time and from time to time, authorize, execute or deliver to Lender such financing statements, amendments and other documents and do such acts as Lender deems necessary in order to establish and maintain valid, attached and perfected first security interests in the Collateral in favor of Lender, free and clear of all Liens and claims and rights of third parties whatsoever (except as otherwise specifically set forth in Section 8 of this Agreement). Borrower irrevocably authorizes Lender at any time, and from time to time, to file in any jurisdiction any initial financing statements and amendments thereto that (a) cover the Collateral (regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed) or describe the Collateral as being of an equal, lesser or greater scope or in lesser or greater detail, (b) indicate an agent or affiliate of Lender (whether or not indicating of the representative capacity of such agent or affiliate) as the secured party of record with respect to such financing statement (it being acknowledged and agreed that such agent or affiliate has no obligation or liability to Borrower under this Agreement or any other Loan Document), and (c) contain any other information required by Section 5 of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed, including (i) whether Borrower is an organization, the type of organization and any organization identification number issued to Borrower, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Borrower agrees to furnish any such information to Lender promptly upon request. Borrower further ratifies and affirms its authorization for any financing statements or amendments thereto filed by Lender in any jurisdiction prior to the Effective Date.

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6.4 Preservation of the Collateral. Lender may, but is not required to, take such action from time to time as Lender deems appropriate to maintain or protect the Collateral. Lender shall exercise such reasonable care in the custody and preservation of the Collateral (if Lender takes such action) as Borrower reasonably requests in writing, but such request shall not be inconsistent with Lender's status as a secured party, and the failure of Lender to comply with any such request shall not be deemed a failure to exercise reasonable care. In addition, any failure of Lender to preserve or protect any rights with respect to the Collateral against prior or third parties, or to do any act with respect to preservation of the Collateral requested by Borrower, shall not be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral. Borrower shall have the sole responsibility for taking such action as may be necessary, from time to time, to preserve all rights of Borrower and Lender in the Collateral against prior or third parties. Without limiting the generality of the foregoing, where Collateral consists in whole or in part of securities, Borrower represents to, and covenants with, Lender that Borrower has made arrangements for keeping informed of changes or potential changes affecting the securities (including rights to convert or subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights), and Borrower agrees that Lender shall have no responsibility or liability for informing Borrower of any such or other changes or potential changes or for taking any action or omitting to take any action with respect thereto.

6.5 Electronic Chattel Paper and Transferable Records; Student Loan Notes. If Borrower at any time holds or acquires an interest in any electronic chattel paper or any "transferable record", as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, Borrower shall promptly notify Lender thereof and, at the request of Lender, shall take such action as Lender may reasonably request to vest in Lender control under Section 9-105 of the UCC of such electronic chattel paper or control under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act (as in effect in such jurisdiction) of such transferable record. Lender agrees with Borrower that Lender will arrange, pursuant to procedures satisfactory to Lender and so long as such procedures will not result in Lender's loss of control, for Borrower to make alterations to the electronic chattel paper or transferable record permitted under Section 9-105 of the UCC or, as the case may be, Section 201 of the federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by Borrower with respect to such electronic chattel paper or transferable record.

Except for Student Loans executed electronically, there is only one original executed Student Loan Note evidencing each Student Loan. For Student Loans that were or will be executed electronically, the Servicer has or will have possession of the electronic records evidencing the Student Loan Note. Borrower has or will have in its possession, or Borrower will cause the Servicer to deliver to Lender, a copy of the Student Loan Note that constitutes or evidences each Student Loan. The Student Loan Notes do not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than Lender. All financing statements filed or to be filed against Borrower in favor of Lender in connection with this Agreement describing the Retained CUSO Interest or any other interest in the Student Loans may contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of Lender."

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Borrower shall cause the Servicer to hold the Student Loan Documents, including any electronic records evidencing the Student Loan Notes, for the benefit of Lender and to maintain such accurate and complete accounts, records and computer systems pertaining to the Student Loan Documents, including any electronic records evidencing the Student Loan Notes, as shall enable Borrower to comply with this Agreement. Borrower shall cause the Servicer to enter into the Bailment Agreement pursuant to which the Servicer shall agree to (i) act with reasonable care, using that degree of skill and attention that the Servicer exercises with respect to the student loan files relating to similar student loans that the Servicer services on behalf of other Persons, (ii) ensure that it fully complies with all applicable federal and state laws, including the Higher Education Act and any applicable e-sign laws, with respect thereto, (iii) take all actions necessary with respect to the Student Loan Documents held by it and of the related accounts, records and computer systems, in order to enable Lender to verify the accuracy of the Servicer's record keeping with respect to the Servicer's obligations as custodian, and (iv) promptly report to Borrower and Lender any material failure on its part to hold the Student Loan Documents and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by Lender of the Student Loan Documents. The Bailment Agreement shall also require that if, in Lender's reasonable judgment, it is necessary to preserve the interests of Lender in the Student Loans, the Servicer shall transfer physical possession of the Student Loan Notes to Lender or any other custodian designated by Lender.

6.6 Other Actions as to any and all Collateral. Borrower further agrees to take any other action reasonably requested by Lender to insure the attachment, perfection and priority of, and the ability of Lender to enforce, Lender's security interest in any and all of the Collateral, including (a) authorizing, executing, delivering or, where appropriate, filing financing statements and amendments thereto under the Uniform Commercial Code, (b) causing Lender's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of Lender to enforce, Lender's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Lender to enforce, Lender's security interest in such Collateral, (d) obtaining governmental and other third party consents and approvals (including any consent of any licensor, lessor or other Person obligated on Collateral), (e) obtaining waivers from mortgagees and landlords in form and substance satisfactory to Lender, and (f) taking all actions required by the UCC in effect from time to time or by other law, as applicable in any relevant UCC jurisdiction, or by other law as applicable in any foreign jurisdiction.

7. REPRESENTATIONS AND WARRANTIES.

To induce Lender to make the Loan, Borrower makes the following representations and warranties to Lender, each of which shall be true and correct in all material respects as of the Effective Date, and which shall survive the execution and delivery of this Agreement:

7.1 Borrower Organization and Name. Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, with full power and authority to carry on and conduct its business as presently conducted. Borrower's state issued organizational identification number is 4614327. Borrower is duly licensed or qualified in all foreign jurisdictions wherein the nature of its activities require such qualification or licensing. The exact legal name of Borrower is as set forth in the first paragraph of this Agreement, and Borrower currently does not conduct, nor has it during the last five (5) years conducted, business under any other name or trade name.

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7.2 Authorization; Validity. Borrower has full right, power and authority to enter into this Agreement, to borrow and incur the Loans and other Obligations and execute and deliver the Loan Documents as provided in this Agreement and to perform all of its duties and obligations under this Agreement and the other Loan Documents. The execution and delivery of this Agreement and the other Loan Documents will not, nor will the observance or performance of any of the matters and things herein or therein violate or contravene any provision of law or of the articles of organization, operating agreement or other organizational documents of Borrower. All necessary and appropriate action has been taken on the part of Borrower to authorize the execution and delivery of this Agreement and the other Loan Documents. This Agreement and the other Loan Documents are valid and binding agreements and contracts of Borrower in accordance with their respective terms.

7.3 Compliance With Laws. The nature and transaction of Borrower's business and operations and the use of its properties and assets (including the Collateral and any real estate owned or occupied by Borrower) do not and during the term of this Agreement shall not, violate or conflict with, in any material respect, any applicable law, statute, ordinance, rule, regulation or order of any kind or nature, including the provisions of the Fair Labor Standards Act, any zoning, land use, building, noise abatement, occupational health and safety or other laws, any building permit, any condition, grant, easement, covenant, condition or restriction, whether recorded or not, and any state or federal laws, rules or regulations in any way affecting Borrower's right or ability to purchase, hold or collect on the Student Loans.

7.4 Absence of Breach. The execution, delivery and performance of this Agreement, the Loan Documents and any other documents or instruments to be executed and delivered by Borrower in connection with the Loan shall not (a) violate any provisions of law or any applicable regulation, order, writ, injunction or decree of any court or governmental authority, or (b) conflict with, be inconsistent with, or result in any breach or default of any of the terms, covenants, conditions, or provisions of any indenture, mortgage, deed of trust, instrument, document, agreement or contract of any kind to which Borrower is a party or by which Borrower or any of its property or assets may be bound.

7.5 Collateral Representations. Borrower is the sole owner of the Collateral, free from any Lien of any kind, other than Permitted Liens.

7.6 Financial Statements. All financial statements submitted to Lender have been prepared on a basis, except as otherwise noted therein, consistent with the previous fiscal year and truly and accurately reflect the financial condition of Borrower and the results of the operations for Borrower as of such date and for the periods indicated.

7.7 Litigation and Taxes. There is no litigation, demand, charge, claim, petition or governmental investigation or proceeding pending or, to the best knowledge of Borrower, threatened against Borrower, which, if adversely determined, would result in a Material Adverse Effect. Borrower has duly filed all applicable income or other tax returns and has paid all income or other taxes when due. There is no controversy or objection pending or, to the best knowledge of Borrower, threatened in respect of any tax returns of Borrower.

7.8 Event of Default. No Event of Default has occurred, and no event has occurred that, with the lapse of time, the giving of notice or both, would constitute an Event of Default under this Agreement or any of the other Loan Documents. Borrower is not in default (without regard to grace or cure periods) under any contract or agreement to which it is a party.

7.9 ERISA. Neither Borrower nor any member of the Controlled Group maintains or contributes to any Employee Plan.

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7.10 Adverse Circumstances. No condition, circumstance, event, agreement, document, instrument, restriction, litigation or proceeding (or threatened litigation or proceeding or basis therefor) exists that (a) could reasonably be expected to adversely affect the validity or priority of the Liens granted to Lender under this Agreement or the other Loan Documents, (b) could reasonably be expected to materially adversely affect the ability of Borrower to perform its obligations under the Loan Documents, (c) would constitute an Event of Default under any of the Loan Documents, or (d) creates or may result in a circumstance or event that, with the lapse of time, the giving of notice or both, would constitute an Event of Default under any of the Loan Documents.

7.11 Lending Relationship. Borrower acknowledges and agrees that the relationship created by this Agreement with Lender is and has been conducted on an open and arm's length basis in which no fiduciary relationship exists and that Borrower has not relied and is not relying on any such fiduciary relationship in executing this Agreement and in consummating the Loans.

7.12 Business Loan. The Loans, including the interest rate, fees and charges as contemplated by this Agreement, (a) are business loans under New York law, (b) are exempted transactions under the Truth In Lending Act, 12 U.S.C. 1601 et seq., as amended from time to time, and (c) do not, and when disbursed shall not, violate the provisions of any New York usury laws, any consumer credit laws or the usury laws of any state which may have jurisdiction over the transactions described in this Agreement, Borrower or any property securing the Obligations.

7.13 Regulation U. No portion of the proceeds of any Loan shall be used by Borrower or any affiliate of Borrower, either directly or indirectly, for the purpose of purchasing or carrying any margin stock, within the meaning of Regulation U as adopted by the Board of Governors of the Federal Reserve System.

7.14 Governmental Regulation. Borrower and its Subsidiaries are not, or after giving effect to any Loan will not be, subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940 or to any federal or state statute or regulation limiting its ability to incur indebtedness for borrowed money.

7.15 Bank Accounts. The account numbers and locations of the Distribution Account, the Operating Account and all other deposit accounts and bank accounts of Borrower and its Subsidiaries are attached to this Agreement as Schedule 7.15.

7.16 Place of Business. The principal place of business of Borrower is 8700 Indian Creek Parkway, Suite 120, Overland Park, Kansas 66210 and Borrower shall promptly notify Lender of any change in such location. Borrower will not remove or permit the Collateral to be removed from such location without the prior written consent of Lender.

7.17 Complete Information. This Agreement and all financial statements, schedules, certificates, confirmations, agreements, contracts, and other materials submitted to Lender in connection with or in furtherance of this Agreement by or on behalf of Borrower fully and fairly state the matters with which they purport to deal, and neither misstate any material fact nor, separately or in the aggregate, fail to state any material fact necessary to make the statements made not misleading.

7.18 Books and Records. The books and records of Borrower are in good order, complete, accurate, and up to date.

8. NEGATIVE COVENANTS.

8.1 Indebtedness. Borrower shall not, either directly or indirectly, create, assume, incur or have outstanding any Indebtedness (including purchase money indebtedness), or become liable, whether as endorser, guarantor, surety or otherwise, for any debt or obligation of any other Person, except:

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(a) the Obligations;

(b) endorsement for collection or deposit of any commercial paper secured in the ordinary course of business;

(c) obligations of Borrower for taxes, assessments, municipal or other governmental charges; and

(d) obligations of Borrower for accrued expenses as accounts payable and incurred in the ordinary course of business.

8.2 Encumbrances. Borrower shall not, either directly or indirectly, create, assume, incur or suffer or permit to exist any Lien or charge of any kind or character upon any asset of Borrower, whether owned on the Effective Date or hereafter acquired except:

(a) Liens for taxes, assessments or other governmental charges not yet due or that are being contested in good faith by appropriate proceedings in such a manner as not to make the property forfeitable;

(b) Liens or charges incidental to the conduct of its business or the ownership of its property and assets that were not incurred in connection with the borrowing of money or the obtaining of an advance or credit, and that do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(c) pledges or deposits to secure obligations under worker's compensation laws or similar legislation;

(d) good faith deposits in connection with leases to which Borrower is a party;

(e) deposits to secure public or statutory obligations of Borrower; and

(f) Liens granted to Lender under this Agreement.

Items (a) through (f) are referred to as "***Permitted Liens***".

8.3 Investments. Borrower shall not, either directly or indirectly, make or have outstanding any new investments (whether through purchase of stocks, obligations or otherwise) in, or loans or advances to, any other Person (to avoid doubt, not including Student Loans purchased in the normal course of the Program), or acquire all or any substantial part of the assets, business, stock or other evidence of beneficial ownership of any other Person.

8.4 Transfer; Merger. Borrower shall not either: (i) directly or indirectly, merge, consolidate, sell, transfer, license, lease, encumber or otherwise dispose of all or any part of its property or business or all or any substantial part of its assets; or (ii) except as otherwise permitted under Section 6.2(b) of this Agreement, sell or discount (with or without recourse) any of its interest in the Student Loans or its Retained CUSO Interest; unless, in the case of either *clause (i)* or *clause (ii)*, (x) Borrower has obtained Lender's prior written consent or, (y) if no Obligations are then outstanding under this Agreement, Borrower has delivered prior written notice to Lender.

8.5 Issuance of Stock. Other than as expressly permitted under the Program, Borrower shall not, either directly or indirectly, issue or distribute any additional capital stock, membership interests or other securities of Borrower.

8.6 Distributions. So long as any Obligations are outstanding, Borrower shall not, either directly or indirectly, purchase or redeem any membership interests, or declare or pay any dividends or distributions, whether in cash or otherwise, or set aside any funds for any such purpose.

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8.7 Bank Accounts. Borrower shall not move or change any information with respect to the Distribution Account or the Operating Account or any other account described on Schedule 7.15, and shall not establish any new deposit accounts or other bank accounts, in any such case without the prior written consent of Lender. Notwithstanding the foregoing, Borrower may move any such account to or establish any new account with a Designated Financial Institution (as defined in the Program Agreement) provided that, prior to such account move or establishment, Borrower causes such Designated Financial Institution to enter into an account control agreement with Lender that is acceptable in form and substance to Lender.

8.8 Change of Legal Status. Borrower shall not change its name, its organizational identification number (if it has one), its type of organization, its jurisdiction of organization or other legal structure.

9. AFFIRMATIVE COVENANTS.

9.1 Company Existence. Borrower shall at all times preserve and maintain its existence, rights, franchises and privileges, and shall at all times continue as a going concern in the business that Borrower is presently conducting. If Borrower does not have a state issued identification number and later obtains one, Borrower shall promptly notify Lender of such organizational identification number.

9.2 Maintain Property. Borrower shall at all times maintain and preserve the Collateral in good condition and shall from time to time make all needful and proper renewals, replacements and additions thereto so that at all times the condition thereof shall be fully preserved and maintained. Borrower shall permit Lender to examine and inspect its place of business and properties at all reasonable times.

9.3 Maintain Insurance. Borrower shall at all times maintain insurance with insurance companies acceptable to Lender (i) for all insurable property owned by it that is of a character usually insured by companies similarly situated, insuring against any loss or damage from fire and such other hazards or risks as are customarily insured against by companies similarly situated, and (ii) for employers', public and professional liability risks. Borrower shall deliver to Lender a certificate setting forth in summary form the nature and extent of the insurance maintained by Borrower pursuant to this Section 9.3. All such policies of insurance must be satisfactory to Lender in relation to the amount and term of the Obligations and type and value of the Collateral and assets of Borrower, and shall identify Lender as loss payee or as an additional insured. If Borrower either fails to provide Lender with evidence of the insurance coverage required by this Section 9.3 or at any time hereafter fails to obtain or maintain any of the policies of insurance required above, or if Borrower fails to pay any premium in whole or in part relating thereto, then Lender, without waiving or releasing any obligation or default by Borrower under this Agreement, may at any time (but has no obligation to) obtain and maintain such policies of insurance and pay such premium and take any other action with respect thereto that Lender deems advisable. Such insurance coverage obtained by Lender (a) may but need not protect Borrower's interest in such property and (b) may not pay any claim made by or against Borrower in connection with such property. Borrower may later cancel any such insurance purchased by Lender, but only after providing Lender with evidence that Borrower has obtained the insurance coverage required by this Section 9.3. The costs of such insurance obtained by Lender through and including the effective date such insurance coverage is canceled or expires (which may be greater than the cost of insurance that Borrower may be able to obtain on its own), together with any other charges incurred by Lender in connection with the placement of such insurance, and together with interest thereon at the Default Rate on such amounts until repaid, shall be part of the Obligations payable under this Agreement and shall be payable on demand by Borrower to Lender.

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9.4 Tax Liabilities. Borrower shall at all times pay and discharge all property and other taxes, assessments and governmental charges upon, and all claims (including claims for labor, materials and supplies) against Borrower or any of its properties, in each case before any such amount becomes delinquent and before penalties accrue thereon.

9.5 ERISA Liabilities; Employee Plans. Borrower shall not maintain, or permit any member of the Controlled Group to maintain, or become obligated to contribute, or permit any member of the Controlled Group to become obligated to contribute, to any Employee Plan.

9.6 Financial Statements. Borrower shall at all times maintain a standard system of accounting, on the accrual basis of accounting, and shall furnish to Lender or his authorized representatives such information regarding the business affairs, operations and financial condition of Borrower, including:

(a) as soon as available, and in any event, within ninety (90) days after the close of each of its fiscal years, a copy of the annual reviewed financial statements of Borrower, including balance sheet, statement of income and retained earnings, statement of cash flows for the fiscal year then ended and such other information (including nonfinancial information) as Lender may request, in reasonable detail, prepared and certified by an independent certified public accountant acceptable to Lender;

(b) as soon as available, and in any event, within forty-five (45) days following the end of each quarter, a copy of the financial statements of Borrower regarding such quarter, including balance sheet, statement of income and retained earnings, and statement of cash flows for such quarter; and

(c) as soon as available, and in any event, within forty-five (45) days following the end of each quarter, a detailed and itemized report of all income received and expenses paid or incurred by Borrower during such quarter (including a detailed description of the use of all Operating Expense Advances), a detailed and itemized report of all assets and liabilities of Borrower as of the end of such quarter, and such other information (including non-financial information) as Lender may request, in each case prepared in detail and certified as accurate by Borrower.

No change with respect to such accounting principles shall be made by Borrower without giving prior notification to Lender. Borrower represents and warrants to Lender that the financial statements delivered to Lender at or prior to the execution and delivery of this Agreement and to be delivered at all times after the Effective Date accurately reflect and will accurately reflect the financial condition of Borrower. Lender shall have the right at all times during business hours to inspect the books and records of Borrower and make extracts therefrom. Borrower agrees to advise Lender immediately of any adverse change in the financial condition, the operations or any other status of Borrower.

9.7 Supplemental Financial Statements. Borrower shall promptly upon receipt thereof, provide to Lender copies of interim and supplemental reports if any, submitted to Borrower by independent accountants in connection with any interim audit or review of the books of Borrower.

9.8 Field Audits. Borrower shall allow Lender, at Borrower's sole expense, to conduct a quarterly field examination of Borrower's business operations, the results of which must be satisfactory to Lender in Lender's sole and absolute discretion.

9.9 Other Reports. Borrower shall, within such period of time as Lender may specify, deliver to Lender such other schedules and reports as Lender may reasonably require.

9.10 Collateral Records. Borrower shall keep full and accurate books and records relating to the Collateral and shall mark such books and records to indicate Lender's Lien in the Collateral.

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9.11 Notice of Proceedings. Borrower shall, promptly after knowledge thereof comes to its attention, give written notice to Lender of all threatened or pending actions, suits, and proceedings before any court or governmental department, commission, board or other administrative agency which may have a Material Adverse Effect.

9.12 Notice of Default. Borrower shall, promptly after the occurrence or commencement thereof, give notice to Lender in writing of the occurrence of an Event of Default or of any event that, with the lapse of time, the giving of notice or both, would constitute an Event of Default under this Agreement.

10. EVENTS OF DEFAULT.

Borrower, without notice or demand of any kind, shall be in default under this Agreement upon the occurrence of any of the following events (each an "***Event of Default***"):

(a) any amount due and owing on the Note or any of the Obligations, whether by its terms or as otherwise provided in this Agreement, is not paid when due;

(b) any written warranty, representation, certificate or statement in this Agreement, the Loan Documents or any other agreement with Lender is or becomes false in any material respect and, if capable of being cured, continues unremedied for a period of thirty (30) days;

(c) any failure to perform or default in the performance of any covenant, condition or agreement contained: (i) in this Agreement (other than as described in Section 10(a) above) and, if capable of being cured, such failure to perform or default in performance continues for a period of thirty (30) days after the required date of performance; or (ii) in the other Loan Documents (all of the covenants, conditions and agreements contained therein being incorporated in this Agreement by reference) or any other agreement with Lender and such failure to perform or default in performance continues beyond any applicable grace or cure period;

(d) any default occurs in the payment of principal, interest or any other sum greater than $10,000.00 in connection with any other obligation of Borrower or in the performance of any other term, condition or covenant contained in any agreement to which Borrower or its property is subject (which default continues beyond any grace or cure period provided with respect thereto), the effect of which default is to cause or permit the holder of such obligation or the other party to such other agreement to cause such obligation to become due prior to its stated maturity or to terminate such other agreement;

(e) Borrower or any other Obligor makes an assignment for the benefit of creditors, fails to pay, or admits in writing its inability to pay its debts as they mature; or a trustee of any substantial part of the assets of Borrower or any other Obligor is applied for or appointed;

(f) any proceeding involving Borrower or any other Obligor is commenced by or against such Person under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government;

(g) the entry of any one or more judgments, decrees, levies, attachments, garnishments or other process involving more than $10,000.00 in the aggregate in any calendar year, or the filing of any Lien against Borrower or any other Obligor that is not fully covered by insurance or not removed within thirty (30) days after first becoming a Lien;

(h) the entry of any judgment, decree, levy, attachment, garnishment or other process, or the filing of any Lien, against any of the Collateral or any collateral under a separate security agreement securing any of the Obligations, the loss, theft, destruction, seizure or forfeiture, or the occurrence of any deterioration or impairment of any of the Collateral or any of the collateral under any security agreement securing any of the Obligations, or any decline or depreciation in the value or market price thereof (whether actual or reasonably anticipated), which in any such case causes the Collateral, in the reasonable opinion of Lender acting in good faith, to become unsatisfactory as to value or character or causes Lender to reasonably believe that it is insecure and that the likelihood for repayment of the Obligations is or will soon be impaired, time being of the essence; the cause of any such deterioration, impairment, decline or depreciation includes the failure by Borrower to do any act deemed necessary by Lender to preserve and maintain the value and collectability of the Collateral; or

(i) the occurrence of any Material Adverse Effect.

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11. REMEDIES.

Upon the occurrence of an Event of Default, Lender shall have all rights, powers and remedies set forth in this Agreement and the other Loan Documents, in any written agreement or instrument (in addition to this Agreement and the other Loan Documents) relating to any of the Obligations or any security therefor, or as otherwise provided at law or in equity. Without limiting the generality of the foregoing, (i) Lender may, at its option upon the occurrence of an Event of Default, declare all Obligations to be immediately due and payable, and (ii) upon the occurrence of an Event of Default under either Section 10(e) or Section 10(f), all Obligations shall be automatically due and payable (and to avoid doubt, any alleged commitment of Lender to Borrower shall immediately terminate), all without demand, notice or further action of any kind required on the part of Lender. Borrower waives any and all presentment, demand, notice of dishonor, protest, and all other notices and demands in connection with the enforcement of Lender's rights under this Agreement and the other Loan Documents, and consents to, and waives notice of release, with or without consideration, of any Collateral, notwithstanding anything contained in this Agreement or in the other Loan Documents to the contrary. In addition to the foregoing:

11.1 Possession and Assembly of Collateral. Lender may, without notice, demand or legal process of any kind, take possession of any or all of the Collateral (in addition to Collateral of which Lender already has possession), wherever it may be found, and for that purpose may pursue the Collateral wherever it may be found, and may enter into any of Borrower's premises where any of the Collateral may be or is supposed to be, and search for, take possession of, remove, keep and store any of the Collateral until it is sold or otherwise disposed of. At Lender's request, Borrower will (at Borrower's sole expense) assemble the Collateral and make it available to Lender at a place or places to be designated by Lender that is reasonably convenient to Lender and Borrower.

11.2 Sale of Collateral. Lender may sell any or all of the Collateral at public or private sale, upon such terms and conditions as Lender may deem proper, and Lender may purchase any or all of the Collateral at any such sale. Lender may apply the net proceeds, after deducting all costs and expenses (including all attorneys' fees and expenses) incurred or paid at any time in the collection, protection and sale of the Collateral and the Obligations, to the payment of the Note or any of the other Obligations, returning the excess proceeds (if any) to Borrower. Borrower shall remain liable for any amount remaining unpaid after such application, together with interest accruing thereon as provided in this Agreement. Any notification of intended disposition of the Collateral required by law shall be conclusively deemed reasonably and properly given if given by Lender at least ten (10) calendar days before the date of such disposition. Borrower confirms, approves and ratifies all acts and deeds of Lender relating to the foregoing, and each part thereof.

11.3 Standards for Exercising Remedies. To the extent that applicable law imposes duties on Lender to exercise remedies in a commercially reasonable manner, Borrower acknowledges and agrees that it is not commercially unreasonable for Lender (a) to fail to incur expenses reasonably deemed significant by Lender to prepare Collateral for disposition or otherwise to complete raw material or work-in-process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other Persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other Persons, whether or not in the same business as Borrower, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, including any warranties of title, (k) to purchase insurance or credit enhancements to protect Lender against risks of loss, collection or disposition of Collateral or to provide to Lender a guaranteed return from the collection or disposition of Collateral, or (l) to obtain the services of brokers, investment bankers, consultants and other professionals to assist Lender in the collection or disposition of any of the Collateral. Borrower acknowledges that the purpose of this Section 11.3 is to provide non-exhaustive indications of what actions or omissions by Lender would not be commercially unreasonable in Lender's exercise of remedies against the Collateral and that other actions or omissions by Lender shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 11.3. Without limiting the foregoing, nothing contained in this Section 11.3 shall be construed to grant any rights to Borrower or to impose any duties on Lender that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section 11.3.

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11.4 UCC and Offset Rights. Lender may exercise, from time to time, any and all rights and remedies available to Lender under the UCC or under any other applicable law in addition to, and not in lieu of, any rights and remedies expressly granted in this Agreement or in any other agreements between any Obligor and Lender. Without limiting Section 2.1(c)(iii)(E), Lender may, without demand or notice of any kind, appropriate and apply toward the payment of the Obligations, whether matured or unmatured, and in such order of application as Lender may from time to time elect, any indebtedness of Lender to Borrower or any other Obligor, however created or arising, including balances, credits, deposits, accounts or moneys in the possession, control or custody of, or in transit to, Lender. Borrower, on behalf of itself and each Obligor, waives the benefit of any law that would otherwise restrict or limit Lender in the exercise of its acknowledged right to appropriate at any time hereafter any such indebtedness owing from Lender.

11.5 Additional Remedies. Without limiting the foregoing, Lender may and has the right to:

(a) instruct Borrower, at Borrower's expense, to notify any parties obligated on any of the Collateral to make payment directly to Lender of any amounts due or to become due thereunder, or Lender may directly notify such obligors of the security interest of Lender or of the assignment to Lender of the Collateral and direct such obligors to make payment to Lender of any amounts due or to become due with respect thereto, and thereafter, collect any such amounts due on the Collateral directly from such Persons obligated thereon;

(b) enforce collection of any of the Collateral by suit or otherwise, or make any compromise or settlement with respect to any of the Collateral, or surrender, release or exchange all or any part thereof, or compromise, extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder;

(c) take possession or control of any proceeds and products of any of the Collateral, including the proceeds of insurance thereon;

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(d) extend, renew or modify for one or more periods (whether or not longer than the original period) the Note, any of the other Obligations, any obligation of any nature of any other Obligor with respect to the Note or any of the Obligations;

(e) grant releases, compromises or indulgences with respect to the Note, any of the Obligations, any extension or renewal of any of the Obligations, any security therefor, or to any other Obligor with respect to the Note or any of the Obligations;

(f) transfer the whole or any part of any securities constituting Collateral into the name of Lender or Lender's nominee without disclosing, if Lender so desires, that such securities so transferred are subject to the security interest of Lender, and any corporation, association, or any of the managers or trustees of any trust issuing any of such securities, or any transfer agent, shall not be bound to inquire, if Lender or such nominee makes any further transfer of all or portion of such securities, as to whether Lender or such nominee has the right to make such further transfer, and shall not be liable for transferring such securities;

(g) vote the Collateral;

(h) make an election with respect to the Collateral under Section 1111 of the Bankruptcy Code or take action under Section 364 or any other section of the Bankruptcy Code; except that any such action of Lender shall not, in any manner whatsoever, impair or affect the liability of Borrower under this Agreement or prejudice, waive or be construed to impair, affect, prejudice or waive, Lender's rights and remedies at law, in equity or by statute, or release, discharge or be construed to release or discharge, Borrower or any Obligor liable to Lender for the Obligations; and

(i) at any time, and from time to time, accept additions to, releases, reductions, exchanges or substitution of the Collateral, without in any way altering, impairing, diminishing or affecting the provisions of this Agreement, the other Loan Documents, any of the Obligations, or Lender's rights under this Agreement, the Note or any of the Obligations.

Borrower ratifies and confirms whatever Lender may do with respect to the Collateral and agrees that Lender shall not be liable for any error of judgment or mistakes of fact or law with respect to actions taken in connection with the Collateral.

11.6 No Marshaling. Lender shall not be required to marshal any present or future collateral security (including this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order. To the extent that it lawfully may, Borrower agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of Lender's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, Borrower irrevocably waives the benefits of all such laws.

11.7 Application of Proceeds. Lender will, within three (3) Business Days after receipt of cash or solvent credits from collection of items of payment, proceeds of Collateral or any other source, apply the whole or any part thereof against the Obligations. Lender shall further have the exclusive right to determine how, when and what application of such payments and such credits shall be made on the Obligations, and such determination shall be conclusive upon Borrower. Any proceeds of any disposition by Lender of all or any part of the Collateral may be first applied by Lender to the payment of expenses incurred by Lender in connection with the Collateral, including attorneys' fees and legal expenses as provided for in Section 12 of this Agreement.

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11.8 No Waiver. No Event of Default shall be waived by Lender except in writing. No failure or delay on the part of Lender in exercising any right, power or remedy under this Agreement shall operate as a waiver of the exercise of the same or any other right at any other time; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy under this Agreement. There shall be no obligation on the part of Lender to exercise any remedy available to Lender in any order. The remedies provided for in this Agreement are cumulative and not exclusive of any remedies provided at law or in equity. Borrower agrees that in the event that Borrower fails to perform, observe or discharge any of its Obligations or liabilities under this Agreement or any other agreements with Lender, no remedy of law will provide adequate relief to Lender, and further agrees that Lender shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

12. MISCELLANEOUS.

12.1 Obligations Absolute. None of the following shall affect the Obligations of Borrower to Lender under this Agreement or Lender's rights with respect to the Collateral:

(a) acceptance or retention by Lender of other property or any interest in property as security for the Obligations;

(b) release by Lender of Borrower or of all or any part of the Collateral or of any party liable with respect to the Obligations;

(c) release, extension, renewal, modification or substitution by Lender of the Note, or any note evidencing any of the Obligations, or the compromise of the liability of any other Obligor of the Obligations;

(d) failure of Lender to resort to any other security or to pursue Borrower or any other Obligor before resorting to remedies against the Collateral, or to pursue any of the Collateral or any other property before pursuing Borrower; or

(e) failure of Lender to perform any of its obligations under any of the Program Documents.

12.2 Entire Agreement. This Agreement and the other Loan Documents (a) are valid, binding and enforceable against Borrower and Lender in accordance with its provisions and no conditions exist as to their legal effectiveness, (b) constitute the entire agreement between the parties and (c) are the final expression of the intentions of Borrower and Lender. No promises, either expressed or implied, exist between Borrower and Lender, unless contained in this Agreement or the other Loan Documents. This Agreement and the other Loan Documents supersede all negotiations, representations, warranties, commitments, offers and contracts (of any kind or nature, whether oral or written) with respect to the subject matter hereof prior to or contemporaneous with the execution of this Agreement and the other Loan Documents.

12.3 Amendments; Waivers. No amendment, modification, termination, discharge or waiver of any provision of this Agreement or of the other Loan Documents, or consent to any departure by Borrower therefrom, shall in any event be effective unless delivered in writing and signed by Lender, and then such waiver or consent shall be effective only for the specific purpose for which given.

Lender's failure, at any time or times on or after the Effective Date, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Lender of a default or an Event of Default under this Agreement or any other Loan Document shall not suspend, waive or affect any other default or Event of Default under this Agreement or any of the other Loan Documents, whether such suspension or waiver is prior or subsequent thereto and whether of the same or of a different type. Without limiting the foregoing, none of the undertakings, agreements, warranties, covenants and representations of Borrower contained in this Agreement or any of the other Loan Documents and no default or Event of Default shall be deemed to have been suspended or waived by Lender unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Lender and directed to Borrower.

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12.4 Waiver of Jury Trial. LENDER AND BORROWER, AFTER CONSULTING WITH COUNSEL, EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED ON THIS AGREEMENT, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE NOTE OR ANY OF THE OBLIGATIONS, THE COLLATERAL, OR ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT OR COURSE OF DEALING IN WHICH LENDER AND BORROWER ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER GRANTING ANY FINANCIAL ACCOMMODATION TO BORROWER.

12.5 Litigation. TO INDUCE LENDER TO MAKE THE LOANS, BORROWER AGREES THAT ALL ACTIONS ARISING, DIRECTLY OR INDIRECTLY, AS A RESULT OR CONSEQUENCE OF THIS AGREEMENT, THE NOTE, ANY OTHER AGREEMENT WITH LENDER OR THE COLLATERAL, MAY BE INSTITUTED AND LITIGATED IN COURTS HAVING THEIR SITUS IN HAMILTON COUNTY, INDIANA. BORROWER CONSENTS TO THE NON-EXCLUSIVE JURISDICTION AND VENUE OF ANY STATE COURT HAVING ITS SITUS IN SUCH COUNTY OR ANY FEDERAL COURT THAT HAS JURISDICTION OVER SUCH COUNTY, AND WAIVES ANY OBJECTION BASED ON *FORUM NON CONVENIENS*. BORROWER WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO BORROWER, AS SET FORTH IN THIS AGREEMENT IN THE MANNER PROVIDED BY APPLICABLE STATUTE, LAW, RULE OF COURT OR OTHERWISE. BORROWER AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST LENDER OR THE AGENTS OR PROPERTY THEREOF, IN ANY COURT OTHER THAN THE ONE SPECIFIED ABOVE IN THIS SECTION 12.5. NOTHING IN THIS SECTION 12.5 SHALL AFFECT THE RIGHT OF LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

12.6 Assignability. Lender may at any time assign Lender's rights in this Agreement, the Note, the Obligations, or any part thereof and transfer Lender's rights in any or all of the Collateral, and Lender thereafter shall be relieved from all liability with respect to such Collateral. In addition, Lender may at any time sell one or more participations in the Loan. Borrower may not sell or assign this Agreement, or any other agreement with Lender or any portion thereof, either voluntarily or by operation of law, without the prior written consent of Lender. This Agreement shall be binding upon Lender and Borrower and their respective legal representatives and successors. All references in this Agreement to Borrower shall be deemed to include any successors, whether immediate or remote.

12.7 Binding Effect. This Agreement shall become effective as of the Effective Date upon execution by Borrower and Lender. If this Agreement is not dated or contains any blanks when executed by Borrower, Lender is authorized, without notice to Borrower, to complete any such date or blanks according to the terms upon which this Agreement is executed.

12.8 Governing Law. This Agreement, the Loan Documents and the Note shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the internal laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State, without giving effect to the choice of law provisions of such State (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

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12.9 Enforceability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or unenforceable or invalid under any such law, such provision shall be severable and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

12.10 Survival of Borrower Representations. All covenants, agreements, representations and warranties made by Borrower in this Agreement shall, notwithstanding any investigation by Lender, be deemed material and relied upon by Lender and shall survive the making and execution of this Agreement and the other Loan Documents and the issuance of the Note, and shall be deemed to be continuing representations and warranties until such time as Borrower has fulfilled all of its Obligations to Lender. Lender, in extending financial accommodations to Borrower, is expressly acting and relying on such covenants, agreements, representations and warranties.

12.11 Time of Essence. Time is of the essence in making payments of all amounts due Lender under this Agreement and in the performance and observance by Borrower of each covenant, agreement, provision and term of this Agreement.

12.12 Counterparts. This Agreement may be executed in any number of counterparts and by different parties to this Agreement in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

12.13 Signatures. Lender is authorized to rely upon and accept as an original this Agreement, any other Loan Documents or any other communication sent to Lender by facsimile, telegraphic or other electronic transmission (each, a "***Communication***") that Lender in good faith believes has been signed by Borrower and has been delivered to Lender by a properly authorized representative of Borrower, whether or not that is in fact the case. Notwithstanding the foregoing, Lender shall not be obligated to accept any such Communication as an original and may in any instance require that an original document be submitted to Lender in lieu of, or in addition to, any such Communication.

12.14 Notices. All notices, requests, demands and other communications provided for under this Agreement shall be in writing, sent by nationally recognized overnight courier or by facsimile or electronic mail (with a follow-up copy sent by nationally recognized overnight courier) or delivered in person, and addressed as follows:

If to Borrower:
Student CU Connect CUSO, LLC
8700 Indian Creek Parkway, Suite 120
Overland Park, KS 66210
Attn: Board of Managers
Fax: 913-322-3770
Email: tferris@rochdalegroup.com

If to Lender:
ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404
Attn: Chief Financial Officer
Fax: 317-706-9254
Email: dfitzpatrick@ittesi.com

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or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 12.14. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances.

12.15 Indemnification; Documentation Costs; Reimbursement of Expenses. Borrower agrees to defend (with counsel satisfactory to Lender), protect and indemnify each Indemnified Party from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and distributions of any kind or nature (including disbursements to and the reasonable fees of counsel for each Indemnified Party, which shall also include attorneys' fees) imposed on, incurred by or asserted against any Indemnified Party (whether direct, indirect or consequential and whether based on any federal, state or local laws or regulations (including securities, environmental laws and commercial laws and regulations), under common law or in equity, or based on contract or otherwise) in any manner relating to or arising out of this Agreement or any of the other Loan Documents, or any act, event or transaction related or attendant thereto, the preparation, execution and delivery of this Agreement and the other Loan Documents (including the making or issuance and management of the Loans, the use or intended use of the proceeds of the Loans), or the enforcement of Lender's rights and remedies under this Agreement, the Note, the other Loan Documents, any other instruments and documents delivered under this Agreement, or any other agreement between Borrower and Lender; *provided*, *however*, that Borrower shall not have any obligations under this Agreement to any Indemnified Party with respect to matters caused by or resulting from the willful misconduct or gross negligence of such Indemnified Party. To the extent that the undertaking to indemnify set forth in the preceding sentence may be unenforceable because it violates any law or public policy, Borrower shall satisfy such undertaking to the maximum extent permitted by applicable law. Any liability, obligation, loss, damage, penalty, cost or expense covered by this indemnity shall be paid to each Indemnified Party on demand and, failing prompt payment, shall, together with interest thereon at the Default Rate from the date incurred by each Indemnified Party until paid by Borrower, be added to the Obligations of Borrower and be secured by the Collateral.

Without limiting the foregoing:

(i) Borrower further agrees that all of Lender's expenses incurred in connection with the negotiation and documentation of this Agreement and the other Loan Documents, shall be added to and become part of the initial Obligations under the Note, this Agreement and the other Loan Documents (without any actual disbursement to Borrower) and shall accrue interest as provided in this Agreement and be secured by the Collateral.

(ii) If, at any time or times prior or subsequent to the Effective Date, regardless of whether or not an Event of Default then exists or any of the transactions contemplated hereunder are concluded, Lender employs counsel for advice or other representation, or incurs legal or accountants', auditors', appraisers', liquidators', engineers', or other consultant or expert expenses or other costs or out-of-pocket expenses (including support staff costs, amounts expended in litigation preparation, computerized research costs, telephone and facsimile expenses, mileage costs, deposition related expenses, postage costs, photocopy costs, process service fees, and costs of videotapes) in connection with: (a) the negotiation, preparation, execution or delivery any amendment of or modification of this Agreement or any of the other Loan Documents, or any sale or attempted sale of any interest in this Agreement to a participating lender or other Person; (b) the administration or enforcement of the Loans, (c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Lender, Borrower or any other Person) in any way relating to the Collateral, this Agreement, any of the other Loan Documents or Borrower's affairs, including in connection with any bankruptcy, reorganization, insolvency, or receivership proceeding; (d) any attempt to enforce any rights of Lender against Borrower or any other Person that may be obligated to Lender by virtue of this Agreement or any of the other Loan Documents, irrespective of whether litigation is commenced in pursuit of such rights; or (e) any attempt to inspect, verify, protect, preserve, restore, collect, sell, manufacture, liquidate or otherwise dispose of or realize upon the Collateral or any of Borrower's assets that do not constitute Collateral (all of which are, collectively, "***Expenses***"); then, in any such event, such Expenses (whether incurred before or after judgment) shall be payable, on demand, by Borrower to Lender and shall be additional Obligations under this Agreement secured by the Collateral. Additionally, if any taxes (excluding taxes imposed upon or measured by the income of Lender) shall be payable on account of the execution or delivery of this Agreement or the other Loan Documents, or the execution, delivery, issuance or recording of any of the Loan Documents, or the creation of any of the Obligations hereunder, by reason of any federal, state or local statute or other law existing on or after the Effective Date, then Borrower shall pay all such taxes (including any interest and penalties thereon) and shall indemnify Lender from and against liability in connection therewith.

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The provisions of this Section 12.15 shall survive the satisfaction and payment of the other Obligations and the termination of this Agreement.

12.16 USA Patriot Act. Borrower represents and warrants to Lender that neither Borrower nor any affiliate is identified in any list of known or suspected terrorists published by any United States government agency (collectively, as such lists may be amended or supplemented from time to time, the "***Blocked Persons Lists***"), including: (a) the annex to Executive Order 13224 issued on September 23, 2001, and (b) the Specially Designated Nationals List published by the Office of Foreign Assets Control.

If Borrower becomes aware that it or any of its affiliates is identified on any Blocked Persons List, Borrower shall immediately notify Lender in writing of such information. Borrower further agrees that in the event it or any of its affiliates is at any time identified on any Blocked Persons List, such event shall be an immediate Event of Default (without notice or demand or any other action by Lender) and shall entitle Lender to exercise any and all remedies provided in this Agreement or any other Loan Document or otherwise permitted by law. In addition, Lender may immediately contact the Office of Foreign Assets Control and any other government agency Lender deems appropriate in order to comply with its obligations under any law, regulation, order or decree regulating or relating to terrorism or money laundering.

12.17 Lender's Decision Power. Wherever Lender's judgment, consent, or approval is required, under this Agreement or any other Loan Document for any matter or thing, or Lender has an option, election, or right of determination hereunder or thereunder, including any right to determine that something is acceptable or satisfactory or not ("***Decision Power***"), such Decision Power shall be exercised in the sole and absolute discretion of Lender unless otherwise expressly stated to be reasonably exercised. Such Decision Power and each other power granted to Lender in this Agreement or any other Loan Document may be exercised by Lender or by any authorized agent of Lender (including any servicer or attorney-in-fact), and Borrower hereby expressly agrees to recognize the exercise of such Decision Power by such authorized agent.

12.18 Members not Liable. Lender acknowledges and agrees that all Obligations under this Agreement are debts of the Borrower and that the credit union members of Borrower are not individually liable for the Obligations under this Agreement.

[***Remainder of page left intentionally blank; signature page follows.***]

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CL_Review001461

IN WITNESS WHEREOF, Borrower and Lender have executed this Agreement as of the Effective Date.

BORROWER:

STUDENT CU CONNECT CUSO, LLC,
a Delaware limited liability company

By: /s/ Dan Kampen
Name: Dan Kampen
Title: Program Administrator

LENDER:

ITT EDUCATIONAL SERVICES, INC.,
a Delaware corporation

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman & CEO

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SCHEDULE 5
to
Loan and Security Agreement

DESIGNATED BORROWER REPRESENTATIVES

Tony Ferris, Partner

Joe Karlin, Principal

Jeff Owen, Senior Associate

SCHEDULE 7.15
to
Loan and Security Agreement

BANK ACCOUNTS

Institution:	Account #:	Account Name:
Eli Lilly Federal Credit Union	1217851	Student CU Connect CUSO, LLC, Operating Account
Eli Lilly Federal Credit Union	1223003	Student CU Connect CUSO, LLC, Distribution Account

No other accounts.

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FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "***Amendment***") is made effective as of December 30, 2009 (the "***Effective Date***") between **STUDENT CU CONNECT CUSO, LLC**, a Delaware limited liability company ("***Borrower***"), and **ITT EDUCATIONAL SERVICES, INC.**, a Delaware corporation ("***Lender***").

RECITALS

The following recitals are a material part of this Amendment:

A. Borrower and Lender entered into a revolving credit facility as evidenced by that certain Loan and Security Agreement dated as of May 18, 2009 (as amended, modified, supplemented, restated, or renewed, from time to time, the "***Loan Agreement***") between Borrower and Lender, and additional instruments and agreements between Borrower and Lender, including that certain Revolving Note dated as of May 18, 2009 made by Borrower in favor of Lender in the maximum principal amount of $300,000,000.00 (as amended, modified, supplemented, restated, or renewed, from time to time, the "***Note***").

B. Borrower and Lender have agreed to, among other things, modify the interest rate under the credit facility by amending the Loan Agreement and the Note pursuant to this Amendment and that certain First Amendment Allonge to Revolving Note dated as of the Effective Date (the "***Allonge***") and executed contemporaneously with this Amendment.

C. Lender is willing to amend the Loan Agreement and the Note upon and subject to the terms, provisions and conditions set forth in this Amendment and the Allonge.

AGREEMENT

In consideration of the mutual promises contained in this Amendment and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties to this Amendment mutually agree as follows:

SECTION 1. DEFINED TERMS. All capitalized terms used but not otherwise defined in this Amendment have the meaning set forth in the Loan Agreement.

SECTION 2. ACKNOWLEDGMENT OF INDEBTEDNESS. Borrower and Lender hereby acknowledge and agree that, as of the Effective Date, the outstanding balance(including accrued interest) of $13,287,661.11 is due and owing under the Note. Borrower unconditionally and irrevocably acknowledges that the obligations evidenced by the Loan Documents are enforceable against it in accordance with the terms thereof, and unconditionally and irrevocably waives any and all defenses, claims or setoffs affecting any of the obligations which may have existed or arisen (or which are based on facts or circumstances actually or allegedly existing) prior to the Effective Date (except for mathematical or clerical errors proven to the reasonable satisfaction of Lender, for which any remedies in favor of Borrower shall be limited to the correction of such mathematical or clerical error).

SECTION 3. AMENDMENTS TO LOAN AGREEMENT. The Loan Agreement is amended so that all of the terms and provisions of this Amendment, including all terms defined in this Amendment, are incorporated and integrated into, and made a material part of, the Loan Agreement as if fully set forth therein. In addition, the definition of "*Interest Rate*" in Section 1.1 of the Loan Agreement is deleted entirely and replaced with the following:

"***Interest Rate***": The per annum rate equal to the Prime Rate plus 225/100 percent (2.25%) per annum.

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SECTION 4. RATIFICATION AND REAFFIRMATION OF THE LOAN DOCUMENTS; FURTHER ASSURANCES.

4.1 Except as expressly modified in this Amendment and the Allonge, Borrower ratifies, affirms and confirms the terms, covenants and provisions of the Loan Documents, including the Loan Agreement and any other rights and obligations in favor of Lender thereunder, and acknowledges that the same are and shall continue in full force and effect to secure the Obligations.

4.2 Borrower further agrees, at its own cost, and without expense to Lender, to do, execute, acknowledge and deliver all and every such further agreements, instruments, acts, deeds, conveyances, financing statements, assignments, notices of assignments, transfers and assurances as Lender shall from time to time require, for carrying out the intention of facilitating the performance of the terms of the Loan Documents, including the Loan Agreement, the Note and this Amendment and the Allonge.

SECTION 5. CONDITIONS TO EFFECTIVENESS. The provisions of Section 3 of this Amendment shall become effective as of the date of, and only upon the satisfaction of, all of the following conditions precedent:

5.1 Lender shall have received an original of this Amendment and the Allonge, fully executed and duly authorized and delivered to Lender by Borrower.

5.2 All corporate and other proceedings taken or to be taken in connection with the transactions contemplated by this Amendment and the Allonge, and all documents incidental thereto shall be satisfactory in form and substance to Lender and its counsel, and Lender and such counsel shall have received all such counterpart originals or certified copies of such documents as Lender may request in its sole and absolute discretion.

5.3 Borrower shall have paid to Lender all closing costs and other expenses that Borrower is obligated to pay under this Amendment, the Loan Agreement and the Loan Documents.

SECTION 6. REPRESENTATIONS AND WARRANTIES. In order to induce Lender to enter into this Amendment and to amend the Loan Documents in the manner provided in this Amendment, Borrower represents and warrants to Lender that the following statements are true, correct and complete:

6.1 Borrower has all requisite corporate power and authority to enter into this Amendment and the Allonge and to carry out the transactions contemplated by, and perform its obligations under, this Amendment, the Allonge, and the Loan Documents.

6.2 The execution and delivery of this Amendment, the Allonge and the performance of the Loan Documents have been duly authorized by all necessary corporate action on the part of Borrower.

6.3 The execution and delivery by Borrower of this Amendment, the Allonge and the performance of the Loan Documents do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Borrower, the articles of organization, operating agreement or other organizational documents of Borrower or any order, judgment or decree of any court or other agency of government binding on Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any contractual provision or restriction binding on or affecting Borrower, (iii) result in or require the creation or imposition of any lien upon any of the properties or assets of Borrower, or (iv) require any approval of members or any approval or consent of any Person under any contract or agreement to which Borrower is a party that has not already been obtained.

6.4 The execution and delivery by Borrower of this Amendment, the Allonge, and the performance of the Loan Documents do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

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6.5 This Amendment, the Allonge, and the Loan Documents have been duly executed and delivered by Borrower and are its legally valid and binding obligations, enforceable against it in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

6.6 No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment or the Allonge that would constitute a default under the Loan Documents.

6.7 After giving effect to this Amendment and the Allonge, the representations and warranties contained in the Loan Agreement are and will be true, correct and complete with respect to Borrower in all material respects on and as of the Effective Date to the same extent as though made on and as of the Effective Date.

SECTION 7. RELEASE OF LIABILITY. Borrower releases, remises, acquits and forever discharges Lender and its respective employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiaries, parents and related divisions (all of the foregoing, the "***Released Parties***"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Amendment, the Loan Agreement and the Loan Documents on account of any matters or things done, omitted or suffered to be done prior to and including the "***Effective Date***" (all of the foregoing, the "***Released Matters***"). Borrower acknowledges that the agreements in this Section 7 are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters. Borrower represents and warrants to Lender that it has not purported to transfer, assign or otherwise convey any right, title or interest of Borrower in any Released Matter to any other Person and that the foregoing constitutes a full and complete release of all Released Matters.

SECTION 8. MISCELLANEOUS.

8.1 Borrower agrees with Lender that all of the terms of the Loan Agreement, the Note, the other Loan Documents and any other agreement, document, or instrument executed and delivered by Borrower to Lender in connection with Borrower's obligations under the Loan Agreement and the Loan Documents, are incorporated in and made a part of this Amendment by this reference.

8.2 This Amendment shall be binding upon the parties to this Amendment and their respective heirs, executors, personal and legal representatives, successors and assigns.

8.3 If any term, covenant or condition of this Amendment shall be held to be invalid, illegal or unenforceable in any respect, the validity or enforceability of the remaining provisions shall not in any way be affected.

8.4 This Amendment, the Allonge and the other Loan Documents constitute the entire agreement between the parties and are the final expression of the intentions of Borrower and Lender. No promises, either expressed or implied, exist between Borrower and Lender, unless contained in this Amendment, the Allonge or the other Loan Documents. This Amendment, the Allonge and the other Loan Documents supersede all negotiations, representations, warranties, commitments, offers and contracts (of any kind or nature, whether oral or written) with respect to the subject matter hereof prior to or contemporaneous with the Effective Date.

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8.5 This Amendment, and any provisions of this Amendment, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party to this Amendment, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

8.6 Borrower agrees that the Loans, including the Interest Rate, fees and charges as contemplated by this Amendment, the Allonge, the Loan Agreement and the other Loan Documents, (a) are business loans under New York law, (b) are exempted transactions under the Truth In Lending Act, 12 U.S.C. 1601 et seq., as amended from time to time, and (c) do not violate the provisions of any New York usury laws, any consumer credit laws or the usury laws of any state that may have jurisdiction over the transactions described in the Loan Documents or any property securing the Obligations. Borrower represents and warrants to Lender that it is entering into this Amendment and the Allonge on its own behalf, and not as nominee, designee, or agent for another nor is Borrower acting for another in so borrowing the amounts under the Loan Documents.

8.7 This Amendment and the Allonge shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the laws of New York and for all purposes shall be construed in accordance with the laws of New York, without giving effect to the choice of law provisions thereof (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

8.8 This Amendment may be executed in any number of counterparts and by different parties to this Amendment in separate counterparts, each of which when so executed and delivered shall be deemed an original, and all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. A signature of a party to this Amendment sent by facsimile, e-mail or other electronic transmission shall have the same force and effect as an original signature of such party.

8.9 Lender acknowledges and agrees that all Obligations under this Agreement are debts of the Borrower and that the credit union members of Borrower are not individually liable for the Obligations under this Agreement.

[*Remainder of Page Intentionally Blank; Signature Page Follows*]

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IN WITNESS WHEREOF, Borrower and Lender have executed this Amendment as of the Effective Date.

BORROWER:

STUDENT CU CONNECT CUSO, LLC,
a Delaware limited liability company

By: /s/ Daniel R. Kampen
Name: Daniel R. Kampen
Title: CUSO Administrator

LENDER:

ITT EDUCATIONAL SERVICES, INC.,
a Delaware corporation

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman & CEO

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SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT

This SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "***Amendment***") is made effective as of January 13, 2011 (the "***Effective Date***") between **STUDENT CU CONNECT CUSO, LLC**, a Delaware limited liability company ("***Borrower***"), and **ITT EDUCATIONAL SERVICES, INC.**, a Delaware corporation ("***Lender***").

RECITALS

The following recitals are a material part of this Amendment:

A. Borrower and Lender entered into a revolving credit facility as evidenced by that certain Loan and Security Agreement dated as of May 18, 2009, as amended by that certain First Amendment to Loan and Security Agreement dated as of December 30, 2009 (as amended, modified, supplemented, restated, or renewed, from time to time, the "***Loan Agreement***") between Borrower and Lender, and additional instruments and agreements between Borrower and Lender, including that certain Revolving Note dated as of May 18, 2009 made by Borrower in favor of Lender in the maximum principal amount of $300,000,000.00 (as amended, modified, supplemented, restated, or renewed, from time to time, the "***Note***").

B. Borrower and Lender have agreed to, among other things, provide that the due date of the initial quarterly interest payment under the credit facility shall be extended by one year to January 1, 2012, and to further provide for an interest rate reduction under the credit facility during those periods in which Borrower obtains certain enhanced servicing, by amending the Loan Agreement and the Note pursuant to this Amendment and that certain Second Amendment Allonge to Revolving Note (the "***Allonge***"), each dated as of the Effective Date and executed contemporaneously with this Amendment.

C. Lender is willing to amend the Loan Agreement and the Note upon and subject to the terms, provisions and conditions set forth in this Amendment and the Allonge.

AGREEMENT

In consideration of the mutual promises contained in this Amendment and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties to this Amendment mutually agree as follows:

SECTION 1. DEFINED TERMS. All capitalized terms used but not otherwise defined in this Amendment have the meaning set forth in the Loan Agreement.

SECTION 2. ACKNOWLEDGMENT OF INDEBTEDNESS. Borrower and Lender hereby acknowledge and agree that, as of the Effective Date, the outstanding balance due and owing under the Note (which includes both principal and accrued unpaid interest) is $10,779,009.04. Borrower unconditionally and irrevocably acknowledges that all obligations evidenced by the Loan Documents are enforceable against it in accordance with the terms thereof, and unconditionally and irrevocably waives any and all defenses, claims or setoffs affecting any of the obligations which may have existed or arisen (or which are based on facts or circumstances actually or allegedly existing) prior to the Effective Date (except for mathematical or clerical errors proven to the reasonable satisfaction of Lender, for which any remedies in favor of Borrower shall be limited to the correction of such mathematical or clerical error).

SECTION 3. AMENDMENTS TO LOAN AGREEMENT. The Loan Agreement is amended so that all of the terms and provisions of this Amendment, including all terms defined in this Amendment, are incorporated and integrated into, and made a material part of, the Loan Agreement as if fully set forth therein. In addition, the following specific amendments are hereby adopted:

3.1 Section 1.1 of the Loan Agreement is hereby amended by adding the following defined terms:

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"***Enhanced Servicing***": Such services and activities of a Servicer provided with respect to Student Loans that are in addition to those services and activities set forth in that certain Business Requirements Document dated January 21, 2009.

"***Enhanced Servicing Threshold***": Enhanced Servicing for at least 75% of the dollar value (based on outstanding principal balances) of those Student Loans held by Borrower for which the applicable Students are no longer enrolled in an ITT Technical Institute for at least four quarter credit hours, regardless of the reason, which Student Loans have not been either (i) Charged Off (as defined in Schedule A to the Risk Sharing Agreement) or (ii) paid in full.

Except as amended by Section 3.2 of this Amendment and this Section 3.1, the remainder of Section 1.1 of the Loan Agreement is unchanged.

3.2 Section 1.1 of the Loan Agreement is hereby further amended so that the definitions of Bailment Agreement, Servicer, Servicing Agreement, and Servicing Fee read in their entirety as follows:

"***Bailment Agreement***": Any Bailment Agreement entered into from time to time among Lender, Borrower and any Servicer, as amended, supplemented, modified, or replaced from time to time.

"***Servicer***": The Person or Persons obligated pursuant to one or more Servicing Agreements to, among other things, collect, monitor and report Student Loan payments, handle late payments and other delinquencies, and remit payments.

"***Servicing Agreement***": Any Servicing Agreement entered into from time to time between Borrower and any Servicer, as amended, supplemented, modified, or replaced from time to time.

"***Servicing Fee***": All servicing fees payable to Servicers for performing their respective servicing obligations under the applicable Servicing Agreements.

Except as amended by Section 3.1 of this Amendment and this Section 3.2, the remainder of Section 1.1 of the Loan Agreement is unchanged.

3.3 Subsection 2.1(c)(i) of the Loan Agreement is hereby amended to provide that the commencement date for quarterly payments of accrued and unpaid interest on the principal balance of the Loans shall be January 1, 2012. The remainder of Subsection 2.1(c)(i) of the Loan Agreement is unchanged.

3.4 Subsection 2.1(c)(iii)(B) of the Loan Agreement is hereby amended by adding the following at the end of such Subsection: "Notwithstanding anything contained herein to the contrary, during (and only during) Funding Year 2011, at Borrower's option exercised from time to time during such Funding Year with prior written notice to Lender, any amounts payable to Borrower as refunds of Student Loans and otherwise required to be paid to Lender as set forth above shall be deposited in the Commitment Account (as defined in the Participation Agreement) to be utilized to purchase Student Loans from time to time, as provided in the Participation Agreement and the other Program Documents." The remainder of Subsection 2.1(c)(iii)(B) of the Loan Agreement is unchanged.

3.5 Section 2.2 of the Loan Agreement is hereby amended by adding the following at the end of such Section: "Notwithstanding anything contained herein to the contrary, during (and only during) any period in which the Enhanced Servicing Threshold is met, provided that Borrower shall have timely provided both the notifications and the certifications required by Section 9.13 hereof, the Interest Rate shall be the Prime Rate plus one percent (1.00%) per annum." The remainder of Section 2.2 of the Loan Agreement is unchanged.

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3.6 The third paragraph of Section 6.5 of the Loan Agreement is hereby amended by adding the following at the end of such paragraph: "Notwithstanding anything contained herein to the contrary, Borrower shall be required to cause Bailment Agreements to be entered into with only those Servicers that will have access to Student Loan Documents, and each such Bailment Agreement must be in form and substance satisfactory to Lender." The remainder of Section 6.5 of the Loan Agreement is unchanged.

3.7 The Loan Agreement is hereby amended by adding a new Section 9.13 as follows:

9.13 Enhanced Servicing Notifications and Certifications.

(a) Borrower shall provide written notice to Lender, in form and content reasonably satisfactory to Lender, of each period of time during which the Enhanced Servicing Threshold is being met, by providing such notice within five (5) Business Days following both (i) any date on which the Enhanced Servicing Threshold is met, and (ii) the last date thereafter on which the Enhanced Servicing Threshold was met.

(b) Within ten (10) Business Days following the end of each quarter during which Borrower reasonably believes the Enhanced Servicing Threshold was met for at least one day, Borrower shall certify in writing to Lender, in form and content reasonably satisfactory to Lender, as to the dates on which such Enhanced Servicing Threshold was met during such quarter.

3.8 Section 10 of the Loan Agreement is hereby amended by adding a new Subsection 10(j) as follows:

(j) the delivery of any Student Loan Document to any Servicer or other Person who has not executed a Bailment Agreement pursuant to Section 6.5.

SECTION 4. RATIFICATION AND REAFFIRMATION OF THE LOAN DOCUMENTS; FURTHER ASSURANCES.

4.1 Except and as expressly modified by this Amendment and the Allonge, Borrower ratifies, affirms and confirms the terms, covenants and provisions of the Loan Documents, including the Loan Agreement and any other rights and obligations in favor of Lender thereunder, and acknowledges that the same are and shall continue in full force and effect to evidence and secure the Obligations.

4.2 Borrower further agrees, at its own cost, and without expense to Lender, to do, execute, acknowledge and deliver all and every such further agreements, instruments, acts, deeds, conveyances, financing statements, assignments, notices of assignments, transfers and assurances as Lender shall from time to time require, for carrying out the intention of facilitating the performance of the terms of the Loan Documents, including the Loan Agreement, the Note and this Amendment and the Allonge.

SECTION 5. CONDITIONS TO EFFECTIVENESS. The provisions of Section 3 of this Amendment shall become effective as of the date of, and only upon the satisfaction of, all of the following conditions precedent:

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5.1 Lender shall have received an original of this Amendment and the Allonge, fully executed and duly authorized and delivered to Lender by Borrower.

5.2 All corporate and other proceedings taken or to be taken in connection with the transactions contemplated by this Amendment and the Allonge, and all documents incidental thereto shall be satisfactory in form and substance to Lender and its counsel, and Lender and such counsel shall have received all such counterpart originals or certified copies of such documents as Lender may request in its sole and absolute discretion.

5.3 Borrower shall have paid to Lender all closing costs and other expenses that Borrower is obligated to pay under this Amendment, the Loan Agreement and the Loan Documents.

SECTION 6. REPRESENTATIONS AND WARRANTIES. In order to induce Lender to enter into this Amendment and to amend the Loan Documents in the manner provided in this Amendment, Borrower represents and warrants to Lender that the following statements are true, correct and complete:

6.1 Borrower has all requisite corporate power and authority to enter into this Amendment and the Allonge and to carry out the transactions contemplated by, and perform its obligations under, this Amendment, the Allonge, and the Loan Documents.

6.2 The execution and delivery of this Amendment, the Allonge and the performance of the Loan Documents have been duly authorized by all necessary corporate action on the part of Borrower.

6.3 The execution and delivery by Borrower of this Amendment, the Allonge and the performance of the Loan Documents do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Borrower, the articles of organization, operating agreement or other organizational documents of Borrower or any order, judgment or decree of any court or other agency of government binding on Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any contractual provision or restriction binding on or affecting Borrower, (iii) result in or require the creation or imposition of any lien upon any of the properties or assets of Borrower, or (iv) require any approval of members or any approval or consent of any Person under any contract or agreement to which Borrower is a party that has not already been obtained.

6.4 The execution and delivery by Borrower of this Amendment, the Allonge, and the performance of the Loan Documents do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

6.5 This Amendment, the Allonge, and the Loan Documents have been duly executed and delivered by Borrower and are its legally valid and binding obligations, enforceable against it in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

6.6 No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment or the Allonge that would constitute a default under the Loan Documents.

6.7 After giving effect to this Amendment and the Allonge, the representations and warranties contained in the Loan Agreement are and will be true, correct and complete with respect to Borrower in all material respects on and as of the Effective Date to the same extent as though made on and as of the Effective Date.

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SECTION 7. RELEASE OF LIABILITY. Borrower releases, remises, acquits and forever discharges Lender and its respective employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiaries, parents and related divisions (all of the foregoing, the "***Released Parties***"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Amendment, the Loan Agreement and the Loan Documents on account of any matters or things done, omitted or suffered to be done prior to and including the "***Effective Date***" (all of the foregoing, the "***Released Matters***"). Borrower acknowledges that the agreements in this Section 7 are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters. Borrower represents and warrants to Lender that it has not purported to transfer, assign or otherwise convey any right, title or interest of Borrower in any Released Matter to any other Person and that the foregoing constitutes a full and complete release of all Released Matters.

SECTION 8. MISCELLANEOUS.

8.1 Borrower agrees with Lender that all of the terms of the Loan Agreement, the Note, the other Loan Documents and any other agreement, document, or instrument executed and delivered by Borrower to Lender in connection with Borrower's obligations under the Loan Agreement and the Loan Documents, are incorporated in and made a part of this Amendment by this reference.

8.2 This Amendment shall be binding upon the parties to this Amendment and their respective heirs, executors, personal and legal representatives, successors and assigns.

8.3 If any term, covenant or condition of this Amendment shall be held to be invalid, illegal or unenforceable in any respect, the validity or enforceability of the remaining provisions shall not in any way be affected.

8.4 This Amendment, the Allonge and the other Loan Documents constitute the entire agreement between the parties and are the final expression of the intentions of Borrower and Lender. No promises, either expressed or implied, exist between Borrower and Lender, unless contained in this Amendment, the Allonge or the other Loan Documents. This Amendment, the Allonge and the other Loan Documents supersede all negotiations, representations, warranties, commitments, offers and contracts (of any kind or nature, whether oral or written) with respect to the subject matter hereof prior to or contemporaneous with the Effective Date.

8.5 This Amendment, and any provisions of this Amendment, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party to this Amendment, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

8.6 Borrower agrees that the Loans, including the Interest Rate, fees and charges as contemplated by this Amendment, the Allonge, the Loan Agreement and the other Loan Documents, (a) are business loans under New York law, (b) are exempted transactions under the Truth In Lending Act, 12 U.S.C. 1601 et seq., as amended from time to time, and (c) do not violate the provisions of any New York usury laws, any consumer credit laws or the usury laws of any state that may have jurisdiction over the transactions described in the Loan Documents or any property securing the Obligations. Borrower represents and warrants to Lender that it is entering into this Amendment and the Allonge on its own behalf, and not as nominee, designee, or agent for another nor is Borrower acting for another in so borrowing the amounts under the Loan Documents.

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8.7 This Amendment and the Allonge shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the laws of New York and for all purposes shall be construed in accordance with the laws of New York, without giving effect to the choice of law provisions thereof (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

8.8 This Amendment may be executed in any number of counterparts and by different parties to this Amendment in separate counterparts, each of which when so executed and delivered shall be deemed an original, and all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. A signature of a party to this Amendment sent by facsimile, e-mail or other electronic transmission shall have the same force and effect as an original signature of such party.

8.9 Lender acknowledges and agrees that all Obligations under this Agreement are debts of the Borrower and that the credit union members of Borrower are not individually liable for the Obligations under this Agreement.

[*Remainder of Page Intentionally Blank; Signature Page Follows*]

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IN WITNESS WHEREOF, Borrower and Lender have executed this Amendment as of the Effective Date.

BORROWER:

STUDENT CU CONNECT CUSO, LLC,
a Delaware limited liability company

By: /s/ Joe Karlin
Name: Joe Karlin
Title: Program Administrator

LENDER:

ITT EDUCATIONAL SERVICES, INC.,
a Delaware corporation

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO

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THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT

This THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "***Amendment***") is made and entered into effective as of May 18, 2012 (the "***Effective Date***") between **STUDENT CU CONNECT CUSO, LLC**, a Delaware limited liability company ("***Borrower***"), and **ITT EDUCATIONAL SERVICES, INC.**, a Delaware corporation ("***Lender***").

RECITALS

The following recitals are a material part of this Amendment:

A. Borrower and Lender entered into a revolving credit facility as evidenced by that certain Loan and Security Agreement dated as of May 18, 2009, as amended by that certain First Amendment to Loan and Security Agreement dated as of December 30, 2009, and that certain Second Amendment to Loan and Security Agreement dated as of January 3, 2011 (as amended, modified, supplemented, restated, or renewed, from time to time, the "***Loan Agreement***"), between Borrower and Lender, and additional instruments and agreements between Borrower and Lender, including that certain Revolving Note dated as of May 18, 2009, made by Borrower in favor of Lender in the maximum principal amount of $300,000,000.00 (as amended, modified, supplemented, restated, or renewed, from time to time, the "***Note***").

B. Borrower has requested certain changes to be effected by amending the Loan Agreement and the Note pursuant to this Amendment.

C. Borrower is entering into a new servicing agreement that provides for enhanced servicing activities, and therefore references in the Loan Agreement to certifications of enhanced servicing are no longer necessary.

D. Lender is willing to amend the Loan Agreement and the Note upon and subject to the terms, provisions and conditions set forth in this Amendment and in that certain Third Amendment Allonge to Revolving Note, a copy of which is attached as Exhibit A (the "***Allonge***"), executed contemporaneously with this Amendment.

AGREEMENT

In consideration of the mutual promises contained in this Amendment and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties to this Amendment mutually agree as follows:

SECTION 1. DEFINED TERMS. All capitalized terms used but not otherwise defined in this Amendment have the meaning set forth in the Loan Agreement.

SECTION 2. ACKNOWLEDGMENT OF INDEBTEDNESS. Borrower and Lender hereby acknowledge and agree that, as of the Effective Date, the outstanding balance due and owing under the Note (which includes both principal and accrued unpaid interest) is $9,485,011.48. Borrower unconditionally and irrevocably acknowledges that all obligations evidenced by the Loan Documents are enforceable against it in accordance with the terms thereof, and unconditionally and irrevocably waives any and all defenses, claims or setoffs affecting any of the obligations which may have existed or arisen (or which are based on facts or circumstances actually or allegedly existing) prior to the Effective Date (except for mathematical or clerical errors proven to the reasonable satisfaction of Lender, for which any remedies in favor of Borrower shall be limited to the correction of such mathematical or clerical error).

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SECTION 3. AMENDMENTS TO LOAN AGREEMENT. Effective as of the Effective Date, the Loan Agreement is amended so that all of the terms and provisions of this Amendment, including all terms defined in this Amendment, are incorporated and integrated into, and made a material part of, the Loan Agreement as if fully set forth therein. In addition, the following specific amendments are hereby adopted:

3.1 Section 1.1 of the Loan Agreement is hereby amended in the following respects:

(a) The definitions of "Advance Termination Date" and "Interest Rate" are deleted in their entirety and the following is substituted in their stead:

"***Advance Termination Date***": January 1, 2014.

"***Interest Rate***": The per annum rate equal to the Prime Rate plus one percent (1.00%) per annum.

(b) The following definitions are deleted in their entirety: "***Enhanced Servicing***" and "***Enhanced Servicing Threshold***."

(c) For the avoidance of any confusion, other than the changes specified in (a) and (b) above, of Section 1.1 of the Loan Agreement remains unchanged.

3.2 Subsection 2.1(c)(i) of the Loan Agreement is hereby amended to provide that the commencement date for quarterly payments of accrued and unpaid interest on the principal balance of the Loans shall be January 1, 2014. For the avoidance of any confusion, the remainder of Subsection 2.1(c)(i) of the Loan Agreement is unchanged.

3.3 Section 2.2 of the Loan Agreement is hereby amended to delete the last sentence of such Section. For the avoidance of any confusion, the remainder of Section 2.2 of the Loan Agreement is unchanged.

3.4 Section 9.13 of the Loan Agreement is hereby deleted in its entirety.

As hereby amended, that the Loan Agreement remains in full force and effect.

SECTION 4. RATIFICATION AND REAFFIRMATION OF THE LOAN DOCUMENTS; FURTHER ASSURANCES.

4.1 Except and as expressly modified by this Amendment and the Allonge, Borrower ratifies, affirms and confirms the terms, covenants and provisions of the Loan Documents, including the Loan Agreement and any other rights and obligations in favor of Lender thereunder, and acknowledges that the same are and shall continue in full force and effect to evidence and secure the Obligations.

4.2 Borrower further agrees, at its own cost, and without expense to Lender, to do, execute, acknowledge and deliver all and every such further agreements, instruments, acts, deeds, conveyances, financing statements, assignments, notices of assignments, transfers and assurances as Lender shall from time to time require, for carrying out the intention of facilitating the performance of the terms of the Loan Documents, including the Loan Agreement, the Note and this Amendment and the Allonge.

SECTION 5. CONDITIONS TO EFFECTIVENESS. The provisions of Section 3 of this Amendment shall become effective as of the date of, and only upon the satisfaction of, all of the following conditions precedent:

5.1 Lender shall have received an original of this Amendment and the Allonge, fully executed and duly authorized and delivered to Lender by Borrower.

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5.2 All corporate and other proceedings taken or to be taken in connection with the transactions contemplated by this Amendment and the Allonge, and all documents incidental thereto shall be satisfactory in form and substance to Lender and its counsel, and Lender and such counsel shall have received all such counterpart originals or certified copies of such documents as Lender may request in its sole and absolute discretion.

5.3 Borrower shall have paid to Lender all closing costs and other expenses that Borrower is obligated to pay under this Amendment, the Loan Agreement and the Loan Documents.

SECTION 6. REPRESENTATIONS AND WARRANTIES. In order to induce Lender to enter into this Amendment and to amend the Loan Documents in the manner provided in this Amendment, Borrower represents and warrants to Lender that the following statements are true, correct and complete:

6.1 Borrower has all requisite corporate power and authority to enter into this Amendment and the Allonge and to carry out the transactions contemplated by, and perform its obligations under, this Amendment, the Allonge, and the Loan Documents.

6.2 The execution and delivery of this Amendment, the Allonge and the performance of the Loan Documents have been duly authorized by all necessary corporate action on the part of Borrower.

6.3 The execution and delivery by Borrower of this Amendment, the Allonge and the performance of the Loan Documents do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Borrower, the articles of organization, operating agreement or other organizational documents of Borrower or any order, judgment or decree of any court or other agency of government binding on Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any contractual provision or restriction binding on or affecting Borrower, (iii) result in or require the creation or imposition of any lien upon any of the properties or assets of Borrower, or (iv) require any approval of members or any approval or consent of any Person under any contract or agreement to which Borrower is a party that has not already been obtained.

6.4 The execution and delivery by Borrower of this Amendment, the Allonge, and the performance of the Loan Documents do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

6.5 This Amendment, the Allonge, and the Loan Documents have been duly executed and delivered by Borrower and are its legally valid and binding obligations, enforceable against it in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

6.6 No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment or the Allonge that would constitute a default under the Loan Documents.

6.7 After giving effect to this Amendment and the Allonge, the representations and warranties contained in the Loan Agreement are and will be true, correct and complete with respect to Borrower in all material respects on and as of the Effective Date to the same extent as though made on and as of the Effective Date.

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SECTION 7. RELEASE OF LIABILITY. Borrower releases, remises, acquits and forever discharges Lender and its respective employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiaries, parents and related divisions (all of the foregoing, the "***Released Parties***"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Amendment, the Loan Agreement and the Loan Documents on account of any matters or things done, omitted or suffered to be done prior to and including the "***Effective Date***" (all of the foregoing, the "***Released Matters***"). Borrower acknowledges that the agreements in this Section 7 are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters. Borrower represents and warrants to Lender that it has not purported to transfer, assign or otherwise convey any right, title or interest of Borrower in any Released Matter to any other Person and that the foregoing constitutes a full and complete release of all Released Matters.

SECTION 8. MISCELLANEOUS.

8.1 Borrower agrees with Lender that all of the terms of the Loan Agreement, the Note, the other Loan Documents and any other agreement, document, or instrument executed and delivered by Borrower to Lender in connection with Borrower's obligations under the Loan Agreement and the Loan Documents, are incorporated in and made a part of this Amendment by this reference.

8.2 This Amendment shall be binding upon the parties to this Amendment and their respective heirs, executors, personal and legal representatives, successors and assigns.

8.3 If any term, covenant or condition of this Amendment shall be held to be invalid, illegal or unenforceable in any respect, the validity or enforceability of the remaining provisions shall not in any way be affected.

8.4 This Amendment, the Allonge and the other Loan Documents constitute the entire agreement between the parties and are the final expression of the intentions of Borrower and Lender. No promises, either expressed or implied, exist between Borrower and Lender, unless contained in this Amendment, the Allonge or the other Loan Documents. This Amendment, the Allonge and the other Loan Documents supersede all negotiations, representations, warranties, commitments, offers and contracts (of any kind or nature, whether oral or written) with respect to the subject matter hereof prior to or contemporaneous with the Effective Date.

8.5 This Amendment, and any provisions of this Amendment, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party to this Amendment, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

8.6 Borrower agrees that the Loans, including the Interest Rate, fees and charges as contemplated by this Amendment, the Allonge, the Loan Agreement and the other Loan Documents, (a) are business loans under New York law, (b) are exempted transactions under the Truth In Lending Act, 12 U.S.C. 1601 et seq., as amended from time to time, and (c) do not violate the provisions of any New York usury laws, any consumer credit laws or the usury laws of any state that may have jurisdiction over the transactions described in the Loan Documents or any property securing the Obligations. Borrower represents and warrants to Lender that it is entering into this Amendment and the Allonge on its own behalf, and not as nominee, designee, or agent for another nor is Borrower acting for another in so borrowing the amounts under the Loan Documents.

8.7 This Amendment and the Allonge shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the laws of New York and for all purposes shall be construed in accordance with the laws of New York, without giving effect to the choice of law provisions thereof (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

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8.8 This Amendment may be executed in any number of counterparts and by different parties to this Amendment in separate counterparts, each of which when so executed and delivered shall be deemed an original, and all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. A signature of a party to this Amendment sent by facsimile, e-mail or other electronic transmission shall have the same force and effect as an original signature of such party.

8.9 Lender acknowledges and agrees that all Obligations under this Agreement are debts of the Borrower and that the credit union members of Borrower are not individually liable for the Obligations under this Agreement.

[*Remainder of Page Intentionally Blank; Signature Page Follows*]

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IN WITNESS WHEREOF, Borrower and Lender have executed this Amendment as of the Effective Date.

BORROWER:

STUDENT CU CONNECT CUSO, LLC,
a Delaware limited liability company

By: /s/ Lisa A. Schlehuber
Name: Lisa A. Schlehuber
Title: Board Chair/Manager

LENDER:

ITT EDUCATIONAL SERVICES, INC.,
a Delaware corporation

By: /s/ Kevin M. Modany
Name: Kevin M. Modany
Title: Chairman and CEO

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EXHIBIT A

to

Third Amendment to Loan and Security Agreement

(Allonge)

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THIRD AMENDMENT ALLONGE TO REVOLVING NOTE

This THIRD AMENDMENT ALLONGE TO REVOLVING NOTE (this "***Allonge***") is made effective as of May __, 2012 (the "***Effective Date***"), and is attached to and forms part of that certain Revolving Note dated May 18, 2009 (the "***Note***"), made by **STUDENT CU CONNECT CUSO, LLC**, a Delaware limited liability company ("***Borrower***"), in favor of **ITT EDUCATIONAL SERVICES, INC.**, a Delaware corporation (together with its successors and assigns, the "***Lender***"), in the original principal amount of $300,000,000. Capitalized words and phrases not otherwise defined in this Allonge have the meanings set forth in the Note.

Borrower and Lender hereby agree that the Note is hereby amended by acknowledging that the Loan Agreement has been amended by that certain Third Amendment to Loan and Security Agreement dated as of the Effective Date.

Except as modified by the preceding paragraph, all other terms and provisions of the Note shall remain in full force and effect without modification. Borrower and Lender hereby agree and acknowledge that any and all acts taken or performed by either party hereto prior to the Effective Date that were in accordance with the terms of the Note as modified by this Allonge are hereby approved and ratified. This Allonge is attached to and is hereby made an integral part of the Note. This Allonge shall be binding upon the parties hereto and their successors and assigns. This Allonge shall be construed and enforced in accordance with, and the rights of the parties to this Allonge shall be governed by, the laws of New York, without giving effect to the choice of law provisions thereof (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

IN WITNESS WHEREOF, Borrower has executed this Allonge effective as of the Effective Date.

BORROWER:

STUDENT CU CONNECT CUSO, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

ACKNOWLEDGED AND AGREED BY LENDER:

ITT EDUCATIONAL SERVICES, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

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CL_Review001483

EXHIBIT 10.56

Execution Copy

AGREEMENT FOR SERVICING PRIVATE STUDENT LOANS

By and Between

STUDENT CU CONNECT CUSO, LLC,

and

FIRST ASSOCIATES LOAN SERVICING, LLC

DATED AS OF MAY 18, 2012

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Agreement for Servicing Private Student Loans

This Agreement for Servicing Private Student Loans is made and entered into as of May 18, 2012, by and between **First Associates Loan Servicing, LLC**, a Delaware limited liability company (the "Servicer"), and **Student CU Connect CUSO, LLC**, a Delaware limited liability company (the "Client").

RECITALS:

A. The Client owns student loans ("Student Loans") made by Eli Lilly Federal Credit Union (the "Originating Lender") to students attending post-secondary educational institutions operated by ITT Educational Services, Inc. (each, a "School").

B. The Client, as owner of the Student Loans, is responsible for providing for the servicing and collection of the Student Loans.

C. Subject to the terms and conditions set forth in this Agreement, the Servicer will provide servicing and collection services for Student Loans while they are held by the Client.

D. Subject to the terms and conditions of this Agreement, the Servicer also will provide services to the Client in connection with the deconversion of, and transfer to the Servicer for servicing and collection hereunder of, Student Loans currently being serviced by Xerox Education Services, Inc. (formerly known as ACS Education Services, Inc.) for the Client

AGREEMENT:

In consideration of the foregoing premises and the mutual covenants contained herein, and of other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions

The following terms as used in this Agreement (including the preamble of this Agreement) shall have the following meanings unless the context clearly indicates otherwise:

(A) ***"Account"*** means all Serviced Loans with the same Borrower's social security number.

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(B) "***Additional Disbursement Loan***" has the meaning assigned thereto in Section 2.11(A) of this Agreement.

(C) "***Agreement***" means this Agreement for Servicing Private Student Loans, including Schedules A through H hereto which are made a part hereof, as supplemented and amended from time to time in accordance with the provisions hereof.

(D) "***Applicable Laws***" means the State and Federal consumer lending and collection laws and other laws applicable to the Services, to the extent the same apply to the servicing and collection of loans made by a federal credit union or national bank to competent adult individuals (including such loans that have been transferred to another entity), including, without limitation, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Gramm-Leach-Bliley Act, the Truth-in-Lending Act, the Higher Education Opportunity Act, the Federal Trade Commission Act, the USA PATRIOT Act, and any regulations implementing such statutes (including, without limitation, the FTC Red Flag Rules).

(E) "***Borrower***" means an individual who borrows funds through a Student Loan.

(F) "***Business Day***" means a day of the year other than a Saturday, a Sunday or a day on which banks located in New York, New York are required or authorized by law to remain closed or a scheduled holiday for the Servicer (as set forth in Schedule G hereto for 2012, and, for subsequent years, for which it has provided notice pursuant to Section 2.10 hereof).

(G) "***Client***" means **Student CU Connect CUSO, LLC**, a Delaware limited liability company, and its successors and permitted assigns.

(H) "***Customer Information***" means nonpublic information relating to Borrowers or co-signers of Serviced Loans, including without limitation names, addresses, telephone numbers, e-mail addresses, credit information, account numbers, social security numbers, loan balances or other account information, and lists derived therefrom.

(I) "***Deconversion Services***" means those services to be provided by the Servicer pursuant to Schedule D hereto (and does not include those services provided pursuant to Section 2.11 hereof).

(J) "***Defaulted Loan***" means a Serviced Loan with respect to which (1) any required payment becomes more than 180 days delinquent (without regard to whether such payment is later made), or (2) the Servicer is notified that the Borrower is deceased.

(K) "***Deferment Period***" means a period permitted by the Program Guidelines during which a Borrower is enrolled in a School or is in the military and is permitted to temporarily forego payments on the Borrower's Student Loan.

(L) "***Effective Date***" means May 18, 2012.

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(M) **"*Examiner*"** has the meaning assigned thereto in Section 2.06(A) hereof.

(N) **"*Expiration Date*"** means May 31, 2017.

(O) **"*Forbearance Period*"** means a period permitted by the Program Guidelines during which a Borrower (in Repayment) is permitted to temporarily forego payments or make reduced payments on the Borrower's Student Loan.

(P) **"*Grace Period*"** means the three-month or six-month period immediately preceding the Repayment Period, if and as provided for in the Borrower's Note.

(Q) **"*Interim Period*"** means the period from the disbursement of a Serviced Loan to the commencement of the earlier of (1) the Grace Period and (2) the Repayment Period, if and as provided for in the Borrower's Note.

(R) **"*ITT*"** means ITT Educational Services, Inc., a Delaware corporation, and its successors and assigns.

(S) **"*Note*"** means the authoritative electronic copy of an electronically signed application and loan agreement evidencing a Student Loan or, if in paper form, the originally executed application and loan agreement evidencing a Student Loan.

(T) **"*Originating Lender*"** means Eli Lilly Federal Credit Union, a federal credit union, which makes or has made the Student Loans.

(U) **"*Program*"** means the private student loan program under which the Originating Lender makes or has made loans to students for costs of attendance at the Schools.

(V) **"*Program Guidelines*"** means the guidelines for origination, servicing and administration of the Student Loans attached hereto as Schedule E, as amended by agreement of the parties hereto with the prior consent of ITT.

(W) **"*Program Requirements*"** means the applicable provisions and requirements of the Note, the Program Guidelines and any Applicable Laws. In the event of any inconsistency between:

(1) Applicable Law and the Note or the Program Guidelines, Applicable Law shall prevail; or

(2) the Note and the Program Guidelines, the Note shall prevail.

(X) **"*Repayment*"** or **"*Repayment Period*"** means the period of time during which a Borrower is required under his or her Note to make installment payments to repay the aggregate principal amount of, plus accrued interest on, the Borrower's Student Loan.

(Y) **"*Repayment Schedule*"** means the schedule of loan payments established prior to the commencement of the Repayment Period with respect to a Student Loan, which schedule sets out the amount and timing of installments necessary to pay such Student Loan in full within the applicable Repayment Period.

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(Z) ***"School"*** means an institution of higher education owned and operated by ITT.

(AA) ***"Serviced Loan"*** means any of the Student Loans identified in Section 2.01 hereof, except for those Student Loans with respect to which this Agreement has been terminated as provided in Section 5.03; provided, however, that a Defaulted Loan shall not be a "Serviced Loan" for purposes of Schedule A.

(BB) ***"Servicer"*** means First Associates Loan Servicing, LLC, a Delaware limited liability company, and its successors and permitted assigns.

(CC) ***"Servicer Default"*** means the occurrence and continuance of any of the following events with respect to Serviced Loans:

(1) any failure by the Servicer to deliver to the Client any payment required hereunder, which failure continues unremedied for three Business Days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Client;

(2) any failure by the Servicer to observe or to perform in any material respect any covenant or agreement of the Servicer set forth in this Agreement, which failure shall continue unremedied for a period of 30 days after the earlier of (a) the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Client or (b) the date on which an officer of the Servicer responsible for servicing operations becomes aware of the failure to observe or perform such covenant or agreement;

(3)(i) the filing of a decree or order by a court having jurisdiction in the premises with respect to the Servicer or any substantial part of its property (a) for relief in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, (b) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Servicer or for any substantial part of its property, or (c) ordering the winding-up or liquidation of the Servicer's affairs, and such decree or order shall remain undismissed, unstayed and in effect for a period of 60 consecutive days, or (ii) the commencement by the Servicer of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Servicer to the entry of an order for relief in an involuntary case under any such law, or (iii) the consent by the Servicer to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Servicer or for any substantial part of its property, or the making by the Servicer of any general assignment for the benefit of creditors, or (iv) the failure by the Servicer generally to pay its debts as such debts become due, or (v) the taking of action by the Servicer in furtherance of any of the foregoing.

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(DD) **"*Services*"** means those services to be provided by the Servicer pursuant to Sections 2.02, 2.11 and 5.03 hereof.

(EE) **"*Servicing Extract*"** means the report identified as "Servicing Extract" in Schedule C hereof.

(FF) **"*Servicing Reports*"** means those reports to be provided to the Client by the Servicer pursuant to Section 2.03 hereof.

(GG) **"*Statement of Work*"** means the Statement of Work included in Schedule B hereof.

(HH) **"*Student Loan*"** means a student loan made by the Originating Lender under the Program to finance or refinance a portion of a Borrower's costs of attending a School.

(II) **"*Transferred Defaulted Loan*"** has the meaning assigned to such term in Section 5.03(C) hereof.

(JJ) **"*XES*"** means Xerox Education Services, Inc., a Delaware corporation (formerly known as ACS Education Services, Inc.).

Section 1.02 Definitions of General Terms

Unless the context clearly indicates otherwise, or may otherwise require, in this Agreement the terms "herein", "hereunder", "hereby", "hereto", "hereof" and any similar terms refer to this Agreement as a whole and not to any particular article, section or subsection thereof.

Unless the context clearly indicates otherwise, or may otherwise require, in this Agreement (i) references to articles, sections and other subsections, whether by number, letter or otherwise, are to the respective or corresponding articles, sections or subsections of this Agreement as such articles, sections or subsections may be amended from time to time; (ii) references to chapters, subchapters and sections of any public law or statute of the United States are to the respective or corresponding chapters, subchapters and sections as they may be amended from time to time; and (iii) the word "heretofore" means before the date of execution of this Agreement, the word "now" means at the date of execution of this Agreement, and the word "hereafter" means after the date of execution of this Agreement.

ARTICLE II

PROVISION OF SERVICES

Section 2.01 Loans Covered by this Agreement

The Servicer hereby agrees to provide the Services for all Student Loans that the Client, in its sole discretion, delivers to the Servicer for servicing hereunder.

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Section 2.02 Services

(A) The Servicer shall service, administer and make collections on the Serviced Loans in accordance with the terms hereof. The Servicer shall provide the services described in Schedule B hereto with respect to Serviced Loans.

(B) In performing the Services, (i) the Servicer shall exercise commercially reasonable care and diligence and shall comply with the Program Requirements in all material respects, and (ii) if an inconsistency exists between the Program Requirements and the Statement of Work, the Servicer shall follow the Program Requirements.

(C) Except as otherwise provided in this Agreement, the parties expressly acknowledge that the Servicer shall have the right, but not the obligation (except as the Servicer may specifically agree), to give any notices to, comply with any requests or directions of, or otherwise be responsible for communicating or coordinating with any guarantor or surety of any Serviced Loans.

Section 2.03 Servicing Reports

(A) The Servicer shall provide via FTP and/or online self service to the Client and ITT periodic Servicing Reports described in Schedule C hereto.

(B) Except as otherwise provided in this Agreement, including without limitation Section 2.03(A) hereof and the Statement of Work, the Servicer shall provide all Servicing Reports, at the Servicer's election, either (i) by delivery to the Client and/or ITT, as the case may be, as provided in Section 6.08 hereof or (ii) by making such Servicing Reports available to the Client and/or ITT, as the case may be, in electronic format (including on a server to which the Client and/or ITT, as the case may be, is granted access).

(C) The parties to this Agreement shall comply with all Applicable Laws, including (without limitation) those relating to privacy and information security, in connection with the provision, receipt, storage, and use of the Servicing Reports.

(D) The Servicer agrees to provide a Servicing Extract as of the end of each month on the first Business Day of the following month, provided that the failure to provide the Servicing Extract by the 5th Business Day of the month following the month to which such Servicing Extract relates shall (subject to Section 5.04(A) hereof) be a material failure for purposes of Section 1.01(CC)(2) hereof.

Section 2.04 Manner of Performance of Services

The Servicer shall be entitled to determine the manner in which the Services are accomplished and shall have the right to effect such changes or modifications to its equipment, computer programs, reports, procedures and techniques as it deems necessary or advisable without the consent of the Client; provided, however, that such determination, changes or modifications shall not abrogate or in any way modify the Servicer's obligations under this Agreement (including with respect to the standard of care relating to the servicing of the Serviced Loans). The Servicer shall notify the Client and ITT of any major systems modifications, such as replacing its hardware or software platforms.

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Section 2.05 Safekeeping of Loan Documents

A copy of each Note and either originals, duplicate copies or other electronic documentation of all other material documents related to the Serviced Loans which are in the custody of the Servicer shall be maintained by the Servicer. The Servicer shall employ reasonable efforts, consistent with industry standards, to safeguard the Serviced Loan documentation from loss, damage or destruction due to fire, flood, theft, or other hazard. The Servicer shall execute backups of all of the electronic files relating to Serviced Loans to magnetic tape or other electronic media, and periodically rotate a copy of such electronic files to an off-site storage facility. Notwithstanding the foregoing, the Servicer may destroy physical loan documentation to the extent such destruction does not violate the Program Requirements, if adequate primary and back-up electronic records are maintained of such destroyed physical loan documentation to the extent required by the Program Requirements.

Section 2.06 Examination of Records

(A) The Client, ITT, and their respective agents, auditors, and consultants (each of which is referred to herein as an "Examiner") will have the right, at any time and from time to time (subject to the limits set forth in Section 2.06(B) below), during normal business hours, with at least five Business Days' notice, to examine, audit, and copy any and all of the Servicer's records or accounts pertaining to any Serviced Loan, including loan documentation, and to interview or consult with the Servicer's officers and employees as it deems necessary to determine compliance with this Agreement. Any such examination or audit shall be at the expense of the party on whose behalf it is conducted.

(B) Except during the continuance of a Servicer Default, each of the Client (and its agents, auditors and consultants) and ITT (and its agents, auditors and consultants) shall be limited to a single such examination or audit in any calendar year.

(C) Prior to granting access as provided in Section 2.06(A), the Servicer may require that any Examiner sign an agreement containing the confidentiality provisions set forth in Section 6.02(E) hereof.

Section 2.07 Appointment as Agent

The Client hereby appoints the Servicer as its agent solely for endorsing and depositing negotiable instruments (checks, money orders, etc.) made payable to the Client but in the possession of the Servicer for the purpose of crediting Borrower Accounts.

Section 2.08 Reports and Audits Relating to the Servicer

The Servicer shall provide to the Client and ITT in the manner provided in Section 2.03(B), by December 31 of each year, commencing 2012, a report prepared by independent certified public accountants selected by the Servicer, of a type II SSAE 16 audit.

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Section 2.09 Additional Information and Actions

In addition to information otherwise required to be provided hereunder and actions otherwise required to be taken hereunder, from time to time upon request during the term of this Agreement, the Servicer shall submit such information and take such action as may be reasonably requested by the Client or ITT to assure that the Serviced Loans are maintained in a proper and secure condition.

Section 2.10 Servicer Holidays

No later than December 1 of each year, the Servicer shall provide the Client and ITT with its schedule of holidays for the ensuing year, which shall not include more than two days in any calendar year that are not holidays for national banks. The Servicer's schedule of holidays for 2012 is attached as Schedule G.

Section 2.11 Deconversion of Loans from XES

(A) Commencing on the Effective Date and concluding not later than 60 days thereafter, the Servicer shall provide Services to the Client with respect to the deconversion of Student Loans from XES' servicing system, except with respect to such Student Loans requiring additional, final disbursements (the "Additional Disbursement Loans"), and the transfer of servicing of those Student Loans, except those relating to the Additional Disbursement Loans, to the Servicer.

(B) Commencing on the date of the last disbursement with respect to Additional Disbursement Loans, and concluding not later than 60 days thereafter, the Servicer shall provide Services to the Client with respect to the deconversion of the Additional Disbursement Loans from XES' servicing system, and the transfer of servicing of those Student Loans to the Servicer.

(C) The deconversion and transfer of the Student Loans described in this Section 2.11 shall proceed in accordance with the schedule set forth in Schedule H hereto, provided, however, that the dates set forth therein are subject to reasonable adjustment upon the written agreement of XES, the Client and the Servicer, so long as the deconversion and transfer of all of such Student Loans, including the Additional Disbursement Loans, is otherwise completed within the timeframes established under Sections 2.11(A) and (B) of this Agreement.

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ARTICLE III

COMPENSATION

Section 3.01 Amount of Compensation

(A) The Client shall pay or cause to be paid to the Servicer the fees and expenses specified in Schedule A hereto for the performance of the Services with respect to the Serviced Loans. The fees specified in Schedule A hereto shall remain fixed for the term of this Agreement, except as otherwise provided in subsection (B) below.

(B) If any of the Program Requirements are amended or otherwise changed (including any change in the interpretation or applicability of Applicable Laws) or if the Servicer agrees to perform additional services based upon the applicability or (in the case of laws that the Servicer has determined, based on the advice of counsel, are reasonably likely to be held to be applicable) potential applicability of other laws after the date of this Agreement so as to materially increase the costs or obligations of the Servicer in providing the Services hereunder, the Servicer shall be entitled to propose to the Client and ITT an amendment to this Agreement which would increase fees to offset the documented additional costs of complying with such amendment or change or performing such additional services, and if the parties are unable to agree upon such amendment within 60 days after the proposed amendment is sent to the Client and ITT, then the Servicer shall be entitled to terminate this Agreement upon 180 days' prior written notice to the Client and ITT.

Section 3.02 Statements

The Servicer shall send to the Client a billing statement for the fees, expenses, and other amounts due (including pursuant to Section 6.05 hereof) pursuant to this Agreement with respect to each month. The Servicer shall transmit each billing statement no later than ten Business Days before the 27th day of the following month; provided, however, that any delay in such mailing shall not relieve the Client of its obligation to pay the fees due hereunder.

Section 3.03 Due Dates for Payments

(A) Except as provided in Section 3.03(B), the Client shall pay the Servicer for Services rendered in each month on the 27th day of the following month (or, if such day is not a Business Day, on the next Business Day). If the Servicer has timely submitted its billing statement, then except as provided in Section 3.03(B), the Client shall pay a late charge of 1.5% per month on any payment not received on such date until such amount is paid.

(B) In the event of any good faith dispute by the Client regarding any amount for the current billing period over $5,000 billed by the Servicer, the Client may, by written notice to the Servicer detailing the grounds for the dispute, withhold payment of such disputed amount for a reasonable period pending resolution of the dispute, but shall pay the undisputed portion billed when and as due. Any amount in dispute that does not exceed $5,000 shall be paid as provided in Section 3.03(A). The parties will use best efforts to resolve any disputes within 90 days of the date payment would otherwise be due.

(C) Upon any termination of this Agreement, all fees, expenses, and other amounts owed to the Servicer hereunder shall become immediately due and payable.

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ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Servicer

The Servicer hereby represents and warrants that it is duly organized and validly existing as a limited liability company in good standing under the laws of the state of Delaware.

Section 4.02 Representations and Warranties of the Client

The Client hereby represents and warrants that it is duly organized and validly existing as a limited liability company in good standing under the laws of the state of Delaware.

Section 4.03 Mutual Representations and Warranties

Each party hereby represents and warrants to the other as follows:

(A) It has the corporate power and authority to own its assets and carry on its business as contemplated by this Agreement, and to enter into, and perform in accordance with, the terms of this Agreement.

(B) It has, and its officers acting on its behalf have, the requisite corporate authority to engage in the transactions contemplated by this Agreement, and the execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms, conditions and provisions of this Agreement do not and will not violate, conflict with or result in a breach of any of the terms, conditions or provisions of applicable law, its organizational and governing documents or any agreement or instrument to which it is a party or by which it is bound, or constitute a default thereunder; and it is not a party to or bound to any agreement or instrument or subject to any corporate restriction or judgment, order, writ, injunction, decree, law, rule or regulation which may materially and adversely affect its ability to perform its obligations under this Agreement.

(C) This Agreement constitutes a valid and binding obligation of such party, enforceable against it in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, receivership, reorganization and other similar laws relating to creditors' rights generally and to general principles of equity.

(D) It has obtained all consents, approvals, licenses, exemptions or authorizations of, or filings or registrations with, any government or governmental body which are required in connection with the execution and delivery of this Agreement and the Performance of its obligations hereunder, the failure to obtain which could materially and adversely affect its ability to perform its obligations under this Agreement.

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(E) There is no pending action, suit, proceeding, inquiry or investigation with respect to which notice has been served upon it before any court, governmental or public entity or arbitrator against or affecting, directly or indirectly, it or any of its properties, which if adversely determined would have a material adverse effect on its ability to perform its obligations hereunder, and, to the best of its knowledge, no such action or proceeding has been threatened.

ARTICLE V

TERM AND TERMINATION

Section 5.01 Term of Agreement

Unless sooner terminated in accordance with the terms hereof, this Agreement shall remain in full force and effect with respect to all Serviced Loans from the date hereof until and including the Expiration Date.

Section 5.02 Termination

(A) The Client or ITT may terminate this Agreement, by written notice to the Servicer, (i) at any time after the occurrence and during the continuance of a Servicer Default or (ii) as provided in Section 5.04(A); provided, however, that such termination shall not take effect unless and until a successor servicer has been retained.

(B) The Servicer may terminate this Agreement as provided in Section 3.01(B) hereof; provided, however, that such termination shall not take effect unless and until a successor servicer has been retained.

(C) If (i) the Client fails to pay or cause to be paid any fees or other amounts required under Article III as and when due, or (ii) the Client fails to pay or cause to be paid any indemnity payment under Section 6.05(B) hereof when due, and such failure is not cured within 10 days after receipt by the Client of notice thereof, the Servicer may terminate this Agreement, by written notice to the Client and ITT.

(D) The Client or ITT may terminate this Agreement by 30 days' written notice to the Servicer, upon the conditions specified in Schedule F; provided, however, that such termination shall not take effect unless and until a successor servicer has been retained.

Section 5.03 Termination with Respect to Specific Loans; Activities Relating to Defaulted Loans

(A) This Agreement shall cease to apply with respect to a Serviced Loan when such Serviced Loan is paid in full.

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(B) If a Serviced Loan becomes a Defaulted Loan, the Servicer shall (i) perform collection activities on, or assign to one or more collection agencies, such Defaulted Loan, and (ii) continue to account for such Defaulted Loan. The Servicer shall transfer to the Client on a weekly basis an amount equal to 72.0% of the gross amounts received (prior to reduction for collection agency fees) with respect to all such Defaulted Loans, and shall retain the balance of such gross amounts received as its sole compensation for the collection and management of collection of, and accounting for, Defaulted Loans. The collection agencies utilized by the Servicer and any agreement under which such collection agencies operate must be approved by the Client and consented to by ITT

(C) The provisions of Section 5.03(B) of this Agreement may be terminated by the Client, with respect to any one or more Defaulted Loans, in its discretion, at any time and from time to time by written notice to the Servicer (each such Defaulted Loan, a "Transferred Defaulted Loan"). With respect to any such termination for which the Client provides notice to the Servicer on or before the fifth Business Day preceding the end of a calendar month, the Servicer shall no longer be responsible for reporting or accounting for such specific Transferred Defaulted Loans following the fifth Business Day of the immediately following calendar month, subject to the Servicer having complied with the next sentence with respect to such Transferred Defaulted Loans. With respect to any Transferred Defaulted Loan for which the Client provides notice to the Servicer on or before the fifth Business Day preceding the end of a calendar month, the Servicer shall provide to the Client within five Business Days of the immediately following calendar month the Claims Processing Report (as defined on Schedule C hereto) and any other information the Client requests relating to those Transferred Defaulted Loans. With respect to any Transferred Defaulted Loan for which the Client provides notice of termination to the Servicer during the last four Business Days of a calendar month, the Servicer shall continue to provide the activities required by Section 5.03(B) of this Agreement through the end of following calendar month and shall provide the reporting described in the preceding sentence by the fifth Business Day of the second month thereafter, after which reporting the Servicer shall no longer be responsible for reporting or accounting for such specific Transferred Defaulted Loans.

Section 5.04 Impossibility of Performance; Disaster Recovery Plan

(A) If the Servicer is rendered unable, wholly or in part, by a force outside of its control (including but not limited to acts of God, strikes, lockouts, riots, acts of war or terrorism, epidemics, fire, communication line or power failure, earthquakes or other disasters) to carry out its obligations under this Agreement, the Servicer shall give to the Client and ITT prompt written notice to that effect. Thereupon, the affected obligations of the Servicer shall be suspended so long as the Servicer is unable to so perform any affected obligation; provided, however, the Client may terminate this Agreement if such inability or suspension continues for more than one week and results in a failure by the Servicer to perform its basic functions under this Agreement.

(B) The Servicer will maintain a disaster recovery plan, which is designed to achieve, within commercially reasonable parameters, the continuous operation, and in the event of a material interruption, the recovery of all material business functions needed to meet the Servicer's obligations under this Agreement. The Servicer's disaster recovery plan will include, at a minimum, procedures for back-up and restoration of operating and administrative equipment and computer systems; procedures and third party agreements for replacement equipment (*e.g.*, computer systems) and procedures and third party agreements for off-site production facilities. The Servicer will provide the Client and ITT with a disaster recovery plan summary and test results of such plan no less frequently than on an annual basis and will make its disaster recovery plan available for the Client's and ITT's review at Servicer's site upon reasonable request, at no charge. If any event described in Section 5.04(A) occurs, the Servicer shall service the Serviced Loans in the same manner as it services other private student loans pursuant to the Servicer's business continuity and disaster recovery plan.

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Section 5.05 Deconversion Services

(A) Upon the expiration or termination of this Agreement, the Servicer shall provide the Deconversion Services.

(B) The Deconversion Services shall be provided at the Servicer's sole cost and expense, unless this Agreement is terminated by the Servicer as provided in Section 5.02(C) hereof, in which case the Deconversion Services shall be at the Client's cost as provided in Schedule A. The Servicer shall have no obligation to provide the Deconversion Services in such case unless it shall have reasonable assurance that it will be paid for such Deconversion Services in accordance with the terms hereof.

Section 5.06 Forwarding of Payments and Communications

After termination of this Agreement pursuant to Section 5.02 or termination with respect to Defaulted Loans pursuant to Section 5.03, the Servicer shall forward to the Client payments and communications (including, but not limited to, letters, notices of death, disability or change of address, adjudication of bankruptcy and similar documents, and forms requesting deferments or forbearance of repayment or loan cancellations) received with respect to Student Loans that were formerly Serviced Loans, promptly upon Servicer's determination that the payments or communications relate to such Student Loans.

ARTICLE VI

MISCELLANEOUS

Section 6.01 Limited Agency Powers

The Servicer is an independent contractor and is not, and will not hold itself out to be, the agent of the Client except with respect to the limited agency powers specifically provided herein.

Section 6.02 Confidentiality; Trade Secrets and Proprietary Information

(A) This Agreement is considered confidential information of each party and shall not be copied or disclosed by any party to anyone other than employees, officers, directors, counsel, accountants, advisors, and agents whose responsibilities require such disclosure, to affiliates and potential purchasers of such party, to any governmental agency having supervision over such party, or as otherwise required by law, without the express written consent of the other party.

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(B) Except as provided in this Section 6.02(B), the Servicer (i) will use the Customer Information solely for the purpose of performing its duties and exercising its rights under this Agreement, (ii) will not use the Customer Information for any other purpose, and (iii) will not disclose or communicate the Customer Information, directly or indirectly, to any third party except as may be necessary or appropriate for the performance of its duties and the exercise of its rights hereunder. The Servicer further agrees that, except as described in this Section 6.02(B), the Customer Information will be disclosed only to such of its employees, agents and contractors who need access to the Customer Information for the purposes described above. The foregoing shall not restrict the Servicer's use of Customer Information in connection with, or relating to (1) persons who have become "consumers" (within the meaning of the Gramm-Leach-Bliley Act) of the Servicer or (2) data gathering and analysis done by the Servicer regarding loan repayment that does not contain individual borrowers' nonpublic personal information.

(C) The Servicer shall implement and maintain information security measures to protect against unauthorized access to or use of Customer Information, and meet the objectives of the Interagency Guidelines Establishing Information Security Standards, Final Rule (12 C.F.R. Part 30, Appendix B), and the Federal Trade Commission's Standards for Safeguarding Customer Information (16 C.F.R. part 314), including without limitation: (i) access controls on information systems; (ii) access restrictions at physical locations containing Customer Information; (iii) encryption of electronic Customer Information communicated via CommonLine[SM], secure connections for website access, and with respect to other transmissions by the Servicer of Customer Information compliance with the Servicer's safeguards program as communicated to the Client and ITT from time to time; (iv) monitoring systems and procedures to detect attempts to access servers on which Customer Information resides; (v) measures to protect against destruction, loss or damage of Customer Information due to potential environmental hazards such as fire and water damage or technological failures; (vi) testing of key controls, systems and procedures; and (vii) monitoring the information security policies of any of its subcontractors that are provided with Customer Information.

(D) The Client hereby acknowledges that all materials, procedures, written instruments, files and records (except specific Borrower files and records) developed by the Servicer in connection with the Services and the performance of its other obligations hereunder are and shall be treated as proprietary in nature. The Client shall not have or acquire any proprietary or any other right whatsoever in any such materials, procedures, written instruments, files, or records developed by the Servicer.

(E) Subject to any disclosure obligation imposed by law or regulation, any examinations or audits of the Servicer conducted under Section 2.06, any financial statements or other information of the Servicer provided under Sections 2.08 or 2.09, any business continuity and disaster recovery plan of the Servicer, any other information disclosed by or on behalf of the Servicer in connection herewith or therewith, and any copies of documents made or other documents generated in connection herewith or therewith, shall be treated as confidential by the Client and each Examiner and used only for the purpose of managing and administering the Serviced Loans and determining compliance by the Servicer hereunder. No documents or information provided in connection therewith shall be delivered by the Client or the Examiner to any third party other than the Client's accountants, attorneys, or other professional advisors (in each case, which has agreed in writing for the Servicer's benefit to be bound by confidentiality provisions set forth in this Section 6.02) or governmental agencies having jurisdiction over the Client. The Client and each Examiner will adopt procedures and safeguards to protect against unauthorized disclosure of such documents or information, and shall, at a minimum, exercise the same standard of care to protect the Servicer's confidential or proprietary documents and information from unauthorized disclosures as is used to protect its own confidential or proprietary documents and information from unauthorized disclosure.

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Section 6.03 Amendments; Entire Agreement; Prior Agreements

(A) This Agreement may not be amended or modified in any respect except by an instrument in writing signed by each party to be affected thereby and communicated in accordance with Section 6.08 hereof regarding notices and as otherwise provided in this Agreement.

(B) This Agreement shall be the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior written or oral agreements, representations, statements, negotiations, and undertakings among any of the Servicer and the Client with respect to the Services. In the event of an inconsistency between the provisions of the Schedules attached hereto and the provisions of Articles I through VI of this Agreement, the Schedules shall prevail.

Section 6.04 Assignment and Subcontracting

(A) Except as provided in subsection (B), (C), and (D) below, this Agreement may be assigned by any party only with the consent of the other parties.

(B) The Servicer may assign its rights to receive payments under this Agreement and/or may subcontract its obligations hereunder without the consent of the Client or ITT; provided, however, that (except as provided in subsection (C) below) unless the Client and ITT have otherwise agreed, the Servicer (i) shall not subcontract its obligations in their entirety, (ii) shall not subcontract its management and oversight of servicing operations, and (iii) shall remain responsible for the performance of all of the Services with respect to the related Serviced Loans in accordance with the standards set forth herein.

(C) The Servicer may, without the consent of the Client or ITT, assign its rights under this Agreement to an affiliated entity; provided, however, that unless the Client and ITT have otherwise agreed, First Associates Loan Servicing, LLC shall remain responsible for the performance of its duties hereunder.

(D) The Client may assign its rights hereunder to an assignee of Serviced Loans that assumes the related obligations of the Client hereunder.

(E) All covenants and agreements herein contained shall extend to and be obligatory upon all assigns and successors of the respective parties hereto.

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Section 6.05 Indemnity

(A) Servicer Indemnification. The Servicer agrees to indemnify and hold the Client and its directors, officers, employees and agents harmless of, from and against any and all loss, liability, cost, damage or expense, including reasonable attorneys' fees and disbursements (collectively, "Damages"), resulting from any misrepresentation, any breach of warranty, or non-fulfillment of any agreement or covenant on the part of the Servicer under this Agreement.

The Servicer assumes no responsibility or liability for the failure of:

(1) any originator or servicer (in either case, other than the Servicer) to exercise reasonable care or due diligence in making or servicing a Serviced Loan prior to the Servicer assuming responsibility for providing Services with respect to such Serviced Loan;

(2) any Borrower or co-signer to repay a Serviced Loan; provided, however, that with respect to any former Serviced Loan that has been deconverted in connection with the termination of this Agreement pursuant to Section 5.02, the Servicer's indemnification obligation shall apply to the amount of any loss of the legal right to collect, or reductions in any amounts payable on or with respect to, such former Serviced Loan that result, directly or indirectly, from the Servicer's failure to provide any Servicing Extract, as provided in Section 2.03(D) hereof, or the Deconversion Services, as provided in Section 5.05 hereof, to the extent such loss or reductions result from the application of Applicable Law to such former Serviced Loan, as serviced by a successor servicer;

(3) the terms and conditions of any Serviced Loan or the Program Guidelines to comply with applicable law; or

(4) any Truth-in-Lending disclosure to comply with the Federal Truth-in-Lending Act or Regulation Z unless the Originating Lender has provided, and the Servicer fails to comply with, express instructions concerning completion of the notice.

(B) Client Indemnification. The Client agrees to indemnify and hold the Servicer and its directors, officers, employees and agents harmless of, from and against any and all loss, liability, cost, damage or expense, including reasonable attorneys' fees and disbursements (collectively, "Costs and Damages"), resulting from:

(1) Any failure of the Client to pay the fees and expenses provided for under Article III hereof;

(2) Any breach by the Client of its obligations hereunder;

(3) Any violation of the Fair Debt Collection Practices Act or other borrower or consumer protection laws based in whole or in part on collection activities conducted by any insurer or guarantor (which terms do not include ITT) of a Serviced Loan or Defaulted Loan (including the Servicer's failure to comply with instructions provided to any such other party by or on behalf of a Borrower); or

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(4) The Servicer's performance of the Services hereunder (including, without limitation, any Costs and Damages arising from the Servicer being made a defendant in or being required to appear in any legal action or other proceeding relating to the Serviced Loans or Defaulted Loans), except to the extent arising from the Servicer's (i) negligence, (ii) willful misconduct, or (iii) breach of the terms of this Agreement (including its obligation to comply with the Program Requirements).

(C) Indemnification Conditioned. Notwithstanding the foregoing in this Section 6.05, the obligation of any party to indemnify and hold harmless any other party as an indemnified party is expressly conditioned on such indemnified party fully satisfying all of the following conditions: (i) providing the indemnifying party with prompt, written notice of any such Damages, or any claim that could result in any such Damages (provided that failure to provide notice will not relieve an indemnifying party of its obligations under this Section 6.05 except to the extent the indemnifying party is prejudiced by such failure) and (ii) cooperating fully with the indemnifying party and its legal representatives in the investigation and defense of any and all such claims. The indemnified party shall have the right to employ separate counsel at its own expense to participate in the defense of any action with respect to which such party is indemnified. The indemnifying party shall not compromise any claim subject to indemnification if such compromise requires anything other than the payment of money, without the prior written consent of the indemnified party.

(D) Liability Limited. Notwithstanding the foregoing in this Section 6.05, in no event shall any party be liable for any special, consequential, exemplary or punitive damages with respect to any matter whatsoever arising out of this Agreement; provided that the foregoing shall not relieve any party of its obligation to indemnify another party against any such damages awarded to a third party.

Section 6.06 Insurance

The Servicer will, at all times during the term of this Agreement and at its own expense, cause to be carried and maintain in full force and effect insurance in such amounts and with such terms as follow:

(i) comprehensive general liability with limits not less than $1 million per occurrence and $2 million annual aggregate, with coverages to include contractual liability, personal injury and advertising injury;

(ii) statutorily required worker's compensation;

(iii) employer's liability of $1million per employee/occurrence;

(iv) crime liability of $500,000 per occurrence; and

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(v) umbrella liability with limits not less than $3 million per occurrence and aggregate.

The Servicer will provide certificates of insurance to the Client and ITT evidencing compliance with the above requirements at the time of execution of this Agreement and, upon request, on an annual basis thereafter as the policies renew or expire.

Section 6.07 Governing Law

This Agreement shall be interpreted under and governed by the laws of the State of Delaware, without regard to conflict-of-laws rules.

Section 6.08 Notices

Notices, requests or demands which may or are required to be given by any party hereunder shall be in writing or by e-mail and shall be deemed to have been properly given upon actual receipt or (i) seventy-two (72) hours after being sent by certified mail, return receipt requested, (ii) forty-eight (48) hours after being sent by national overnight courier, or (iii) upon receipt by the sender of electronic or oral confirmation of receipt of an e-mail message by the intended recipient.

All such notices and other items required to be delivered hereunder shall be addressed as follows:

If intended for the Client:

Student CU Connect CUSO, LLC
8575 West 110th Street, Suite 220
Overland Park, KS 66210
Attention: Program Administrator
Telephone: (913) 890-8020
Facsimile: (913) 322-3770
Email: scuc@rochdalegroup.com

If intended for the Servicer:

First Associates Loan Servicing, LLC
15373 Avenue of Science, Suite 300
San Diego, CA 92128
Attention: Executive Vice President
Telephone: (858) 999-3064
Facsimile: (858) 999-3064
Email: lchiavaro@1stassociates.com

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Any party may change the address to which communications to it are to be sent by notice to the other parties given as aforesaid.

Section 6.09 Severability

Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or lack of authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 6.10 Survival

All covenants, agreements, representations, warranties and indemnities contained in this Agreement shall survive the termination of this Agreement as covenants, agreements, representations, warranties and indemnities for any occurrence or failure occurring during the term of this Agreement.

Section 6.11 Waiver of Rights

No failure by any party to exercise, or any delay in exercising, and no course of dealing with respect to any right of such party or any obligation of any other party under this Agreement shall operate as a waiver thereof, unless, and only to the extent, agreed to in writing by such party. Any single or partial exercise by any party of its rights shall not preclude such party from any other or further exercise of such right or the exercise of any other right. Any single or partial waiver by any party of any obligation of any other party under this Agreement shall constitute a waiver of such obligation only as specified in such waiver and shall not constitute a waiver of any other obligation.

Section 6.12 Cumulative Remedies

No remedy by the terms of this Agreement conferred upon or reserved to the Servicer or the Client is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Agreement or existing at law or in equity or by statute on or after the date of this Agreement including, without limitation, the right to such equitable relief by way of injunction, to prevent the breach or threatened breach of any of the provisions of this Agreement or to enforce the performance hereof.

Section 6.13 Arbitration

Should any dispute develop between the parties arising under or in connection with this Agreement, or relating to the breach hereof or a claim for damages or losses relating hereto, the parties shall make a good faith effort to negotiate a mutually acceptable resolution of the dispute. Any such dispute that the parties are unable to resolve pursuant to the preceding sentence shall be resolved through arbitration by three (3) neutral arbitrators selected under the rules of the American Arbitration Association, and the arbitration shall be conducted in San Diego, California, in accordance with the procedure set forth below, and otherwise under the rules of said Association.

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Within thirty (30) days of service and filing of a notice of a demand for arbitration, the claimant shall produce to the respondent all documents in the claimant's possession that are relevant to the dispute. The claimant shall serve and file a written statement explaining its claim within forty-five (45) days of the notice for arbitration; the respondent shall respond, and shall produce to the claimant all documents in the respondent's possession that are relevant to the dispute, within thirty (30) days thereafter; and the claimant may reply within fifteen (15) days of the response. After this period of limited discovery, a hearing before the arbitrators will occur. The arbitrators shall give written notice to the parties stating their determination and shall furnish to each party a signed copy of such determination. The determination of the arbitrators shall be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof.

The expenses of arbitration shall be borne equally by the parties thereto, or as the arbitrators shall otherwise determine, and the arbitrators shall have the authority to award costs to the prevailing party.

Section 6.14 Headings

The Article and Section headings contained in this Agreement are for convenience only and shall not be deemed part of this Agreement.

Section 6.15 Execution in Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be deemed to constitute but one and the same instrument.

Section 6.16 Certain Activities in U.S. Only

The Servicer will perform all Services hereunder that involve communications with a Borrower or a School from locations in, and by employees or agents located in, the United States, except in the case of Services with respect to a Borrower whose residence is located outside the United States.

Section 6.17 Third Party Beneficiary

ITT is an express, designated third-party beneficiary of this Agreement, with full power to enforce the terms hereof as if it were an original party hereto with the same rights hereunder as those of the Servicer and the Client. This Agreement may not be amended, modified, terminated or assigned without ITT's prior written consent, which shall not be unreasonably withheld.

[The remainder of this page is intentionally left blank.]

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IN WITNESS WHEREOF, the Servicer and the Client have executed this Agreement as of the date and year first above written.

FIRST ASSOCIATES LOAN SERVICING, LLC

By: /s/ Larry Chiavaro
Larry Chiavaro
Executive Vice President

STUDENT CU CONNECT CUSO, LLC

By: /s/ Dan Kampen
Dan Kampen
Program Administrator

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SCHEDULE A

FEE SCHEDULE

(A) Basic Servicing Fees:

Monthly Charge per Serviced Loan In:	Amount of Charge
Interim Period	$ 2.25
Deferment Period	$ 2.25
Forbearance Period	$ 2.25
Grace Period	$ 4.00
Repayment Period Current	$ 8.00
Repayment Period from 1 through 30 days delinquent	$ 7.00
Repayment Period from 31 through 60 days delinquent	$ 6.00
Repayment Period from 61 through 90 days delinquent	$ 5.00
Repayment Period from 91 through 120 days delinquent	$ 5.00
Repayment Period from 121 through 150 days delinquent	$ 5.00
Repayment Period from 151 through 180 days delinquent	$ 5.00

(B) The Servicer shall transmit all late charges received from the Borrowers to the Client. The Client shall pay to the Servicer a "Monthly Late Charge Fee" in an amount equal to the aggregate amount of late charges transmitted to the Client by the Servicer in the preceding month. The Servicer will be entitled to retain any forbearance processing fees and returned payment (NSF, stop payment, etc.) charges assessed against and collected from Borrowers.

(C) The Servicer shall be reimbursed for the following out-of-pocket expenses:

(1) mailing costs at $0.25 per letter plus postage, with a maximum of two letters per month for Serviced Loans in Repayment and one letter per month for Serviced Loans in the Grace Period;

(2) messaging costs on Serviced Loans in the Grace Period or in Repayment, with a maximum total cost of $3,500 per month; and

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(3) skip tracing costs on Serviced Loans, with a maximum total cost of $6,000 per month. A full portfolio skip trace will be completed at the deconversion of loans from XES as described in Section 2.11 hereof, but will be covered by the conversion fee described below in Paragraph H of this Schedule A.

(D) Defaulted Loans will be disposed of or managed as directed by the Client pursuant to Section 5.03 of this Agreement and will not be subject to any per loan charge or compensation other than that provided for in Section 5.03 of this Agreement.

(E) Additional activities, including development of additional reports, may be provided and billed as agreed upon between the parties.

(F) A mutually agreed bonus compensation structure for the Servicer will be determined within three months of the Effective Date in writing by the Servicer and the Client, with the prior consent of ITT.

(G) Deconversion fees. If this Agreement is terminated by the Servicer as provided in Section 5.02(C) hereof, the Client will pay to the Servicer a deconversion fee of $25 per Borrower with respect to the Serviced Loans for which Deconversion Services are provided.

(H) Conversion fees. There will be a client set-up and portfolio conversion fee (one-time fee) of $30,000 in connection with the deconversion of Student Loans from XES as described in Section 2.11(A) hereof. For all new Student Loans added after the deconversion of Student Loans from XES as described in Section 2.11(A) hereof, including Student Loans deconverted from XES as described in Section 2.11(B) hereof, there will be a new loan boarding fee of $5.00 per loan file.

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SCHEDULE B

SERVICES

The Servicer shall provide the following Services:

1. Receive and load electronic loan data onto the Servicer's servicing system. Create and maintain electronic files and records pertaining to the Serviced Loans.

2. Update enrollment data, including by periodic monitoring of, and receipt of data from, the clearinghouse; convert Serviced Loans to Repayment in accordance with Program Guidelines.

3. After the Interim Period for a Serviced Loan ends, (i) establish a Repayment Schedule for such Serviced Loan consistent with the Note terms, and (ii) (subject to Section 6.05(A)(4) hereof) send to the Borrower a Truth-in-Lending repayment disclosure (to the extent required by the Truth-in-Lending Act).

4. Calculate and apply origination fee (if any) and interest rate as in effect at any given time, capitalize interest on a monthly basis when applicable, and recalculate monthly payment amounts on a quarterly basis during the Repayment Period, all pursuant to the Program Guidelines.

5. Grant Forbearance Periods to Borrowers consistent with the Program Guidelines.

6. During Repayment, provide monthly billing statements to Borrowers for principal and interest due.

7. Respond to inquiries and communications from Borrowers, Schools, the Client, and ITT, and communicate with Borrowers, Schools, the Client, ITT and others to the extent necessary to appropriately provide Services. Provide telephone and internet customer service options for Borrowers.

8. Process Borrower payments on Serviced Loans promptly, and set up automatic bank account debit loan payments upon Borrower request.

9. Remit payments received (net of any reversals) on Serviced Loans to the Client (or the assignee of the Serviced Loan) on a weekly basis.

10. Prepare and send Internal Revenue Service Forms 1098 to Borrowers for which tax documentation is provided in connection with their Serviced Loans.

11. Perform collection calls and send delinquency notifications to delinquent Borrowers in accordance with the Program Guidelines.

12. Provide skip tracing activities in accordance with the Program Guidelines.

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13. Report repayment performance to credit reporting agencies in accordance with the Program Guidelines.

14. Send annual privacy policy notices on behalf of the Client.

15. Other services specified to be performed by the Servicer (but not the Origination Agent) in the Program Guidelines and the Statement of Work below.

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STATEMENT OF WORK

For purposes of this Statement of Work, "***FA***" means the Servicer. Subject to the terms of this Agreement and in addition to the Services described elsewhere in this Agreement, the Servicer shall provide the following services to the Client. The Services shall consist of the duties stated herein and referenced elsewhere in this Agreement, as they may evolve during the term of this Agreement or be supplemented, enhanced, modified or replaced in accordance with the provisions of this Agreement.

Definitions: Terms

Term	Description
Standard Electronic files to be transferred to or from FA	• Credit Bureau Reporting Files (Experian, Equifax, or Transunion) • Lockbox Files (retail and wholesale) • Western Union Quick Collect File • Western Union Phone Pay File • ACH File • New Loan Boarding File (Origination system file) • Data extract File • Returned Item File (if applicable) • Deboarding File
IVR	Interactive Voice Response system, which is component of the In Contact platform, a product licensed by FA.

Hours of Operation

FA's installment loan servicing center hours of operation are: Monday through Friday 6:00 am to 5:00 pm (PST), on each Business Day.

Availability of FA's Computer System:

Client may have access to FA's Computer System whenever FA, at its discretion, has the Computer System up and available (which is typically during normal hours of operation). In some circumstances, FA may need to make unscheduled maintenance to the Computer System and for such an event FA will provide as much notice as commercially practical to the scheduled event. Access to FA's systems may require Client to purchase and agree to certain license fees.

1. System Access and Support:

System Access and Support:

- FA will be responsible for support and maintenance of FA's information security, physical security and contingency planning infrastructure for Client's program.
- FA will provide Technical Help Desk support.
- FA will provide access to the Computer System if required.
- FA will be responsible for installation and ongoing maintenance of a telecommunication line from FA to a designated Client location (if applicable).
- FA will support and process incoming and outgoing file transfers.
- FA will be responsible for daily and month-end production cycle administration.
- FA will be responsible for installation and testing of new versions/upgrades.
- FA will support on-line viewing of system-generated Reports.

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- FA will be responsible to produce and report customer performance data to all three credit bureaus.
- FA will be responsible for production of automated customer notices, letters and monthly billing statements.
- FA will maintain appropriate disaster recovery and business resumption plans.

2. Product Setup and Implementation

- FA will work with Client to establish telecommunications and technical interface requirements.
- FA will provide project management resources to implement Client's program.
- FA staff will work with Client to perform the tasks necessary to implement program.
- FA will work with Client on branding requirements for notices, letters, billing statements and customer service. Notices will be in English. A quote can be provided for notices, letters and statements in languages other than English.
- FA uses California Bank & Trust (CB&T) as its standard Lockbox provider. FA will test standard CB&T lockbox file interfaces using Client's custom billing statement. Client may incur additional implementation cost and/or servicing cost when using a non-standard FA lockbox provider.
- FA will provide its standard IVR functionality. FA will customize IVR recorded messages to meet Client branding requirements.
- FA shall provide the Servicing Reports as required by Section 2.03 of this Agreement. Client also can request the development of custom reports for FA to develop. FA will provide a quote for any custom report requested by Client.

3. Client Support (Account Manager)

- FA will name one or more designated account manager(s) to be Client's principal contact with FA.
- FA's designated account manager(s) will focus on Client's current and future requirements.
- FA's designated account manager(s) will assist in the development of expanded business opportunities for Client.
- FA's designated account manager(s) will obtain sign-off from Client on decisions, specifications, outputs, and results. If there are recommended changes, each party must approve the changes.
- FA's designated account manager(s) will be responsible for Client invoice issues.
- FA's designated account manager(s) will communicate on a frequent basis to review program performance and address any related questions or concerns.

4. Training

- FA shall provide as much training as necessary to Client during the program launch on all related systems (if applicable).
- Client may arrange for FA trainers to come to a Client site. FA will be reimbursed for all travel costs (as provided in this Agreement) and FA personnel at the daily rate per the contract hourly rate schedule. FA will book airfare within one business day of notice from Client to maximize airline ticket discounts.
- Training at Client facilities requires a four-week notice prior to the required training. FA will try to accommodate shorter notice if trainers are available.

5. Loan Boarding & Quality Assurance-Post Funding

- FA will enter all Loan information into their system through an electronic feed (electronic boarding) from XES and, if applicable, the originator.
- FA will receive and verify incoming new Loan files to electronic feed or transmittal report.
- FA will perform statistical quality control review of data on all new Loans electronically boarded and correct errors.
- FA will generate a Welcome Letter for each new Loan (using Client approved text).
- FA will provide Client's privacy policy, as applicable, in the Welcome Letter or first customer invoice, whichever is sent first. If Client request FA to provide an opt in/opt out program, FA will provide a quote to do so.

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- FA can perform contract verification calls and welcome calls on new Loans (using Client approved script). FA can provide client a quote to provide these additional services.
- FA will incorporate all mutually agreed guidelines, as provided by either Client or FA, into the document review/edit process.

6. Customer Service

- FA will establish a Client US toll-free customer service number.
- FA will have agents available to respond to borrower questions during our normal business hours.
- If Client or Client's designee is performing collection services, FA will establish a mechanism to automatically transfer all calls from delinquent Obligors to Client or Client's designee.
- FA will establish a designated Client IVR service. FA's standard IVR service is in English. FA can provide a quote for IVR messaging in Spanish.
- FA will provide Client's borrowers access to FA's IVR for balance inquiries, general payment information, statement requests and pay-by-phone options.
- FA will process customer correspondence received from borrowers regarding their Loan Accounts.
- FA will process and produce requests for new billing statements.
- FA will process name and address changes received by FA.
- FA will provide Loan payoff quotes.
- FA will research and resolve payment disputes.
- FA will process requests for auto debit payments from the borrower's account.
- FA will process return mail.
- FA will provide Client's privacy policy to all obligors on an annual basis and at such other times as FA is directed by Client.
- If applicable, FA will provide an opt in/opt out telephone number to track and notate customer privacy preferences. FA can provide a quote to support the option of an opt in/opt out service.
- FA will establish a designated post office box for inbound correspondence.

7. Paid Out Account Processing

- FA will identify paid-off Accounts.
- FA will verify that payoff funds remain clear.
- FA will accommodate state mandated minimum finance charges for early payoffs.
- FA will handle and resolve borrower's inquiries on status of credit balance refund. School refunds will be handled through non-cash transactions on the FA's Loan Servicing system. ITT will notify FA through an electronic transmittal of any loan refunds that need to be processed. FA will process the refunds and reflect those amounts within the monthly reports.
- FA will send credit balance amount to borrower on FA check stock.

8. Charged Off Account Processing

- FA will provide extract file of charged off Accounts on a regularly scheduled basis to third party deficiency collection agencies (if applicable).
- FA will provide research assistance, if needed, on Account payment history
- If requested, FA can provide a quote to support payment transaction services to Client on deficiency Accounts.

9. Delinquency and Collections

- FA shall create collection activity procedures and strategy in consultation with Client, with ITT's prior consent. The FA system will be utilized in performing collection activity.
- FA will perform collection activity including calling and mailing.

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Collection activity functions will include but not be limited to FA's performance of the following:

Delinquency Range	Activity Level
1-30	Additional skip trace Minimum 8 contact attempts
31-60	Minimum 8 contact attempts
61+	Minimum portfolio average 6 contact attempts per month
Monitoring	Minimum 6 contact attempts per quarter

- Contact attempts may be in the form of physical or electronic correspondence, automated outbound voice messaging, predictive dialing, or agent initiated calls.
- FA will initiate skip trace activity at boarding for Loans converted in batch. FA will initiate skip tracing activities when unable to contact the borrower with existing contact information.

10. Payment Processing (Payment Processing assumes use of FA's standard lockbox provider)

ACH PAYMENTS

FA will handle payments received through automatic deduction of the customer's DDA account and will perform the following:

- Originate payment file for borrowers who authorize a direct debit to their bank account
- Post payment to borrower's Loan
- Resolve any payment rejects
- Provide ACH form to borrower on request for auto debit
- Input and maintain ACH debit information for borrowers

CREDIT CARD PAYMENTS

FA will handle payments received through automatic deduction of the customer's account and will perform the following:

- Originate payment file for borrowers who authorize a direct billing to their credit card
- Post payment to borrower's Loan
- Resolve any payment rejects
- Provide form to borrower on request for credit card billing
- Input and maintain credit card information for borrowers

LOCKBOX PAYMENTS

FA will handle payments received by the lockbox and will perform the following:

- Establish a separate Client owned lockbox for Client accounts
- Receive and process a lockbox file each business day (including Saturday, if volume dictates)
- Reconcile any payment rejects posted by the Lockbox Processor

WESTERN UNION PAYMENTS

FA will handle Western Union payments in the following manner:

- Establish a separate Western Union code city for Client
- EDI will be received daily, Monday through Saturday, to post payments transmitted
- Any payment application rejects from EDI will be processed next business day

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PAYMENTS RECEIVED VIA STREET ADDRESS

FA will handle payments received at our San Diego, CA location in the following manner:

- Process regular/irregular Loan payments
- Identify and process rejected Loan payments
- Clear Suspense/Exception items

BANK RETURN ITEMS

FA will handle return items in the following manner:

- Process return items daily as received in an electronic feed from depository financial institution
- Provide instruction to lockbox bank to process return items twice, upon Client instructions
- Institution account number will be verified for each return item

PAYMENT RESEARCH

FA will handle payment research in the following manner:

- Perform payment research
- Log information onto the research tracking system
- Assign research items to members of the research staff
- Investigate and resolve research items
- Provide research reporting

If the Servicer develops other payment processes or channels and makes such processes or channels available to its other clients, the Servicer shall also make them available to the Client.

11. Daily System Reconciliation

- FA will perform a daily reconciliation of loan activity to cash receipts and provide Client with a daily report of all credit card or ACH payments received by FA.
- All payments received by FA will be forwarded to Client on a weekly basis via ACH or wire transfer.
- FA will document and track rejected payment transactions
- FA will document and track payment exception items.
- FA will maintain and age exception items in an exception database.
- FA will monitor and report aged suspense items.
- FA will reconcile open and cleared adjustment items and monitor open items listing.

12. Accounting/Reporting

- FA will conduct monthly reconciliation of bank accounts.
- FA will confirm funds transfer and remittance to accounts designated by Client.
- FA shall provide the Servicing Reports as required by Section 2.03 of this Agreement at no charge. Client also can request the development of custom reports for FA to develop. FA will provide a quote for any custom report requested by Client if not otherwise required by Section 2.03 of this Agreement.
- FA will make available to Client its standard system reports in electronic form. Standard system reports shall be provided to Client at no charge. Additional FA developed reports requested by Client and not otherwise required by Section 2.03 of this Agreement shall be charged to Client on a time plus materials basis.

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SCHEDULE C

REPORTS

Item	Report Name	Report Description	Dissemination Method	Frequency
1	Servicing Extract (similar to "Ad Hocs-aka...FA Month-End CUSO file")	This report is a data snapshot of all Serviced Loans and Defaulted Loans at the individual loan level serviced by the Servicer, and will be in a format mutually agreed upon by the Servicer and the Client.	box.com or equivalent	Monthly (or upon request)
2	Collections Detail Loan Report	This Report lists loans in a delinquent status grouped by the different delinquency buckets (30 days, 60 days, 90 days, etc.).	box.com or equivalent	Monthly
3	Activity Detail File-Cash	An activity file at the individual loan level for all cash activity that includes late charges, payments, interest, reversals, disbursements, capitalized interest adjustments, servicer adjustments, adjustments to prior periods and any other monetary activity that affects the balance of the loan. Report should include subtotal by pool, by date, totals by category, borrower name /SSN, activity description and dollar amounts.	box.com or equivalent	Monthly
4	Balance File	A daily balance loan level file that includes the outstanding principal / refund, interest, and fee(s) balance at the end of each day.	box.com or equivalent	Monthly
5	Servicer Characteristics Report	Maturity analysis report that shows the number of loans, number of Borrowers, weighted interest rate and total unpaid principal by pool and within pool by categories of: - Interim Period - Deferment Period - Forbearance Period - Grace Period - Repayment Period Current - Repayment Period 1>30 days delinquent - Repayment Period 31 through 60 days delinquent - Repayment Period 61 through 90 days delinquent - Repayment Period 91 through 120 days delinquent - Repayment Period 121 through 150 days delinquent - Repayment Period 151 through 180 days delinquent Also includes comparison of anticipated terms of simple average vs weighted average per the categories listed above.	box. com or equivalent	Monthly

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Item	Report Name	Report Description	Dissemination Method	Frequency
6	Cash/Non-Cash Reconciliation Report	Rolling summary of cash and non-cash transactions for the period. Should include outstanding principal, accrued interest and late charges related to cash and non-cash activity in categories such as new activity, cash collections, Client advices and Servicer generated adjustments. **Report will be in mutually agreed format.**	box.com or equivalent	Monthly (or upon request)
7	Non-cash Detail Report	Reports at loan level all non-cash activity for the month such as refunds (payment advices for partial, full and school refunds), claim payments and reversals. Report should include subtotal by pool, by date, totals by category, contains borrower name/SSN, effective date, transition type and dollar amounts by PBO added/(removed) and interest/late charges added (removed.)	box. com or equivalent	Monthly
8	Claims Processing Report	Reports on every loan that is charged-off from the Servicer database. Reports are submitted to Client on an individual borrower basis. One report includes claim borrower Account history (BHAR) outlining all activity related to the borrower/loan.	box.com or equivalent	Monthly
9	Billing Invoices	Invoice summary showing number of items, costs billed with dollar totals due to servicer. Should be able to support invoice numbers with details of activity if requested.	box.com or equivalent	Monthly

In addition to the delivery of the Servicing Reports at the times indicated in the above table, the Servicer also shall deliver, upon the request of the Client, any or all of the Servicing Reports at any time and from time to time during the period from the Effective Date through the thirtieth day following the deconversion of Student Loans from XES as provided in Section 2.11 of this Agreement.

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SCHEDULE D

DECONVERSION SERVICES

Upon the occurrence of any event triggering Deconversion Services under the terms of this Agreement, the Servicer shall provide reasonable cooperation and assistance in transferring, to the entity designated by the Client, those records and documents maintained by the Servicer in connection with the provision of Services with respect to the Serviced Loans being deconverted (or reports with respect thereto); provided that the Servicer shall not be obligated to forward any record or document in which it asserts proprietary rights or which relates to loans other than the Serviced Loans being deconverted. All records and documents shall be transferred in such medium as may be required under any applicable Program Requirements and not inconsistent with the Servicer's private student loan servicing guidelines and all reports shall be in such detail as may be required under any applicable Program Requirements and not inconsistent with the Servicer's private student loan servicing guidelines.

The Servicer shall use commercially reasonable efforts to provide records that are transferable in an electronic form maintained by the Servicer within 90 days after the triggering date and to provide paper records within a reasonable time (not to exceed 180 days) after the triggering date.

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SCHEDULE E

PROGRAM GUIDELINES

Unless otherwise indicated in this Schedule E or in the definition of Program Requirements, the Servicer shall comply with all the terms in this Schedule E and will be responsible for implementing and effecting all the provisions of this Schedule E.

Program Borrowing Limits[1]

The minimum and maximum amounts that may be borrowed under this Loan Program, on a per borrower basis, are as follows:

Minimum Loan Amount:	$1,000 (or any other higher minimum loan amount as applicable by state law)	
Annual Maximum Loan Limit:	Cost of Education less other financial aid	
Aggregate Private Student Loan Program Limits:		
	Associate degree programs:	$35,000
	Bachelors degree programs:	$60,000
	*Resulting in maximum undergraduate (Associate and Bachelors combined):	$60,000
	Graduate degree programs:	$25,000
	*Resulting in maximum total of all combined:	$85,000

Repayment Terms

During the Repayment Period, the minimum monthly principal and interest payment amount will be $50.00 per Account per month or the unpaid balance, whichever is less.

1) Deferral Period

While a student is enrolled at an ITT Technical Institute, repayment of principal and interest will be deferred until the circumstances described in the "Repayment Begins" section below occur. During the deferral period, the borrower will be sent quarterly statements providing him or her the opportunity to make interest payments. During the deferral period, the borrower can also make principal payments at any time without penalty.

2) Repayment Begins

Repayment of principal and interest on each loan will begin six (6) months after the student graduates, unless the student enrolls in another program at ITT Technical Institute and begins taking courses. For students who do not maintain at least four (4) credit hours in a given quarter for any reason other than graduation, repayment of principal and interest will begin three (3) months after their last day of attendance unless the student re-enrolls in an ITT Technical Institute and begins to take at least four (4) credit hours.

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1 Servicer not responsible for implementing and effecting Program Borrowing Limits.

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Repayment of principal and interest on each loan will begin, if not already begun pursuant to the terms of the preceding paragraph, on the first day following the seventh (7th) year anniversary of the date of the first disbursement on the loan.

3) Repayment Duration

The term of each loan will be ten (10) years from the date the repayment period begins, exclusive of any deferment or forbearance periods.

4) Prepayment

The borrower may prepay all or a portion of the loan at any time without penalty.

5) Late Charges

Borrowers will be assessed a late charge if they fail to make any part of an installment payment within 15 after it becomes due. The late charge fee will be the lesser of $10.00 or 5% of the installment.

Program Eligibility, Credit Requirements, and Loan Terms[2]

1) Eligible Borrower

The borrower must satisfy all of (a)-(d) below:

a) Be admitted to, or have graduated from, an ITT Technical Institute undergraduate or graduate program of study.

b) Be a U.S. Citizen or National, or a Permanent Resident.

AND

If there is a Co-signer, the Co-signer must be a U.S. Citizen or National, or a Permanent Resident.

c) Meet all credit requirements specified below in Section 3.

OR

Have a credit-worthy co-signer who meets all credit requirements specified below in Section 3.

d) Be the age of majority, as determined by individual state requirements for the primary borrower's permanent residence, at the time of the loan application.

2) Eligible Loan Periods

Current and Future Borrowers can apply for a loan relating to an academic year that begins within twelve (12) months after the loan application date. The first disbursement for a subsequent academic year must also occur within twelve (12) months after the loan application date.

Past Enrollment Borrowers may borrow funds for previous academic periods during which they were enrolled as long as such borrower has either graduated or is enrolled in an ITT Technical Institute on the loan application date.

2 Servicer not responsible for implementing and effecting Requirements listed under Eligible Borrower, Eligible Loan Periods, and Credit Requirements.

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3) Credit Requirements

To qualify for a loan, an eligible borrower must satisfy all of the following credit requirements:

a) No filed bankruptcy, discharged bankruptcy or foreclosure within the twenty-four (24) months immediately preceding the loan application date.

b) No judgments, charge offs, collections, liens, or repossessions in an aggregate amount of more than five hundred dollars ($500) within the twenty-four (24) months immediately preceding the loan application date.

c) No mortgage, student loans, or other installment loans that are currently 90 days or more past due.

d) No record of a student loan default, unless the default has been paid in full.

e) Less than three (3) derogatory credit indications on the borrower's credit report. A derogatory credit indication is defined as a balance of at least five hundred dollars ($500) that is past due at least ninety (90) days.

f) A borrower who fails to quality on his or her own for a loan may be eligible with an eligible co-signer who satisfies all of the credit requirements and who has a credit score of at least 680.

At such time, if any, that the origination vendor of the loans can support it in an automated format, the foregoing (a) and (d) credit requirements will be modified to read instead as follows:

a) No filed bankruptcy, discharged bankruptcy or foreclosure within the twenty-four (24) months immediately preceding the loan application date unless the borrower has agreed to payment arrangements and made prompt payments for at least the last consecutive 18 months.
d) No record of a student loan default, unless the default has been paid in full, or the borrower is making satisfactory progress in repaying the loan. Satisfactory progress is defined as: at least twelve (12) consecutive payments made; Account is current; repayment history has no gaps; and the IRS Tax Offset Program was not used to pay default.

Notwithstanding the foregoing, a borrower who is otherwise eligible under all of the other provisions of these loan criteria does not need to satisfy all of the foregoing (a) through (f) credit requirements to quality for a loan if such borrower: (i) received the open account credit provided by ITT Technical Institute (known as its "Temporary Credit" program); (ii) has graduated or is enrolled in any academic quarter other than the first academic quarter of such borrower's first academic year on the loan application date; and (iii) has not declared bankruptcy within the twenty-four (24) months immediately preceding the loan application date.

4) Interest Rate and Origination Fee

The eligible borrower's FICO Score will determine the interest rate and fee charged on the loan as follows:

Tier	FICO Score	Interest Rate Range	Origination Fee*
1	790+	Prime +0.5% to 2.5%	N/A
2	720-789	Prime +1.5% to 3.5%	2%
3	680-719	Prime +4.0% to 6.0%	3%
4	650-679	Prime +6.0% to 8.0%	5%
5	600-649	Prime +7.0% to 9.0%	7%
6	No credit score	Prime +8.0% to 10.5%	8%
7	599 and below	Prime +10.5% to 13.0%	10%

* Origination fee calculated as a percent of loan amount

Eligible borrowers with an Experian-Fair Isaac Score Code of 9002 or 9003 will be priced as if part of Tier 6 ("No Credit Score").

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The origination fee will be credited in full to the borrower if an entire disbursement is refunded within 60 days of the disbursement date.

Notwithstanding the rates and fees set forth in the table above, the annual percentage rate, including the capitalized origination fee, on any loan will not exceed eighteen percent (18%) over the term of the loan, or such other limit under applicable law that may be in effect from time to time.

5) Deferment

a) In School

Principal and interest payments on a loan may be deferred by the borrower during the period that the student is enrolled in an undergraduate or graduate program at an ITT Technical Institute and is taking at least four (4) credit hours. Upon graduation, the student may defer payment of the loan principal and interest for an additional six (6) months ("grace period"). If the student enrolls in another program at an ITT Technical Institute and begins taking courses before or after the end of such six (6) months, the deferral will continue or begin again, as applicable, until such time as repayment is to begin under the terms of these loan criteria. Students whose enrollment terminates prior to graduation, or who are taking less than four (4) credit hours, will have a three (3) month grace period before principal and interest payments begin. If the student re-enrolls in an ITT Technical Institute and begins to take at least four (4) credit hours before or after the end of such three (3) month period, the deferral will continue or begin again, as applicable, until such time as repayment is to begin under the terms of these loan criteria. Borrowers will receive quarterly statements while enrolled.

b) Military

A military deferment will be available for a period during which a borrower is serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency ("Qualifying Duty"). A borrower who is a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and who begins serving Qualifying Duty while enrolled at ITT Technical Institute, or within six (6) months after having been enrolled, is eligible to defer paying any principal or interest on a loan during the Qualifying Duty service and during the 13 months following the conclusion of the Qualifying Duty service, or until the date that the borrower returns to an enrolled student status at ITT Technical Institute, whichever is earlier.

6) Forbearance

A borrower may request a forbearance of the payment of principal and interest on a loan, which Student CU Connect CUSO will grant in its sole discretion. Any single forbearance in the payment of a loan may not exceed three (3) months, and all forbearances granted with respect to a loan may not, in aggregate, exceed twelve (12) months over the life of the loan. If the borrower is delinquent at the time a forbearance is granted, all past due interest on the loan will be capitalized.

7) Interest Rate

Interest will accrue at a variable rate (based on the borrower's FICO score, see "'Interest Rate and Origination Fee" above), beginning on the date that any portion of the loan is disbursed, on the outstanding principal balance, including any capitalized interest and origination fees. The variable rate may change monthly on the first day of each month based on the Prime Rate as of the third to last business day of the immediately preceding month. The Prime Rate is defined as the highest U.S. Prime Rate published in *The Wall Street Journal* "Money Rates" section. The Servicer shall calculate the rate change each month.

The applicable interest rate will be rounded to the nearest one-eighth of one percent (0.125%). In the event of a change in the Prime Rate, monthly payments will be calculated based on the then current principal balance, the remaining term of the loan, and the then current interest rate, based on a 365.25-day calendar year and will not vary in leap years.

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Notwithstanding any other provisions herein, at no time will the applicable interest rate, inclusive of the capitalized origination fee, be such that the annual percentage rate on any loan exceeds eighteen percent (18%), or such other limit under applicable law as in effect from time to time.

8) Co-Signer Eligibility

To be eligible to co-sign a loan, a co-signer must have a FICO score of at least 680 and satisfy other criteria specified above in Sections 1 (other than 1(a)) and 3. Loans with an eligible co-signer will be charged interest and fees at the Tier 4 level in Section 4 above.

9) Default & Charge-Off

A loan will be in reportable default if any principal or interest payment under the loan is sixty (60) days past due.

A loan will be charged off if payments under the loan are due and not received for a period of one hundred and eighty (180) days.

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SCHEDULE F

TERMINATION CRITERIA

This Agreement may be terminated pursuant to Section 5.02(D) as follows:

If the Actual Cumulative Default Ratio on the portfolio exceeds 35%, as measured at each month-end, the Servicer must submit to the Client and ITT an action plan setting forth in reasonable detail the steps that the Servicer intends to take to improve the repayment performance of all the Serviced Loans for the Client. If the Actual Cumulative Default Ratio on the portfolio remains above 35% for a period of ninety (90) days, as measured at each month-end, the notice of termination may be provided.

Definitions:

Actual Cumulative Default Ratio = Cumulative Defaults / All Serviced Loans (excluding (1) Serviced Loans that are in Interim Period, Deferment Period, Forbearance Period, or Grace Period and (2) Serviced Loans that are Defaulted Loans) + all Defaulted Loans

Cumulative Defaults = Total Principal Balance of Loans that become a Defaulted Loan beginning three months after the Servicer begins servicing the portfolio

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SCHEDULE G

SERVICER HOLIDAYS

2012

New Year's Day
Martin Luther King, Jr. Day
Presidents' Day
Memorial Day
Fourth of July
Labor Day
Thanksgiving Day
Day after Thanksgiving
Christmas Day

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SCHEDULE H

DECONVERSION AND TRANSFER SCHEDULE FROM XES' SERVICING SYSTEM

Item	*Description*	*Delivery Date*
Ad hoc files	Delivery of "ad hoc files" for all borrowers maintained on XES' system as of June 8, 2012 for all Accounts other than those relating to the Additional Disbursement Loans, and as of June 30, 2012 for all Accounts relating to the Additional Disbursement Loans.	June 9, 2012 for all loans/disbursements, including those partially disbursed; July 1, 2012 for all disbursements made after the June 8, 2012 initial deconversion
Borrower History and Transaction Activity	All Borrower History and Transaction Activity maintained on the XES system as of June 8, 2012 for all Accounts other than those relating to the Additional Disbursement Loans, and as of June 30, 2012 for all Accounts relating to the Additional Disbursement Loans. Such information to be delivered in a RPT-formatted file.	Within 2 business days following deconversion (June 12, 2012) for all Accounts other than those relating to the Additional Disbursement Loans; July 1, 2012 for all Accounts relating to the Additional Disbursement Loans
IntID Query	Provide a query file that matches IntID, SSN and name at the borrower level. (A sample name from a past file is: Qty_AW_ITT_PrevBorrFlg_Appvd_20111011024402.) Two files will be delivered, one providing such information for all loans/borrowers since program inception through current, the other providing such data for loans disbursed between April 1, 2012 and Effective Date.	XES will provide a Life to Date query file that matches IntID, SSN and name at the borrower level. This query will cover the time from origination up to the deconversion date of June 8, 2012 with a delivery date of June 9, 2012. A supplemental query will be run as of June 30, 2012, which will capture the time period from June 8th through June 30th with a delivery date of July 2, 2012.
Asset documents	For any borrowers for which Client determines it does not have all asset documents (promissory notes, electronic signature logs, disclosures, etc), XES to provide such.	Within 15 business days of XES receipt of list from Client for all Accounts other than those relating to the Additional Disbursement Loans, and within 15 business days of XES receipt of list from Client for all Accounts relating to the Additional Disbursement Loans
All Standard XES Servicing Reports	Copies of the daily XES Servicing Reports (specifically those entitled *CF051R1 Cash/non-cash Reconciliation Report* and *CF011 Monthly 035/045 Transaction Detail*) as of June 8, 2012 for all Accounts other than those relating to the Additional Disbursement Loans, and as of June 30, 2012 for all Accounts relating to the Additional Disbursement Loans.	June 9, 2012 for all Accounts other than those relating to the Additional Disbursement Loans; July 1, 2012 for all Accounts relating to the Additional Disbursement Loans

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Item	*Description*	*Delivery Date*
Accounts with active ACH	If not provided explicitly in one of the files noted above, a CSV- or XML-formatted file listing all borrowers with active auto-ACH instructions in the file format provided to the Client on April 25, 2012.	June 10, 2012 for all Accounts other than those relating to the Additional Disbursement Loans; July 1, 2012 for all Accounts relating to the Additional Disbursement Loans
Return mail	All mail returned to XES as undeliverable for subject borrowers. Return mail would include such mail not yet processed as of June 8, 2012 for all Accounts other than those relating to the Additional Disbursement Loans, and as of June 30, 2012 for all Accounts relating to the Additional Disbursement Loans, and subsequent return mail received. XES will redact any information on such mail pertaining to a loan other than the Client's loans (*e.g.*, borrower with an FFEL loan being serviced by XES on a combined statement).	Each business day subsequent to the deconversion for which return mail is received Up through 30 days following last deconversion
Daily activity log	Log of all borrower activity (*e.g.*, payments, inquiries, etc) to be delivered in the format previously provided to the Client.	Each business day subsequent to the deconversion for which activity is transacted for borrowers up through 60 days from last deconversion
Joint hello/goodbye letter	In association with successor servicer, review and approve delivery of a "hello/goodbye" letter to be delivered by successor servicer to all borrowers. Letter will include logos for both companies, and will serve to inform borrowers of the change in servicer of their accounts. XES and successor servicer will jointly approve verbiage in such letter, with successor servicer responsible for letter delivery.	Review/approval prior to deconversion
Domains and dedicated phone numbers	Deconversion (including access IDs, passwords, etc) of all domains, email addresses and phone numbers dedicated exclusively to the Client loan program.	July 2, 2012

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CL_Review001528

Exhibit 21

Subsidiaries

The following table sets forth, as of December 31, 2013, the information on our subsidiaries that is required to be reported under Item 601 of the SEC's Regulation S-K.

Name	State of Incorporation or Organization	Name Under Which Business is Conducted
ESI Service Corp.	Delaware	ESI Service Corp.
ESI Maryland Corp.	Maryland	ITT Technical Institute
Daniel Webster College, Inc.	Indiana	Daniel Webster College
Cable Holdings, LLC	Minnesota	Benchmark Learning

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Exhibit 23

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No.'s 333-38883, 333-55903, 333-56493, 333-73280, 333-84871, 333-133915 and 333-188435) of ITT Educational Services, Inc. of our report dated October 15, 2014 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Indianapolis, Indiana
October 15, 2014

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Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13a–14(a)/15d–14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Kevin M. Modany, certify that:

1. I have reviewed this annual report on Form 10-K of ITT Educational Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 15, 2014

/s/ Kevin M. Modany
Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a–14(a)/15d–14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, Daniel M. Fitzpatrick, certify that:

1. I have reviewed this annual report on Form 10-K of ITT Educational Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 15, 2014

/s/ Daniel M. Fitzpatrick
Chief Financial Officer

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CL_Review001532

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ITT Educational Services, Inc. (the "Company") on Form 10-K for the period ending December 31, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, Kevin M. Modany, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin M. Modany
Chief Executive Officer
October 15, 2014

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ITT Educational Services, Inc. (the "Company") on Form 10-K for the period ending December 31, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, Daniel M. Fitzpatrick, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel M. Fitzpatrick
Chief Financial Officer
October 15, 2014

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IowaCollegeAid.gov
Your Financial Aid Connection

Via Electronic Mail

July 14, 2014

Renee D. Gaddis
Director of Accreditation and Licensing
Corinthian Colleges, Inc.
745 Plaza Court, Suite 1
Laramie, WY 82070
Reneeg@wyotechstaff.edu

Dear Ms. Gaddis:

The Iowa College Student Aid Commission (the Commission) is the State of Iowa agency charged with administering provisions of Iowa Code Chapters 261B and Sections 714.18 through 714.25. The Commission provides oversight of postsecondary educational institutions that offer educational courses and programs in Iowa, including through distance education, and ensures student consumer protections for Iowa residents enrolled in such courses and programs.

The Commission is monitoring recent announcements by the U.S. Department of Education (USDE) that it placed Corinthian Colleges, Inc. (CCI) on heightened cash monitoring status, as well as CCI's public disclosure that the USDE's action placed a financial burden on CCI that could cause the company to be unable to continue as a going concern.

The Commission notes CCI and the USDE agreed to an operating plan in which CCI will sell or teach-out its schools. However, the USDE reserves the right to defer Corinthian's access to Title IV funding and deny or revoke a CCI institution's eligibility for continued participation in the Title IV programs. These circumstances call into question CCI's ability to honor commitments to provide postsecondary educational programs and courses to students, and pose a financial risk to Iowa residents who may seek to enroll in CCI's programs and courses. In addition, the Commission has no record that CCI has demonstrated compliance with Iowa's laws that provide postsecondary student consumer protections.

Therefore, effective on the date of this notice, July 14, 2014, CCI must cease new enrollment of Iowa residents in its postsecondary educational programs and courses. This includes new Iowa-resident enrollment in online programs offered by CCI's subsidiaries Everest College – Phoenix, Everest University (Online), and the information technology courses offered through CCI's subsidiary QuickStart located at 699 Walnut Street 4th Floor, Des Moines, Iowa 50309.

430 E. Grand Ave., 3rd floor • Des Moines, IA • 50309 • 877-272-4456 • www.IowaCollegeAid.gov

Please confirm to me via email at karen.misjak@iowa.gov by 4:30 p.m. CST today, July 14, 2014, that CCI has complied with the Commission's instruction regarding new Iowa-resident enrollment.

CCI may teach out Iowa residents that are currently enrolled in programs at CCI's institutions and courses offered through the Des Moines location of QuickStart. In order to gain limited authority to teach out pursuant to this directive, CCI must – within 60 days of the date of this notice – demonstrate compliance with Iowa Code Section 714.18 by filing evidence of financial responsibility for the Iowa-resident students CCI will teach out at QuickStart, Everest College – Phoenix (online), and Everest University Online. Each school must file separately.

Filing evidence of financial responsibility requires completion of pages 3 and 4 of the electronic application attached to this electronic mail transmission, inclusion of (or a link to) the institution's or school's catalog or other materials that discloses to students the costs of courses and a policy for refunding course charges in the case when a student fails to begin attendance or withdraws during attendance. For Everest College – Phoenix (online), and Everest University Online, CCI must either implement the tuition refund policy in Iowa Code Section 714.23, subsection 3, paragraph b, or demonstrate to the Commission's satisfaction that Everest College – Phoenix and Everest University have an institutional refund policy for online program enrollees that provides an equal or greater tuition refund or reduction. The text of Iowa Code Section 714.23 is also attached to this electronic transmission.

Finally, the financial responsibility application for each school must be accompanied by a copy of a continuous corporate surety bond in the amount of $50,000 payable to the State of Iowa. Language that your insurer or bonding agency should use to document the bond is provided on page 2 of the attached electronic application. The Commission requires CCI to obtain separate $50,000 bonds payable to the State of Iowa to provide financial protection for the Iowa-resident online program students it will teach out at Everest College – Phoenix and Everest University, and a third bond in the amount of $50,000 payable to the State of Iowa for the Iowa residents it will teach out in courses offered through the Des Moines location of QuickStart.

Please work with the Commission's Postsecondary Registration Coordinator, Carolyn Small, to file appropriate evidence of financial responsibility and to answer any questions you may have. You may reach her at (515) 725-3413 or by email at Carolyn.small@iowa.gov.

Ms. Small is also awaiting a list she requested of you on June 24, 2014 of Iowa resident students who are currently enrolled in fully online programs at Everest College – Phoenix and Everest University Online. The list should contain student name, all known contact information, program, and anticipated graduation date.

Thank you for your prompt attention to these matters.

Sincerely,

Karen Misjak
Executive Director

cc: Members, Iowa College Student Aid Commission
Jan Brandow, U.S. Department of Education Regional VII
Accrediting Council for Independent Colleges and Schools
Higher Learning Commission
Rob Porter, Assistant Attorney General

Iowa College Student Aid Commission

Postsecondary Registration Administrator
430 East Grand Avenue, FL 3
Des Moines, IA 50309-1920
877-272-4456

Statement of Financial Responsibility and Exemption Request Iowa Code Chapter 714

This document includes the form for all schools that are required to file a Statement of Financial Responsibility under Iowa Code Chapter 714, Sections 714.17 through 714.25 and the form for requesting an exemption from filing of a Statement of Responsibility.

Complete either the Statement of Financial Responsibility or the Request for Exemption. Do not complete both forms. COMPLETED FORMS AND ANY APPLICABLE ATTACHMENTS MAY BE SUBMITTED EITHER IN PAPER OR ELECTRONIC FORMAT.

All items must be completed before the application will be considered as received by the Commission. Attach additional pages as needed to provide the requested information. Other documents or materials may also be attached to support the application.

GENERAL INFORMATION

Q. Who must file a Statement of Financial Responsibility?

A. Unless an exemption applies, the filing must be made by every person, firm, association, or corporation (collectively referred to in the forms as a "school") that maintains or conducts in Iowa any course of instruction for profit or for tuition charge, whether by classroom instruction or by correspondence, or that solicits in Iowa the sale of such course.

Q. What is contained in the Statement of Financial Responsibility?

A. The Statement contains general identifying information, a Designation of Resident Agent, a requirement for disclosure of certain course and tuition information, and provision of financial security.

Q. When must this Statement be filed?

A. The filing must occur before the school begins instruction. Thereafter, the school must renew its financial responsibility filing, at minimum, every two years.

Q. Must the school also register as a Postsecondary School under *Iowa Code* Chapter 261B?

A. The provisions of *Iowa Code* 261B primarily apply to postsecondary schools which issue degrees, and require registration detailing the ownership of the school and the courses of instruction offered. There is no automatic exemption between chapters 261B and 714. The school must review the provisions of 261B to determine how the law applies to the school's situation.

The information you provide will be open to public inspection under Iowa Code Chapter 22.11

Rev. 03/14

_____INSURANCE COMPANY

INSTRUCTIONAL SCHOOL BOND

Bond No. _____

KNOW ALL PERSONS BY THESE PRESENTS, That we, _____,

as Principal, and _____as Surety, are held and firmly bound unto the State of Iowa in the sum of $ _____ lawful money of the United States, for which payment we bind ourselves, our successors and assigns, jointly and severally, firmly by these presents.

WHEREAS the Principal proposes to maintain, advertise, or conduct in Iowa a course of instruction for profit, or for tuition charge, by classroom instruction or by correspondence and to enter into contracts and agreements with students for such courses of instruction; this Bond is conditioned on the faithful performance of all contracts and agreements made by it or its salespersons with students. If the Principal shall faithfully perform all such contracts and agreements, then this obligation is to be void and of no effect.

PROVIDED, The liability of the Surety upon this Bond shall be continuous, except that the Surety shall have the right to terminate its liability under this Bond by serving notice of its election to do so upon the State of Iowa. The Surety's liability under the Bond shall be terminated and canceled effective thirty (30) days after receipt by the State of a written notice signed by the Surety or its authorized agent, stating that the liability of the Surety is thereby terminated and canceled. Thereafter the Surety shall be discharged from any liability under this Bond for any default or violation of the terms of any contract or agreement made by the Principal or violation of the laws of the State of Iowa affecting such contract or agreement occurring after the effective date of the cancellation of this Bond.

Signed and dated this _____ day of _____, _____.

_____
, Principal

By: _____

_____
Ins. Co., Surety

By: _____

Iowa College Student Aid Commission

Postsecondary Registration Administrator
430 East Grand Avenue, FL 3
Des Moines, IA 50309-1920
877-272-4456

Statement of Financial Responsibility and Exemption Request Iowa Code Chapter 714

Pursuant to Iowa Code §714 *et seq.*, the undersigned school provides evidence of financial responsibility in order to maintain or conduct in Iowa one or more courses of instruction, including courses of instruction by correspondence; or in order to solicit in Iowa the sale of such course(s).

READ THE INSTRUCTIONS BEFORE STARTING THE STATEMENT

All items must be completed before the application will be considered as received by the Commission. Attach additional pages as needed to provide the requested information. Other documents or materials may also be attached to support the application.

This statement is (check one): [ ] Initial filing (no filing fee)
[ ] Renewal (no filing fee)

PART A - IDENTIFICATION

1. This statement is filed on behalf of:
   Name or title of school:

   _____

   Address of principal office:

   _____

   _____

   Telephone Number (including country or area code):

   _____

   Email address

   _____

2. State the name, business address, and business telephone number of the chief executive officer of the school:

   _____

   _____

   _____

PART B - DESIGNATION OF IOWA RESIDENT AGENT

3. The designated resident agent in Iowa for the purpose of receiving service in civil actions is (indicate name, address, and telephone number):

   _____

   _____

   _____

PART C - PROGRAMS/TUITION/POLICIES

4. Enclose a copy of any catalog, prospectus, brochure or other advertising material intended for distribution in Iowa.

5. State the tuition charges, fees and other costs payable to the school by a student.
(Attach and tab a copy of a fee schedule produced for distribution to students/applicants.)

6. State the refund policy of the school for return of refundable portions of tuition, fees, or other charges.
(Attach and tab a copy of a refund policy statement produced for distribution to students/applicants.)

PART D - FINANCIAL SECURITY

7. Attach a copy of a continuous corporate security bond payable to the state of Iowa in the sum of $50,000 conditioned upon the faithful performance of all contracts and agreements with students.
(See instructions for sample bond language.)

8. Attach a copy of the organization's Certificate of Existence or Certificate of Authority, whichever is applicable.

PART E – SIGNATURE

Applicant Organization's Chief Executive Officer

Name _____ Title _____

Signature _____ Date _____

Generally, this statement must be renewed, at minimum, every 2 years.

Iowa College Student Aid Commission

Postsecondary Registration Administrator
430 East Grand Avenue, FL 3
Des Moines, IA 50309-1920
877-272-4456

Exemption Claim
Under Iowa Code Chapter 714

THE COMPLETED APPLICATION MAY BE SUBMITTED IN PAPER OR ELECTRONIC FORMAT.

All items must be completed before the application will be considered as received by the Commission. Attach additional pages as needed to provide the requested information.Other documents or materials may also be attached to support the application.

A school which falsely or erroneously claims an exemption remains subject to the enforcement authority of Chapter 714.

DO NOT COMPLETE BOTH THE EXEMPTION AND THE FILING STATEMENT

PART A – IDENTIFICATION

1. This claim of exemption is filed on behalf of:
   Name or title of school: _____

   Address of principal office:_____

   _____

   Telephone Number (including country or area code): _____

   Email Address
   _____

2. State the name, business address and business telephone number of the chief executive officer of the school:
   _____
   _____
   _____
   _____

PART B – EXEMPTION

3. The school is exempt from filing a statement of financial responsibility pursuant to the following exception in *Iowa Code* §714.19: (check one)

O 1. Colleges or universities authorized by the laws of Iowa or any other state or foreign country to grant degrees.

O 2. Schools of nursing accredited by the board of nurse examiners or an equivalent public board of another state or foreign country.

O 3. Public schools.

O 4. Private and nonprofit schools recognized by the department of education or a local school board for the purpose of complying with chapter 299 and employing certified teachers. (See instructions.)

O 5. Nonprofit schools exclusively engaged in training persons with physical disabilities in the state of Iowa.

O 6. Schools and educational programs conducted by firms, corporations, or persons for which no fee is charged.

O 7. Seminars, refresher courses and schools of instruction by professional, business, or farming organizations or associations for the members and employees of members of such organizations or associations. A person who provides instruction under the subsection who is not a member or an employee of a member of the organization or association shall not be eligible for this exemption.

O 8. Private business schools accredited by an accrediting agency recognized by the United States Department of Education or the Council for Higher Education accreditation.

O 9. Private college preparatory schools accredited or probationally accredited under section 256.11, subsection 13.

O 10. Private, nonprofit schools that meet the criteria established under section 261.9, subsection 1.

4. Describe the course of instruction offered and set forth the facts establishing the appropriateness of the exemption.

_____

_____

_____

PART C – SIGNATURE

_____ _____

Signature Date

If the claimed exemption becomes inapplicable, the school must immediately file the statement of financial responsibility or cease offering the course(s) of instruction, or follow other applicable registration requirements under Iowa Code Chapter 261B or Chapter 714. Generally, a school must renew its exemption application, at minimum, every 2 years.

Iowa Code Chapter 714

714.23 Refund policies.

1. ***a.*** For the purposes of this section and section 714.25, *"postsecondary educational program"* means a series of postsecondary educational courses that lead to a recognized educational credential such as an academic or professional degree, diploma, or license.

b. For the purposes of this section, *"school period"* means the course, term, payment period, postsecondary educational program, or other period for which the school assessed tuition charges to the student. A school that assesses tuition charges to the student at the beginning of each course, term, payment period, or other period that is shorter than the postsecondary educational program's length shall base its tuition refund on the amount of tuition costs the school charged for the course, term, or other period in which the student terminated. A school shall not base its tuition refund calculation on any portion of a postsecondary educational program that remains after a student terminates unless the student was charged for that remaining portion of the postsecondary educational program before the student's termination and the student began attendance in the school term or course.

2. A person offering at least one postsecondary educational program, for profit, that is more than four months in length and leads to a recognized educational credential, shall make a pro rata refund of tuition charges to an Iowa resident student who terminates from any of the school's postsecondary educational programs in an amount that is not less than ninety percent of the amount of tuition charged to the student multiplied by the ratio of the number of calendar days remaining in the school period until the date equivalent to the completion of sixty percent of the calendar days in the school period to the total number of calendar days in the school period until the date equivalent to the completion of sixty percent of the calendar days in the school period.

3. Notwithstanding the provisions of subsection 2, the following tuition refund policy shall apply:

a. If a terminating student has completed sixty percent or more of a school period, the person offering the postsecondary educational program is not required to refund tuition charges to the student. However, if, at any time, a student terminates a postsecondary educational program due to the student's physical incapacity or, for a program that requires classroom instruction, due to the transfer of the student's spouse's employment to another city, the terminating student shall receive a refund of tuition charges in an amount that equals the amount of tuition charged to the student multiplied by the ratio of the remaining number of calendar days in the school period to the total number of calendar days in the school period.

b. A school shall provide to a terminating student a refund of tuition charges in an amount that is not less than ninety percent of the amount of tuition charged to the student multiplied by the ratio of the remaining number of calendar days in the school period to the total number of calendar days in the school period. This paragraph *"b"* applies to those persons offering at least one postsecondary educational program of more than four months in length, for profit, whose cohort default rate for students under the Stafford loan program as reported by the United States department of education for the most recent federal fiscal year is more than one hundred ten percent of the national average cohort default rate of all schools for the same federal fiscal year or six percent, whichever is higher.

4. In the case of a program in which student progress is measured only in clock hours, all occurrences of "calendar days" in subsections 2 and 3 shall be replaced with "scheduled clock hours".

5. A refund of tuition charges shall be provided to the student within forty-five days following the date of the school's determination that a student has terminated from a postsecondary educational program.

6. A student who terminates a postsecondary educational program shall not be charged any fee or other monetary penalty for terminating the postsecondary educational program, other than a reduction in tuition refund as specified in this section.

7. A violation of this section is a simple misdemeanor.

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	5/1/2015 9:00:02 AM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC:	Ian Harazduk <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/653bda8a64144114820bfcbf53b7514e-IHarazduk>
Subject:	FW: Letter to Dr. Albert Gray
Attachments:	X150430 Massimino letter to Gray.pdf

Boo hoo.

Or, CCi could cough up the enrollment records of current students at the four ACICS campuses so that we could begin working with:

All other ACCS colleges and schools in CA and NY that may have programs where these students could transfer or complete their studies

DEAC, ACCSC, ABHES and COE to inventory their institutions that may be able to accept some of these students

BPPE in CA and Dept of Ed in NY to identify records retention and transcripts access protocols

USDOE/Title IV to identify bona fide teach-out partners whom would be eligible for T4 reimbursement

Looks like all of the usual suspects followed all of the requisite rules and protocols and produced lousy outcomes for students; question is, do we want to be part of that narrative or a different narrative? Such as below:

FOR IMMEDIATE RELEASE (Option B)

Contact Tony Bieda, 202.336.6781

ACICS reaches out to help Everest/Corinthian's students

May 1, 2015: Washington, D.C. –The accrediting authority for three Everest Colleges in California (Ontario, Santa Ana and San Bernardino) and one in Rochester, New York is reaching out to

other accredited institutions, state approval authorities and the U.S. Department of Education to develop satisfactory transfer and teach-out options for students enrolled at closing campuses. The Accrediting Council for Independent Colleges and Schools (ACICS) has provided quality assurance for Everest/Corinthian institutions since 1966.

"The untimely and unfortunate demise of the Everest Colleges primarily creates hardship and stress for students. To the degree we can encourage other institutions and authorities to exhaust all remedies for these students, ACICS will do so," said Albert C. Gray, president and CEO of ACICS.

Gray emphasized that students should expect Corinthian/Everest to follow its published and approved refund policy; provide students access to a grievance process and respond to formal complaints, and that the school's credit transfer policy is applied diligently and faithfully. A complete inventory of student's rights is available at www.acics.org.

Gray advised students of the following additional resources:

http://www.cci.edu/update.php

Student refunds: For students who are unable to complete their education at the Everest campus in which they enrolled because of campus closure, the institution is required to provide a refund for the tuition and fees paid to date. Contact Everest through the information provided above about the application process for refunds and the interval for receiving full payment. In addition, depending on the state, a tuition recovery fund or surety bond may be available to compensate students for the inability to complete their education. The website for Corinthian (above) includes resources for students at the state levels and for the U.S. Department of Education.

Student loans: Students who participate in Federal Student Aid programs (Title IV subsidized education loans) may be eligible to apply for discharge of their debt. The U.S. Department of Education has information about the requirements and process. The fact that the school closed does not automatically relieve a student of his/her obligation to repay federal loans. Students are urged to contact their loan servicer to request loan forgiveness through the U.S. Department of Education. Information on how to request a discharge should have been sent to you by your servicer and is also available at: https://studentaid.ed.gov/repay-loans/forgiveness-cancellation/closed-school

Student transcripts/financial aid records: The closing campus is required to provide for the safe keeping of all student academic records (transcripts) and student financial aid records, and to convey those in a secure manner to students or the institutions they designate upon request.

For more information about how to gain access to transcripts and financial aid records, contact Everest through the information provided above.

-30-

Anthony S. Bieda

Vice President for External Affairs

Accrediting Council for Independent Colleges and Schools

750 First Street, NE | Suite 980 | Washington, DC 20002

www.acics.org | 202.336.6781 - p | 202.842.2593 - f

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From: Massimino, Jack [mailto:JMassimino@cci.edu]
Sent: Thursday, April 30, 2015 8:02 PM
To: Albert C. Gray
Cc: Ian Harazduk; Joseph Gurubatham; Anthony Bieda; Susan Greer

Subject: Letter to Dr. Albert Gray
Importance: High

Dr. Gray,

Please see the attached letter from Jack Massimino.

Kind regards,

Carolyn Riel

Executive Assistant

On behalf of

Jack Massimino, Chairman & CEO

Corinthian Colleges, Inc.

6 Hutton Centre Dr., Suite 400

Santa Ana, CA 92707

(714) 825-7276 direct

jmassimino@cci.edu

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From:	Joseph Gurubatham <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/2839EEC7707F4128A4DE87103ED162F4-JGURUBATHAM>
Sent:	8/4/2014 5:22:58 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>
Subject:	FW: Meeting Notes: CCI Oversight Partners
Attachments:	CCI Meeting With Oversight Partners #5 NOTES 07 30 2014.docx.pdf

FYI.

Joseph

Joseph E. Gurubatham, Ed.D.

Senior Vice President, Accreditation and Institutional Development

Accrediting Council for Independent Colleges and Schools

750 First Street, NE | Suite 980 | Washington, DC 20002

www.acics.org | 202.336.6797 - p | 202.842.2593 – f

From: Thornton, Cynthia [mailto:Cynthia.Thornton@ed.gov]
Sent: Monday, August 04, 2014 5:01 PM
To: 'clambert@accsc.org'; Joseph Gurubatham; 'kbell@wascsenior.org'; 'coberg@wascsenior.org'; 'mepetrisko@wascsenior.org'; 'rwinn@wascsenior.org'; 'bgdanley@hlcommission.org'; 'ksolinski@hlcommission.org'; Susan Greer; 'teri.stanfill@azppse.gov'; 'joanne.wenzel@dca.ca.gov'; 'georgia.roberts@dhe.state.co.us'; 'susan.hood@fldoe.org'; 'sam.ferguson@fldoe.org'; 'ccam@npec.state.ga.us'; 'carolyn.small@iowa.gov'; 'cullen@ibhe.org'; 'sarah.levy@ky.gov'; 'kcpe@ky.gov'; 'approvalquery@bhe.mass.edu'; 'sackerball@mhec.state.md.us'; 'approvalquery@bhe.mass.edu'; 'beamishm@michigan.gov'; 'george.roedler@state.mn.us'; 'leroy.wade@dhe.mo.gov'; 'rusty.monhollon@dhe.mo.gov'; 'michelle.robinson@njhe.state.nj.us'; 'Sondra.Fountain@dol.state.nj.us'; 'Robert.Grimmie@dol.state.nj.us'; 'dperlman@cpe.state.nv.us'; 'ezunon@mail.nysed.gov'; 'mborden@mail.nysed.gov'; 'ltemplem@mail.nysed.gov'; 'mkrupcza@mail.nysed.gov'; 'john.ware@scr.state.oh.us'; 'alethia.miller@state.or.us'; 'matt.barber@state.or.us'; 'ra-pls@pa.gov'; 'plandis@pa.gov'; 'Stephen.Rye@twc.state.tx.us'; 'cathie.maeyaert@THECB.state.tx.us'; 'JoeDeFilippo@schev.edu'; 'SylviaRosaCasanova@schev.edu'; 'pspencer@wtb.wa.gov'; 'michaelb@wsac.wa.gov';

'stotler@hepc.wvnet.edu'; 'elaine.marces@wyo.gov'; 'mwinegar@utah.gov'; 'julie.woodruff@tn.gov'; 'david.dies@eab.wisconsin.gov'; 'annie.walker@dvs.virgina.gov'; 'lorna.candler@dhe.state.co.us'; 'Rebeca.Becerra@calvet.ca.gov'; 'billc@npec.state.ga.us'; 'brenda.germann@arkansas.gov'; 'clinton.w.dick@state.ma.us'; 'rachael.pauze@state.ma.us'; 'MaryJayne.Fay@state.ma.us'; 'kevin.scanlon@state.ma.us'; 'Layla.D'Emilia@state.ma.us'; 'helen.dunford@ode.state.or.us'; 'juan.Baez-Arevalo@state.or.us'; 'darlene.bartlett@wtb.wa.gov'; 'rmiller@che.in.gov'; 'Betsy.Talbot@state.mn.us'; 'jjohnson@ksbor.org'; 'kverneuille@mccb.edu'; 'dkendall@mhec.state.md.us'; 'Bobbi.lum-mew@dcca.hawaii.gov'; 'michael.delong@twc.state.tx.us'; 'jim.parker@wtb.wa.gov'; 'diane.vigil@state.nm.us'; 'david.mathews@state.nm.us'; 'Alana.Boles@adhe.edu'; 'dehuber@nd.gov'; 'Keith.Boylan@calvet.ca.gov'; 'James.Vanderbilt@calvet.ca.gov'; 'dan.wellman@illinois.gov'; 'WickhamB@fdva.state.fl.us'; 'Wclarke@veterans.state.ny.us'; 'martina.murray@dvs.virginia.gov'; 'tangman@ibhe.org'; Minor, Robin; Bennett, Ron; Chauvin, Karen; White, Carolyn; Gust, Mary; Pickett, Veronica; Coughlin, Betty; Fernandez-Rosario, Martina; Frola, Michael; Gifford, Nancy Paula; LoBosco, Ralph; Miller, Christopher; Parrott, Douglas; Thornton, Cynthia
Subject: Meeting Notes: CCI Oversight Partners

Good afternoon everyone,

Attached, please find the meeting notes from the 7/30/14 meeting.

On the Teach-Out plans and Student Lists:

We will discuss these further at our next meeting on Wednesday. The Department is currently reviewing the data and sorting it in a way that would be of most help in our discussions as we continue to prepare for a potential closure. We remain optimistic that CCI will either sell the schools or do a proper teach-out so that the majority of the students will not be negatively impacted.

We look forward to our discussion on Wednesday, August 6, 2014 at our regularly scheduled times: 1:00 PST, 3:00 CST and 4:00 EST. Should you have additional questions or comments, please send and email to:

Martina Fernandez-Rosario Martina.Fernandez-Rosario@ed.gov or Cynthia Thornton Cynthia.Thonton@ed.gov

On behalf of the team,

Cynthia

Potential Q & A's – CFPB Inquiry

Q: The Obama Administration has shown a general opposition to profiting off higher education, demonstrated by the unpayable fine levied against Corinthian Colleges, implementation of the Gainful Employment Act and the recent suspension of the University of Phoenix from recruiting on military bases. Do you see this as a coordinated attempt among the White House, Sen. Warren and her former colleagues with the CFPB to find a new culprit to blame for the high-profile scandals in the industry?

A: Soon after we received a Civil Investigative Notice from CFPB we filed a motion to modify or set aside the investigation, because only the Education Department maintains jurisdiction over the accreditation community. We have yet to receive a response from CFPB. We stand by our actions with regards to Corinthian Colleges.

Q: You are asking the CFPB to modify, or set aside its investigation altogether. It seems like you simply want to pass the buck to someone else for everything that went wrong in the for-profit college world over the past few years.

A: The CFPB is setting a dangerous precedent by overstepping its bounds into an area that is clearly under the control of the Department of Education. They also serve as their own judge and jury regarding our request to modify or set aside their investigation.

Every federal government agency has its own clear set of statutes and powers. If CFPB is permitted to encroach on DOE's power over the higher education accrediting process, it could create an agency with far more authority than was ever intended.

Q: American consumers lost money on tuition and had their potential future earnings hampered by these schools. Protecting consumers was what the CFPB was originally set up to do after the subprime lending fiasco of the late 2000's. It sounds like they're going down the right path with this investigation.

A: CFPB's role is limited to taking action against service providers or affiliates who provide financial products or services, such as loans. ACICS does not provide loans or nay other financial service to the institutions that it accredits. The Department of Education distributes federal financial aid directly to colleges and universities, without any involvement from ACICS.

Q: Thousands of students have flooded the CFPB website with stories about their for-profit college experience that have included meaningless degrees, overwhelming debt, deceptive marketing and false promises of jobs after graduation. By accrediting many of the for-profits that are accused of these practices, doesn't ACICS shoulder some of the blame?

A: There are three partners in the higher education process: the U.S. Department of Education, state oversight boards and national and regional accreditors. Each play a unique, but significant role in the process. ACICS is more than willing to work with DOE – the federal body with sole discretion and authority over accreditors – to find solutions strengthening the accreditation process in higher education.

Q: The CFPB's CID says the purpose for their investigation is to determine whether ACICS engaged in unlawful acts in violation of the Consumer Financial Protection Law by accrediting for-profit colleges. Are you worried about what they will find?

A: No, we are confident that ACICS has not violated any consumer financial protection laws. ACICS does not provide loans or any other financial service to the institutions that it accredits. The Department of Education distributes federal financial aid directly to colleges and universities, without any involvement from ACICS.

From:	"Guida, Tony" <TGuida@duanemorris.com>
Sent:	3/5/2015 3:23:55 PM -0500
To:	Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>
CC:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>
Subject:	FW: Past Performance Letter of Credit Request
Attachments:	FRM - Sample Irrevocable Letter of Credit 11-14-12.doc; CCI Letter of Credit Requet - Past Performance 3-3-15.pdf

Joseph, Susan,

As we discussed yesterday, attached is the email and letter from the Department of Education concerning the letter of credit requirement. I also call your attention to the next to the last paragraph of the cover email, which describes the current status of the Operating Agreement. If you have any questions, do not hesitate to contact me.

Thank you again for being so generous with your time on the phone with me.

Regards,

Tony Guida
Partner

Duane Morris LLP
750 B Street, Suite 2900
San Diego, CA 92101-4681
P: +1 619 744 2256
F: +1 619 923 2489
C: +1 714 980 1579

tguida@duanemorris.com
www.duanemorris.com

From: Frola, Michael [mailto:Michael.Frola@ed.gov]
Sent: Tuesday, March 03, 2015 11:48 AM
To: 'JMassimino@cci.edu'
Cc: Guida, Tony; Hill, Tiffany
Subject: RE: Past Performance Letter of Credit Request

Dear Mr. Massimino,

Please see the attached properly dated past performance LOC request letter. Additionally, I have attached the sample letter of credit form.

Sincerely,

Michael Frola

From: Frola, Michael
Sent: Tuesday, March 03, 2015 2:17 PM
To: 'JMassimino@cci.edu'
Cc: 'Guida, Tony'; Frola, Michael; Hill, Tiffany
Subject: Past Performance Letter of Credit Request

Dear Mr. Massimino:

Please find attached a Letter of Credit Request – First Year Past Performance letter as a courtesy copy. The original letter has been submitted to your attention via express mail, and should arrive within the next few days.

On February 10, 2015, the Department of Education (Department) sent a letter citing Corinthian Colleges, Inc. (CCI) for failure to timely submit financial statement submission for its fiscal year ended June 30, 2014. The attached letter advises you that untimely submissions constitute a failure of financial responsibility under the Department's regulations. Pursuant to 34 C.F.R. §§ 668.171(c)(1)(ii), 668.171(d)(2), and 668.174(a)(3), an institution is not financially responsible if the institution has been cited during the preceding five years for failure to timely submit an acceptable annual compliance and/or financial statement audit. This means that CCI will not be financially responsible under the Department's regulations for five years from February 10, 2015, or longer if the institution provides untimely submissions in subsequent years.

In view of this failure to meet the financial responsibility requirements under the regulations, CCI may continue participation in the Title IV, HEA programs as required by 34 C.F.R. § 668.175(f)(1). Therefore, CCI will be provisionally certified for a period of three years. Because this is a failure of the financial responsibility regulations, the institution is also required to post an irrevocable letter of credit (LOC) for a period of five years. Upon expiration of the three year provisional

period, the certification will be extended for the duration of the LOC requirement.

The Department notes that the Operating Agreement between CCI and the Department is still in effect. The Department expects CCI to operate in accordance with the terms of that Agreement, including in its efforts to sell its remaining campuses.

Please review the attached document which requires action. If you have any questions or concerns regarding this matter, please contact my financial analyst Tiffany Hill at 202 -377-4225 or email her tiffany.hill@ed.gov.

Sincerely,

Michael Frola

Director

Multi-Regional and Foreign School Participation Division

Office: (202) 377-3364

michael.frola@ed.gov

StudentAid.gov

For more information about Duane Morris, please visit http://www.DuaneMorris.com

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March 3, 2015

Jack Massimino
Chairman and CEO
Corinthian Colleges, Inc.
6 Hutton Center Drive, Suite 400
Santa Ana, CA 92707-5764

Express Mail
1ZA879640297984589

RE: Letter of Credit Request – First Year Past Performance
Provisional Certification
OPE ID: 00449400, 00719000, 00723400, 00809000, 01110700,
011109000, 0112300, 01287300, 03072300, 03195400

Dear Mr. Massimino:

On February 10, 2015, the Department of Education (Department) sent a letter citing Corinthian Colleges, Inc. (CCI) for failure to timely submit an acceptable annual compliance audit and/or financial statement submission for its fiscal year ended June 30, 2014. This letter advises you that untimely submissions constitute a failure of financial responsibility under the Department's regulations. Pursuant to 34 C.F.R. §§ 668.171(c)(1)(ii), 668.171(d)(2), and 668.174(a)(3), an institution is not financially responsible if the institution has been cited during the preceding five years for failure to timely submit an acceptable annual compliance and/or financial statement audit. This means that CCI will not be financially responsible under the Department's regulations for five years from February 10, 2015, or longer if the institution provides untimely submissions in subsequent years.

In view of this failure to meet the financial responsibility requirements under the regulations, CCI may continue participation in the Title IV, HEA programs as required by 34 C.F.R. § 668.175(f)(1). Therefore, CCI will be provisionally certified for a period of three years. Because this is a failure of the financial responsibility regulations, the institution is also required to post an irrevocable letter of credit (LOC) for a period of five years. Upon expiration of the three year provisional period, the certification will be extended for the duration of the LOC requirement.

Under the *Provisional Certification Alternative*, per 34 C.F.R. § 668.175(f)(2)(i), CCI is required to submit an irrevocable LOC in the amount of $34,506,372. This amount represents 10% of the Title IV, HEA program funds received by CCI during its most recently completed fiscal year. Please note that the LOC amount will change based on the funds received in subsequent fiscal years by CCI. Therefore, the Department will advise you of any future amendments needed to the LOC.

This *Provisional Certification Alternative* also requires, per 34 C.F.R. § 668.175(f)(2)(iii), compliance with the provisions under the *Zone Alternative* which are specified at 34 C.F.R. § 668.175(d)(2) and (3) including cash monitoring method 1.

Letter of Credit Requirements

A sample of an irrevocable LOC is enclosed. Your lending institution must use this format on its letterhead with no deviation in the language contained therein.

CCI's LOC must:

1. **Be issued by a United States bank**
   CCI is required to notify the School Participation Division-Multi-Regional and Foreign School Participation Division within 3 business days in the event the financial institution that issued the irrevocable LOC should fail, resulting in financial transactions and operations being administered by the Federal Deposit Insurance Corporation. CCI will be required to submit a new replacement LOC issued by a different and non-failed U.S. bank within 75 business days.

2. **Cover the five year period 2/10/2015 through 3/31/2020.**

3. **Be received 75 calendar days from the date of this letter**
   Please note that if CCI fails to provide the irrevocable LOC within 75 calendar days, *the institution will be subject to termination under 34 C.F.R. § 668.86, revocation of its PPA, or denial of a pending application for recertification. Also, please note that information regarding the LOC is subject to the Freedom of Information Act (FOIA) of 1966, as amended.*

The irrevocable LOC must be made payable to the Secretary, U.S. Department of Education and mailed to the following address:

Veronica Pickett, Director
Performance Improvement and Procedures Service Group
U.S. Department of Education
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

Zone Alternative Requirements:

1) **Method of Payment** – CCI is required to make disbursements to eligible students and parents under the Heightened Cash Monitoring method of payment as described under 34 C.F.R. § 668.162(e)(1).
   Under the Heightened Cash Monitoring (HCM) payment method as stated in 668.162(d), the Institution must first make disbursements to eligible students and parents before it requests or receives funds for the amount of those disbursements from the Department. This "Records First" requirement is fully described in the 2013-2014 Funding Authorization and Disbursement Information eAnnouncement, issued March 15, 2013. The funding request may not exceed the amount of the actual disbursements that were made to the students and parents included in the funding request. Providing the student accounts are credited before the funding requests are initiated, the Institution is

permitted to draw down funds through the Department's electronic system for grants management and payments, G5, for the amount of disbursements it made to eligible students and parents.

The Records First requirement also means that institutions on HCM1 that are participating in the Direct Loan (DL) program will have their Current Funding Level (CFL) reduced to the greater of Net Approved and Posted Disbursements (NAPD) or Net Draws (processed payments less all refunds, returns, offsets, and drawdown adjustments). In the event of returning to Advanced Funded status, the institution will be expected to continue processing DL awards as Records First until the next DL global funding increase is processed.

Refer to the following eAnnouncement:

http://ifap.ed.gov/eannouncements/attachments/031513AttachImportantReminders1314FundingAuthandDisbursInfo.pdf, for additional information about the Records First requirement.

2) **Notification Requirements** - CCI is required to provide information to the Multi-Regional and Foreign School Participation Division (MRFSPD) by certified mail or electronic or facsimile transmission no later than 10 days after any of the oversight or financial events, as described below, occur:

- Any adverse action, including probation or similar action, taken against CCI by its accrediting agency, State agencies, or a Federal agency;
- Any event that causes CCI, or related entity as defined in the Statement of Financial Accounting Standards (SFAS) 57, to realize any liability that was noted as a contingent liability in CCI or related entity's most recent audited financial statements;
- Any violation by CCI of any loan agreement;
- Any failure of CCI to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;
- Any withdrawal of owner's equity/net assets from CCI by any means, including by declaring a dividend;
- Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30; or
- Any filing of a petition by CCI for relief in bankruptcy court.

CCI must also include with the information it submits, written notice that details the circumstances surrounding the event(s) and, if necessary, what steps it has taken or plans to take to resolve the issue.

Promptly contact Henry Johnson, Payment Analyst for Multi-Regional and Foreign School Participation Division at 202-377-4589 with any questions regarding CCI's current DL award authorization level or the Records First requirements.

If you have any questions regarding the **financial responsibility determination**, or disagree with the reason or methodology used for this determination, please contact Tiffany Hill, Financial Analyst, within 30 calendar days at 202-377-4225.

Sincerely,

(b)(6)

Michael Frola
Director, Multi-Regional and Foreign Schools Participation Division

Enclosures: Sample Irrevocable Letter of Credit

cc: Campus President Ruth Darton, Everest College – San Bernardino
Campus President Michael Stiglich – WyoTech – Fremont
Campus President John Allen – Everest College – Alhambra
Campus President Thomas Wicke – Everest College – Anaheim
Campus President Dorit Soltanovich – Everest College – Reseda
Campus President JC Rivas – Everest College – Gardena
Campus President Bad Janis – WyoTech – Long Beach
Campus President Michael Conn – Everest College- Torrance
CA Bureau of Private Postsecondary Education
Accrediting Council for Independent Colleges and Schools
Accrediting Commission of Career Schools and Colleges
Western Association of Schools and Colleges – Sr. Colleges & Universities

IRREVOCABLE LETTER OF CREDIT

<Insert name, address and telephone number of issuing bank>

To beneficiary:
U.S. Department of Education
ATTN: Veronica Pickett, Director
Performance Improvement and Procedures Service Group
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

Date: <Insert Date LOC Issued>
Amount: $ <Insert U.S. Dollar amount>
Expiration Date: <Insert Date>

Dear Sir/Madam:

We hereby establish our Irrevocable Letter of Credit Number <Insert LOC Number> in your favor for the account of:

<Insert Name and Address of Institution>
OPE-ID #: <Insert 8 digit Office of Postsecondary Education ID number>

Hereafter, <Insert Name of Institution> ("Institution"), presents, in the amount of **$**<Insert Dollar Amount> (U.S. dollars), available by your draft (or drafts drawn on us) at sight accompanied by:

a) the original of this letter of credit instrument (along with originals of all amendments), and
b) a statement signed by the Secretary ("Secretary"), U.S. Department of Education ("Department"), or the Secretary's representative, certifying that the drafted funds will be used for one or more of the following purposes, as determined by the Secretary:
    1) to pay refunds of institutional or non-institutional charges owed to or on behalf of current or former students of the Institution, whether the Institution remains open or has closed,
    2) to provide for the "teach-out" of students enrolled at the time of the closure of the Institution, and
    3) to pay any liabilities owing to the Secretary arising from acts or omissions by the Institution, on or before the expiration

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of this letter of credit, in violation of requirements set forth in the Higher Education Act of 1965, as amended ("HEA"), including the violation of any agreement entered into by the Institution with the Secretary regarding the administration of programs under Title IV of the HEA.

Should the Institution fail to renew the letter of credit within ten (10) days prior to its expiration, as directed by the Department, the Department may call the letter of credit and place the funds in an escrow account at the Department pending a prompt determination of the extent to which those funds will be used in accordance with subparagraphs 1) through 3), above.

We hereby agree with you that partial drawings are permitted and that drafts drawn under and in compliance with the terms of this letter of credit will be duly honored upon due presentation at our offices on or before the expiration date of this letter of credit.

This letter of credit is subject to the International Standby Practices (ISP98), International Chamber of Commerce Publication Number 590.

_____	_____	_____
Printed Legal Name	Authorized Signature	Date Signed

_____
Printed Official Title of Authorized Signer

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	9/19/2014 2:58:01 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC:	Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; Jeff Olszewski <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/5b5c75d2faf243ad81863a2950d5c8f9-JOlszewski>
Subject:	FW: Stock Decline An Overreaction In Our View
Attachments:	ESI091914-102533.pdf

... and this from an analyst that ITT says is too hard on its stock value. Hmmm.

Anthony S. Bieda

Vice President for External Affairs

Accrediting Council for Independent Colleges and Schools

750 First Street, NE | Suite 980 | Washington, DC 20002

www.acics.org | 202.336.6781 - p | 202.842.2593 - f

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From: Trace Urdan [mailto:trace.urdan@wellsfargo.com]
Sent: Friday, September 19, 2014 2:50 PM
To: Anthony Bieda
Subject: ESI: Stock Decline An Overreaction In Our View

ESI: Stock Decline An Overreaction In Our View

ITT Educational Services, Inc.

Education

Trace A. Urdan, Senior Analyst (415) 947-5470
trace.urdan@wellsfargo.com
Jeffrey Lee, Associate Analyst (415) 396-4328 *jeffrey.lee@wellsfargo.com*
Wells Fargo Securities, LLC.

- **We are maintaining our Outperform rating on ESI shares** in the wake of news that is likely to further burden the company's balance sheet. A larger-than- anticipated Letter of Credit (LOC) requirement ($80 million) and a possible additional legal liability place further pressure on the presumed cash balance available to the company. Yet even with this incrementally discouraging news, we continue to believe the stock is dramatically oversold as it implies going concern risk that we do not see. We are reducing our valuation expectation to account for the additional potential legal liability and an even more skeptical multiple (3.0x-3.5x EBITDA.) Our valuation expectation moves to $21-24 from $26-29.

- **Wells Notice represents an expense**. The SEC informed the company that it intends to bring a civil action related to its investigation into the company's off balance sheet lending practices. That the investigative division took issue with the accounting treatment of the company's recourse loan programs is **old news**. This pressure (including intense interrogations with ESI officials and its accountants,) is what prompted the accounting change that has delayed the company's filings after all. That the action is civil and not criminal ought to be regarded as a marginal positive we think. Nevertheless, we have removed $50 million from our valuation assessment to allow for the company's possible

settlement.

- **LOC was anticipated**. Though we had expected a lower level of securitization ($50 vs. $80+ million,) the LOC should not be a surprise to investors. Pursuant to its amended credit agreement, the funds are likely to be fully or partially securitized through mortgages against the company's real estate holdings (if not an outright sale.) And the funds represent simply a hold against deferred revenue. From a valuation perspective the LOC is effectively a double counting of an existing liability. The additional restrictions on expansion/acquisition placed by ED may be a nuisance but irrelevant from a valuation perspective in our view.
- **FCF expectation**. We have forecast FCF generation of $37 million for ESI in 2014 (vs. last stated guidance of $75-$100 million). After contractual PEAKS payments of $165 million, this leaves $90 million in net cash. Assuming the $80 million LOC is ultimately secured through mortgages; that should still leave the company with $90-100 million for contingencies, including any SEC settlement.

ITT Educational Services, Inc. (ESI-NYSE) --Outperform (1) / V

Price as of 9/19/2014: $4.5799
FY 14 EPS: $2.04
FY 15 EPS: $2.21
Shares Out.: 25.6 MM
Market Cap.: $122.5 MM

Sector Rating: Post Secondary, Overweight

See attached PDF for additional information, current pricing and disclosures.

THANK YOU FOR RECEIVING WELLS FARGO SECURITIES, LLC RESEARCH. TO UNSUBSCRIBE TO THIS MESSAGE REPLY TO THE ABOVE E-MAIL ADDRESS.

September 19, 2014

WELLS FARGO SECURITIES

Equity Research

ITT Educational Services, Inc.

ESI: Stock Decline An Overreaction In Our View

Outperform / V

Sector: Post Secondary
Overweight

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Valuation Range Change

	2013A	2014E		2015E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$1.41	$0.58	NC	$0.42	NC
Q2 (June)	0.89	0.42	NC	0.52	NC
Q3 (Sep.)	0.96	0.46	NC	0.36	NC
Q4 (Dec.)	0.90	0.58	NC	0.91	NC
FY	$4.16	$2.04	NC	$2.21	NC
CY	$4.16	$2.04		$2.21	
FY P/EPS	1.1x	2.3x		2.1x	
Rev.(MM)	$1,070	$972		$981	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, ✎ = Company is on the Priority Stock List

Valuation Range: $21.00 to $24.00 from $26.00 to $29.00
Our valuation range of $21-24 is derived by applying an EV/EBITDA multiple range of 3.0x to 3.5x to our 2016 estimate plus net cash, less a $50 million projected liability for SEC settlement. This multiple reflects a significant discount to the mean of the vocational players (5.5x-6.5x,) and reflects both the execution risks surrounding the company's financing as well as uncertain legal liabilities. Once evidence of rebounding enrollment becomes more definitive, we believe a P/E-based valuation and much greater upside potential could be appropriate. An increase in the rate of enrollment decline or in the perceived level of regulatory risk could upset our valuation framework.

Ticker	ESI
Price (09/19/2014)	$4.58
52-Week Range:	$7-46
Shares Outstanding: (MM)	25.6
Market Cap.: (MM)	$117.2
S&P 500:	2,007.25
Avg. Daily Vol.:	582,959
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$150.0
LT Debt/Total Cap.:	27.0%
ROE:	329.0%
3-5 Yr. Est. Growth Rate:	10.0%
CY 2014 Est. P/EPS-to-Growth:	0.2x
Last Reporting Date:	01/30/2014 Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Investment Thesis:
The training provided by ITT as well as the vigorous placement efforts it makes on behalf of graduates offers great value, in our opinion, and once consumer confidence improves, we think demand will improve as well. The company's revised pricing strategy, though still nascent, appears to be generating enrollment growth through share gains.

Trace A. Urdan, Senior Analyst
(415) 947-(b)(6) /
(b)(6) @wellsfargo.com
Jeffrey Lee, Associate Analyst
(415) 396-(b)(6) /
(b)(6) @wellsfargo.com

Please see page 6 for rating definitions, important disclosures and required analyst certifications
All estimates/forecasts are as of 09/19/14 unless otherwise stated.

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Company Description:

ITT Educational Services, Inc. provides nationally and regionally accredited, technology-oriented undergraduate and graduate degree programs in strong employment fields including business, electronics, drafting, industrial design, telecommunications, and engineering. It operates in 39 states and online through more than 140 ITT Technical Institutes and Daniel Webster College.

Department of Education Restrictions

The company disclosed that the Department of Education has demanded a Letter of Credit in the amount of $80 million by November 4, in addition to other restrictions on the company's activities as censure for its failure to file its audited 2013 Form 10K within six months of year-end. The LOC must extend through November of 2019 and is subject to an annual adjustment to an amount that represents 10% of Title IV funds disbursed in the prior year.

In addition ED placed the Company's institutions on heightened cash monitoring for the receipt of Title IV Program funds which slows cash receipts but does not violate the terms of its credit agreements and should not unduly burden the company from a working capital standpoint. ED has demanded that the company provide proof that it is has met and is meeting its credit obligations and it could require the company, in future years, to submit its audited financial statements and Compliance Audits to ED earlier than six months following the end of their fiscal year.

In addition ED has provisionally certified the company's institutions to participate in Title IV Programs which provides ED with much more control over their ongoing participation. Any institution provisionally certified by ED must apply for and receive approval for any substantial change including the opening of new campuses and the addition of new programs. The company must also provide information to ED within 10 days of 1) any adverse action taken by an accreditor, state authorizing agency, or any federal agency; 2) any event that causes the company to realize any liability that was noted as a contingent liability in its most recent audited financial statements; 3) any violation by the company of any loan agreement or failure to otherwise meet a loan-related obligation; 4) any withdrawal of the company's shareholders' equity or net assets by any means, including the declaration of a dividend; 5) any extraordinary loss by the company; 6) any filing of a petition by the company for relief in bankruptcy court.

Wells Notice probably means a penalty.

In addition, the company announced that it has received a Wells Notice from the SEC signaling an intent to bring a civil action against the company in conjunction with its off balance sheet loan programs. Given that the company has already taken extensive (and costly) action to remediate the alleged violation (i.e. questionable accounting practices in order to fulfill ED regulatory requirements,) the Wells notice effectively means, in our view, a penalty assessment. Whether the company defends itself in court, or attempts to settle and resolve the matter quickly, it simply represents an expense to be managed in our view.

Positive Free Cash Flow

The collapse of ESI's share price has invited comparisons with Corinthian Colleges, but we see several important differences. On balance we expect the company to generate positive free cash flow in 2014. The company's previous guidance, (since withdrawn,) was for FCF between $75 and $100 million. Since that guidance was issued, our own Net Income estimate has come down approximately $25 million. Our current FCF estimate, before PEAKS payments, totals $37 million, which we believe is sufficiently conservative. The company is also expected to make PEAKS related payments of approximately $165 million in 2014, leaving it with a net cash balance of approximately $90 million at year end. Of this amount, $80 million must be securitized to support a LOC for the Department of Education, leaving the company with a cash balance of $10 million before any potential sale/leaseback or alternate financing. However given that creditors are requiring mortgaging of the company's real estate assets, we can assume such financing is already in the works and should largely cover the $80 million LOC requirement.

We believe this leaves ample cash for an SEC settlement and ongoing defense of the CFPB claim. This scenario is predicated on continued operations of the company's ground campuses and the absence of any information on this front is admittedly disconcerting. However the fundamental factor on that front is the needs of the employment market for effectively trained ESI grads and we do not believe any of the factors described above materially affect that equation. While negative publicity may represent a temporary discouragement, ultimately enrollment will likely be determined by ROI in the employment market and ESI's long, successful history suggests to us that recovery and equilibrium is simply a function of employment growth in the broader economy.

ITT Educational Services - Income Statement ($ in 000s)

	FY10A	FY11A	FY12A	Mar-13A	Jun-13A	Sep-13A	Dec-13A	FY13A	Mar-14E	Jun-14E	Sep-14E	Dec-14E	FY14E	Mar-15E	Jun-15E	Sep-15E	Dec-15E	FY15E	FY16E
Total revenues	1,596,529	1,499,949	1,287,209	267,711	259,936	259,416	262,921	1,069,984	248,544	235,509	245,528	242,604	972,185	241,867	240,212	241,611	257,037	980,727	1,024,314
y/y growth	*21.0%*	*-6.0%*	*-14.2%*	*-15.8%*	*-21.2%*	*-17.6%*	*-12.6%*	*-16.9%*	*-13.6%*	*-9.4%*	*-5.4%*	*-7.7%*	*-9.1%*	*-2.7%*	*2.0%*	*-1.6%*	*5.9%*	*0.9%*	*4.4%*
Educational services	537,855	553,065	539,223	125,221	123,828	121,994	121,111	492,154	120,979	119,822	121,164	120,410	482,376	120,979	119,822	121,164	120,410	482,376	484,828
% of revenue	*33.7%*	*36.9%*	*41.9%*	*43.5%*	*47.6%*	*47.0%*	*46.1%*	*46.0%*	*48.7%*	*50.9%*	*49.3%*	*49.6%*	*49.6%*	*50.0%*	*49.9%*	*50.1%*	*46.8%*	*49.2%*	*47.3%*
y/y growth	*19.6%*	*2.8%*	*-2.5%*	*-7.2%*	*-12.1%*	*-8.9%*	*-6.4%*	*-8.7%*	*-3.4%*	*-3.2%*	*-0.7%*	*-0.6%*	*-2.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.5%*
General & administrative	445,125	439,806	422,345	106,282	100,903	99,130	102,209	408,524	103,876	98,468	105,581	98,182	406,106	103,421	98,787	105,314	99,163	406,686	416,777
% of revenue	*27.9%*	*29.3%*	*32.8%*	*39.9%*	*38.8%*	*38.2%*	*38.9%*	*38.2%*	*41.8%*	*41.8%*	*43.0%*	*40.5%*	*41.8%*	*42.8%*	*41.1%*	*43.6%*	*38.6%*	*41.5%*	*40.7%*
y/y growth	*17.0%*	*-1.2%*	*-4.0%*	*0.0%*	*-9.5%*	*-9.9%*	*8.1%*	*-3.3%*	*-2.3%*	*-2.4%*	*6.5%*	*-3.9%*	*-0.6%*	*-0.4%*	*0.3%*	*-0.3%*	*1.0%*	*0.1%*	*2.5%*
Loss related to private student loans				3,464		6,213	60,277	69,954	60,800				60,800					-	-
% of revenue				*1.2%*		*2.4%*	*22.9%*	*6.5%*	*24.5%*				*6.3%*					*0.0%*	*0.0%*
Operating income	613,549	507,076	325,641	56,208	35,205	38,292	39,601	169,306	23,689	17,220	18,782	24,012	83,704	17,466	21,603	15,132	37,464	91,665	122,709
% of revenue	***38.4%***	***33.8%***	***25.3%***	***19.5%***	***13.5%***	***14.8%***	***15.1%***	***15.8%***	***9.5%***	***7.3%***	***7.6%***	***9.9%***	***8.6%***	***7.2%***	***9.0%***	***6.3%***	***14.6%***	***9.3%***	***12.0%***
Interest income (expense)	586	1,077	(2,375)	(1,118)	(941)	(745)	(607)	(3,411)	(495)	(552)	(585)	(604)	(2,236)	(633)	(635)	(642)	(635)	(2,545)	(2,545)
Legal Reserve/Expenses																			
Non recurring expense			(92,852)																
Pretax income	614,135	508,153	323,266	55,090	34,264	37,547	38,994	165,895	23,194	16,668	18,198	23,408	81,467	16,834	20,967	14,491	36,828	89,120	120,164
Income tax	239,969	200,401	130,533	21,871	13,405	14,869	17,859	68,004	9,509	6,834	7,461	9,597	33,402	6,902	8,597	5,941	15,100	36,539	49,267
Tax rate	*39.1%*	*39.4%*	*40.4%*	*39.7%*	*39.1%*	*39.6%*	*45.8%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*
Total net income	374,166	307,752	192,733	33,219	20,859	22,678	21,135	97,891	13,684	9,834	10,737	13,811	48,066	9,932	12,371	8,550	21,729	52,581	70,897
% of revenue	*23.4%*	*20.5%*	*15.0%*	*11.5%*	*8.0%*	*8.7%*	*8.0%*	*9.1%*	*5.5%*	*4.2%*	*4.4%*	*5.7%*	*4.9%*	*4.1%*	*5.1%*	*3.5%*	*8.5%*	*5.4%*	*6.9%*
y/y growth	*24.6%*	*-17.7%*	*-37.4%*	*-45.6%*	*-54.7%*	*-47.1%*	*-50.6%*	*-49.2%*	*-58.8%*	*-52.9%*	*-52.7%*	*-34.7%*	*-50.9%*	*-27.4%*	*25.8%*	*-20.4%*	*57.3%*	*9.4%*	*34.8%*
Legal Expense																			
Other non-recurring				(2,089)		(3,753)	(32,681)	(38,522)	(35,872)	-	-	-	(35,872)	-	-	-	-	-	-
Reported EPS	$11.17	$11.13	$8.03	$1.33	$0.89	$0.80	($0.49)	$2.52	($0.95)	$0.42	$0.46	$0.58	$0.51	$0.42	$0.52	$0.36	$0.91	$2.21	$2.96
Net Operating EPS	**$11.17**	**$11.13**	**$8.03**	**$1.41**	**$0.89**	**$0.96**	**$0.90**	**$4.16**	**$0.58**	**$0.42**	**$0.46**	**$0.58**	**$2.04**	**$0.42**	**$0.52**	**$0.36**	**$0.91**	**$2.21**	**$2.96**
y/y growth	*41.2%*	*-0.4%*	*-27.8%*	*-40.6%*	*-54.7%*	*-47.5%*	*-50.7%*	*-48.2%*	*-58.8%*	*-52.8%*	*-52.5%*	*-35.2%*	*-50.9%*	*-26.0%*	*24.7%*	*-21.0%*	*56.0%*	*8.5%*	*33.7%*
Shares outstanding (diluted)	33,501	27,655	23,999	23,481	23,550	23,634	23,419	23,521	23,469	23,519	23,569	23,619	23,544	23,669	23,719	23,769	23,819	23,744	23,944
EBITDA	640,346	534,962	354,991	63,500	42,556	44,465	46,037	196,558	30,125	23,656	25,218	30,448	109,448	23,902	28,039	21,568	43,900	117,409	148,453
% of revenue	*40.1%*	*35.7%*	*27.6%*	*23.1%*	*16.4%*	*17.1%*	*17.5%*	*18.4%*	*12.1%*	*10.0%*	*10.3%*	*12.6%*	*11.3%*	*9.9%*	*11.7%*	*8.9%*	*17.1%*	*12.0%*	*14.5%*
y/y growth	*24.7%*	*-16.5%*	*-33.6%*	*-41.2%*	*-50.0%*	*-42.8%*	*-45.3%*	*-44.6%*	*-52.6%*	*-44.4%*	*-43.3%*	*-33.9%*	*-44.3%*	*-20.7%*	*18.5%*	*-14.5%*	*44.2%*	*7.3%*	*26.4%*
Free cash flow	531,749	360,985	88,150	(44,836)	5,652	50,413	60,764	71,993	(51,054)	(32,187)	(21,403)	(23,846)	(128,490)	(4,752)	(2,688)	(5,227)	13,761	1,093	96,441
% of revenue	*33.3%*	*24.1%*	*6.8%*	*-15.6%*	*2.2%*	*19.4%*	*23.1%*	*6.7%*	*-20.5%*	*-13.7%*	*-8.7%*	*-9.8%*	*-13.2%*	*NM*	*NM*	*NM*	*NM*	*0.1%*	*9.4%*
y/y growth	*91.8%*	*-32.1%*	*-75.6%*	*-236.6%*	*-112.4%*	*204.9%*	*-27.8%*	*-18.3%*	*13.9%*	*-669.5%*	*-142.5%*	*-139.2%*	*-276.5%*	*NM*	*NM*	*NM*	*NM*	*-100.9%*	*8720.2%*
FCF/Share	$15.87	$13.05	$3.67	($1.91)	$0.24	$2.13	$2.59	$3.06	($2.18)	($1.37)	($0.91)	($1.01)	($5.46)	($0.20)	($0.11)	($0.22)	$0.58	$0.05	$4.03
y/y growth	*117.3%*	*-17.8%*	*-71.9%*	*-249.1%*	*-112.4%*	*202.5%*	*-28.0%*	*-16.7%*	*13.9%*	*-670.2%*	*-142.6%*	*-138.9%*	*-278.3%*	*NA*	*NA*	*NA*	*NA*	*-100.8%*	*NE*
Enrollment Data:																			
New student enrollment	89,123	77,146	66,461	17,412	16,883	20,307	13,995	68,597	16,746	14,351	20,307	13,995	65,399	17,583	15,786	21,525	14,835	69,729	72,518
y/y change	***3.7%***	***-13.4%***	***-13.9%***	***-3.6%***	***7.5%***	***5.2%***	***4.5%***	***3.2%***	***-3.8%***	***-15.0%***	***0.0%***	***0.0%***	***-4.7%***	***5.0%***	***10.0%***	***6.0%***	***6.0%***	***6.6%***	***4.0%***
Total student enrollment	85,485	78,812	66,080	61,039	58,617	60,997	57,542	59,549	57,125	53,481	57,476	55,091	55,793	56,407	54,594	59,632	57,650	57,071	60,057
y/y change	***15.7%***	***-7.8%***	***-16.2%***	***-14.2%***	***-11.7%***	***-7.1%***	***-5.8%***	***-9.9%***	***-6.4%***	***-8.8%***	***-5.8%***	***-4.3%***	***-6.3%***	***-1.3%***	***2.1%***	***3.8%***	***4.6%***	***2.3%***	***5.2%***
Retention Rate	*74.8%*	*72.9%*	*71.5%*	*71.5%*	*68.4%*	*69.4%*	*71.4%*	*70.2%*	*70.2%*	*68.5%*	*69.5%*	*71.5%*	*69.9%*	*70.5%*	*68.8%*	*69.8%*	*71.8%*	*70.2%*	*70.7%*
Revenue/Student	$18,142	$18,934	$4,656	$4,712	$4,259	$4,426	$4,310	$4,427	$4,335	$4,259	$4,426	$4,310	$4,332	$4,335	$4,259	$4,426	$4,310	$4,332	$4,332
y/y growth	*-0.9%*	*-2.8%*	*1.4%*	*1.0%*	*-8.2%*	*-6.6%*	*-5.9%*	*-4.9%*	*-8.0%*	*0.0%*	*0.0%*	*0.0%*	*-2.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

Source: Company reports and Wells Fargo Securities, LLC estimates

ITT Educational Services - Balance Sheet ($ in 000s)

	FY10A	FY11A	FY12A	Mar-13A	Jun-13A	Sep-13A	Dec-13A	FY13A	Mar-14E	Jun-14E	Sep-14E	Dec-14E	FY14E	FY15E	FY16E
Current Assets:															
Cash and cash equivalents	163,779	228,993	246,342	210,012	185,408	168,721	218,204	218,204	167,150	134,964	113,561	89,714	89,714	90,808	187,248
Restricted cash	255	2,128	601	719	776	612	610	610	610	610	610	610	610	610	610
Short-term investments	149,160	148,488	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, less doubtful accou	68,937	48,106	77,313	104,077	123,076	119,529	93,435	93,435	88,326	83,694	87,254	86,215	86,215	91,344	96,151
Deferred tax and prepaid income tax	9,079	9,759	44,547	29,513	29,131	25,687	33,961	33,961	32,104	30,420	31,714	31,337	31,337	33,201	34,948
Prepaids and other current assets	22,887	18,814	16,162	18,651	19,788	18,952	27,827	27,827	26,305	24,926	25,986	25,677	25,677	27,204	28,636
Total Current Assets:	**414,097**	**456,288**	**384,965**	**362,972**	**358,179**	**333,501**	**374,037**	**374,037**	**314,495**	**274,613**	**259,125**	**233,553**	**233,553**	**243,167**	**347,593**
Property & equipment, net	198,213	201,257	189,890	184,123	179,095	174,394	168,509	168,509	163,573	162,137	160,701	159,265	159,265	153,136	147,878
Direct marketing costs	-	-	-					-					-	-	-
Investments	-	-	-					-					-	-	-
Restricted cash	-	-	-					-					-	-	-
Other long-term assets	62,470	71,273	97,375	95,891	92,199	101,066	129,727	129,727	122,633	116,202	121,145	119,702	119,702	126,824	133,498
Total Assets	**674,780**	**728,818**	**672,230**	**642,986**	**629,473**	**608,961**	**672,273**	**672,273**	**600,702**	**552,952**	**540,971**	**512,520**	**512,520**	**523,126**	**628,969**
Current Liabilities:															
Current portion of long-term debt	-	-	-				50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Accounts payable	67,920	78,876	63,304	63,713	63,719	61,468	58,021	58,021	54,848	51,972	54,183	53,537	53,537	56,723	59,708
Accrued compensation and benefits	28,428	21,438	21,023	15,425	26,219	20,113	18,107	18,107	17,117	16,219	16,909	16,708	16,708	17,702	18,633
Other accrued liabilities	15,441	18,190	86,722	34,807	41,521	51,285	65,382	65,382	40,388	38,270	39,898	39,423	39,423	41,769	43,967
Deferred revenue	244,362	226,543	135,900	120,628	113,891	132,246	147,630	147,630	139,557	132,238	137,864	136,222	136,222	144,326	151,921
Total Current Liabilities	**356,151**	**345,047**	**306,949**	**234,573**	**245,350**	**265,112**	**339,140**	**339,140**	**301,911**	**288,700**	**298,854**	**295,891**	**295,891**	**310,519**	**324,229**
Long-term debt	150,000	150,000	140,000	150,000	120,000	60,000		-	-	-	-	-	-	-	-
Deferred income tax	-	-	-					-					-	-	-
Other long-term liabilities	40,559	64,972	98,327	100,138	84,191	82,852	129,890	129,890	122,787	116,348	121,297	119,853	119,853	126,983	133,666
Minimum pension liability	-	-	-					-					-	-	-
Total Shareholders' Equity	**128,070**	**168,799**	**126,954**	**158,275**	**179,932**	**200,997**	**203,243**	**203,243**	**176,004**	**147,905**	**120,820**	**96,777**	**96,777**	**85,624**	**256,525**
Total Liabilities & Shareholders' Equity	**674,780**	**728,818**	**672,230**	**642,986**	**629,473**	**608,961**	**672,273**	**672,273**	**600,702**	**552,952**	**540,971**	**512,520**	**512,520**	**523,126**	**628,969**
Net cash	162,939	227,481	106,342	60,012	65,408	108,721	168,204	168,204	117,150	84,964	63,561	39,714	39,714	40,808	137,248
Net cash per share	$4.86	$8.23	$4.43	$2.56	$2.78	$4.60	$7.18	$7.15	$4.99	$3.61	$2.70	$1.68	$1.69	$1.72	$5.73

Source: Company reports and Wells Fargo Securities, LLC estimates

ITT Educational Services - Cash Flow Statement ($ in 000s)

	FY10A	FY11A	FY12A	Mar-13A	Jun-13A	Sep-13A	Dec-13A	FY13A	Mar-14E	Jun-14E	Sep-14E	Dec-14E	FY14E	FY15E	FY16E
Cash provided by operating activities															
Net Income	374,166	307,752	140,465	31,130	20,859	18,941	(11,546)	59,384	13,684	9,834	10,737	13,811	48,066	52,581	70,897
Cumulative effect of change in accountin	-	-	-	-	-	-	-	-					-	-	-
Depreciation and amortization	26,797	27,886	29,350	7,292	7,351	6,173	6,436	27,252	6,436	6,436	6,436	6,436	25,744	25,744	25,744
Provision for doubtful accounts	86,935	61,308	78,307	19,885	19,038	17,967	23,648	80,538	16,901	16,015	16,696	16,497	66,109	66,689	66,580
Deferred taxes	(14,557)	(8,991)	(58,640)	13,211	3,123	280	(22,536)	(5,922)	1,857	1,684	(1,294)	378	2,624	(1,864)	(1,747)
Excess tax benefit from stock option exe	(3,383)	(1,166)	(1,382)	-	-	-	-	-					-	-	-
Stock-based compensation expense	15,813	17,074	16,658	3,093	2,301	3,304	2,940	11,638	2,779	2,633	2,746	2,713	10,871	10,967	11,454
Other	468	(1,936)	43,908	(45,706)	71	102	143	(45,390)	(43,703)	(40,567)	(40,567)	(40,567)	(165,403)	(74,700)	3,100
Changes in operating assets and liabiliti	*72,321*	*(14,095)*	*(143,312)*	*(72,323)*	(45,136)	4,550	*61,870*	*(51,039)*	*(47,508)*	*(23,222)*	*(11,156)*	*(18,114)*	*(100,000)*	*(58,709)*	*(59,101)*
Net cash/operating activities	**558,560**	**387,832**	**105,354**	**(43,418)**	**7,607**	**51,317**	**60,955**	**76,461**	**(49,554)**	**(27,187)**	**(16,403)**	**(18,846)**	**(111,990)**	**20,708**	**116,927**
Cash used for investing activities															
Facility purchases	(6,118)	(4,053)	(1,046)	(100)	(360)	(81)	(138)	(679)					-	-	-
Capital expenditures, net	(26,811)	(26,847)	(17,204)	(1,418)	(1,955)	(904)	(191)	(4,468)	(1,500)	(5,000)	(5,000)	(5,000)	(16,500)	(19,615)	(20,486)
Acquisitions	-	-	-	-	-	(6,953)	(197)	(7,150)					-	-	-
Purchase of held to maturity investments	(66,288)	(15,163)	141,414	(1,026)	107	(47)	(941)	(1,907)					-	-	-
Net cash/investing activities	**(99,217)**	**(46,063)**	**123,164**	**(2,544)**	**(2,208)**	**(7,985)**	**(1,467)**	**(14,204)**	**(1,500)**	**(5,000)**	**(5,000)**	**(5,000)**	**(16,500)**	**(19,615)**	**(20,486)**
Cash provided by financing activities															
Proceed from revolving borrowing	-	-	(10,000)	10,000	(30,000)	(60,000)	(10,000)	(90,000)					-	-	-
Excess tax benefit from stock option exe	3,383	1,166	1,382	-	-	-	-	-					-	-	-
Purchase of treasury stock	(435,628)	(283,320)	(209,371)	(368)	(3)	(19)	(5)	(395)					-	-	-
Exercise of stock options	7,893	5,599	8,345	-	-	-	-	-					-	-	-
Other	-	-	(1,525)		-	-	-								
Net cash/financing activities	**(424,352)**	**(276,555)**	**(211,169)**	**9,632**	**(30,003)**	**(60,019)**	**(10,005)**	**(90,395)**	-	-	-	-	-	-	-
Net increase (decrease) in cash/equiva	**34,991**	**65,214**	**17,349**	**(36,330)**	**(24,604)**	**(16,687)**	**49,483**	**(28,138)**	**(51,054)**	**(32,187)**	**(21,403)**	**(23,846)**	**(128,490)**	**1,093**	**96,441**
Cash at beginning of year (period)	128,788	163,779	228,993	246,342	210,012	185,408	168,721	246,342	218,204	167,150	134,964	113,561	218,204	89,714	90,808
Cash at end of year (period)	**163,779**	**228,993**	**246,342**	**210,012**	**185,408**	**168,721**	**218,204**	**218,204**	**167,150**	**134,964**	**113,561**	**89,714**	**89,714**	**90,808**	**187,248**
Free cash flow	531,749	360,985	88,150	-44,836	5,652	50,413	60,764	71,993	-51,054	-32,187	-21,403	-23,846	-128,490	1,093	96,441
Free cash flow per share	**$15.87**	**$13.05**	**$3.67**	**($1.91)**	**$0.24**	**$2.13**	**$2.59**	**$3.06**	**($2.18)**	**($1.37)**	**($0.91)**	**($1.01)**	**($5.46)**	**$0.05**	**$4.03**
y/y growth	*117.3%*	*-17.8%*	*-71.9%*	*-249.1%*	*-112.4%*	*202.5%*	*-28.0%*	*-16.7%*	*13.9%*	*-670.2%*	*-142.6%*	*-139.9%*	*-278.3%*	*-100.8%*	*8646.6%*

Source: Company reports and Wells Fargo Securities, LLC estimates

Required Disclosures

	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	9/13/2011	NA	SR	NE	NE	68.90
	6/19/2012		Urdan			
◆	6/19/2012	56.32	2	55.00	59.00	56.32
●	7/27/2012	42.78	2	38.00	52.00	43.43
●	9/26/2012	32.47	2	31.00	38.00	33.22
●	11/9/2012	18.19	2	19.00	24.00	17.49
●	1/25/2013	16.06	2	15.00	19.00	16.16
●	4/29/2013	17.74	2	15.00	20.00	18.12
▼	7/16/2013	27.80	2	23.00	28.00	27.70
●	7/29/2013	26.23	2	25.00	30.00	27.25
▲ ●	10/15/2013	31.00	1	39.00	42.00	31.94
●	10/24/2013	39.18	1	45.00	48.00	39.18
●	1/30/2014	29.44	1	49.00	53.00	29.44
●	5/22/2014	19.36	1	34.00	37.00	20.50
●	8/4/2014	7.72	1	26.00	29.00	7.72

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

Additional Information Available Upon Request

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From:	Anthony Bieda <EXCHANG(b)(6) XCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	6/19/2014 11:10:39 AM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; Jeff Olszewski <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/5b5c75d2faf243ad81863a2950d5c8f9-JOlszewski>
Subject:	Fwd: COCO: Department Of Ed Intensifies Pressure On Company
Attachments:	COCODepartmentOfEdInten_061914-100615.pdf; ATT00001.htm

FYI

Sent from my iPhone

Begin forwarded message:

From: "Trace Urdan" <trace.urdan@wellsfargo.com>
Date: June 19, 2014 at 11:06:04 AM EDT
To: abieda@acics.org
Subject: COCO: Department Of Ed Intensifies Pressure On Company

COCO: Department Of Ed Intensifies Pressure On Company

Post Secondary

Trace A. Urdan, Senior Analyst (415) 947(b)(6)

COCO disclosed that it has received a number of requests from the Department of Education (ED) for a variety of student-specific data, including placement rates. In its 8K, the company suggested that the requests have required a material amount of resources and management attention and that there is some level of disagreement between the company and ED regarding the quality and speed of COCO's responsiveness. The implication of this announcement is that this effort could have an adverse impact on COCO's business. The company also disclosed that ED had placed the company on heightened cash monitoring and placed an additional 21-day hold on the disbursement of funds, which it expects to place a material burden on the company's cash flow. The company is seeking outside capital to provide relief from this burden but indicated that it may not be successful in this effort.

In January 2001, the Department of Education exercised comparable discretion to place Computer Learning Center on delayed Title IV and demanded $187 million return of funds with which it found disbursement issues. In the process, the Department precipitated the bankruptcy and closure of an accredited vocational school with thousands of currently-enrolled students. The backlash in Congress at the time in hearings was severe. Congress excoriated the Department for overstepping its oversight role and harming students in the process. Our conversations with former Department of Education staff members suggest that the experience with CLCX weighed heavily on the Department. This in turn has informed our own belief that the Department's concerns about protecting the educational experience of students would prevent the Department from forcibly precipitating such an event again.

However, with Corinthian's announcement today, it appears that the sentiment inside the Department may have shifted, such that skepticism toward the company and its student outcomes may in fact outweigh a competing desire to prevent their disenfranchisement in the event of the company's closure. At the March quarter, Corinthian served approximately 75,000 students.

Corinthian Colleges, Inc. (COCO-NASDAQ)--Market Perform (2) / V

Price as of 6/19/2014: $0.30
FY 14 EPS: $0.09
FY 15 EPS: $0.27
Shares Out.: 86.1 MM
Market Cap.: $26.12 MM

Sector Rating: Post Secondary, Overweight

See attached PDF for additional information, current pricing and disclosures.

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June 19, 2014

COCO-NASDAQ--Market Perform (2) / V

Post Secondary

COCO: Department Of Ed Intensifies Pressure On Company

Trace A. Urdan, Senior Analyst (415) 947-(b)(6)

Sector Rating: Post Secondary, Overweight

COCO disclosed that it has received a number of requests from the Department of Education (ED) for a variety of student-specific data, including placement rates. In its 8K, the company suggested that the requests have required a material amount of resources and management attention and that there is some level of disagreement between the company and ED regarding the quality and speed of COCO's responsiveness. The implication of this announcement is that this effort could have an adverse impact on COCO's business. The company also disclosed that ED had placed the company on heightened cash monitoring and placed an additional 21-day hold on the disbursement of funds, which it expects to place a material burden on the company's cash flow. The company is seeking outside capital to provide relief from this burden but indicated that it may not be successful in this effort.

In January 2001, the Department of Education exercised comparable discretion to place Computer Learning Center on delayed Title IV and demanded $187 million return of funds with which it found disbursement issues. In the process, the Department precipitated the bankruptcy and closure of an accredited vocational school with thousands of currently-enrolled students. The backlash in Congress at the time in hearings was severe. Congress excoriated the Department for overstepping its oversight role and harming students in the process. Our conversations with former Department of Education staff members suggest that the experience with CLCX weighed heavily on the Department. This in turn has informed our own belief that the Department's concerns about protecting the educational experience of students would prevent the Department from forcibly precipitating such an event again.

However, with Corinthian's announcement today, it appears that the sentiment inside the Department may have shifted, such that skepticism toward the company and its student outcomes may in fact outweigh a competing desire to prevent their disenfranchisement in the event of the company's closure. At the March quarter, Corinthian served approximately 75,000 students.

Corinthian Colleges, Inc. (COCO-NASDAQ)
Price as of 6/19/2014: $0.30
FY 14 EPS: $0.09
FY 15 EPS: $0.27
Shares Out.: 86.1 MM
Market Cap.: $26.12 MM

Please see Disclosure Appendix for rating definitions, important disclosures, and required analyst certifications.
All estimates/forecasts are as of 06/19/14 unless otherwise stated.

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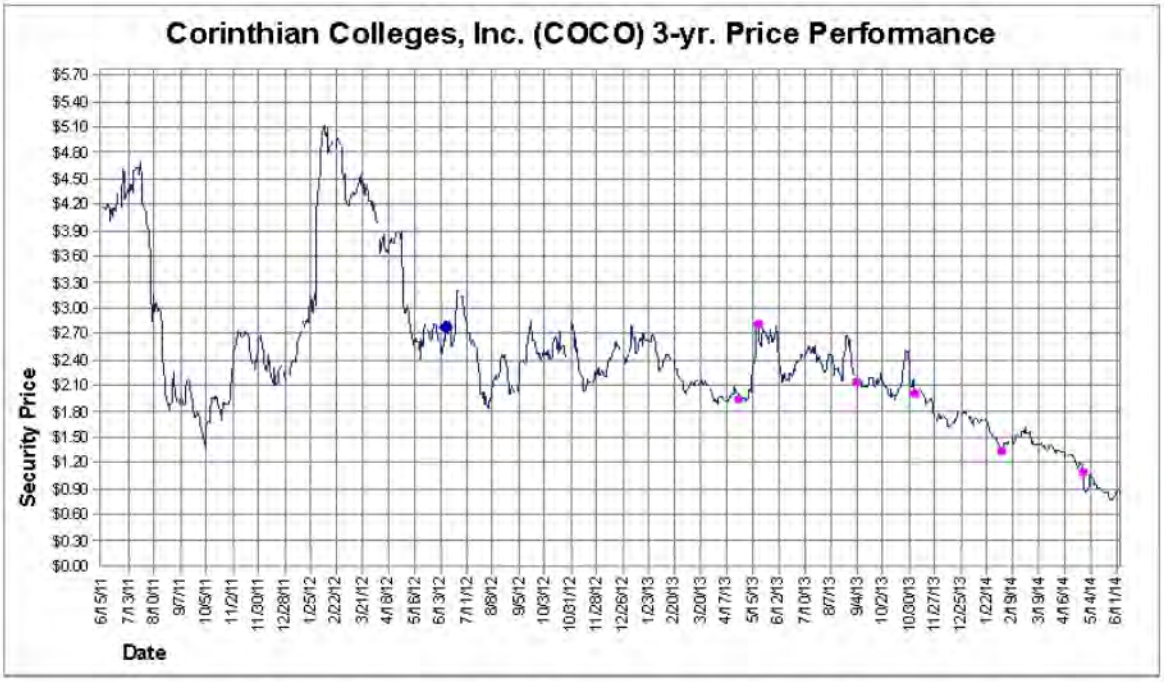
DISCLOSURE APPENDIX
Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	6/19/2012		Urdan			
◆	6/19/2012	2.78	2	2.25	3.00	2.78
●	5/1/2013	1.94	2	1.80	2.50	1.93
●	5/21/2013	2.80	2	2.50	3.00	2.80
●	9/5/2013	2.08	2	2.00	2.50	2.13
●	11/6/2013	2.00	2	1.50	2.50	1.99
●	2/7/2014	1.30	2	1.00	2.00	1.32
●	5/6/2014	1.01	2	.75	1.25	1.08

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

Additional Information Available Upon Request

I certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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Wells Fargo Securities, LLC, or any of its affiliates, has beneficial ownership of 13.2% of any class of common stock of Corinthian Colleges, Inc.

COCO: An increase in the rate of enrollment decline or in perceived regulatory risk, resulting from additional state suits could alter our framework.

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1 = Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY
2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD
3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING
O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.
M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.
U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING
V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: June 19, 2014

49% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Outperform.	Wells Fargo Securities, LLC has provided investment banking services for 45% of its Outperform-rated companies.
48% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Market Perform.	Wells Fargo Securities, LLC has provided investment banking services for 35% of its Market Perform-rated companies.
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From: Joseph Gurubatham <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/2839EEC7707F4128A4DE87103ED162F4-JGURUBATHAM>
Sent: 6/23/2014 9:22:42 AM -0400
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>
Subject: Fwd: Corinthian Strikes Deal with Department.

Dear Al and Tony;

I don't know if we had received this update.

Joseph

Sent from my iPhone

Begin forwarded message:

> **From:** Juanita Gurubatham <(b)(6) @accsc.org>
> **Date:** June 23, 2014, 8:11:47 AM EDT
> **To:** Joseph Gurubatham <(b)(6) @acics.org>
> **Subject: Fwd: Corinthian Strikes Deal with Department.**
>
> FYI
>
> Sent from my iPhone
>
> Begin forwarded message:
>
> > **From:** Christopher Lambert <(b)(6) @accsc.org>
> > **Date:** June 23, 2014 at 8:09:00 AM EDT
> > **To:** Michale McComis <(b)(6) @accsc.org>, Karen Marcinski <(b)(6) @accsc.org>, Anne Santalla <(b)(6) @accsc.org>, Corey Rosso <(b)(6) @accsc.org>, Juanita Gurubatham <(b)(6) @accsc.org>
> > **Subject: Corinthian Strikes Deal with Department.**
> >
> > SANTA ANA, Calif., June 23, 2014 (GLOBE NEWSWIRE) -- Corinthian Colleges, Inc. (COCO) announced today that it has reached a memorandum of understanding with the U.S. Department of Education (the "Department") that maintains uninterrupted daily operations at its schools, until the Company and the Department finalize a more detailed transition plan. Corinthian currently serves about 72,000 students at 107 campuses and online.

Corinthian and the Department agreed upon a Memorandum of Understanding ("MOU") under which Corinthian will immediately receive $16 million in federal student aid funds earned through enrollment, avoiding an immediate cash shortfall that will allow its students to continue their educational programs as planned. Under the terms of the MOU, Corinthian and the Department will enter into an Operating Agreement that will allow Corinthian to proceed with its plan to pursue strategic alternatives for its operations, including the sale and teach-out of schools in a manner that will best protect the interests of students, faculty and staff, ensure the integrity of federal student aid funds and preserve the value of the schools. The Department and Corinthian have agreed to finalize the details of the transition plan in an Operating Agreement by Tuesday, July 1, 2014. For more information, see the 8-K issued by the Company today.

"Throughout several days of intensive discussions with the Department, our goal has been to protect the interests of our students, 12,000 employees, taxpayers and other stakeholders," said Jack Massimino, Corinthian Chairman and Chief Executive Officer. "This agreement helps achieve that goal. We worked collaboratively with the Department to reach consensus, and we will continue to do so as we finalize and implement the detailed transition plan."

Under the MOU, Corinthian will identify and engage an independent compliance and business monitor acceptable to the Department. The monitor will have full access to Corinthian's financial and operating records and information and report to the Department on Corinthian's progress in the implementation of the transition plan contemplated by the MOU.

Corinthian will continue to seek new owners for most of its campuses with the goal of entering into definitive sales agreements with one or more third parties for such campuses within approximately six months, and will proceed in an orderly fashion with the "teach-out" of schools that are under-performing or whose continued participation in the Title IV student aid programs has been terminated by the Department. During the teach-out process, no new students will be enrolled at the affected schools, but all current students will be able to complete their instructional programs or transfer to another institution.

Sent from my iPad.

From: Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent: 2/6/2014 3:10:43 PM -0500
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC: Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject: Fwd: DURBIN: EDUCATION DEPARTMENT'S REJECTION OF NEW PROGRAMS AT CORINTHIAN COLLEGES SHOULD PROMPT ACTION FROM ACCREDITOR
Attachments: image001.jpg

FYI below. Note the specific mention of incentives offered to employers.

Sent from my iPad

Begin forwarded message:

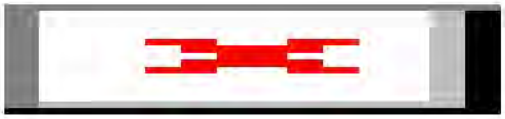
From: "Middleton, Brad (Durbin)" <(b)(6) @durbin.senate.gov>
Date: February 6, 2014 at 3:06:21 PM EST
To: "'Anthony Bieda' (b)(6) @acics.org)" <(b)(6) @acics.org>
Cc: "Varela, Kate (Durbin)" <(b)(6) @durbin.senate.gov>
Subject: FW: DURBIN: EDUCATION DEPARTMENT'S REJECTION OF NEW PROGRAMS AT CORINTHIAN COLLEGES SHOULD PROMPT ACTION FROM ACCREDITOR

Anthony – FYI. As you can see, Senator Durbin will be ensuring that accreditors and the Department follow-up on this issue.

Thanks,

Brad

From: Mulka, Christina (Durbin)
Sent: Thursday, February 06, 2014 3:03 PM
To: Mulka, Christina (Durbin)
Subject: DURBIN: EDUCATION DEPARTMENT'S REJECTION OF NEW PROGRAMS AT CORINTHIAN COLLEGES SHOULD PROMPT ACTION FROM ACCREDITOR



For Immediate Release

CL_Review001588

Contact: Christina Mulka
(b)(6) @durbin.senate.gov
202-228-(b)(6)
February 6, 2014

DURBIN: EDUCATION DEPARTMENT'S REJECTION OF NEW PROGRAMS AT CORINTHIAN COLLEGES SHOULD PROMPT ACTION FROM ACCREDITOR

Department's action follows Durbin effort to draw attention to artificial job placement rates that are misleading students

[WASHINGTON, D.C.] - Following a disclosure by Corinthian Colleges, Inc. that the Department of Education has denied many of the company's pending new program applications and increased scrutiny in light of deceptive job placement practices, U.S. Senator Dick Durbin (D-IL) today called on the Accrediting Commission of Career Schools and Colleges-8 Corinthian Colleges, Inc.'s accreditor whose Board will discuss the issue at its meeting this weekend - to take action.

"In your response [to my letter dated December 17], you assured me that the Accrediting Commission of Career Schools and Colleges (ACCSC) is in 'the midst of an active investigation of Corinthian's conduct' and would 'carefully review this matter at its next full Commission meeting…' I understand that meeting will begin later this week," said Durbin. "In light of the commitment in your letter to me and this new action by the Department of Education, your Commission can no longer ignore the misleading, fraudulent, or deceptive behavior on the part of Corinthian and its subsidiaries. Your credibility is on the line."

In response to a December 16 investigation in the *Huffington Post*, Durbin sent a letter to the Secretary of Education, Arne Duncan, asking him to investigate Corinthian Colleges, Inc. and their manipulative marketing practices which included a subsidy program for employers to hire graduates temporarily and outright lying by the company through their advertisement of numbers substantially higher than actual job placement rates.

In his letter to Duncan, Durbin wrote: **"Given that Corinthian Colleges received nearly $10 billion over the last decade in federal student aid funding, these practices and misrepresentation to students is an egregious misuse of taxpayer dollars. Today, I am asking the Department of Education to look in to these allegations and use whatever authorities it may have to hold Everest and its parent company, Corinthian Colleges, accountable. I am calling on you and this Administration to work with Congress to respond more aggressively to abuses against students and the public such as those perpetrated by Corinthian."**

Durbin's December 18 letter to Duncan can be found HERE along with similar letters he sent to the Chairman and CEO of Corinthian Colleges, Inc., Jack Massimino, the Accrediting

Commission of Career Schools and Colleges, and the Accrediting Council for Independent Colleges and Schools.

Today's letter can seen below:

February 6, 2014

Dr. Michale S. McComis, M.Ed., Ed.D.
Executive Director
Accrediting Commission of Career Schools and Colleges
2101 Wilson Boulevard, Suite 302
Arlington, VA 22201

Dear Dr. McComis:

Thank you for your response to my letter dated December 17, 2013, regarding Corinthian Colleges Inc. and allegations that Corinthian engaged in deceptive job placement practices.

Today, Corinthian disclosed in its FY14 Second Quarter Results that the Department of Education has reached a decision to increase oversight of Corinthian and protect students and taxpayer dollars from misuse. The Department denied approval for certain new locations and programs until it can determine if Corinthian has the capability to adhere to Title IV program requirements. It also required Corinthian to submit job placement rates, grades and attendance record changes for every student in every program from 2010-2013. The Secretary will use this information to determine what additional actions against Corinthian are warranted.

In your response, you assured me that the Accrediting Commission of Career Schools and Colleges (ACCSC) is in "the midst of an active investigation of Corinthian's conduct" and would "carefully review this matter at its next full Commission meeting…" I understand that meeting will begin later this week. In light of the commitment in your letter to me and this new action by the Department of Education, your Commission can no longer ignore the misleading, fraudulent, or deceptive behavior on the part of Corinthian and its subsidiaries. Your credibility is on the line.

I await the outcome of your Commission's meeting.

Sincerely,

Richard J. Durbin
United States Senator

-30-

From: Joseph Gurubatham <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/2839EEC7707F4128A4DE87103ED162F4-JGURUBATHAM>
Sent: 7/21/2014 5:45:35 PM -0400
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>
Subject: Fwd: Meeting Notes: July 16 Joint Meeting with Oversight Partners
Attachments: CCI Meeting With Oversight Partners #3 07 16 2014.pdf; ATT00001.htm

Next meeting on CCI.

JOSEPH

Sent from my iPad

Begin forwarded message:

From: "Thornton, Cynthia" <Cynthia.Thornton@ed.gov>
Date: July 21, 2014 at 5:23:49 PM EDT
To: "'clambert@(b)(6)'" <clambert@(b)(6)>, "'Jgurubatham@(b)(6)" <Jgurubatham@(b)(6)>, "'kbell@(b)(6)" <kbell@(b)(6)>, "'coberg@(b)(6)" <coberg@(b)(6)>, "'mepetrisko@(b)(6)" <mepetrisko@(b)(6)>, "'rwinn@(b)(6)'" <rwinn@(b)(6)>, "'bgdanley@(b)(6)" <bgdanley@(b)(6)>, "'ksolinski@(b)(6)" <ksolinski@(b)(6)>, "'teri.stanfill@(b)(6)'" <teri.stanfill@(b)(6)>, "'joanne.wenzel@(b)(6)'" <joanne.wenzel@(b)(6)>, "'georgia.roberts@(b)(6)'" <georgia.roberts@(b)(6)>, "'susan.hood@(b)(6)" <susan.hood@(b)(6)>, "'sam.ferguson@(b)(6)" <sam.ferguson@(b)(6)>, "'ccam@(b)(6)" <ccam@(b)(6)>, "'carolyn.small@(b)(6)" <carolyn.small@(b)(6)>, "'cullen@(b)(6)" <cullen@(b)(6)>, "'sarah.levy@(b)(6) <sarah.levy@(b)(6)>, "'kcpe@(b)(6)" <kcpe@(b)(6)>, "'approvalquery@(b)(6)'" <approvalquery@(b)(6)>, "'sackerball@(b)(6)" <sackerball@(b)(6)>, "'approvalquery@(b)(6)" <approvalquery@(b)(6)>, "'beamishm@(b)(6)" <beamishm@(b)(6)>, "'george.roedler@(b)(6)'" <george.roedler@(b)(6)>, "'leroy.wade@(b)(6)'" <leroy.wade@(b)(6)>, "'rusty.monhollon@(b)(6)'" <rusty.monhollon@(b)(6)>, "'michelle.robinson@(b)(6)'" <michelle.robinson@(b)(6)>, "'Sondra.Fountain@(b)(6)" <Sondra.Fountain@(b)(6)>, "'Robert.Grimmie@(b)(6)" <Robert.Grimmie@(b)(6)>, "'dperlman@(b)(6)'" <dperlman@(b)(6)>, "'ezunon@(b)(6)" <ezunon@(b)(6)>, "'mborden@(b)(6)" <mborden@(b)(6)>,

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"'Stephen.Rye@(b)(6)" <Stephen.Rye@(b)(6)>,
"'cathie.maeyaert@(b)(6)" <cathie.maeyaert@(b)(6)>,
"'JoeDeFilippo@(b)(6)" <JoeDeFilippo@(b)(6)>,
"'SylviaRosaCasanova@(b)(6)" <SylviaRosaCasanova@(b)(6)>,
"'pspencer@(b)(6)" <pspencer@(b)(6)>, "'michaelb@(b)(6)" <michaelb@(b)(6)>, "'stotler@(b)(6)" <stotler@(b)(6)>, "'elaine.marces@(b)(6)" <elaine.marces@(b)(6)>, "'mwinegar@(b)(6)" <mwinegar@(b)(6)>,
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"'brenda.germann@(b)(6)" <brenda.germann@(b)(6)>,
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"'rachael.pauze@(b)(6)" <rachael.pauze@(b)(6)>,
"'MaryJayne.Fay@(b)(6)" <MaryJayne.Fay@(b)(6)>,
"'kevin.scanlon@(b)(6)" <kevin.scanlon@(b)(6)>,
"'Layla.D'Emilia@(b)(6)" <Layla.D'Emilia@(b)(6)>,
"'helen.dunford@(b)(6)" <helen.dunford@(b)(6)>,
"'juan.Baez-Arevalo@(b)(6)" <juan.Baez-Arevalo@(b)(6)>,
"'darlene.bartlett@(b)(6)" <darlene.bartlett@(b)(6)>,
"'rmiller@(b)(6)" <rmiller@(b)(6)>, "'Betsy.Talbot@(b)(6)" <Betsy.Talbot@(b)(6)>, "'jjohnson@(b)(6)" <jjohnson@(b)(6)>,
"'kverneuille@(b)(6)" <kverneuille@(b)(6)>,
"'dkendall@(b)(6)" <dkendall@(b)(6)>, "'Bobbi.lum-mew@(b)(6)" <Bobbi.lum-mew@(b)(6)>,
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"'diane.vigil@(b)(6)" <diane.vigil@(b)(6)>,
"'david.mathews@(b)(6)" <david.mathews@(b)(6)>,
"'Alana.Boles@(b)(6)" <Alana.Boles@(b)(6)>,
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"'Diane.Vigil@(b)(6)" <Diane.Vigil@(b)(6)>,
"'Teri.Stanfill@(b)(6)" <Teri.Stanfill@(b)(6)>,
"'Betsy.Talbot@(b)(6)" <Betsy.Talbot@(b)(6)>,
"'Cathie.Maeyaert@(b)(6)" <Cathie.Maeyaert@(b)(6)>,
"'rmiller@(b)(6)" <rmiller@(b)(6)>, "'DBartlett@(b)(6)" <DBartlett@(b)(6)>, 'Juan Báez-Arévalo (Director, Private Postsecondary Education) ' <juan.Baez-Arevalo@(b)(6)>, "'Helen Dunford (Academic Program Evaluator'" <Helen.dunford@(b)(6)>, "Minor, Robin" <Robin.Minor@(b)(6)>, "Bennett, Ron" <Ron.Bennett@(b)(6)>, "Chauvin, Karen" <Karen.Chauvin@(b)(6)>, "White, Carolyn" <Carolyn.White@(b)(6)>, "Gust, Mary" <Mary.Gust@(b)(6)>, "Pickett, Veronica" <Veronica.Pickett@(b)(6)>, "Lawrence, Andrew" <Andrew.Lawrence@(b)(6)>

Subject: Meeting Notes: July 16 Joint Meeting with Oversight Partners

Good afternoon,

Attached, please find the meeting notes from the July 16, 2014 meeting. The next meeting is scheduled for Wednesday, July 23, 2014 at 1:00 pm PST, 3:00 pm CST and 4:00 pm EST. A recurring meeting notice has been previously sent and added to your calendars.

Please feel free to send us your questions and/or comments ahead of time and we will try to address them while during the call. We look forward to talking with you soon.

Martina and Cynthia,
Coordinators for Oversight Partners

Meeting with external partners/oversight agencies #3: Wednesday, July 16, 2014 1:00pm PST

In keeping with our commitment to share any relevant information we receive on the CCI situation, we have established a standing weekly meeting so that we can share information and to try to answer any questions you might have.

Occurs every Wednesday at **1:00 PM PST, 3:00 CST, 4:00 pm EST**
Conference Call Number: (b)(6) Participant Code: (b)(6)

Please note:

- Meeting notes from our July 9th meeting were sent on Friday, July 11. If you did not receive them, please send an email notice to Martina and Cynthia.
- Student disclosures approved by the Department were sent with the meeting notes last week. Please note that these agreements were approved by senior leadership within CCI and the Department. **If you have any concerns with any of the agreements as they impact your respective agency, please send that information to Martina and Cynthia.** We have some contacts that are working directly with CCI and can bring those issues up for discussion.
- Mailing list: We are still gathering the list as we have these meetings. Please continue to refer folks to Martina or Cynthia if they need to be added to the distribution list. We ask that you please be patient as we're all trying to keep up with a lot of information.
- Accrediting Agency and State oversight Agency Actions: We are still trying to put the list together, which has been a bit tricky. With the minutes from this meeting, we are including a template for you to use to let us know of any action(s) taken by your agency. The plan is to keep a running list and share that with everyone after each meeting.

Most notable developments during the past week:

In compliance with the Operating Agreement -

- CCI has identified the Monitor that will be tasked with performing the review of information to be submitted to the Department. Officials from the Department met with those individuals on Thursday.
    - Press release on Friday, July 18, 2014 regarding the Monitor:
      July 18, 2014 by The Associated Press / KIMBERLY HEFLING (AP Education Writer)

      (AP) -- Former federal prosecutor **Patrick Fitzgerald** has agreed to serve as an independent monitor of a troubled for-profit education company serving 72,000 students that has agreed to sell or close its campuses, the Education Department said Friday.

- CCI had secured an independent auditor, which has been approved by the Department: Weworski and Associates.
- The Department released $60 mil. in Title IV funds to CCI last week. As of today, the Department released another $62 mil. to allow them to continue operations. We have agreed to a weekly schedule of drawdowns. CCI provides the list of anticipated disbursements and we will coordinate internally to facilitate the release of the funds by Wednesday of each week.

Reminder about the website that has been set up to relate CCI information to the public/students:
https://studentaid.ed.gov/about/announcements/corinthian

Thank you to so many of you that have submitted notices of update actions. Thus far, we have the following:

Accrediting Agency actions:

- **ACICS** – *No pending action at this time;*
- **ACCSC** - *expect to get the teach-out agreements by July 22nd. System-wide review of substantive changes remains in effect. Commission will continue to review the information provided on Placement Statistics. The documentation is very extensive. Review will begin in August.*
- **HLC** –*Institutions are to suspend new enrollments –Need to review the operating agreement; no substantive changes, expansions, while the sale is underway.*
- **Maryland** – *HE commission –one school scheduled for a teach-out; at this point, no other action being taken.*

State Agency Actions:

- **Texas Higher Education Coordinating** *(Cathie A. Maeyaert, J.D.): It appears that personnel at the campus-level will not be involved in decisions regarding sale, teach-out and closure.*
  - **Action required:** *(for Andrew Lawrence/ Ron): Please forward this email to CCI corporate personnel working specifically with the Texas campuses. The Coordinating Board would also appreciate if you would identify to us the CCI corporate personnel working with you with regard to the Texas locations.*

- **Minnesota:** *(from media reports):* Minnesota Office of Higher Education on Friday ordered Corinthian "to stop enrolling Minnesota students in the wake of an announcement that it will sell or close all its campuses, including the Everest Institute, a medical career school in Eagan." State officials said that they are "also taking steps to ensure that the estimated 300 Minnesota students currently enrolled in Corinthian colleges will be allowed to finish their programs."

Newly received Q&As via email prior to our meeting:

Q1) Which states and accrediting agencies did you consult, since they are partners in the triad, before entering into the initial MOU or the subsequent operating agreement?
A: *Both the MOU and OA were agreed upon at higher levels in the organization at both CCI and the Department. Limited discussions happened at the Regional level; therefore, there is little information that we have to provide on this question.*

Q2) Since the money advanced by DOE cannot be used for debt service, what is DOE's plan if Corinthian files for, or its creditors force it into, bankruptcy?
A: *We are operating under the understanding (and expectation) that CCI will honor the agreement and do an orderly closure of all of its schools (or sale). We will just have to wait and see how this situation continues to unfold and take appropriate action as may be necessary.*

Q3) *Susan Hood, FLDOE:* Which members of the DOE team working this issue have closed a school? Who has done a survey of the various states regulatory statutes policies and procedures as they relate to school closing?
A. *All of the regional offices have been involved in a school closure/teach-out situation at some point over the years. However, we have not seen anything of this magnitude. A lot of work and effort is going into this project to ensure that we do this right and with the best possible outcome to the students and the Department. We have put together staff that will be ready to act on any school closure of a CCI school at a moment's notice.*

Q4) *J. Michael De Long, Policy Program Specialist, Career School and Colleges, Texas Workforce Commission*
Will ED allow one or more branch campus(s) to be sold independently of the main campus and vice versa? For example, one of our TX campuses is a branch of a NY main campus.
A. *The Department is certainly open to this possibility as long as we can work with the Accreditors and States in securing the proper approvals for the schools (branches/additional locations) to be allowed to operate as a main. It all depends on how the schools are purchased (to be main or additional locations). We'll have to work through that process, as it will be a unique situation, but we're ready to explore the possibility when it arises.*

Concerns/Issues that came up during our call:

Concerns regarding CCI's commitment in following through with the proposed plan under the Operating Agreement. What happens if they don't follow through?
There are Safeguards in place (the monitor, the independent auditor, careful tracking by the Department on the Title IV funding, etc.) We expect that CCI will follow through on their end. We need to wait and see. The next bench mark is July 22nd when CCI will be sending us the list of the school closures, proving specific student level information. We have reiterated our request to identify students that are on-line as well as the each physical school location. They are actively engaged in securing potential buyers. We will continue to monitor the situation closely.

Every regional office is involved in school closures. On July 22nd when we get the information on the school closures, we'll initiate conversations with the States and Accreditors about what it is we need to do for the particular schools. We need to sit down with the regional teams and strategize, as necessary, as to how best serve our students.

Reminder: If you sent a question and we have not addressed them, please send me an email and let us know. The overload of email and information may cause a slight backlog, but we will respond.

Clarification on the list of schools provided by CCI and school groupings:

The schools are grouped by OPE ID number. This is how the Department approves the schools and keeps track of which team is responsible for monitoring those institutions. For the Department, the schools are recognized as follows:

Main Location: OPE ID is a unite 6-digit identifier with **00** at the end. Additional locations are recognized by the same OPE ID number, but the last two digits will identify the location: 01, 02, 03, etc. We realize that for the Accrediting agencies and States, recognition of Main and Additional locations may be different. It is also common for a MAIN to be in one State and additional locations to be in various other states. The school must seek approval from EACH State in which it operates a physical location; however all locations are typically approved by the same Accrediting agency. This is how CCI has grouped the schools on the list. Please remember that if the MAIN was to lose Title IV eligibility, its additional locations automatically lose eligibility.

During this transition with CCI, we'll need to 'think outside the box' in order to facilitate teach-outs or sale of the schools in this situation. We all need to come to the table, once the schools are identified, to figure out the best solution for the students given the various requirements by the States and accreditor.

Q5) KS – Julie TN Higher Ed commission. (WyoTech disclosures)…a statement that I was confused by…loan forgiveness or discharge…suggest that they are eligible for loan forgiveness ...that is new to me. Can you explain that a

little more? A: Usual loan discharge rules apply. If a student transfers to another school and treated as a transfer, there is nothing more to be done….no special considerations. The new school will just have the student enroll at their school and apply for Title IV if they have remaining eligibility.

If a student does not take advantage of the teach-out, they will be eligible for a full refund by CCI. If they receive a full refund, the loans will be paid back to the Department and there would be no outstanding loan obligation, hence, not need for a discharge.

If the student participates in the teach-out, they are not eligible for a loan discharge.

If a student transfers to another school, but is not able to apply the credits earned at CCI to the new program/school, they can apply for a discharge. These situations are reviewed on a case-by-case basis and full consideration is given to the situation.

Reminder: If there are any concerns with the way in which the disclosures are written that you believe presents a problem for the students in schools for your respective States, please let Martina/Cynthia know.

Q6) Contingency plan for six months down the road:

A: We really will have to wait and see. We will get more frequent updates from the Monitor as schools are identified for closure/sale. We've had inquiries from companies interested in buying some of the schools, but we have yet to receive any formal applications. We also have some challenges..how to breakdown Main schools vs Additional locations for purposes of a sale. For example, someone may not want to take them all, such as the Heald schools.. We will get regular updates on a month to month and depending on the progress, we'll need to figure out what those next steps will be. We will have to monitor the situation very closely over the next few months.

Q6) Concern for online programs/students.
A: Agreed, we have the online students at the forefront as we know that those may be a bit more complex when it comes to doing a transfer or a teach-out. We have requested that the student level information from CCI include a designation of students: online vs on-ground at physical locations. We do believe that those online have more of the stable schools so we hope that there will be less of an impact on online students.

Q8) Continued enrollments while the school is preparing to be sold. Concern in Oregon about what regulatory requirements the other States have used to limit/suspend enrolments.
A: Others on the call shared that they have used the requirement of financial responsibility to require the schools to suspend enrollments (Wisconsin and Minnesota have already implemented this).

Please use this template for providing feedback to the Department on actions taken by your respective agency. We will compile the list and share it with everyone on a weekly basis.

Email subject line: **Urgent Notice: CCI – Action taken by oversight agency**

Agency Name	States Impacted	Schools Impacted	Type of Action	Contact Person(s)

Reminder of Department of ED contacts for the various States/Regions:

School Eligibility Service Group Director: Ron Bennett

(1) **New York/Boston Division**: Betty Coughlin; Tracy Nave; Patrice Fleming; Chris Curry
States Covered: *Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, Puerto Rico, Virgin Islands*

(2) **Philadelphia Division**: Nancy Gifford, John Loreng, Sherrie Bell
States Covered: DC, Delaware, Maryland, Pennsylvania, Virginia, West Virginia 2

(3) **Foreign Schools Division**: Mike Frola, Barbara Hemelt, Joseph Smith

(4) **Atlanta Division**: Christopher Miller, David Smittick
States Covered: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina

(5) **Dallas Division**: Cynthia Thornton, Jesus Moya, Kim Peeler
States Covered: Arkansas, Louisiana, New Mexico, Oklahoma, Texas

(6) **Kansas City Division**: Ralph LoBosco, Dvak Corwin, Jan Brandow
States Covered: Iowa, Kansas, Kentucky, Missouri, Nebraska, Tennessee

(7) **Chicago/Denver Division**: Douglas Parrott, Earl Flurkey, Brenda Yette
States Covered: Illinois, Minnesota, Ohio, Wisconsin, Indiana, Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, Wyoming

(8) **San Francisco/Seattle Division**: Martina Fernandez-Rosario, Dyon Toney, Gayle Palumbo, Erik Fosker
States Covered: American Samoa, Arizona, California, Guam, Hawaii, Nevada, Palau, Marshall Islands, North Marianas, State of Micronesia, Alaska, Idaho, Oregon, Washington

Meeting with external partners/oversight agencies #2: Wednesday, July 9, 2014 1:00pm PST

In keeping with our commitment to share any relevant information we receive on the CCI situation, we have decided that it would be best to establish a standing weekly meeting so that we can share information and to try to answer any questions you might have.

As you may be aware, CCI filed its most recent Form 8-K on July 2, 2014. Today we are highlighting some of the provisions in the Operating Agreement and encourage you to read the Agreement in its entirety.

Effective July 8th, The Department and CCI agreed on an Operating Agreement (OA), setting forth the following –

- Close coordination with State/Accrediting agencies;
- Cease new enrollments at schools that are slated for teach/out and closure;
- Establishment of a Monitor, with various roles of responsibility and oversight of information to support Title IV disbursements. The Monitor has not yet been identified by CCI. In the meantime, the Department has designated an internal Monitor for purposes of Title IV funding;
- CCI will notify students of plan for teach-outs and will need to offer students the opportunity to withdraw (with 100% full refund), or complete the program at NO additional costs. No less than $30 mil. is to be set aside to cover student refunds;
- Contingency Teach-out Plan to be provided to ED no later than July 22, 2014 (with specific schools, students, programs, etc.); for all schools not just those slated for teach out/closure.
- CCI's Form 8-K filing, as of July 2, 2014, *attached*.
    - 85 schools scheduled to be sold;
    - 12 schools identified for closure (with teach-outs);
    - 10 schools in Canada to be sold.

The Department released $35 mil. in Title IV funding yesterday and another $25 mil. today to CCI. Funds are being monitored closely.

- Denials of Recertification have not yet been issued. We will provide CCI notice 14 days prior to any denials being issued to allow for planning of an orderly teach out.

We want to reiterate that your respective agencies should continue with whatever course of action you deem appropriate, according to your agency standards for continued Accreditation or State Authorization. We do ask that you please copy the Department on any written correspondence with CCI and any of its participating institutions.

Contacts at the Department are as follows:

School Eligibility Service Group Director: Ron Bennett

(1) **New York/Boston Division**: Betty Coughlin; Tracy Nave; Patrice Fleming; Chris Curry
States Covered: *Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, Puerto Rico, Virgin Islands*

(2) **Philadelphia Division**: Nancy Gifford, John Loreng, Sherrie Bell
States Covered: DC, Delaware, Maryland, Pennsylvania, Virginia, West Virginia

(3) **Foreign Schools Division**: Mike Frola, Barbara Hemelt, Joseph Smith

(4) **Atlanta Division**: Christopher Miller, David Smittick
States Covered: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina

(5) **Dallas Division**: Cynthia Thornton, Jesus Moya, Kim Peeler
States Covered: Arkansas, Louisiana, New Mexico, Oklahoma, Texas

(6) **Kansas City Division**: Ralph LoBosco, Dvak Corwin, Jan Brandow
States Covered: Iowa, Kansas, Kentucky, Missouri, Nebraska, Tennessee

(7) **Chicago/Denver Division**: Douglas Parrott, Earl Flurkey, Brenda Yette
States Covered: Illinois, Minnesota, Ohio, Wisconsin, Indiana, Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, Wyoming

(8) **San Francisco/Seattle Division**: Martina Fernandez-Rosario, Dyon Toney, Gayle Palumbo, Erik Fosker
States Covered: American Samoa, Arizona, California, Guam, Hawaii, Nevada, Palau, Marshall Islands, North Marianas, State of Micronesia, Alaska, Idaho, Oregon, Washington

The website set up for information on CCI is at: https://studentaid.ed.gov/about/announcements/corinthian

Plan going forward:

- Recurring meeting every Wednesday at 1:00pm PST/ 4:00pm EST/ 3:00pm CST.
  - If you need to be added to the distribution list, please notify Martina Fernandez-Rosario or Cynthia Thornton via email.
- Internal Team has been set up to quickly address:
  - CIO applications
  - Teach-out plans/Coordination
- Separate meetings may be called for specific schools with respective partners (Accreditors/State agencies impacted). You may reach out to the Manager for that Division, as identified above, for coordination of such meetings.
  - Once teach-out schools are identified, we will work with you for a smooth transition. The list is to be provided by CCI by July 22nd.
- Internal Team has been assembled to handle student related questions, loan discharge issues, etc.
- Q&A: Submit any questions you may have and we'll attempt to answer them at the next meeting. Questions to be submitted to Martina and Cynthia. We will attempt to compile a Q&A that can then be distributed to everyone on a regular basis. The Q&As from today's call are noted here. We'll attempt to answer the pending questions as quickly as we can.

We also want to know of any actions/restrictions placed on any CCI school from any of the oversight agencies. If you can please communicate that information to Martina and Cynthia, we will begin to compile a list that we can then share with the impacted parties. When sending the information, please include in your email the following:
Urgent Notice: CCI – Action taken by oversight agency – Pease list the school and the contact person at your agency that we can contact for further information or follow-up.

Thank you all for your continued support and collaboration as we work to find the best possible resolution for our students.

Q&A from today's meeting July 9, 2014:

Q1. Leslie (NY) – Is there any relevance as to how the schools are grouped in Exhibit D?
A. We'll look at this more closely and provide more information in our next call.

Q2. Leslie (NY) - Do you know if CCI plans to sell blocks of schools? Will there be a contingency plan if schools cannot be sold.
A. We don't have that information at this time. The Department will be reviewing the schools/purchases on a case-by-case basis as those offers/applications are presented to us.

Q3. Leslie (NY) – Status of the disclosures of information to the students?
So for Rochester – Sale of school – prohibited from enrolling new students until they can provide information to the students about the situation and plans for going forward.
A. We don't have enough information at this time. CCI must provide the Department with any notice that is to be provided to students to be reviewed. The Department will approve such notice prior to distribution to students.
a. Please see attached disclosures recently provided by CCI.

Q4. Leslie (NY)– Were there minutes issued from the last call?
A. Minutes from last meeting are attached.

Q5. Will there be Liaison from CCI that will be working on any school sales with individual States. Is CCI planning to assign a Liaison to work on this?
A. We don't have enough information to provide on this issue yet. Once we get more detailed plans we will communicate that information. If any of your respective agencies get any inquirers from potential buyers, please contact the Manager from the Division listed for that State/school.

Q6. George (Minnesota) – In the Operating Agreement, students enrolled prior to the date of the MOU. Is the student given the option of choosing what option they want?
A. Depending on the situation at the respective school will determine the options that will be given to students. The options provided under Teach-outs may be a little different than Changes in Ownership.

Q7. Susan Greer (ACICS) – Is there any plan for Corinthian doing the teach-out themselves or do they have to enter into an agreement with other schools?
A. At this time, there is no specific requirement that they arrange for the teach-out with other schools. CCI can decide to teach-out the students themselves depending on how long they would have to continue to operate the respective school.

Q8. Susan Greer (ACIS) – Selling of the locations –Accreditors recognize the schools under one group, but if someone wants to come in to purchase a main and not the branches, is there collaboration that will help expedite the redesignation of another one of the schools as a main? Is the Department willing to help expedite such an arrangement?
A. We have a team of well-seasoned staff to help in this effort.

Q9. What parameters are being placed on the institution?

A. *At this time, we'll have to see how these situations unfold since each one will be unique. We will learn from each one as we process the applications and will identify ways to make the process go a bit smoother each time. We must ensure that the potential buyer is someone that we (and the oversight agencies) believe is a good candidate to take over the school.*

Q10. Doug (MA) – For the students in a teach-out school who were enrolled prior to the OA, will they have a choice as to where they will be placed?

A. *Those are the collective things that we will have to come to an agreement on. We'll get an opportunity to see the agreement that is presented to students before the communication is given to students; therefore, we will have some input into ensuring that the options given to students are fair, keeping the student's best interest as the primary goal.*

Q11. Juan Bias (Oregon) – What happens if the schools are not sold in six months?

A. *We will have to wait and see how the situation unfolds over the next few months.*

Q12. Juan Bias (Oregon) - It sounds like it is up to the States to determine if we will allow CCI to continue to enroll students under the federal agreement.

A. *If your respective agencies have advised the schools that they cannot enroll students, they should not. We want to compile a list of those restrictions. If your agency has imposed such restrictions, please let us know. As of now, we know of the following:*
   - *ACICS – No pending action at this time;*
   - *ACCSC - expect to get the teach out agreements by July 22nd. System-wide review of substantive changes remains in effect. Commission will continue to review the information provided on Placement Statistics. The documentation is very extensive. Review will begin in August.*
   - *HLC –Institutions are to suspend new enrollments –Need to review the operating agreement; no substantive changes, expansions, while the sale is underway.*
   - *Maryland – HE commission –one school scheduled for a teach-out; at this point, no other action being taken.*

Q13. Leslie (NY) – When might the notice to students be available? Immediate concern is that the school in NY hopes to continue enrolling student next week. They want to give that notice to the students next week.

A. We don't have a definitive answer on that. We know that CCI must provide the notice to the Department for review and approval. We will follow-up on this issue as we realize that there is some urgency to this specific school.

Q14. Joann (CA) –When is the effective date of the operating agreement?

A. *July 8, 2014.*

Q15. Lorna (CO) – Will refunds be prorated or be on a first come – first-serve basis.

A. *We need to get the details from CCI on the students that will be impacted. Not enough information at this time. OA calls for no less than $30 mil. to be set aside for student refunds.*

Q 16. Will there still be an option of a refund and a dismissal of the loan? Will the students have an option for a teach-out or not choose a teach-out.

A. This will depend on the options presented at that specific location and the choice the student makes. All options under the loan discharge regulations still remain in effect.

Q17. Karen Solinski (HLC) – the importance of the accrediting agency action – sale: team to interject on a regular basis. Folks on the ground are not managing the sales. Probably won't be managing it and it will be important for us to know.

A. *This will create unique circumstances for us as well. For us to be in the best position; we focused more on who is the right staff to deal with all situations. You might start working with the team that you were originally assigned, but it may be reassigned to others more experienced. We will have folks around the country managing them and taking them out of the general work load so that we have a concentrated focused group working these types of unique actions.*

Q18. Leslie (NY) –Who at CCI will be working with each individual State agency?

A. *The way you work with the school may not be any different – What may be different is who CCI determines is best to work with this. We don't know who those folks are. On our end, we are resourcing around the right folks within the organization. If you get any inquiries, please communicate that information to the respective teams so that the information can be sent to the appropriate individuals so that we initiate those necessary conversations.*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8- K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): **July 2, 2014**

Corinthian Colleges, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**0- 25283**	**33- 0717312**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

6 Hutton Centre Drive, Suite 400, Santa Ana, California	**92707**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(714) 427- 3000**

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8- K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

❑ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
❑ Soliciting material pursuant to Rule 14a- 12 under the Exchange Act (17 CFR 240.14a- 12)
❑ Pre- commencement communications pursuant to Rule 14d- 2(b) under the Exchange Act (17 CFR 240.14d- 2(b))
❑ Pre- commencement communications pursuant to Rule 13e- 4(c) under the Exchange Act (17 CFR 240.13e- 4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Operating Agreement

On July 3, 2014, Corinthian Colleges, Inc. (the "Company," "Corinthian," "we," "us" or other similar terms) and its wholly- and partially- owned subsidiaries, on the one hand, and the U.S. Department of Education ("ED") on the other hand, entered into an Operating Agreement, implementing the Memorandum of Understanding previously agreed upon by the Company and ED on June 22, 2014 (the "Memorandum").

As set forth in the recitals to the Operating Agreement, the guiding principles followed by the Company and ED in preparing the Operating Agreement were to provide for a plan that would (i) provide the Company's students an opportunity to complete their education without material interruption, change or additional cost; (ii) treat the Company's faculty and staff in a manner that causes minimal personal and financial disruption; and (iii) consider the importance of the Company's responsibilities to students, employees, and taxpayers, and respect the interests of the government and the Company's federal and state law obligations (including fiduciary duties) and contractual obligations.

Section I of the Operating Agreement requires the Company to provide certain information to ED, some of which was provided prior to or contemporaneously with the signing of the Operating Agreement and others of which are to be provided prospectively. The required information includes cash flow forecasts for the Company, asset lists, information regarding the Company's schools and information regarding the Company's students.

Section II of the Operating Agreement provides, among other matters, that ED's current HCM- 1 disbursement method for the Company and the attendant 21- day disbursement delay will remain in effect until ED provides further notice, but effective July 8, 2014 (the "Effective Date"), ED will, subject to compliance by the Company with the procedures set forth in the Operating Agreement, allow the Company to drawdown Title IV student aid funds on a weekly basis, as an advance against the 21- day disbursement delay. The procedures to be followed by the Company will include certain disbursement verifications by an independent student financial aid auditor to be selected by the Company and approved by ED, and by an individual appointed by ED who will serve as an independent monitor of the Company and report to ED (the "Monitor"). The Company is not permitted to enter into any contractual agreements with students between the date the Operating Agreement was signed and the Effective Date. In addition, ED may defer access to Title IV funds for any institution if it determines that the Company has not produced the placement rate and other materials requested that are related to that institution by a date specified.

Section III of the Operating Agreement provides, among other matters, for the engagement of the Monitor, including the scope of his or her responsibilities. The Company has agreed to provide the Monitor full and complete access to the Company's personnel and budgets, including financial projections, results of operations, cash receipts and disbursements, student records, databases and any and all documents the Company is providing to potential buyers, accreditors, lenders, state authorizing agencies and ED. The Monitor's responsibilities include: reviewing

supporting records prior to submission of such records by the Company for drawdown of Title IV funds; reviewing weekly lists of Company expenditures and reporting to ED on the permissibility of such expenditures from Title IV funds; confirming the implementation of each teach- out of a Company school is materially consistent with the approved teach- out plan for such school; prior to the Company's weekly drawdown of Title IV funds, confirming the Company is in material compliance with the agreed timetable for the production of documents by the Company to ED; monitoring the status of all school sales processes and providing monthly reports to ED; receiving access to and reviewing the existing multiple access points for internal and external complaints about the Company and reporting material relevant complaints to ED; and periodically reporting to ED and the Company the Monitor's findings with respect to any violations of the Operating Agreement, new or threatened litigation against the Company or any of its institutions, and any material developments in the Company's financial situation or in existing litigation.

Section IV of the Operating Agreement limits the Company's use of Title IV student aid funds to funding the normal daily operations and expenses of the Company, which categories are set forth in an exhibit to the Operating Agreement and include student refunds, payroll expenses, operating expenses, interest and related fees, and related professional fees. The Company has agreed that from and after the Effective Date, it will not use Title IV student aid funds to pay dividends, legal settlements of lawsuits or investigations, or debt repayments. Additionally, bonuses, severance payments, raises and retention agreements being considered must be discussed with the Monitor and reported to ED at least two weeks prior to the creation of contractual obligations and payment and are subject to ED approval. The Monitor is to be provided full access to review all disbursements by the Company to confirm compliance with the terms of the Operating Agreement.

Section V of the Operating Agreement requires the Company to provide notices to current and prospective students as to the status of the schools and the options and protections afforded to students. The Company must provide the notices to ED for review and approval prior to use and is also required to obtain certain written acknowledgements from students with respect to those schools and programs that are being taught out or sold.

Section VI of the Operating Agreement provides, among other matters, for the Company to discontinue enrolling new students at those schools designated in the Operating Agreement to be taught out and closed thereafter (the "Teach- out Schools"). With respect to new students who enrolled in a Teach- out School between June 22, 2014 (the date of the Memorandum) and the Effective Date, those students would have the option to either: (i) obtain a Full Refund (as defined below) and discontinue their education at the Teach- out School, and the Company would forgive entirely all tuition and other fees charged the student for the program; or (ii) continue their education in the ordinary course. If the student does not affirmatively make a choice, the Company must withdraw the student from the program and issue the student a Full Refund. With respect to students enrolled at a Teach- out School prior to June 22, 2014, the Company must provide each such student one of the following two plans at the time of the announcement of the teach- out: (a) the Company may provide for the student to continue his or her program of study as he or she normally would (which may mean transferring to a comparable program of study at a comparable school at no additional cost above the amount such student would have

been charged to continue attending the Company's school); or (b) the Company may provide for the student to withdraw from school and receive a Full Refund. The Company would be required to provide an internal appeals process whereby the student could appeal the decision by the Company to continue the student in a teach- out rather than permit the student to receive a Full Refund. If the Company is not able or fails to pay the Full Refund where required, ED will offset the appropriate amount from the Company's next Title IV aid funding disbursement and apply that amount to the accounts of the affected students. With respect to students who enroll in programs that the Company closes without permitting the students to complete the program, and not in accordance with a previously agreed teach- out plan, the Company would be obligated to provide a Full Refund to such students. With respect to students attending schools that are found by ED to be ineligible for recertification or otherwise determined to be ineligible for participation in Title IV, the Company would be obligated to provide students their choice of: (x) continuing his or her program of study at the school pursuant to the "Closeout Procedures" in applicable federal regulations; or (y) withdrawing from the school and obtaining a Full Refund. ED will provide the Company with an informal review at least 14 days in advance of a decision to deny recertification of a Company institution. The Company has agreed that it would stop enrolling students immediately for any institution where the Company has been advised that ED intends to deny the recertification for that institution, and if the recertification denial is issued, the Company will immediately add that institution to the Company's teach- out plan.

For purposes of the Operating Agreement, a "Full Refund" means a full refund of the total direct costs of attendance (defined in the Operating Agreement to mean tuition and fees, equipment, books and supplies, and any other costs incurred by the student to the extent such amounts were paid to the school) incurred by such student, in which case the Company would be required to (i) return to ED any Federal Pell and other Federal grants and Federal student loans disbursed to such student, (ii) repay to any lender from whom the Company received direct disbursements for such student's cost of attendance at the Company the amount of such disbursements, and (iii) return any amounts received directly from such student to such student.

The Operating Agreement also provides that the Company and ED will work together to establish a reserve fund to support student refunds. The total amount of the fund will be determined in consultation with the Monitor, but will be no less than $30 million.

Section VII of the Operating Agreement provides for the Company to prepare and deliver to ED contingency teach- out plans by July 22, 2014 for all of its U.S. locations that participate in the Title IV Program. These plans may include agreements with other institutions to take over the teach- out process or funding mechanisms, as applicable. The Company has identified 12 schools that it plans to teach- out, and has agreed to suspend new enrollments at those schools no later than one day after the Effective Date.

Section VIII of the Operating Agreement required the Company to fully comply with the prioritized list of data requested by ED before the Operating Agreement was executed. In addition, any data request made by ED on or after the date of the Operating Agreement must be complied with within thirty days (or such other reasonably agreed time frame).

Section IX of the Operating Agreement references an exhibit to the Operating Agreement that sets forth a list of the schools attended by Title IV eligible students that the Company will make a diligent, good faith effort to sell to new owners (the "Sale Schools"). All schools attended by Title IV- eligible students that are not listed on the exhibit as a Sale School are instead designated a Teach- out School. The Company will provide reasonable access to the Monitor of material indications of interest, letters of intent or binding agreements with respect to Sale Schools. The Company will seek to reach definitive sale agreements for any Sale School within six months of the Effective Date; provided that any sale or transfer of assets shall be subject to approval by ED, in accordance with its statutory and regulatory authority.

Section X of the Operating Agreement contains a reservation of rights by ED with respect to its ability to regulate the Company. This Section also confirms that the Company is not, by virtue of the Operating Agreement, exempted from any federal or state regulatory or statutory requirements, and further provides that the Operating Agreement shall not be construed to preempt any action or authority of any state or federal governmental agency's efforts to enforce its education, consumer protection, false advertising, unfair competition or securities laws. ED may defer access to Title IV funding if it determines that the Company has materially failed to produce requested documentation by the date specified and ED is unable to substantiate the veracity and accuracy of the documentation after consultation with the Company.

Section XI of the Operating Agreement provides for ED and the Company to work closely with state licensing and accreditation agencies in the course of implementation of the teach- outs and sales contemplated by the Operating Agreement, in accordance with the requirements of ED and each such agency.

Section XII of the Operating Agreement provides for ED and the Company to review the status of the Operating Agreement three months and six months after the Effective Date and confirms that nothing in the Operating Agreement is intended or construed to prevent the Company from exercising its business and managerial judgments with respect to (i) the Company's contractual obligations to its stakeholders, including students, employees, creditors, vendors and other counterparties, or (ii) the fiduciary duties of the Company's board of directors, including duties with respect to approving the terms and conditions, including consideration, of the sales of any schools or other assets of the Company. Each party may terminate the Operating Agreement upon written notice to the other party, which termination would be effective five calendar days after the date of the written notice.

The foregoing summary of the Operating Agreement is a summary only and is qualified in its entirety by reference to the Operating Agreement, which is attached hereto as Exhibit 10.1 and is incorporated by reference into this Item 1.01.

First Amendment to Memorandum of Understanding

On July 3, 2014, the Company and ED also entered into a First Amendment to the Memorandum (the "Memorandum Amendment").

The principal purpose of the Memorandum Amendment is to permit the Company to drawdown Title IV student aid funds until the advance funding mechanism contemplated by the Operating Agreement is effective. The maximum aggregate amount of Title IV student aid funds the Company may drawdown under the Memorandum Amendment is $35 million.

The foregoing summary of the Memorandum Amendment is a summary only and is qualified in its entirety by reference to the Memorandum Amendment, which is attached hereto as Exhibit 10.2 and is incorporated by reference into this Item 1.01.

The Company believes the Operating Agreement and the Memorandum Amendment are positive steps for the Company and all of its stakeholders. However, depending on the timing of the Company's asset sales and its ability to further reduce operating costs, the Company may still need to obtain additional sources of liquidity to fund its operations and to implement the agreements contemplated by the Operating Agreement. To do so, the Company may continue to seek additional sources of liquidity through new financings, additional cost reductions, accelerated asset sales or some combination thereof. There can be no assurance that the Company will be able to obtain any such additional needed liquidity on a timely basis, on terms acceptable to it, or at all.

In addition, as previously reported by the Company, ED has indicated that, in connection with its ongoing review of the Company and its schools, it is contemplating denial of recertification or removal of certification of institutional Title IV eligibility with respect to certain of the Company's schools, which, depending on the schools, could have a material adverse effect on the Company.

Item 3.01. Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.

On July 2, 2014, the Company received a letter from The NASDAQ Stock Market ("Nasdaq") stating that the bid price of the Company's common stock for the last 30 consecutive business days had closed below the minimum $1.00 per share required for continued listing under Nasdaq Listing Rule 5450(a)(1). The Company has been provided a period of 180 calendar days, or until December 29, 2014, to regain compliance. The letter states that the Nasdaq staff will provide written notification that the Company has regained compliance if at any time before December 29, 2014, the bid price of the Company's common stock closes at $1.00 per share or more for a minimum of ten consecutive business days.

In the event the Company does not regain compliance by December 29, 2014, the Company may be eligible for additional time. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the $1.00 minimum bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. If the Company meets these requirements, the letter states that the Nasdaq staff will inform the Company that it has been granted an additional 180 calendar days.

In the event the Company does not regain compliance with Nasdaq Listing Rule 5450(a)(1) prior to the expiration of the 180- day period (or such later date as Nasdaq may provide by extension), Nasdaq will notify the Company that its common stock is subject to delisting.

Delisting could have a material adverse effect on the price of the Company's shares and the Company's ability to issue additional securities or secure financing. In the event of delisting, trading of the Company's common stock would most likely be conducted in the over the counter market on an electronic bulletin board established for unlisted securities, which would adversely affect the liquidity of the common stock and analysts' coverage of the Company could be reduced.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

10.1 Operating Agreement between Corinthian Colleges, Inc. and the U.S. Department of Education.

10.2 First Amendment to Memorandum of Understanding between Corinthian Colleges, Inc. and the U.S. Department of Education.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORINTHIAN COLLEGES, INC.

July 7, 2014

/s/ Stan A. Mortensen
Stan A. Mortensen
Executive Vice President and General Counsel

Exhibit 10.1

Operating Agreement

This Operating Agreement (the "Agreement"), effective this 8th day of July, 2014 (the "Effective Date"), is by and between Corinthian Colleges, Inc. and its wholly- and partially- owned subsidiaries, including without limitation those of its subsidiaries listed on Exhibit 21.1 of its September 3, 2013 Annual Report (the "2013 Form 10- k") filed with the Securities and Exchange Commission (hereinafter, collectively, "Corinthian"), and the United States Department of Education ("the Department"). For purposes of this Agreement, Corinthian and the Department shall be referred to individually as a "Party" and collectively as the "Parties."

Recitals

A. WHEREAS, the Department and Corinthian previously entered into a Memorandum of Understanding dated June 22, 2014 ("MOU"), wherein Corinthian agreed to present an Operating Agreement by July 1, 2014 for the Department's approval, and, subject to negotiation, agreement.

B. WHEREAS, the Department and Corinthian agree that the Operating Agreement will attempt to provide Corinthian students an opportunity to complete their education without material interruption, change, or additional cost;

C. WHEREAS, the Department and Corinthian agree that the Operating Agreement will attempt to treat Corinthian's faculty and staff in a manner that causes minimal personal and financial disruption; and

D. WHEREAS, the Parties agree that the Operating Agreement would consider the importance of Corinthian's responsibilities to students, employees, and taxpayers, and respect the interests of the government and Corinthian's federal and state law obligations (including fiduciary duties) and contractual obligations.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, Corinthian and the Department hereby agree as follows:

I. Financial and Operational Information

A. Corinthian has provided the following to the Department for review:

1. Contemporaneously with the execution of this Agreement, a 13- week cash flow projection prepared by Corinthian and reviewed and submitted by the Company's Chief Restructuring Officer, a Senior Managing Director of FTI Consulting, Inc. (the "CRO") as of June 30, 2014.

2. Contemporaneously with the execution of this Agreement, a detailed list of Corinthian's assets as reflected on Corinthian's internal accounting records as of May 31, 2014, attested to as being materially true and correct to the best knowledge of the CEO or CFO of Corinthian, subject to audit adjustments, month end closing adjustments and other adjustments to conform the statements to Corinthian's typical quarterly public financial presentation. In addition, Corinthian shall provide a list of all acquisitions and dispositions of assets, and other non- ordinary course transactions of more than $500,000 occurring after May 31, 2014 attested to as being materially true and correct to the best knowledge of the CEO or CFO of Corinthian.

3. Before the Effective Date, Corinthian shall provide to the Department a list of its Title IV- eligible locations, specifying the addresses of such locations as reflected on the existing Eligibility and Certification Approval Report of each location, as well as the approved programs of study at each such location and a list of the full direct costs (tuition, books, equipment, and fees) of those programs of study at those locations.

4. Before the Effective Date, Corinthian shall provide to the Department a list of all Title IV- eligible students who were enrolled in each of Corinthian's Title IV- eligible institutions as of June 30, 2014, indicating whether the student is enrolled in distance education or in- person, by program of study, specifying the student's state of residence, enrollment date, campus, and anticipated program completion date.

B. On or prior to every Thursday on a weekly basis, Corinthian shall provide an updated 13- week cash flow projection, in substantially the same form as delivered pursuant to Section I.A.1 or such other form as the Monitor (defined below) may agree, for the thirteen (13) week period commencing on the following Monday, prepared by Corinthian and reviewed by and submitted by the Company's CRO to the Monitor. The projection shall show cash receipts disaggregated by source.

II. Federal Student Aid Funds; Department Review of Student Rosters

A. The Department's current HCM- 1 disbursement method for Corinthian and the attendant 21- day disbursement delay will remain in effect until the Department provides further notice.

B. Effective July 8, 2014, the Department will allow Corinthian to draw down Title IV student aid funds on a weekly basis, as an advance against the 21- day disbursement delay described in Section II.A above, for student rosters that it submitted to the Department. Weekly draws will continue as additional Title IV student aid funds become available, as a continual weekly advance against the 21- day disbursement delay described in Section II.A above, for student rosters that Corinthian will submit to the Department in accordance with Section II.D and in accordance with additional review procedures as set forth in Sections II.D and III.C.1 below.

C. The Department may defer access to Title IV funds for any institution if it determines that Corinthian has not produced the placement rate and other materials requested that are related to that institution by the date specified. The deferral will continue until the Department receives the materials requested. Responses to subsequent requests for information shall be subject to a mutually agreeable schedule determined by the Parties.

The continuation of advance drawdowns is conditioned on the post- disbursement verification, by an independent qualified student financial aid auditor ("Title IV Auditor") selected by Corinthian and approved by the Monitor and the Department, that the rosters Corinthian has submitted for drawdowns are materially complete, accurate and appropriate. The Title IV Auditor's verification, subject to review by the Monitor, will include reviewing an appropriate sample of the students included on the rosters, and that Corinthian has paid, or subtracted from any drawdowns, all returns owed to the Title IV student aid programs with respect to any students. The Title IV Auditor shall review samples and verify the accuracy of information, including relevant student information, program participation information and documentation confirming financial aid eligibility, attendance and satisfactory academic progress, and items identified in the Verification Checklist attached at Exhibit A. The Title IV Auditor will submit the results of the weekly review, including any relevant error percentages and detailed findings, to the appointed Monitor on a weekly basis. The Monitor will report the results to the Department consistent with the terms of this Agreement. The Title IV Auditor's bills will all be paid promptly by Corinthian upon submission.

The Monitor will review a random sample of student rosters on a school- by- school basis to confirm that no disbursements are being requested for locations that have been determined ineligible or for

which data and documentation have not been substantially provided by July 15, 2014, where "substantially provided" means that all data and documentation have been provided other than a *de minimus* amount that does not materially limit the Department's ability to evaluate the data and documentation in the aggregate; and provided further, however, that "substantial provision" does not relieve Corinthian of its obligation to produce all responsive materials. The Monitor shall notify the Department of any discrepancies before Corinthian submits the rosters to the Department for payment.

D. At least 24 hours prior to each requested draw of Title IV student aid funds, Corinthian will provide to the Department a list of the students, by campus, for which such payments are requested. The amount of any draws of Title IV federal student aid funds for those students will be reconciled to the date Corinthian provides the list to the Department. This list will identify the OPEID of the institution the students are attending, and each student's social security number, current address, current telephone number, program of study, requested payment amount, date of enrollment, expected graduation date, prior disbursement amounts by program for the current enrollment, current disbursement amounts by program, and whether the student is still in attendance.

E. During the period between the date of signing and July 8, 2014, there will be no contractual agreements entered into between Corinthian and any new students.

III. Independent Monitor

A. The Department shall identify an individual who shall serve as an independent monitor of Corinthian and report solely to the Department (the "Monitor"). Corinthian shall enter into an agreement with the Monitor consistent with the scope outlined below and such other terms and conditions as shall be mutually satisfactory to the Monitor, Corinthian and the Department.

Corinthian shall be solely responsible for any and all costs associated with the Monitor and shall set aside initially Two Hundred Thousand Dollars ($200,000) to pay the Monitor's fees and costs promptly.

B. The Monitor will have full and complete access to Corinthian personnel and budgets, including financial projections, results of operations and cash receipts and disbursements (including, without limitation, disbursements of any Title IV student aid funds), student records, databases (including Campus Vue) and any and all documents Corinthian is providing to potential buyers, accreditors, lenders, state authorizing agencies, and the Department.

C. The duties and responsibilities of the Monitor shall be as follows:

1. The Monitor will review Corinthian's rosters prior to submission of any rosters for drawdowns in accordance with this section. The Monitor's review will include campus eligibility based on information provided by the Department and consistency with the teach- out plan where applicable. The Monitor will receive a report from the Title IV Auditor regarding the results of the post- disbursement verification process;

2. Corinthian will provide the Monitor a list of the expenditures made each week, and the Monitor shall review and report to the Department on the allowability of the expenditures from Title IV funds, consistent with Section IV below;

3. Confirm that the implementation of each teach- out is materially consistent with the written plans prepared by Corinthian and approved by relevant accrediting and state licensing agencies, and accepted by the Department, subject to amendment or modification of such plans as approved by the state licensing agencies and accrediting agencies, and disclosed to the Monitor;

4. Prior to the submission of each weekly drawdown of Title IV funds by Corinthian, confirm that Corinthian is in material compliance with the agreed timetable for the production of documents, including any follow- up document requests and agreed- upon timetables with respect thereto;

5. Monitor the status of all school sales processes and provide monthly reports to the Department;

6. Receive access to, and review, the existing multiple access points for internal and external complaints about Corinthian (including a toll free phone number for "a hot line") and report material relevant complaints to the Department on a schedule agreed to by the Department and Corinthian;

7. Periodically report his or her findings with respect to (i) any violations of this Agreement, (ii) new or threatened litigation against Corinthian or any of its institutions, and (iii) any material developments in its financial situation or in existing litigation to the Department and Corinthian in accordance with such schedule as the Department may prescribe.

D. Except in the performance of his or her obligations under this Agreement concerning reporting to the Department, the Monitor shall be subject to confidentiality obligations with respect to any books, records, and other private, proprietary or personally- identifiable information about Corinthian, its students, and employees. The Parties agree that all materials provided to the Monitor or the Department marked as "Business Confidential" shall be reviewed to determine if those materials are exempt from disclosure pursuant to 5 U.S.C. 552(b)(4) respecting exemption from disclosure of confidential or privileged Business or Trade Information.

E. Corinthian shall promptly disclose to the Monitor any changes to teach- out plans and agreements, filings with the U.S. Securities and Exchange Commission, new litigation, and material court

judgments and substantive orders issued on all material litigation, and in the event such actions and activities have not promptly been disclosed to the Department by Corinthian, the Monitor shall promptly so inform the Department.

F. Subject to Section III.D, the Monitor shall provide the Department with access to any and all documents reviewed and relied upon in discharging the obligations specified herein.

G. Notify the Department of any actual known violation of state or federal laws or regulations, including the regulations of the Department.

H. The Monitor shall have such authorities that are necessary and proper to the performance of his or her duties herein.

I. If the Monitor cannot be secured by the date this Agreement becomes effective, the Department will assign a temporary Monitor.

IV. Allowable and Excluded Uses Associated with Title IV Student Aid Funds

A. From and after the Effective Date of this Agreement, Corinthian agrees that it shall only use Title IV student aid funds to fund the normal daily operations and expenses as set forth on Exhibit B attached hereto, including student refunds, payroll expenses (including retention arrangements), accounts payable, interest and related fees, and related professional fees. Corinthian agrees that, from and after the Effective Date of this Agreement, it will not use Title IV student aid funds to pay dividends, legal settlements of lawsuits or investigations, or debt repayments. Additionally, bonuses, severance payments, raises and retention agreements being considered shall be discussed with the Monitor and reported to the Department at least two weeks prior to the creation of contractual obligations and payment and subject to the approval of the Department.

B. From and after the appointment of the Monitor, the Monitor (as defined below) shall have full access to review all disbursements by Corinthian in order to verify compliance with the terms of this Agreement.

V. Notices by Corinthian to Current and Prospective Students

A. Corinthian will provide notices and disclosures to current and prospective students as to the status of the schools and the options and protections afforded to the students. Corinthian shall produce the notices and disclosures to the Department for review and approval before using the notices and disclosures to current and prospective students. The Department may, at any time, request that such notices and disclosures be revised and Corinthian shall produce such revised notices and disclosures to the Department for review and approval. With respect to Teach- Out Schools, Corinthian shall be required to obtain written acknowledgement that the student has read the notice and disclosures. With respect to Sales Schools, Corinthian shall be required to obtain written acknowledgment that a student who enrolls after the effective date of this agreement has read the notice and disclosures.

Corinthian will endeavor to obtain written acknowledgement from each student whose program it completes teaching that the program has been taught to completion.

B. Notwithstanding any other provision herein, nothing herein shall be read to prohibit or constrain any additional disclosures that may be sought by any state or federal authority or accrediting agency or ordered by any state or federal court.

VI. Teach- outs or Full Refunds to Corinthian Students for Tuition, Fees, and Other Direct Educational Charges in Certain Circumstances

A. Upon signing this Agreement, Corinthian will discontinue enrolling new students in any schools designated in this Agreement

to be taught out and closed thereafter (the "Teach- out Schools"). Promptly (and in no event more than one week) after the Effective Date of this Agreement, Corinthian shall provide written notice to all students attending the Teach- Out Schools of the intent to teach out those schools.

B. With respect to new students who enrolled in a Teach- Out School between the date of the MOU and the Effective Date of this Agreement, Corinthian shall promptly provide such students with disclosures regarding options to be developed, reviewed and approved as described in Section V.A, which shall provide for students their choice to either (i) obtain a Full Refund (as defined below) and discontinue their education at the Teach- out School, and Corinthian shall forgive entirely all tuition and other fees charged the student for the program, or (ii) continue their education in the ordinary course. If a student does not affirmatively make a choice, Corinthian shall withdraw the student from the program and issue the student a Full Refund (as defined below).

C. With respect to students enrolled at a Teach- Out School prior to the date of the MOU, Corinthian shall give each such students *one* of the following plans at the time of the announcement of the teach- out: 1) continue his or her program of study as he or she normally would (which may mean transferring to a comparable program of study at a comparable school at no additional cost above the amount such student would have been charged to attend the Corinthian school); or 2) withdraw from school and receive a Full Refund of the total direct costs of attendance incurred by such student, and, in that case, Corinthian shall (i) return to the Department any Federal Pell and other Federal grants and Federal student loan funds disbursed to such student, (ii) repay to any private student loan or other lender from whom Corinthian received direct disbursements for such student's cost of attendance at Corinthian the amount of such disbursements, and shall reimburse the student any origination and other fees, if any,

incurred by the student in obtaining such private student loan, and (iii) return any amounts received directly from such student to such student, a "Full Refund." Corinthian shall provide a bona fide internal appeals process whereby a student can appeal the decision by Corinthian to continue the student in a teach- out rather than permit the student to receive a Full Refund. Corinthian shall provide the Monitor with access to all documents and personnel involved in the appeals process. If a student's appeal is granted, Corinthian shall withdraw the student from the program and issue the student a Full Refund. In the case that Corinthian is unable or fails to pay the Full Refunds where required, the Department will offset the appropriate amount from Corinthian's next Title IV aid funding disbursement and apply that amount to the accounts of the affected students. For the avoidance of doubt, the definition of Full Refund shall not require Corinthian to return any amounts pursuant to this Section VI in excess of "direct costs," or otherwise used by the student to pay indirect expenses. For purposes of this Section VI, "direct costs" shall mean tuition and fees, equipment, books and supplies, and any other costs incurred by the student to the extent such amounts were paid to the school.

D. With respect to students who enroll in programs that Corinthian closes without permitting the students to complete the program, and not in accordance with a previously agreed- upon teach- out plan, Corinthian shall provide a Full Refund to such students.

E. With respect to students attending schools that are found by the Department to be ineligible for recertification or otherwise determined to be ineligible for participation in Title IV programs, Corinthian shall provide students their *choice* of one of the following options at the time such denial of re- certification of Title IV eligibility becomes final: 1) continue his or her program of study at the school pursuant to 34 CFR §668.26 ("*End of an institution's participation in the Title IV, HEA programs*"); or 2) withdraw from school and receive a Full Refund. The Department

will provide Corinthian with an informal review at least 14 days in advance of a decision to deny recertification of a Corinthian institution. Corinthian will stop enrolling students immediately at an institution where it has been advised that the Department may intend to deny the recertification for that institution, and if the recertification denial is issued Corinthian will immediately add that institution to the Teach- Out plan previously submitted by Corinthian to the accreditors and the Department, and further detailed in Section VII below. Before making disclosures to third parties about this information, Corinthian will consult the Department and the Parties shall agree to any such disclosure. The Department may issue a recertification denial less than 14 days after providing notice to Corinthian under this Agreement if Corinthian shares information concerning the recertification denial with any third party that was not agreed to.

F. Corinthian and the Department will work together to establish a reserve fund, that will be placed in an interest bearing escrow account, to be used exclusively for student refunds. The total amount of the fund will be determined in consultation with the Monitor but will be no less than $30 million.

VII. Closure and Teach- Out Provisions

A. Attached as Exhibit C is a generalized template for Corinthian teach- out plans. By July 22, 2014, Corinthian shall prepare teach- out plans for all of its U.S. locations that participate in the Title IV Program, in compliance with the requirements of their applicable accrediting agencies, and shall deliver these teach- out plans to the Department by such date. These plans may include agreements with other institutions to take over the teach- out process or funding mechanisms, as applicable. Corinthian will suspend new enrollments at the Teach- Out Schools promptly, but no later than one (1) day after the Effective Date of this Agreement.

VIII. Corinthian Responses to Data Requests

A. Corinthian will fully comply with the prioritized list of data requested by the Department before this Agreement is executed. With respect to the 2010 data concerning Heald, a component of the prioritized list of data referenced in the preceding sentence, Corinthian will comply with the request by July 15, 2014. The Department is still reviewing and substantiating the data included in the referenced prioritized list of data. Any data request made by the Department on or after the date of this Agreement shall be complied with within 30 days (or such other reasonably agreed time frame).

IX. Sales Schools

A. Attached hereto as Exhibit D is a list of the schools attended by Title IV eligible students that Corinthian will make a diligent, good faith effort to sell to new owners (the "Sale Schools"). All schools attended by Title IV- eligible students that are not listed as a Sale School are hereby designated a Teach Out School.

B. Corinthian will provide reasonable access to the Monitor of material indications of interest, letters of intent or binding agreements with respect to the Sale Schools.

C. Corinthian will endeavor to reach definitive sale agreements for any Sale Schools within six months from the Effective Date of this Agreement.

D. Any sale or transfer of assets shall be subject to approval by the Department, in accordance with its statutory and regulatory authority.

X. The Department Reserves All Statutory and Regulatory Authority

A. The Department reserves its rights pursuant to statutory and regulatory authority.

B. Nothing in this Agreement limits the Department's authority to conduct compliance reviews of Corinthian's institutions or the Department's actions arising from those reviews.

C. The Department reserves its rights pursuant to statutory and regulatory authority to modify the funding method and documentation requirements for any or all of the Corinthian institutions. The Department may defer access to Title IV funding described herein if it determines that Corinthian has materially failed to produce requested documentation by the date specified and the Department is unable to substantiate the veracity and accuracy of the documentation after notification to Corinthian. This Agreement does not exempt Corinthian from any federal or state regulatory or statutory requirements. Nor does it prohibit or in any way limit the Department's discretion or authority to take further action under its statutory or regulatory authority with respect to Corinthian.

D. Nothing in this Agreement shall be construed to preempt or conflict with any action or authority of any state or federal governmental agency or authority, including but not limited to any state or federal governmental agency's efforts to enforce its education, consumer protection, false advertising, unfair competition or securities laws. Nothing in this Agreement shall be construed to limit the ability of any other entity to establish more stringent disclosure requirements.

E. The Parties reserve all rights and obligations under applicable law. This Agreement is not intended to create any new rights or obligations of the Parties except for the contractual rights and obligations expressly set forth herein.

XI. Coordination with States and Accreditors

A. The Department and Corinthian agree that they will work closely with state licensing and accreditation agencies in the course

of implementation of the teach- outs and sales contemplated in this Agreement, in accordance with the requirements of the Department and each such agency.

XII. Miscellaneous

A. The Parties agree that they shall review the status of this Agreement three and six months after its Effective Date.

B. Nothing in this Agreement is intended nor should be construed to prevent Corinthian from exercising its business and managerial judgments with respect to (i) the contractual obligations of Corinthian to its stakeholders, including students, employees, creditors, vendors and other counterparties, or (ii) the fiduciary duties of Corinthian's Board imposed by judicial decisions, statutory enactments or regulatory requirements including, without limitation, duties with respect to approving the terms and conditions, including consideration of the sales of any schools or other assets of Corinthian.

C. This Agreement is solely between the Department and Corinthian and does not, and is not intended to, confer any rights or remedies upon any person other than the Parties.

D. Each Party may terminate this Agreement upon written notice to the other Party, and each Party is required to meet its respective obligations under the Agreement for the period when the Agreement was in effect. The effective date of the termination will be five calendar days after the date of the written notice.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

CORINTHIAN COLLEGES, INC.

By: /s/ Jack D. Massimino
Name: Jack D. Massimino,
Title: Chairman of the Board and Chief Executive Officer

U.S. DEPARTMENT OF EDUCATION

By: /s/ Ted Mitchell
Name: Ted Mitchell
Title: Under Secretary

LIST OF EXHIBITS

Exhibit A - Verification Checklist
Exhibit B - Schedule of Allowable Expenses
Exhibit C - Generalized Template for Corinthian Teach- Out Plans
Exhibit D - List of Sale Schools

Exhibit A
Verification Checklist

ISIR/FAFSA

1. Check ISIRs to determine which was used for payment and check to see if it has a valid EFC and the awards are correct based upon that EFC
2. Review ISIR for "c" codes and provide corresponding resolution documentation

Admissions

1. Confirm that student has attested to HS completion status or receipt of a GED which match to the FAFSA/ISIR data

Attendance

1. Verify attendance and satisfactory academic progress.

Enrollment Agreement/Pre- Enrollment Documents

1. Review and provide Enrollment Agreement/Contract and confirm it is fully completed and includes the program name, cost, start date, student signature and date

Verification/Conflicting Information/ Professional Judgment

1. Review the ISIR and verification documents to ensure that verification has been performed, if necessary
2. Confirm any and all conflicting information if existed was resolved
3. Review and provide documentation on professional judgment decision and determine if the decision is documented, was based on a valid reason, and was properly processed

SAP

1. Review student records to determine if the student was making SAP
2. Review and provide SAP appeal documentation and determine if appeal was granted for an appropriate and documented reason

Award Calculations

1. Review award calculation and confirm accuracy based on EFC, need and grade level

Direct Loan Recipients

1. Review and provide entrance counseling documentation if applicable
2. Review and provide NSLDS enrollment history and determine if enrollment statuses were properly reported based on required timelines

COD Record

1. Review COD records and confirm disbursement dates and award amounts match the ledger

Exhibit B

Schedule of Allowable Uses/Expenses Associated with Title IV Student Aid Funds

I. ALLOWABLE USES/ EXPENSES

In the ordinary course of business, CCi will use Title IV Funds to fund its operations for the purposes outlined below:

(a) Operating Disbursements

- **Student Refunds** - Required returns of credit balances on student accounts
- **Payroll Expenses** - Including but not limited to the following:
  - Wages and Salaries including 401k contributions
  - Payroll Taxes
- **Operating Expenses** - Including but not limited to following:
  - Health care and other employee benefits
  - All taxes
  - Equipment leasing
  - Travel and related expenses
  - Bookstore costs
  - Telecommunications costs
  - Insurance
  - Information Technology related costs
  - Rent and related costs including taxes, insurance and common area maintenance
  - Advertising, media and other related costs

- Professional Services costs including, but not limited to, audit and compliance related fees, Education Department Monitor fees, le and other advisory fees, etc.
- Capital Expenditures
- Other operating expenses including, but not limited to, class room supplies, consumables, postage, dues and subscriptions, employ and other student related costs, board of director fees and reimburseable expenses and other miscellaneous expenses

(b) Non- Operating Disbursements

- **Interest and related fees/ Related Professional Fees -** Interest and related fees on the Senior Secured Revolving Credit Facility and advisory and legal fees associated with the financing and restructuring

II. INELIGIBLE USES/EXPENSES

CCi will not use Title IV Funds for the purposes outlined below:

- Dividends
- Legal Settlements of lawsuits or investigations
- Debt repayments
- Any expenditures or recourse payments related to private student loans

Exhibit C
Generalized Template for Corinthian Teach- Out Plans

CORINTHIAN COLLEGES, INC. INSTITUTIONAL TEACH- OUT PLAN

Check One: Main School ❑ Branch School ❑ OPEID:

Accreditor Accreditor School Number:

Name of School:

Address:

City: State: Zip Code:

Telephone Number: Fax Number:

Contact Person: E- mail Address:

A student Listing by program including estimated graduation dates:

The expected final graduation date and school closure date:

The status of unearned tuition, all current refunds due and account balances:

A disposition of all student records including educational, billing, accounting and financial aid records in an accessible location:

A demonstration and description of how the delivery of training (including appropriate faculty) and services to students will not be materially disrupted and that obligation to students will be timely met:

A description of specific additional charges to students, if any, and the school's plan for providing advance notification to students of any additional charges:

A list of all accrediting agencies (institutional and programmatic)the school is currently accredited by:

A communication plan for students to assist them through the transition:

Description of plans for faculty and staff:

Notification plan for state and federal regulators including the Department of Veterans Affairs:

Name: _____ Title: _____
(Chief Executive Officer)

Signature: _____ Date: _____

CL_Review001634

Exhibit D
List of Sale Schools

Exhibit D - Schools for Sale

School Name	OPEID	MAR- 14 Active Students	Brand	Group
Phoenix	02295000		ECP	Sale
Mesa	02295002		ECP	Sale
022950 Total		**2,624**		
Orlando North	00149900		Everest	Sale
Orlando South	00149901		Everest	Sale
Melbourne	00149902		Everest	Sale
Tampa	00149904		Everest	Sale
Brandon	00149905		Everest	Sale
Orange Park	00149906		Everest	Sale
Pinellas (Largo)	00149907		Everest	Sale
Lakeland	00149908		Everest	Sale
Jacksonville	00149909		Everest	Sale
Pompano Beach	00149910		Everest	Sale
Merrionette	00149911		Everest	Sale
Kansas City (MO)	00149912		Everest	Sale
001499 Total		**26,921**		
San Bernardino	00449400		Everest	Sale
004494 Total		**567**		
Santa Ana	00450302		Everest	Sale
Colorado Springs	00450300		Everest	Sale
Ft Worth II	00450303		Everest	Sale
004503 Total		**966**		
Aurora	00450701		Everest	Sale
Thornton	00450700		Everest	Sale
004507 Total		**544**		
Mid Cities	00481102		Everest	Sale
Rochester	00481100		Everest	Sale
004811 Total		**895**		
Pittsburgh	00709100		Everest	Sale
007091 Total		**446**		
Alhambra	00809000		Everest	Sale
Bedford Park	00809003		Everest	Sale
008090 Total		**829**		

School Name	OPEID	MAR- 14 Active Students	Brand	Group
Portland	00907900		Everest	Sale
Vancouver	00907901		Everest	Sale
Dallas	00907905		Everest	Sale
009079 Total		**1,020**		
Newport News	00926700		Everest	Sale
Chesapeake	00926701		Everest	Sale
009267 Total		**991**		
South Plainfield	00982804		Everest	Sale
Southfield	00982800		Everest	Sale
Detroit	00982803		Everest	Sale
Dearborn	00982801		Everest	Sale
Austin	00982802		Everest	Sale
009828 Total		**2,651**		
Reseda	01110900		Everest	Sale
Atlanta Greenbriar	01110902		Everest	Sale
Marietta	01110901		Everest	Sale
011109 Total		**1,216**		
Gardena	01112300		Everest	Sale
Norcross	01112301		Everest	Sale
011123 Total		**703**		
Melrose Park	01185803		Everest	Sale
Skokie	01185800		Everest	Sale
Burr Ridge	01185802		Everest	Sale
011858 Total		**1,041**		
Los Angeles	01287301		Everest	Sale
City of Industry	01287302		Everest	Sale
Long Beach	01287300		Everest	Sale
012873 Total		**2,092**		
Henderson	02237500		Everest	Sale
022375 Total		**706**		
Springfield	02250600		Everest	Sale
Ontario	02250602		Everest	Sale
022506 Total		**971**		

School Name	OPEID	MAR- 14 Active Students	Brand	Group
San Antonio	02261300		Everest	Sale
Greenspoint	02261302		Everest	Sale
Houston Hobby	02261303		Everest	Sale
022613 Total		**1,268**		
Everett	02300103		Everest	Sale
Bremerton	02300100		Everest	Sale
Tacoma	02300104		Everest	Sale
023001 Total		**1,253**		
Renton	02606200		Everest	Sale
Bissonet	02606202		Everest	Sale
026062 Total		**957**		
Seattle	02617500		Everest	Sale
Portland	02617506		Everest	Sale
Woodbridge DC	02617508		Everest	Sale
026175 Total		**786**		
Ontario	03072300		Everest	Sale
Columbus	03072303		Everest	Sale
Jonesboro	03072304		Everest	Sale
030723 Total		**1,082**		
Torrance	03195400		Everest	Sale
031954 Total		**122**		
San Francisco	00723400		Heald	Sale
Concord	00723404		Heald	Sale
Hayward	00723406		Heald	Sale
San Jose	00723405		Heald	Sale
Salinas	00723409		Heald	Sale
Rancho Cordova	00723411		Heald	Sale
Fresno	00723412		Heald	Sale
Stockton	00723410		Heald	Sale
Modesto	00723407		Heald	Sale
Honolulu	00723401		Heald	Sale
Portland	00723402		Heald	Sale
Roseville	00723408		Heald	Sale
007234 Total		**13,129**		

School Name	OPEID	MAR- 14 Active Students	Brand	Group
Anaheim	01110700		Everest	Sale
011107 Total		379		
Fremont	00719000		WyoTech	Sale
007190 Total		819		
Daytona Beach	02346200		WyoTech	Sale
023462 Total		425		
Laramie	00915700		WyoTech	Sale
Blairsville	00915705		WyoTech	Sale
009157 Total		**1,758**		
North Miami*	00149913		Everest	Sale
Kendall*	00149914		Everest	Sale
001499 Total		**238**		
Brighton**	01151000		Everest	Sale
North Aurora**	01151002		Everest	Sale
011510 Total		**518**		
Total Schools for Sale		**67,917**		

* These schools were placed for sale in September 2013 and stopped enrolling new students as of March 2014. The last students will complete their program no later than October 2014.
** These schools were placed for sale in September 2013 and stopped enrolling new students as of February 2014. The last students will complete their program no later than October 2014.

Exhibit 10.2

First Amendment to Memorandum of Understanding

This First Amendment to Memorandum of Understanding ("this Amendment") is made July 3, 2014, between Corinthian Colleges, Inc. and its wholly- and partially- owned subsidiaries ("Corinthian") and the U.S. Department of Education ("the Department"). This Amendment amends the Memorandum of Understanding entered into June 22, 2014, by and between the Department and Corinthian ("the Original MOU"). Contemporaneously with the execution of this Amendment, Corinthian and the Department have executed and delivered an Operating Agreement which is effective as July 8, 2014 (the "Operating Agreement").

Agreement

1. The following paragraphs will be added to the Original MOU, at the end of the Section entitled "Immediate Funding":

- Effective as of the date of this Amendment, the Department will allow Corinthian to draw down Title IV student aid funds as an advance against the 21- day delay for student rosters that it will submit by July 7, 2014, and Corinthian may continue to be allowed to draw down Title IV student aid funds for student rosters that it will submit (which rosters it may submit through July 11, 2014), in an aggregate amount not to exceed $35 million ("the Amendment Advance"). In order to draw down the Amendment Advance, Corinthian must first satisfy the following conditions:

- Provide to the Department a detailed list of assets as described in Section I.A.2 of the Operating Agreement.

- Provide the Department with a schedule of the disbursements for which the Amendment Advance will be used, which disbursements shall comply with the requirements of Section IV.A of the Operating Agreement.

- Provide the Department with the data and documents described in an email dated June 30, 2014 from the Department to Corinthian.

- The agreement to provide immediate funding described in this Amendment is conditioned on substantiation by Corinthian, on timely demand by the Department, that the data submitted is accurate and that it is entitled to the Title IV student aid funds it claims, and any further funding will be conditioned on the results of the Department's subsequent timely review of this data. The Department's requests for substantiation of the accuracy of data submitted shall be consistent with ordinary course HCM- 1 disbursement processing and the data elements described in the second succeeding bullet point below.

- In order to request the Amendment Advance, Corinthian will provide a list of eligible students for whom disbursements will be requested, including for each student: OPEID of the institution the student is attending, Name, Social Security Number, Date of Enrollment, Expected Graduation Date, Prior Disbursement Amounts by Program, and Current Disbursement Amounts by Program.

2. The second paragraph under the heading "Appointment of Monitor" in the Original MOU is amended to delete the parenthetical therein and replace it with the following: "(including, without limitation, any disbursements made pursuant to the terms of this MOU, as amended)".

3. This Amendment does not supersede any of the Department's statutory and regulatory authorities and responsibilities.

ACKNOWLEDGED AND AGREED:

CORINTHIAN COLLEGES, INC.

/s/ Jack D. Massimino
Jack D. Massimino
Chairman of the Board and Chief Executive Officer

U.S. DEPARTMENT OF EDUCATION

/s/ Ted Mitchell
Ted Mitchell
Under Secretary

From:	Joseph Gurubatham <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/2839EEC7707F4128A4DE87103ED162F4-JGURUBATHAM>
Sent:	7/30/2014 5:31:17 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>
Subject:	Fwd: Oversight Meeting Notes from July 23, 2014
Attachments:	image003.png; ATT00001.htm; CCI Meeting With Oversight Partners #4 07 23 2014 NOTES (2).pdf; ATT00002.htm

Dear Al and Friends;

I am not sure if they had added your email addresses.

Joseph

Sent from my iPhone

Begin forwarded message:

From: "Thornton, Cynthia" <Cynthia.Thornton@(b)(6)>
To: "clambert@(b)(6) <clambert@(b)(6)>, "Joseph Gurubatham" <JGurubatham@(b)(6)>, "kbell@(b)(6)" <kbell@(b)(6)>, "coberg@(b)(6)" <coberg@(b)(6)>, "mepetrisko@(b)(6)" <mepetrisko@(b)(6)>, "rwinn@(b)(6)" <rwinn@(b)(6)>, "bgdanley@(b)(6)" <bgdanley@(b)(6)>, "ksolinski@(b)(6)" <ksolinski@(b)(6)>, "teri.stanfill@(b)(6)" <teri.stanfill@(b)(6)>, "joanne.wenzel@(b)(6)" <joanne.wenzel@(b)(6)>, "georgia.roberts@(b)(6)" <georgia.roberts@(b)(6)>, "susan.hood@(b)(6)" <susan.hood@(b)(6)>, "sam.ferguson@(b)(6)" <sam.ferguson@(b)(6)>, "ccam@(b)(6)" <ccam@(b)(6)>, "carolyn.small@(b)(6)" <carolyn.small@(b)(6)>, "cullen@(b)(6) <cullen@(b)(6)>, "sarah.levy@(b)(6) <sarah.levy@(b)(6)>, "kcpe@(b)(6)" <kcpe@(b)(6)>, "approvalquery@(b)(6)" <approvalquery@(b)(6)>, "sackerball@(b)(6)" <sackerball@(b)(6)>, "approvalquery@(b)(6)" <approvalquery@(b)(6)>, "beamishm@(b)(6)" <beamishm@(b)(6)>, "george.roedler@(b)(6)" <george.roedler@(b)(6)>, "leroy.wade@(b)(6)" <leroy.wade@(b)(6)>, "rusty.monhollon@(b)(6)" <rusty.monhollon@(b)(6)>, "michelle.robinson@(b)(6)" <michelle.robinson@(b)(6)>, "Sondra.Fountain@(b)(6)" <Sondra.Fountain@(b)(6)>,

"White, Carolyn" <Carolyn.White@(b)(6)>, "Coughlin, Betty"
<Betty.Coughlin@(b)(6)>, "Fernandez-Rosario, Martina"
<Martina.Fernandez-Rosario@(b)(6)>, "Frola, Michael"
<Michael.Frola@(b)(6)>, "Gifford, Nancy Paula"
<Nancy.Paula.Gifford@(b)(6)>, "LoBosco, Ralph"
<Ralph.LoBosco@(b)(6)>, "Miller, Christopher"
<Christopher.Miller@(b)(6)>, "Parrott, Douglas"
<Douglas.Parrott@(b)(6)>, "Thornton, Cynthia"
<Cynthia.Thornton@(b)(6)>
Subject: Oversight Meeting Notes from July 23, 2014

Good afternoon,

Attached, please find the meeting notes from last week's conference call. The next call is today at our regularly scheduled meeting time:

Time: Occurs every Wednesday at 1:00 PM PST, 3:00 CST, 4:00 pm EST
Conference Call Number: (b)(6) Participant Code: (b)(6)

We look forward to talking with you soon.

Cynthia Thornton
Director, Dallas School Participation Division
US Department of Education
Office:214-661-(b)(6)
Email:Cynthia.Thornton@(b)(6)
StudentAid.gov<http://studentaid.gov/>
[Description: Description: Description: cid:C51786EF-F738-4FDF-8EAF-049F64027226]

NOTES from meeting with external partners/oversight agencies #4:
Wednesday, July 23, 2014 1:00pm PST

In keeping with our commitment to share any relevant information we receive on the CCI situation, we have established a standing weekly meeting so that we can share information and to try to answer any questions you might have.

Occurs every Wednesday at **1:00 PM PST, 3:00 CST, 4:00 pm EST**
Conference Call Number: (b)(6) Participant Code: (b)(6)

Please note:

- Meeting notes from our last meeting were sent on Monday July 21st. If you did not receive them, please send an email notice to Martina and Cynthia.
- You should have the recurring meeting invite on your calendar. Some of you, however, deleted it or perhaps you've learned about it through a colleague. Feel free to send an email to Martina or Cynthia if you inadvertently deleted the recurring invite. We continue to thank you for your patience as we establish our expanded contact list. This meeting is intended for States and Accreditors. Earlier this week, we received a request for schools to be added.

- Accrediting Agency and State oversight Agency Actions: We are still trying to put the list together. Several of you have provided additional information, and we thank you for that. However, we don't have the list compiled as of yet. Martina/Cynthia will provide it as soon as possible. The preferred template was listed in the July 16 meeting notes.

This week:

- The Department has continued to provide Title IV funds to CCI on a weekly basis to fund operations and to avoid a precipitous closure of the schools. The Department released another $23 mil in Title IV to CCI for student disbursements.
- Participants reminded that the Department has identified the independent monitor as Patrick Fitzgerald, of Skadden, Arps, Meagher & Flom LLP. We'll be working closely with him to coordinate our activities.
- CCI submitted a number of teach out plans to the Department. We are currently reviewing the information and will share it with you as soon as we can. We anticipate that it will take a few days to review it. Additionally, we'll reach out to the respective states and accrediting agencies for each school so that we can begin those very specific discussions to hopefully facilitate a smooth closure and/or teach outs. We are aware that some of the accreditors also requested that CCI submit the information by July 22. We encourage you to share your updates.
- The Department has received the list of enrolled students per school. We're reviewing it and will decide the next actions. We are aware that many of you also require that CCI provide you with the same information as a part of your close-out process.

Reminders:

(1) The website that has been set up to relate CCI information to the public/students: https://studentaid.ed.gov/about/announcements/corinthian

- It has useful information about the Teach-out schools by OPEID's including any additional locations.
- It also has a Frequently Asked Questions section related to the teach-outs and sale of certain schools.

(2) Agencies are asked to submit its actions to the Department for CCI as follows:

Email subject line: **Urgent Notice: CCI – Action taken by oversight agency**

Agency Name	States Impacted	Schools Impacted	Type of Action	Contact Person(s)

Updates / Discussions:

ACICS: *Al Gray provided an update. ACICS has had an open adverse file on Corinthian for over a year as a result of state attorney general actions and investigative actions by other government agencies. It requires regular updates from Corinthian on those actions and their Council continues to monitor Corinthian closely. They have received teach-out agreements. Their council meets a week from Monday and will determine the next steps. A detailed listing of ACICS actions are being compiled for distribution.*

ACCSCS: *Chris Lambert advised the group that they had also received the teach-out agreements and will be assessing them next week. They will also be conducting a system wide audit of the placement rates records.*

HLC: *Karen Solinski advised the group that HLC had suspended enrollments and will continue to monitor state actions. She reported that Everest has a substantial online program.*

Maryland HE: *They have been in contact with CCI and have not received any information. In Maryland, they are still advertising.*

Online students continue to be of concern and of interest to many agencies. Ron provided an overview of the content of the student list provided by CCI (66,000 students). Information includes: OPEID, campus name, firstname, last name, SSN, Student Number, date of enrollment, program, state of residence mode of delivery-instate/distance ED, and other pertinent information.

- David Dies – *WI, requested of ACICS, Everest online students*
- Candis – *Would find it helpful to know the counts by state.*
- Concerns for FERPA and student privacy discussed.
- Many requested the list with the SSN redacted. Several wanted just name and contact information, state of residence. Ron indicated that we will need to confer with OGC and will get back to everyone.
- Elizabeth French – *requested the name of program and projected grad date to be included.*

Some requested copies of list from various persons including Renee Gaddis. The Department's list was received from Vice President Anthony Guida.

State Agency Updates

Several states requested copies of the teach-out plans.
Patty Landis expressed concern about the location of academic records. CCI plans to place the records with a company, Socle Education, a record retention company in West Sacramento, CA. According to the teach-out plans, this facility is the records retention center for this and all previously closed Corinthian Campuses.

Several states indicated that this would not be acceptable per their state regulations.

Georgia has received a copy of the teach-out plans.
Mississippi – (Kim) Contacted CCI and has received a spreadsheet. She has a WyoTech Campus.

New Mexico – Does not have a physical presence, but they do have a WyoTech campus.
Iowa – required CCI to cease enrollment, effective July 14. They were out of compliance with the consumer protection laws.

Tennessee – Julie had questions regarding the disclosure statements. Specifically, she is seeking clarification on the discharge statements. She was advised to direct the students to the website and detailed information regarding discharges. See Frequently Asked Question 18 on the website for more information.

> ***Important notice if you receive a Federal student loan:***
> *If you obtain a Federal loan, you may be eligible for forgiveness ("discharge") of the federal student loans you receive to attend your school if one of the following happens:*
> *• If you continue at WyoTech but WyoTech closes before you complete your program, or*
> *• If you transfer to another school but you do not complete your program there, or*
> *• If you withdraw from WyoTech less than 120 days before WyoTech closes.*

Response: If the student is not able to complete the program at any institution that closes, the student may file for a loan discharge (for any Federal loans obtained for that program of study at that institution).

Colorado – Lorna, no updates – but seconded Patty's record retention concern.

Oregon – Helen – Oregon received teach-out plans. They will require more information, for example more info on downsizing. They asked CCI to make minor tweaks. They were okay with electronic records.

California – Keith, Dept. of VA, required CCI to update the disclosures and put more specific information on them that could be distributed to the veterans. Several requested copies of the disclosures for veterans. \

New York – Leslie – inquired about questions previously submitted. We will address them a shortly.

Texas - Kathy – we have not gotten teach-out plans. Al Gray reported that he got them from John Andrews. Some questioned if we had received teach out plans for the schools up for sale. The Department believes the plans were for all situations. The Department is doing further follow-up on the specific plans and will be discussing this in more detail over the weeks to come now that the Monitor is in place.

Questions and Answers

These questions will be answered during our next call.

Q1. Does DOE plan to impose any requirements for disclosures on the schools' websites or in advertising? (The disclosures required pursuant to the Agreement are made at the point of sale; current websites and advertising omit reference to the schools' imminent sale/closure). How is DOE ensuring that the disclosures are made at the point of sale?

Q2. Will purchasers of Corinthian schools be required to continue to offer, or to teach-out, existing programs (that is, will students at sales schools face elimination of their program)?

Does Section VI (D) of the Agreement between Corinthian and DOE (providing full refunds to students at teach-out schools where program is closed without a teach-out) only apply to teach-out campuses? Or could students at campuses that will be sold, but whose programs Corinthian or the purchaser discontinues, qualify for a Full Refund? If not, will DOE amend the agreement?

Q3. At sales schools, will the DOE provide full loan discharges for students whose programs are discontinued, either by Corinthian or by a new owner, before the student is able to complete the program?

Q4. Will the DOE offer full loan discharges to students who do not wish to continue their programs with a new owner?

Q5. We understand that Corinthian may have provided private loans to some students at some campuses. Will Corinthian be forgiving those loans? Is Corinthian still offering those loans to students – will DOE require them to stop this loan program?

Q6. Is DOE considering having Corinthian stop disclosing placement rates that are on their websites, given the concern that the placement rates may be inaccurate?

Q7. Everest Institute, Rochester is linked to Mid-Cities in Arlington TX on Exhibit D of the Form 8-K filing. We are not clear about the relevance, if any, to this linkage. When we asked about this during the conference call on 7/9 there was some discussion about one institution being the "main" one and the other being a "branch." We need more clarification about what, if any, relationship exists between these two institutions and what, if any, effect the sale of Mid-Cities *before* the sale of Everest Institute, Rochester would have on the Rochester location? Are additional notifications necessary? Is financial aid eligibility or other reporting affected?

Q8. What happens if a college is not sold at the end of the six-month period? Can Corinthian change its decision on the disposition of a college before the six months concludes? If a college moves from "Sale School" status to "Teach-Out School" status, what notice and disclosure will be provided to the students at that school and will all of the "forgiveness/discharge" rights be extended to those students?

Q9. We assume that the sale of the schools will be handled at the corporate level, not at the institution level. When (or will) Corinthian identify a contact or contacts for questions or communications from state regulatory bodies? Is it USDE's intention to coordinate a team for each IHE including a rep from Corinthian, the pertinent accrediting body and the state regulatory agency?

Reminder of Department of ED contacts for the various States/Regions:

School Eligibility Service Group Director: Ron Bennett

(1) **New York/Boston Division**: Betty Coughlin; Tracy Nave; Patrice Fleming; Chris Curry
States Covered: *Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, Puerto Rico, Virgin Islands*

(2) **Philadelphia Division**: Nancy Gifford, John Loreng, Sherrie Bell
States Covered: DC, Delaware, Maryland, Pennsylvania, Virginia, West Virginia 2

(3) **Foreign Schools Division**: Mike Frola, Barbara Hemelt, Joseph Smith

(4) **Atlanta Division**: Christopher Miller, David Smittick
States Covered: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina

(5) **Dallas Division**: Cynthia Thornton, Jesus Moya, Kim Peeler
States Covered: Arkansas, Louisiana, New Mexico, Oklahoma, Texas

(6) **Kansas City Division**: Ralph LoBosco, Dvak Corwin, Jan Brandow
States Covered: Iowa, Kansas, Kentucky, Missouri, Nebraska, Tennessee

(7) **Chicago/Denver Division**: Douglas Parrott, Earl Flurkey, Brenda Yette
States Covered: Illinois, Minnesota, Ohio, Wisconsin, Indiana, Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, Wyoming

(8) **San Francisco/Seattle Division**: Martina Fernandez-Rosario, Dyon Toney, Gayle Palumbo, Erik Fosker
States Covered: American Samoa, Arizona, California, Guam, Hawaii, Nevada, Palau, Marshall Islands, North Marianas, State of Micronesia, Alaska, Idaho, Oregon, Washington

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	5/8/2015 4:59:21 PM -0400
To:	Ian Harazduk <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/653bda8a64144114820bfcbf53b7514e-IHarazduk>
CC:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>
Subject:	FYI, going after CCi executives

Below...

Anthony S. Bieda

Vice President for External Affairs

Accrediting Council for Independent Colleges and Schools

750 First Street, NE | Suite 980 | Washington, DC 20002

www.acics.org | 202.336.(b)(6) - p | 202.842.2593 - f

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05.06.15

Senators Call for Attorney General Investigation of Corinthian Colleges Failure

Ask whether or not DOJ can hold executives personally

accountable for violations of federal law

[WASHINGTON, D.C.] – Citing a claim that the Department of Education has limited tools for holding individual executives responsible for any misconduct of the recently failed Corinthian Colleges, 7 U.S. Senators called it critical that Attorney General Loretta Lynch get to the bottom of whether the for-profit college and its executives violated federal civil or criminal laws.

U.S. Senators Dick Durbin (D-IL), Elizabeth Warren (D-MA), Richard Blumenthal (D-CT), Jack Reed (D-RI), Ed Markey (D-MA), Chris Murphy (D-CT) and Al Franken (D-MN) signed on to the letter.

"Corinthian's collapse over the past year has come at the cost of hundreds of millions in taxpayer dollars and at the expense of thousands of students who were enticed to enroll in - and to incur massive debt for - failing school programs. At the same time that Corinthian's executives were enriching themselves on federal student loan dollars, with the CEO making an annual salary that exceeded $3 million, allegations of Corinthian's misbehavior grew increasingly widespread," the Senators wrote. "While corporate accountability for Corinthian is important, so is personal accountability for those who led this company."

Yesterday – one week after closing its remaining 28 campuses and leaving 16,000 students in the lurch – Corinthian Colleges, Inc. formally filed for bankruptcy. At the time of closure, they were still participating in the federal Title IV program – receiving taxpayer dollars and in several states, continuing to enroll new students. Corinthian was under investigation by the Securities and Exchange Commission, the Department of Justice, and at least 20 state Attorneys General, including Illinois Attorney General Lisa Madigan. They were sued by the Consumer Financial Protection Bureau and the state Attorneys General of California, Massachusetts, and Wisconsin for false and misleading advertisements. All the while, the institution raked in more than a billion dollars from taxpayers a year.

Text of today's letter is below:

May 5, 2015

The Honorable Loretta Lynch

Attorney General
United States Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

Dear Attorney General Lynch:

We congratulate you on your recent confirmation to the Senate, and we thank you for the dedication you have shown throughout your career to the pursuit of justice.

We write today to urge the Department of Justice to fully investigate the misconduct of the recently failed for-profit education company Corinthian Colleges, Inc. ("Corinthian") and of its executive leadership. We further request that the Department identify the tools it has at its disposal to hold executives of for-profit education companies personally accountable for their involvement in the companies' violations of federal civil or criminal laws.

Corinthian's collapse over the past year has come at the cost of hundreds of millions in taxpayer dollars and at the expense of thousands of students who were enticed to enroll in - and to incur massive debt for - failing school programs. At the same time that Corinthian's executives were enriching themselves on federal student loan dollars, with the CEO making an annual salary that exceeded $3 million, allegations of Corinthian's misbehavior grew increasingly widespread. These included allegations that Corinthian officials falsified and manipulated data that were provided to students and to the federal government, among other deceits and misrepresentations.

It is critical that the Justice Department get to the bottom of whether Corinthian and its officials violated laws within the Department's jurisdiction. While we recognize that investigations by certain Justice Department components may not be disclosed publicly, we seek your confirmation that the Department is fully aware of the Corinthian situation and is responding diligently. We note that Corinthian has reportedly been the subject of investigations in one or more False Claims Act cases and that federal prosecutors have issued grand jury subpoenas to Corinthian in at least three states. We also note that in recent years Corinthian has been the subject of civil complaints by the Consumer Financial Protection Bureau and three state attorneys general, has been under investigation by the Securities and Exchange Commission and at least 20 more attorneys general, and was placed on heightened cash monitoring and fined $30 million dollars by the Department of Education. With this much smoke surrounding Corinthian, it is incumbent on the Justice Department to search carefully for fire.

While corporate accountability for Corinthian is important, so is personal accountability for those who led this company. Earlier this week, the Under Secretary of Education was asked "will Corinthian executives be held accountable for the disruption to so many students' lives?" He responded: "our tools for holding executives responsible individually are limited." In light of the Department of Education's limitations, it is vital that Congress and the public understand what tools

the Justice Department can use to hold such executives responsible individually. If these tools are inadequate, Congress may need to act.

Thank you for your attention to this request. We look forward to your response and to working with you on behalf of the American people.

Sincerely,

From: Miguel Rivera <miguel.rivera(b)(6)>
Sent: 6/18/2015 12:50:39 PM -0400
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject: HELP COMMITTEE TESTIMONY

For your information

June 18, 2015

How a For-Profit's Implosion Could Be a Game-Changer for College Oversight

Chronicle photo by Goldie Blumenstyk

Sen. Elizabeth Warren grills **Albert C. Gray, president of the agency that accredited Corinthian Colleges,** at a hearing on Wednesday: "How many federal and state agencies need to file lawsuits" before the accreditor takes action?

Enlarge Image

By Goldie Blumenstyk

Washington

Last week's loan-forgiveness plan for students who attended Corinthian Colleges' closed campuses will very likely have ramifications that extend to all of higher education.

The U.S. Department of Education's actions are unprecedented in scope, opening the door to the possibility that thousands of defrauded students could see their federal loan debts wiped away in one fell swoop, at a potential cost to taxpayers of hundreds of millions of dollars.

By many accounts, the move could also change how accreditors, states, and the federal government handle quality assurance of college programs.

"If we are going to be discharging a significant amount of debt, it means we have to pay much more attention" says David A. Bergeron, a senior fellow at the Center for American Progress who long served as an Education Department official.

Pauline Abernathy, vice president of the Institute for College Access and Success, says the move represents a shift in responsibility, making the government, not just the students, financially liable for loans used at colleges that defraud their students.

"The stakes to the students have been very clear for a very long time," says Ms. Abernathy. Now the Education Department, state regulators, and accreditors will face pressure "to all act much sooner" to prevent abuses that could justify a loan discharge, she adds.

Yet it's hardly clear that any of those actors are equipped or inclined to take on the responsibilities the department's latest actions could require. Even though attorneys general across the country have undertaken investigations of for-profit colleges, lawmakers in Florida, for instance killed a bill this week that would have targeted low-quality institutions.

Sticking Taxpayers With the Bill

In some cases, the parties might not believe they are even justified to act.

That was made visible on Wednesday, during a testy face-off at a Capitol Hill hearing that left several Democratic senators exasperated by the stance of one of the accredition-agency leaders invited to testify.

Sen. Elizabeth Warren, in particular, grilled the president of the Corinthian campuses' accreditor for leaving their accreditations intact "right up to the minute they closed." She also questioned why his agency continued to accredit the campuses of another for-profit-college company, ITT Educational Services, despite the accusations it faces from state attorneys general, the Consumer Financial Protection Bureau, and the U.S. Securities and Exchange Commission.

"How many federal and state agencies need to file lawsuits" before the accreditor takes action? asked Ms. Warren, a Democrat from Massachusetts. "The accrediting agency continued to look the other way, and now students and taxpayers are stuck with the bill."

Albert C. Gray, president of the Accrediting Council for Independent Colleges and Schools, responded that his agency had increased its watch over several of the colleges but had not withdrawn accreditation because "our council makes recommendations based on facts, not allegations."

Although the Education Department has taken several actions against Corinthian, including its decision to restrict loan advances to the company last summer and its imposition of a $30-million fine against its Heald Colleges in April, the company has disputed the many allegations against it by the federal government and other agencies. ITT also disputes the accusations against it.

"Are you saying there was no evidence that Corinthian Colleges lied to their

students?" Ms. Warren pressed, while another skeptical Democrat, Sen. Chris Murphy of Connecticut, advised Mr. Gray "there would be much more faith in the accrediting process" if he would have acknowledged that "we missed this one."

Yet while the caution the accrediting agency showed may have been legally proper, accreditation leaders who watched the Senate hearing and who have been following the news cycles acknowledged that accreditors can't just duck expectations that they play some role in protecting against fraud.

"We need to take a look at whether it ought to be an accreditor responsibility, and if it is an accreditor responsibility, how?" said Judith S. Eaton, president of the Council for Higher Education Accreditation. "How do we get into the appropriate preventative role?"

Potential Costs Are Steep

The details of exactly who will be eligible to have their federal loan obligations wiped away remain to be worked out — to the consternation of both student advocates, who hope the process won't be too restrictive, and fiscal hawks, who worry that these discharges and future ones will become too costly to taxpayers.

"My concern is that, down the road, being 'defrauded' means something different," says Lindsey Burke, an education-policy fellow at the right-leaning Heritage Foundation.

It's not just those in right-leaning organizations who have that worry. Mr. Bergeron, of the Center for American Progress, says there's a danger that "if the department goes overboard in forgiving loans, it could undermine the financial and political viability of the student-loan system."

Along with the Corinthian situation and the pending legal actions against ITT, major legal cases are now underway against colleges owned by the Education Management Corporation and Stevens-Henager College (both of which are being sued by the U.S. Department of Justice, among others). Any of those lawsuits could result in findings that justify loan discharges based on fraud.

Strictly speaking, the Education Department hasn't announced a new policy; it's just beginning to put in place a process that will allow borrowers to exercise a legal right they've had since the early 1990s.

But the department's action is notable for several reasons. For one, it has agreed to provide loan discharges to thousands of students at Corinthian's Heald College based on its own finding that the college systematically misled students about its job-placement rates.

It has also put into motion the steps for a discharge process for other students who believe they have been defrauded by their college. And for the first time in history, the department plans to appoint a special master to review claims by students who contend they deserve loan discharges because they were defrauded by Corinthian or other colleges.

"It's a significant change," says Robyn Smith, a lawyer at the National Consumer Law Center who calls the creation of the process a welcome sign "that the department recognizes there are large numbers of students who have been

harmed."

And while some observers have speculated that the policy could also open the door to widespread demands for loan discharges — think disgruntled law students misled by job-placement promises — several higher-education observers call such concerns a red herring. The key problems, they say, come from colleges found to have systematically lied to students. The real question is what standard of proof the department will require to allow a discharge.

For example, several for-profit-college companies have been sued or are under investigation by state attorneys general. And often when such cases are resolved, the settlements include language saying that the college does not admit wrongdoing. Will borrowers from those colleges be able to cite the settlement as grounds for a discharge?

For Eileen Connor, a lawyer with the New York Legal Assistance Group, that's a very real question. The organization represents students who attended colleges owned by the Career Education Corporation, which settled a case with the State of New York in 2013 for misrepresenting job-placement rates.

Ms. Smith, of the National Consumer Law Center, says she hopes the Corinthian incident will prod the Education Department to become more assertive against colleges that mislead students — and to try to recover the cost of the loan discharges from the colleges, not the taxpayers.

"They should be seeking as much as they can" before the colleges shut down, she says.

But Mr. Bergeron, the former Education Department official, notes that the organizational structure of the department may work against that, since it is responsible both for ensuring fraud does not occur and for granting loan discharges to borrowers who believe they are victims of it. If the agency is worried about costing the taxpayers money, those two objectives may conflict with each other.

Senator Warren, who has proposed moving the student-loan complaint system out of the Education Department and into the Consumer Financial Protection Bureau, says the department ought to be able to balance the two priorities when it comes to loan discharges for fraud. The department "has power to cut off aid to fraudulent schools long before students are hurt and taxpayer dollars are wasted," she said in a written statement to *The Chronicle*. "If they don't want taxpayers to pay for discharges when students get cheated, [department officials] should invest the time and resources early to make sure predatory schools never cheat those students in the first place."

That may be easier said than accomplished.

Goldie Blumenstyk writes about the intersection of business and higher education. Check out www.goldieblumenstyk.com for information on her new book about the higher-education crisis; follow her on Twitter @GoldieStandard; or email her at goldie@chronicle.com.

Miguel Ángel Rivera

Vice-President of Academic Affairs

Dewey University

miguel.rivera@(b)(6)

O (787)753-0039 ext. (b)(6)

C (787)237-(b)(6)

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	6/29/2015 5:30:18 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject:	HELP correspondence
Attachments:	ACICS letter to Senate HELP Committee re CCi.docx

For your review; let me know your edits and we will convey this to the Hill tomorrow.

Thanks!

Anthony S. Bieda

Vice President for External Affairs

Accrediting Council for Independent Colleges and Schools

750 First Street, NE | Suite 980 | Washington, DC 20002

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Page 1409

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(b)(5)

of the Freedom of Information and Privacy Act

From: "Deitsch, Cindy" <(b)(5) @ibhe.org>
Sent: 8/15/2014 5:07:21 PM -0400
To: (b)(5) @cci.edu; (b)(5) @cci.edu; (b)(5) @cci.edu; lbrueck@cci.edu
Subject: IBHE Response to Corinthian College, Inc.'s August 5, 2014 Letter
Attachments: Response to CCI.pdf

Dear Corinthian College, Inc.,

Please see IBHE's response to your letter of August 5, 2014.

Dr. James L. Applegate

Executive Director

Illinois Board of Higher Education

431 East Adams Street, Second Floor

Springfield, IL 62701

Telephone: 217/557-(b)(6)

Cellular: 217/836-(b)(6)

Facsimile: 217/782-8548

(b)(6) @ibhe.org

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Executive Director
Dr. James L. Applegate

August 15, 2014

Mr. Jack Massimino
Chairman and Chief Executive Officer
Corinthian Colleges, Inc.
6 Hutton Centre Drive, Suite 400
Santa Ana, CA 92707-5764

Re: Response to Corinthian College, Inc.'s August 5, 2014 Letter

Dear Mr. Massimino:

Thank you for your letter dated August 5, 2014. Along with staff at the Illinois Board of Higher Education (IBHE), I appreciate your prompt response as well as your compliance with the direction to cease promotion of Illinois programs and enrollment of new students as noted in the July 28, 2014 letter I sent to Corinthian Colleges, Inc (CCi). Your stated commitment to protecting the interest of students is noted and appreciated.

You note in your letter that students attending CCi institutions might continue to receive Title IV funds after the end of the current calendar year. It is correct that the Operating Agreement between CCi and the U.S. Department of Education (USDE) does not explicitly indicate that all funds will be terminated at the end of the six-month period of the agreement, but the Agreement is silent regarding any assurance of extension beyond the term of the Agreement. IBHE maintains that CCi has not demonstrated that sufficient institutional finances will be in place through the length of any new students' programs and continuing SEC filings by CCi evidence lack of financially stability that would be necessary to maintain approval to operate and offer programs in Illinois as detailed in Section 30 of Public Act 097-0650 and Section 1095.40(d) of the Administrative Rules (23 Ill. Adm. Code 1095).

The Operating Agreement between The United States Department of Education (USDE) and CCi indicates continued Title IV funding is contingent on several obligations, including CCi provision of adequate data (USDE letter to CCI dated January 23, 2014). The USDE can at any time defer funding to CCi based on their findings or those of the independent monitor. IBHE is troubled by the most recent SEC filing (dated August 13, 2014), which states CCi was sent a letter on July 23, 2014 from the USDE indicating that documents CCi submitted to USDE were inadequate and could be a "serious and significant" violation of the obligations of the Operating Agreement and that future Title IV funds may be withheld.

CL_Review001666

You also noted in your letter that the Agreement includes a provision that students who would start a program and fail to complete during the time CCi continues to be a Federally approved education provider would receive refunds. However, IBHE remains concerned that such students, as well as any students at Everest Colleges who are not receiving Title IV funds, are at risk of losses beyond direct payments they lay out in the form of tuition, such as time, opportunity, additional educational expenses, and other such costs. Although USDE public statements (such as the quotations you provided from U.S. Under Secretary of Education Ted Mitchell) as well as ongoing communications between our agency and staff at the USDE allow IBHE to have very tentative confidence that CCi's ongoing operation and commitments to current students is sufficient to allow your campuses to continue serving those students, we continue to monitor developments closely. The USDE has correctly acknowledged that all local operating approvals are a matter of state regulation. Pursuant to the Illinois law (Private Business and Vocational Schools Act of 2012), IBHE has determined that is not in the interest of the citizens of Illinois that Illinois-based Everest College campuses admit any new students until CCi can demonstrate long-term financial stability.

IBHE understands that an objective of CCi's, which is part of the Agreement, is to "identify qualified organizations to acquire and operate the various institutions." However, CCi must understand that no such entity that may wish to purchase any or all of the Illinois Everest campuses would be able to purchase the required Illinois Permit of Approval to operate in the State and offer the programs Everests are currently offering. Any such entity will need to apply for new authorization to operate in Illinois under the parameters of the PBVS Act of 2012.

IBHE remains deeply concerned as further reports emerge, such as the August 13, 2014 SEC filing and the August 14, 2014 report from the Wells Fargo Securities, LLC Equity Research Department report on CCi's financial viability. The SEC report indicates CCi "will need to obtain additional sources of liquidity to fund its operations and to implement the agreements contemplated by the Operating Agreement" and "there can be no assurance that [CCi] will be able to obtain any such additional needed liquidity on a timely basis, on terms acceptable to it, or at all." The Wells Fargo report shows a continued drop in CCi's value and concerns with the company's ability to secure the necessary working capital to continue operations.

Your request for reconsideration of the terms of my letter dated July 28, 2014 is denied because IBHE does not believe CCi's financial circumstances are sufficiently robust to maintain approval to operate and offer programs in Illinois as detailed in Section 30 of Public Act 097-0650 and Section 1095.40(d) of the Administrative Rules (23 Ill. Adm. Code 1095). IBHE has been aware of the Operating Agreement (cited in my initial letter to Mr. Andrews dated July 28, 2014) and understands that the Everest campuses in Illinois might continue to be able to function through the current calendar year, but CCi has failed to provide a corrective plan detailing actions to improve the company's financial viability through the term of study any new student would be entering into, a period of

CL_Review001667

time the Everest Colleges would be committing to serve such students. As I stated initially in this letter, IBHE appreciates that the Everest Colleges that continue to operate in Illinois have ceased sales, advertising, marketing and enrollment functions.

The regulations (23 Ill. Adm. Code 1095, Section 1095.260) require the submission of a report to IBHE on the actions that will be taken to correct the deficiencies noted in this and the previous letter. CCi has not rectified conditions relating to the issuance of the order, and, thus, may not resume normal sales, advertising, marketing and enrollment functions at any of the CCi Illinois Everest campuses.

Sincerely,

(b)(6)

Dr. James L. Applegate
Executive Director

cc: President, Illinois Everest College, Bedford Park Campus
President, Illinois Everest College, Burr Ridge Campus
President, Illinois Everest College, Melrose Park Campus
President, Illinois Everest College, Merrionette Park Campus
President, Illinois Everest College, North Aurora Campus
President, Illinois Everest College, Skokie Campus
Ted Mitchell, Under Secretary of Education
Martina Fernandez-Rosario, United States Department of Education
Douglas Parrott, United States Department of Education , Chicago/Denver Division
Albert Gray, Accrediting Council for Independent Colleges and Schools
Dan Wellman, Illinois Department of Veterans' Affairs
Attorney General Lisa Madigan
Patrick Fitzgerald, Skadden, Arps, Slate, Meagher & Flom
Michale McComis, Executive Director, ACCSC

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FORM 10-K

ITT EDUCATIONAL SERVICES INC - ESI

Filed: March 15, 2016 (period: December 31, 2015)

Annual report with a comprehensive overview of the company

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CL_Review001669

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-13144

ITT EDUCATIONAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**36-2061311** **(I.R.S. Employer Identification No.)**
13000 North Meridian Street **Carmel, Indiana** **(Address of principal executive offices)**	**46032-1404** **(Zip Code)**

Registrant's telephone number, including area code (317) 706-9200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, $.01 PAR VALUE	**NEW YORK STOCK EXCHANGE, INC.**

Securities registered pursuant to Section 12(g) of the Act:

NONE

Source: ITT EDUCATIONAL SERVICES INC, 10-K, March 16, 2016
Powered by Morningstar® Document Research℠
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CL_Review001670

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

$92,483,588

Aggregate market value of the voting stock held by nonaffiliates of the registrant based on the last sale price for such stock at June 30, 2015 (assuming solely for the purposes of this calculation that all Directors and executive officers of the registrant are "affiliates").

23,674,070

Number of shares of Common Stock, $.01 par value, outstanding at January 31, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents have been incorporated by reference into this Annual Report on Form 10-K:

IDENTITY OF DOCUMENT	PARTS OF FORM 10-K INTO WHICH DOCUMENT IS INCORPORATED
Definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 17, 2016	PART III

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ITT EDUCATIONAL SERVICES, INC.
Carmel, Indiana

Annual Report to Securities and Exchange Commission
December 31, 2015

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PART I

Item 1. Business.

Forward-Looking Statements: All statements, trend analyses and other information contained in this report that are not historical facts are forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995 and as defined in Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements are made based on our management's current expectations and beliefs concerning future developments and their potential effects on us. You can identify those statements by the use of words such as "could," "should," "would," "may," "will," "project," "believe," "anticipate," "expect," "plan," "estimate," "forecast," "potential," "intend," "continue," and "contemplate," as well as similar words and expressions. Forward-looking statements involve risks and uncertainties and do not guarantee future performance. We cannot assure you that future developments affecting us will be those anticipated by our management. Among the factors that could cause actual results to differ materially are the following:

- *the impact of adverse actions by the U.S. Department of Education related to certain deficiencies, lawsuits against us and our failure to submit our 2013 audited financial statements and 2013 compliance audits to it by the due date;*
- *the impact of our consolidation of variable interest entities on us and the regulations, requirements and obligations that we are subject to;*
- *our inability to obtain any required amendments or waivers of noncompliance with covenants under our financing agreement;*
- *the impact of any adverse actions taken against us due to our failure to comply with the extensive education laws and regulations and accreditation standards that we are subject to;*
- *our inability to remediate material weaknesses, or the discovery of additional material weaknesses, in our internal control over financial reporting;*
- *our exposure under our guarantees related to private education loan programs;*
- *the outcome of litigation, investigations and claims against us;*
- *issues related to the restatement of our financial statements for the first three quarters of each of 2014 and 2015, and for the 2014 fiscal year;*
- *the effects of the cross-default provisions in our financing agreement;*
- *changes in federal and state governmental laws and regulations with respect to education and accreditation standards, or the interpretation or enforcement of those laws and regulations, including, but not limited to, the level of government funding for, and our eligibility to participate in, student financial aid programs utilized by our students;*
- *business conditions in the postsecondary education industry and in the general economy;*
- *effects of any change in our ownership resulting in a change in control, including, but not limited to, the consequences of such changes on the accreditation and federal and state regulation of our campuses;*
- *our ability to implement our growth strategies;*
- *our ability to retain or attract qualified employees to execute our business and growth strategies;*
- *our failure to maintain or renew required federal or state authorizations or accreditations of our campuses or programs of study;*
- *receptivity of students and employers to our existing program offerings and new curricula;*
- *our ability to repay moneys we have borrowed; and*
- *our ability to collect internally funded financing from our students.*

Readers are also directed to other risks and uncertainties discussed in "Risk Factors" and elsewhere in this Annual Report and those detailed from time to time in other documents we file with the U.S. Securities and Exchange Commission ("SEC"). We undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

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You should keep in mind the following points as you read this report:

- *References in this document to "we," "us," "our" and "ITT/ESI" refer to ITT Educational Services, Inc., its subsidiaries and any variable interest entity ("VIE") that it consolidates in its consolidated financial statements, unless the context requires or indicates otherwise.*
- *The term "PEAKS Trust" means the PEAKS Trust 2009-1, which is a VIE that purchased, owns and collects private education loans made under the PEAKS Private Student Loan Program (the "PEAKS Program") and that we consolidate in our consolidated financial statements beginning on February 28, 2013.*
- *The term "CUSO" means Student CU Connect CUSO, LLC, which is a VIE that purchased, owns and collects private education loans made under a private education loan program for our students (the "CUSO Program") and that we consolidate in our consolidated financial statements beginning on September 30, 2014. In prior filings and disclosures, we referred to the CUSO as the "2009 Entity," but we refer to this entity as the "CUSO" in this filing to enhance the readability.*

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- *The terms "ITT Technical Institute" or "Daniel Webster College" (in singular or plural form) refer to an individual school or campus owned and operated by ITT/ESI, including its learning sites, if any. The term "institution" (in singular or plural form) means a main campus and its additional locations, branch campuses and/or learning sites, if any.*
- *References in this document to "education programs" refer to degree or diploma programs of study that have been, or may be, offered by an ITT Technical Institute or by Daniel Webster College; and references in this document to "training programs" refer to the non-degree, short-term programs that have been, or may be, offered through the Center for Professional Development @ ITT Technical Institute (the "CPD").*

Background

We are a Delaware corporation incorporated in 1946. Our principal executive offices are located at 13000 North Meridian Street, Carmel, Indiana 46032-1404, and our telephone number is (317) 706-9200. From 1966 until our initial public offering on December 27, 1994, we were wholly owned by ITT Corporation, an Indiana corporation, formerly a Delaware corporation and formerly known as ITT Industries, Inc. ("Old ITT"). On September 29, 1995, ITT Corporation, a Nevada corporation ("ITT"), succeeded to the interests of Old ITT in the beneficial ownership of 83.3% of our common stock. ITT's beneficial ownership of our common stock ended in February 1999.

Overview

We are a leading proprietary provider of postsecondary degree programs in the United States based on revenue and student enrollment. As of December 31, 2015, we were offering:

- master, bachelor and associate degree programs to approximately 45,000 students; and
- short-term information technology and business learning solutions for career advancers and other professionals.

As of December 31, 2015, we had 138 campus locations in 39 states. In addition, during 2015 we offered one or more of our online programs to students who are located in all 50 states. All of our campus locations are authorized by the applicable education authorities of the states in which they operate, and are accredited by an accrediting commission recognized by the U.S. Department of Education ("ED"). We design our education programs, after consultation with employers and other constituents, to help graduates prepare for careers in various fields involving their areas of study. We have provided career-oriented education programs since 1969 under the "ITT Technical Institute" name and since 2009 under the "Daniel Webster College" ("DWC") name.

In 2015, we did not begin operations at any new ITT Technical Institute campuses or learning sites. As part of our efforts to maximize the efficiency and effectiveness of our current campus locations, during 2015, we:

- closed six of our ITT Technical Institute campuses after teaching out or relocating the affected students; and
- decreased the number of our campuses that offer bachelor degree programs from 130 to 125.

We also ceased accepting new student enrollment at 10 campus locations, effective with the academic quarter that began in December 2015. During the next 12 months, we will be evaluating the total demands for these markets. During this evaluation period, we do not believe there will be any disruptions to ongoing course work for the continuously enrolled students, as we will continue to teach classes for those students. The 10 campus locations undergoing these market assessments represented approximately 3% of our new student enrollments, based on our new student enrollment results in the third quarter of 2015.

In 2015, we continued our efforts to diversify our program offerings by developing education programs at different credential levels in technology and non-technology fields of study that we intend to offer at our campuses and deliver entirely in residence, entirely online over the Internet or partially in residence and partially online.

In 2015, we continued to develop and offer training programs to career advancers and other professionals through the CPD.

As a result of the execution of enhanced internal controls over financial reporting that were implemented as part of the remediation of material weaknesses identified in a prior period, on March 9, 2016, the Audit Committee of our Board of Directors determined that there was an error in the application of the interest method used to calculate the interest rate used in accounting for the accretion of the debt discount associated with the senior debt issued by the PEAKS Trust (the "PEAKS Senior Debt") that resulted in the misstatement of interest expense in previously reported periods. As a result, the Audit Committee concluded that we would restate the unaudited consolidated financial statements in our Quarterly Reports on Form 10-Q for each of the fiscal quarters ended March 31, 2014, June 30, 2014, September 30, 2014, March 31, 2015, June 30, 2015 and September 30, 2015, and the audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (collectively, the "Restatements"), and that all of those previously-issued financial statements should no longer be relied upon.

In June 2014, we determined that, beginning on February 28, 2013, we should have consolidated the PEAKS Trust in our consolidated financial statements (the "PEAKS Consolidation"). Our results of operations, financial condition and cash flows for

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periods after February 28, 2013 reflect the results of operations, financial condition and cash flows of the PEAKS Trust. We do not, however, actively manage the operations of the PEAKS Trust, and the assets of the PEAKS Trust can only be used to satisfy the obligations of the PEAKS Trust. See "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Notes to Consolidated Financial Statements for further information about the PEAKS Consolidation.

In addition, we have determined that, effective September 30, 2014, we should begin consolidating the CUSO in our consolidated financial statements (the "CUSO Consolidation" and, together with the PEAKS Consolidation, the "Consolidations"). Our results of operations, financial condition and cash flows for periods after September 30, 2014 reflect the results of operations, financial condition and cash flows of the CUSO. We do not, however, actively manage the operations of the CUSO, and the assets of the CUSO can only be used to satisfy the obligations of the CUSO. See "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Notes to Consolidated Financial Statements for further information about the CUSO Consolidation.

Business Strategy

Our strategy is to pursue multiple opportunities for growth. We are implementing a growth strategy designed to:

- improve the academic outcomes of our students;
- increase the value proposition of our education programs for our students; and
- increase access to high-quality, career-based education.

We intend to pursue this strategy by:

- increasing student enrollment in existing programs at existing campuses;
- continuing to provide institutional scholarships and awards to reduce the overall cost of attendance;
- increasing the number and types of program and other educational offerings that are delivered in residence and/or online;
- increasing our students' engagement in their programs of study;
- enhancing the relevancy of our educational offerings;
- assessing student achievement and learning;
- improving the flexibility and convenience of how our institutions deliver their educational offerings;
- helping our graduates obtain entry-level employment involving their fields of study at higher starting annual salaries;
- operating new campuses across the United States; and
- investing in other education-related opportunities.

Our ability to execute on this strategy is subject to extensive regulations and restrictions, as discussed further under "—Highly Regulated Industry." The principal elements of this strategy include the following:

Enhance Results at Each Institution.

Increase Enrollments at Existing Campuses. We intend to increase recruiting efforts that are primarily aimed at delivering high-quality, career-based education to multiple adult-learner audiences and to continue to provide institutional scholarships and awards to reduce the overall cost of attendance.

Develop and Deliver Different Education Program Offerings. We intend to develop and deliver different education program offerings that we believe offer graduates attractive returns on their educational investments.

As part of this strategy, we intend to further diversify our offerings by developing new education programs in both technology and non-technology fields, but primarily in technology- and healthcare-related disciplines. We believe that those programs of study will be at different education levels and delivered in a variety of formats, including entirely in residence, entirely online or partially in residence and partially online.

Part of our strategy is to increase the number of education programs that we offer to our students across our campuses. In 2015, we added a total of 43 associate and bachelor degree programs among 29 campuses.

We believe that developing new programs of study, delivering programs in different formats and increasing the number of programs from which prospective students may choose, can:

- attract more, and a broader base of, students to our institutions;
- motivate current students to extend their studies;
- help improve student outcomes;
- increase the value proposition of our programs of study to our students;
- increase access to high-quality, career-based education; and
- improve the utilization of our facilities.

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Improve Student Outcomes. We strive to improve the graduation and graduate employment rates of our ITT Technical Institute and DWC students by:

- providing academic and career services;
- dedicating administrative resources to those services;
- increasing our students' engagement in their programs of study;
- enhancing the relevancy of our educational offerings;
- assessing student achievement and learning; and
- increasing our students' access to financial aid.

Provide Education-Related Services. We plan to continue to develop and provide education-related services to students and other constituencies. These services may involve a variety of activities. Through the CPD, we are offering training programs to career advancers and other professionals. We are delivering assessments, consulting and authorized and customized training programs and curricula in the areas of information technology ("IT"), information technology infrastructure library ("ITIL"), development, business analysis, project management and leadership development. On January 31, 2014, we acquired certain assets and assumed certain liabilities of Great Equalizer, Inc. and CompetenC Solutions, Inc., two companies that offered short-term IT and business learning solutions for career advancers and other professionals, primarily under the name of Ascolta. We have integrated these acquired operations in the CPD, along with the operations of Cable Holdings, LLC, which we acquired in August 2013.

In 2015, we became the education management organizer ("EMO") for two public charter high schools, one in each of Arizona and Indiana, which offers high school students an opportunity to concurrently earn both a high school diploma and an associate degree. In 2014, we became the EMO for a public charter high school in Michigan. These services are being offered under The Early Career Academy @ ITT Technical Institute ("Early Career Academy") name.

Programs of Study

As of December 31, 2015, the ITT Technical Institutes were offering 49 education programs in various fields of study across the following schools of study:

- Business;
- Drafting and Design;
- Electronics Technology;
- Criminal Justice;
- IT; and
- Breckinridge School of Nursing and Health Sciences.

We design our education programs to help graduates prepare for careers in various fields by offering students a broad-based foundation in a variety of skills used in those fields. The following table sets forth examples of various fields involving the subject matter of education programs within a particular school of study in which graduates have obtained entry-level positions:

School of Study	Fields
Business	• accounting • business administration • financial services • manufacturing • marketing and advertising • sales
Drafting and Design	• architectural and construction drafting • civil drafting • computer-aided drafting • electrical and electronics drafting • industrial engineering technology • interior design • landscape architecture • mechanical drafting • multimedia communications
Electronics Technology	• communications • computer technology • electronics product design and fabrication • industrial electronics • instrumentation • telecommunications

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School of Study	Fields
Criminal Justice	• corrections • cyber security • investigations • security and policing
IT	• communications • network administration • network technology • software development • systems technology • technical support
Breckinridge School of Nursing and Health Sciences	• health information technology • medical assisting and administration • nursing

At the vast majority of our campuses, we generally organize the academic schedule for education programs of study on the basis of four 12-week academic quarters in a calendar year, with new students beginning at the start of each academic quarter. At these campuses, students taking a full-time course load can complete our associate degree programs in seven or eight academic quarters, bachelor degree programs in 14 or 15 academic quarters and a master degree program in seven academic quarters. We typically offer classes in most residence education programs in:

- 3.5- to 5.5-hour sessions three days a week, Monday through Saturday, with all program courses taught entirely or partially in residence; or
- sessions that are scheduled two to three days a week, Monday through Saturday, with certain program courses taught entirely or partially online over the Internet most academic quarters.

Depending on student enrollment, class sessions at the vast majority of our ITT Technical Institute campuses are generally available during the day and evening. The courses for education programs that are taught online over the Internet are delivered through an asynchronous learning network and have a prescribed schedule for completion of the coursework. At the vast majority of our ITT Technical Institute campuses, the class schedule for our education program residence courses and the coursework completion schedule for our education program online courses generally provide students with the flexibility to maintain employment concurrently with their studies. Based on student surveys, we believe that a majority of our ITT Technical Institute students work at least part-time during their programs of study.

Most of our education programs of study blend traditional academic content with applied learning concepts and have the objective of helping graduates prepare for a changing economic and/or technological environment. A significant portion of most education programs offered at our campuses involves practical study in a lab environment.

The learning objectives of most courses in each education program are substantially the same among the vast majority of our campuses to provide greater uniformity and to better enable students to transfer, if necessary, to other ITT Technical Institute campuses offering the same programs with less disruption to their education. We regularly review each curriculum to respond to changes in technology and industry needs. Each of the ITT Technical Institutes establishes an advisory committee for each field of study for education programs taught at that campus, which is comprised of representatives of local employers and other constituents. These advisory committees assist the ITT Technical Institutes in assessing curricula, equipment and laboratory design, and updating the curricula. In addition to courses directly related to a student's program of study, our education programs also include general education courses in the humanities, composition, mathematics, the sciences and the social sciences.

Gross tuition for a student entering an undergraduate residence education program at an ITT Technical Institute in December 2015 for 36 quarter credit hours (the minimum course load for a full-time student for an academic year consisting of three academic quarters) was $17,748 for all ITT Technical Institute undergraduate residence education programs, except as adjusted in one state to reflect applicable taxes and fees. We have not increased gross tuition rates for our ITT Technical Institute education programs of study since 2010, and we do not intend to increase gross tuition rates for our ITT Technical Institute education programs of study in 2016. The net tuition we recognize per enrolled student is lower than the gross tuition due to a portion of our students attending part-time, as well as the effect of institutional scholarships and awards. In the academic year beginning in December 2015 and ending in September 2016, we believe the net tuition for our ITT Technical Institute education programs of study will average approximately $12,100 per student. The majority of students attending residence programs at our campuses lived in that campus' metropolitan area prior to enrollment.

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Gross tuition for a student entering an undergraduate residence education program at DWC in September 2015 for 24 semester credit hours (the minimum course load for a full-time student for an academic year consisting of two academic semesters) was $15,630 for all DWC undergraduate residence education programs. The only student housing that we provide is at the Nashua, New Hampshire campus of DWC.

As of December 31, 2015, the CPD was offering 3,204 training programs in the following areas:

- IT
- ITIL
- Development
- Business analysis
- Project management
- Leadership development
- Professional development
- Business software application
- Process and productivity
- Graphic design and media

The length of these programs ranges from four hours to 40 hours. These programs are taught primarily through instructor-led sessions delivered in person and virtually.

Student Recruitment

With respect to education programs offered at the ITT Technical Institute and DWC, we strive to attract students with the motivation and ability to complete the career-oriented educational programs. To generate interest among potential students, we engage in a broad range of activities to inform potential students and their parents about our campuses and the programs they offer. These activities include television, Internet and other media advertising, social media, direct mailings and high school presentations. As of December 31, 2015, we employed approximately 1,240 full- and part-time recruiting representatives to assist in recruiting efforts.

Recruiting representatives pursue expressions of interest from potential students for our residence education programs by contacting prospective students and arranging for interviews at the campus. Occasionally, we also pursue expressions of interest from students for our residence education programs by contacting them and arranging for their attendance at a seminar providing information about the campus and its programs. We pursue expressions of interest from potential students for our online education programs by providing program and resource information on our websites and through telephone calls, electronic mail, social media and postal delivery.

Student recruitment activities are subject to substantial regulation at both the state and federal level and by our accrediting commissions. Certain states have bonding and licensing requirements that apply to many of our representatives and other employees involved in student recruitment. Our National Director of Recruitment and Regional Directors of Recruitment oversee the implementation of recruitment policies and procedures. In addition, our compliance department reviews student recruiting practices at each of our campuses on at least an annual basis.

Representatives of the CPD periodically communicate with national and local employers, primarily through face-to-face meetings, phone calls and emails, to identify their training needs. These needs arise through new IT systems implementations, employee turnover, and a desire by employers and employees to expand their skills. The CPD also hosts informational webinars and conferences that help identify training opportunities. Additionally, individuals and employers contact the CPD through information found on its website.

Student Admission and Retention

We require all applicants for admission to any of our campus' education programs to have a high school diploma or a recognized equivalent. Depending on the program of study and the campus, applicants may also be required to:

- pass an admission examination;
- possess a designated number of credit hours or degree with a specified overall cumulative grade point average from an accredited postsecondary educational institution;
- complete the Scholastic Assessment Test or American College Testing examination; and
- tour the campus.

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The following table sets forth the demographics of students at the ITT Technical Institutes as of the dates indicated:

Student Demographics	Approximate Percent of Student Census	
	December 31, 2015	December 31, 2014
Age		
19 or less	3%	3%
20 through 24	24%	23%
25 through 30	29%	29%
31 or over	44%	45%

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Student Demographics	Approximate Percent of Student Census	
	December 31, 2015	December 31, 2014
Gender		
Male	72%	55%
Female	28%	45%
Race		
Caucasian	41%	42%
Other (1)	59%	58%

(1) Based on applicable federal classifications.

The faculty and staff at each of our campuses strive to help students overcome obstacles to the completion of their education programs. As is the case in other postsecondary institutions, however, students often fail to complete their education programs for a variety of personal, financial or academic reasons. Student withdrawals prior to education program completion not only affect the students, they also have a negative regulatory and financial effect on the campus and the entire institution. To minimize these student withdrawals, each of our campuses devotes staff resources to assist and advise students regarding academic and financial matters. We encourage academic advising and tutoring in the case of students experiencing academic difficulties. We also offer assistance and advice to students in our residence education programs who are looking for part-time employment and housing.

The CPD assesses a prospective student's skill set and goals to determine the program that would best meet the individual's objectives and experience before enrolling a student in a program.

Graduate Employment

We believe that the success of our ITT Technical Institute and DWC graduates who begin their careers in fields involving their education programs is critical to the ability of our campuses to continue to recruit students for our education programs. We try to obtain data on the number of students employed following graduation from an ITT Technical Institute or DWC. The reliability of such data depends largely on information that students and employers report to us. Based on this information, we believe that approximately 73% of the Employable Graduates (as defined below) in 2014 had obtained employment by April 30, 2015 in positions that required the direct or indirect use of skills taught in their education programs, compared to approximately 70% of the Employable Graduates in 2013 who had obtained employment by April 30, 2014.

"Employable Graduates" are defined in accordance with the graduate employment metrics that we are required to report by one of the accrediting commissions that accredits our institutions and include all of the graduates from the ITT Technical Institutes' education programs in the applicable year, except for those graduates who:

- were pregnant, died or suffered other health-related conditions that prevented them from working;
- continued their education;
- were engaged in active U.S. military service;
- moved out of the United States with a spouse or parent who was engaged in active U.S. military service;
- were incarcerated in a correctional institution (other than a half-way house) for more than 30 consecutive days; or
- possessed visas that did not permit them to work in the United States following graduation.

Each of our campuses employs personnel to offer career services to students and graduates from our education programs. These persons assist in job searches, solicit employment opportunities from employers and provide information on job search techniques, where to access employer information, writing resumes and how to prepare for, appear at and conduct oneself during job interviews.

Based on information from graduates and employers who responded to our inquiries, the reported annualized salaries initially following graduation averaged approximately $34,553 for the Employable Graduates in 2014 who, as of April 30, 2015, had obtained employment in positions that required the direct or indirect use of skills taught in their education programs, compared to approximately $33,398 for the Employable Graduates in 2013 who, as of April 30, 2014, had obtained employment in positions that required the direct or indirect use of skills taught in their education programs. The average annual salary initially following graduation for our Employable Graduates may vary significantly among the ITT Technical Institutes depending on local employment conditions and each Employable Graduate's particular education program, background, prior work experience and willingness to relocate. Initial employers of Employable Graduates from education programs at the ITT Technical Institutes include small, medium and large companies and governmental agencies.

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Faculty

We hire faculty members for our education programs in accordance with criteria established by us, the accrediting commissions that accredit our campuses and the state education authorities that regulate our campuses. We hire faculty with relevant work experience and/or academic credentials to teach most technical subjects. Faculty members for our education programs at each campus typically include the chairperson for each school or education program and various categories of instructors, including full-time and adjunct.

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Administration and Employees

Each of our campuses is managed by a person who has overall responsibility for the operation of the campus. The administrative staff of each campus also includes managers in the major functional areas of that campus, including recruitment, finance, registration, academics and career services. As of December 31, 2015, we had approximately 4,100 full-time and 4,300 part-time employees. None of our employees are represented by labor unions.

Our headquarters provides centralized services to all of our campuses in the following areas:

- accounting
- marketing
- public relations
- curricula development
- management information systems
- purchasing
- legal
- regulatory
- legislative affairs
- real estate
- human resources
- compliance/internal audit

In addition, national managers of each of the following major campus functions reside at our headquarters and develop policies and procedures to guide these functions at our ITT Technical Institute campuses:

- recruiting
- financial aid
- academic affairs
- career services
- learning resources
- registration

Managers located at our headquarters monitor the operating results of each of our campuses and regularly conduct on-site reviews.

Competition

The postsecondary education and professional training markets in the United States are highly fragmented and competitive, with no single private or public institution enjoying a significant market share. Our campuses compete for students with associate, bachelor and graduate degree-granting institutions, which include public and nonprofit private colleges and proprietary institutions, as well as with alternatives to higher education such as military service or immediate employment. We believe competition among educational institutions is based on the:

- quality and reliability of the institution's programs and student services;
- reputation of the institution and its programs and student services;
- type and cost of the institution's programs;
- employability of the institution's graduates;
- ability to provide easy and convenient access to the institution's programs and courses;
- quality and experience of the institution's faculty; and
- time required to complete the institution's programs.

Certain public and private colleges may offer programs similar to those offered by our campuses at a lower tuition cost due in part to government subsidies, foundation grants, tax deductible contributions, tax-exempt status or other financial resources not available to proprietary institutions. Other proprietary institutions offer programs that compete with those offered by our campuses. Certain of our competitors in both the public and private sectors have greater financial and other resources than we do. In addition, recent and ongoing adverse matters affecting us and our industry, including, without limitation, investigations, claims and lawsuits, and the negative publicity associated with those matters, may make it more difficult for us to attract and retain students and to compete with institutions that are not as impacted by such matters.

The CPD competes primarily with local and national providers of IT and business skills training. We believe competition among training providers is based on the:

- quality and reliability of the training provider's programs;
- reputation of the training provider and its programs;
- type and cost of the training provider's programs;
- ability to provide easy and convenient access to the training provider's courses;
- quality and experience of the training provider's instructors; and
- time required to complete the training provider's programs.

Federal and Other Financial Aid Programs

In 2015, approximately 80% of our revenue determined on a cash accounting basis under the "90/10 Rule" calculation was from the federal student financial aid programs under Title IV (the "Title IV Programs") of the Higher Education Act of 1965, as amended

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(the "HEA"). See "Risk Factors —Risks Related to Our Highly Regulated Industry – *One or more of our institutions may lose its eligibility to participate in Title IV Programs, if the percentage of its revenue derived from those programs is too high*" for a description of the 90/10 Rule. Our institutions' students also rely on scholarships and awards, family contributions, personal savings, employment, state financial aid programs, veterans' and military benefits, internal student financing offered by us, private education loan programs and other resources to pay their educational expenses associated with their education programs. The primary Title IV Programs from which the students at our campuses received grants, loans and other aid to fund the cost of their education programs in 2015 included:

- the William D. Ford Federal Direct Loan (the "FDL") program, which represented, in aggregate, approximately 56% of our cash receipts; and
- the Federal Pell Grant (the "Pell") program, which represented, in aggregate, approximately 23% of our cash receipts.

Other sources of financial aid used by our students in 2015 to help pay the costs associated with their education programs included:

- state financial aid programs, veterans' and military service member benefit programs and other sources, which represented, in aggregate, approximately 14% of our cash receipts;
- employment, personal savings and family contributions, which represented, in aggregate, approximately 4% of our cash receipts; and
- private education loan programs, which represented approximately 2% of our cash receipts.

Institutional scholarships and awards, which our students use to help reduce their educational expenses, amounted to, in aggregate, approximately $219.1 million in 2015. Institutional scholarships and awards for ITT Technical Institute students averaged approximately $1,063 per student in the year ended December 31, 2015, based on the number of students enrolled in education programs in each of the three months ended March 31, 2015, June 30, 2015, September 30, 2015 and December 31, 2015. We also provided internal student financing to our students in 2015, which consists of non-interest bearing, unsecured credit extended to our students.

We believe that the employers of the vast majority of individuals enrolled in the training programs offered through the CPD pay for the individuals' costs of those programs either directly to the CPD or through employee reimbursements.

Highly Regulated Industry

The training programs offered through the CPD require approval from certain state education agencies and the accrediting commission that accredits our ITT Technical Institutes. Individuals who enroll in the training programs offered by the CPD are not eligible to receive funds under the Title IV Programs for those training programs. The discussion in the remainder of this section applies to the ITT Technical Institutes and DWC, and the education programs offered by those institutions.

Our institutions are subject to extensive regulation by the ED, the state education and professional licensing authorities (collectively, the "SAs") and the accrediting commissions that accredit our institutions (the "ACs"). The statutes, regulations and standards applied by the ED, SAs and ACs are periodically revised and the interpretations of existing requirements are periodically modified. We cannot predict how any of the statutes, regulations and standards applied by the ED, SAs and ACs will be interpreted and implemented.

The statutes, regulations and standards applied by the ED, SAs and ACs cover the vast majority of our operations, including our:

- academic affairs;
- educational programs;
- facilities;
- academic and administrative staff;
- administrative procedures;
- marketing;
- student recruitment;
- compensation practices; and
- financial operations and financial condition.

These requirements also affect our ability to:

- add new campuses;
- add new, or revise or expand our existing, educational programs; and
- change our corporate structure and ownership.

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Regulation by the U.S. Department of Education

At the federal level, the HEA and the regulations promulgated under the HEA by the ED set forth numerous, complex standards that institutions must satisfy in order to participate in Title IV Programs. To participate in Title IV Programs, an institution must:

- receive and maintain authorization by the appropriate SAs;
- be accredited by an accrediting commission recognized by the ED; and
- be certified as an eligible institution by the ED.

The purposes of these standards are to, among other things:

- limit institutional dependence on Title IV Program funds;
- prevent institutions with unacceptable student loan default rates from participating in Title IV Programs; and
- in general, require institutions to satisfy certain criteria related to educational value, administrative capability and financial responsibility.

Most of the ED's requirements are applied on an institutional basis, with an institution defined by the ED as a main campus and its additional locations, if any. Under the ED's definition, we had three institutions as of December 31, 2015, comprised of two ITT Technical Institute main campuses and one DWC main campus. All of the remaining ITT Technical Institute campuses are additional locations of the ITT Technical Institute main campuses under the ED's regulations. As of December 31, 2015, one ITT Technical Institute institution had 133 additional locations and the second ITT Technical Institute institution had two additional locations. The HEA requires each institution to periodically renew its certification by the ED to continue its participation in Title IV Programs. As of December 31, 2015, all 138 of our campuses participated in Title IV Programs.

The HEA requires a proprietary institution to operate for two years before it can qualify to participate in Title IV Programs. If an institution that is certified to participate in Title IV Programs establishes an additional location and receives all of the necessary SA and AC approvals for that location, that additional location can participate in Title IV Programs immediately upon being reported to the ED, unless the institution will offer at least 50% of an entire educational program at that location and any one of the following restrictions applies, in which case the ED must approve the additional location before it can participate in Title IV Programs:

- the institution is provisionally certified to participate in Title IV Programs;
- the institution receives Title IV Program funds under the ED's heightened cash monitoring or reimbursement system of payment;
- the institution acquired the assets of another institution that provided educational programs at that location during the preceding year and participated in Title IV Programs during that year;
- the institution would be subject to loss of eligibility to participate in Title IV Programs, because the additional location lost its eligibility to participate in Title IV Programs as a result of high student loan cohort default rates under the Federal Family Education Loan ("FFEL") and/or the FDL programs; or
- the ED previously notified the institution that it must apply for approval to establish an additional location.

One of the ED's regulations applicable to our institutions is that each institution must submit to the ED on an annual basis its audited, consolidated financial statements and a compliance audit of the institution's administration of the Title IV Programs in which it participates ("Compliance Audit"). The financial statements and Compliance Audit must cover one fiscal year and must be submitted to the ED within six months after the end of the fiscal year. Our institutions did not submit their 2013 audited consolidated financial statements and Compliance Audits to the ED by June 30, 2014 and, as a result, the ED determined in August 2014 that our institutions were not financially responsible, which resulted in, among other things, our institutions being:

- required to submit a letter of credit payable to the ED (which, in December 2015, was replaced by our deposit of cash into an escrow account being held by the ED);
- placed on heightened cash monitoring by the ED, instead of the ED's standard advance payment method; and
- provisionally certified by the ED to participate in Title IV Programs.

Our institutions' participation in the Title IV Programs will remain provisional until at least November 4, 2019. *See* "Risk Factors – Risks Related to Our Highly Regulated Industry — *The ED has imposed sanctions and reporting requirements on us, including having to post a letter of credit with the ED (subsequently replaced with a deposit of funds into an ED escrow account), being placed on heightened cash monitoring, being provisionally certified, and various reporting and operational requirements, due to our late submission to the ED of our institutions' 2013 audited consolidated financial statements and Compliance Audits and other reasons, and could impose additional sanctions and requirements on us in the future.*"

Any one or more of the sanctions or actions described above could have a material adverse effect on our financial condition, results of operations and cash flows.

The HEA and its implementing regulations require each institution to periodically reapply to the ED for continued certification to participate in Title IV Programs. The ED recertifies each institution deemed to be in compliance with the HEA and the ED's regulations for a period of six years or less. Before that period ends, the institution must apply again for recertification. The current

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provisional certifications of our three institutions expire on June 30, 2017. If an institution successfully participates in Title IV Programs during its period of provisional certification, but fails to satisfy the full certification criteria, the ED may renew the institution's provisional certification. The ED has informed our institutions that, due to their failure to submit their 2013 audited consolidated financial statements and Compliance Audits to the ED by June 30, 2014, the ED will not consider our institutions to have satisfied the ED's eligibility standards relating to financial responsibility before November 4, 2019. As a result, our institutions' participation in the Title IV Programs will continue to be provisional, if our institutions are recertified when their current provisional certifications expire on June 30, 2017.

The ED may revoke an institution's provisional certification without advance notice, if the ED determines that the institution is not fulfilling all material requirements. If the ED revokes an institution's provisional certification, the institution may not apply for reinstatement of its eligibility to participate in Title IV Programs for at least 18 months. If the ED does not recertify the institution following the expiration of its provisional certification, the institution loses eligibility to participate in Title IV Programs, until the institution reapplies to participate and the ED certifies the institution to participate.

The HEA and applicable regulations permit students to use Title IV Program funds only to pay the cost associated with enrollment in an eligible program offered by an institution participating in Title IV Programs. A proprietary institution that is eligible to participate in Title IV Programs can generally add a new educational program without the ED's approval, if that new program:

- leads to an associate level or higher degree and the institution already offers programs at that level; or
- prepares students for gainful employment in the same or a related occupation as an educational program that had been previously designated as an eligible program at the institution and meets minimum length requirements.

Otherwise, the proprietary institution has to obtain the ED's approval before it can disburse Title IV Program funds to students enrolled in the new program. However, any institution that is provisionally certified by the ED, like all of our institutions are, must apply for and receive approval by the ED for any substantial change before the institution can award, disburse or distribute Title IV Program funds based on the substantial change. Substantial changes generally include, but are not limited to:

- the establishment of an additional location;
- an increase in the level of academic offering beyond those listed in the institution's Eligibility and Certification Approval Report with the ED;
- an addition of any non-degree program or short-term training program; or
- an addition of a degree program by a proprietary institution.

If an institution applies for the ED's approval of a substantial change, the institution must demonstrate that it has the financial and administrative resources necessary to assure the institution's continued compliance with the ED's standards of financial responsibility and administrative capability.

If we are unable to obtain the required approvals from the ED for any new campuses, or any new program offerings, or to obtain those approvals in a timely manner, our ability to operate the new campuses or offer new programs as planned would be impaired, which could have a material adverse effect on our growth plans. See "Risk Factors—Risks Related to Our Highly Regulated Industry – *We cannot operate new campuses or offer new programs, if they are not timely authorized by our regulators, and we may have to repay Title IV Program funds disbursed to students enrolled at any of those locations or in any of those programs, if we do not obtain prior authorization.*"

Regulation by Department of Defense and State Approving Agencies for Veterans Benefits

Some of our students who are veterans and/or their dependents use their benefits under the Montgomery GI Bill ("MGIB") or the Post-9/11 Veterans Educational Assistance Act of 2008, as amended ("Post-9/11 GI Bill") (collectively the "GI Bill Programs"), to cover all or a portion of their tuition. A certain number of our students are also eligible to receive funds from other education assistance programs administered by the U. S. Department of Veterans Affairs ("VA").

Department of Veterans Affairs. The VA administers education benefits provided by federal law, including the GI Bill Programs. Pursuant to federal law related to these programs, our campuses are approved to provide education to veterans and their dependents under these benefit programs by the state approving agencies in the applicable state.

The Post-9/11 GI Bill expanded education benefits for veterans who have served on active duty since September 11, 2001, including reservists and members of the National Guard, beyond the benefits available under the MGIB. The Post-9/11 GI Bill also allows service members to transfer their benefits to family members. The Post-9/11 GI Bill also provides veterans up to $1,000 per academic year for books, supplies, equipment and other education costs. The Post-9/11 Veterans Educational Assistance Improvements Act of 2010 ("Improvements Act") revised the calculations of benefits related to tuition and fees under the Post-9/11 GI Bill. For a veteran attending a non-public U.S. institution, the Improvements Act provides tuition and fees based on the net cost to the veteran (after accounting for state and federal student financial aid, scholarships, institutional aid, fee waivers, and similar assistance), up to $21,084.89 for the 2015-2016 year. Veterans pursuing a program of education on a more than half-time basis at an

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on-campus location are also eligible for a monthly housing allowance equal to the basic allowance for housing available to service members who are at a military pay grade E-5 and have dependents. In addition, eligible veterans pursuing an educational program solely through distance learning are eligible to receive a monthly housing allowance equal to half the amount available to students attending certain traditional classroom-based programs or programs that combine classroom learning and distance education.

The Post-9/11 GI Bill also established the Yellow Ribbon Program. This program allows institutions of higher learning (degree-granting institutions) in the U.S. or a branch of such institutions located outside of the U.S. to voluntarily enter into an agreement with the VA to partially or fully fund tuition and fee expenses that exceed the established tuition and fee amounts payable under the Post-9/11 GI Bill. The institution may contribute a specified dollar amount of these expenses, and the VA will match the contribution, not to exceed 50% of the difference. Only veterans (or dependents under the transfer of entitlement provisions) who are at the 100% benefit rate, as determined by service requirements, qualify to participate in the Yellow Ribbon Program. The VA issues payments for tuition and fees and the Yellow Ribbon Program match directly to the institution on behalf of the student. Most ITT Technical Institutes participate in the Yellow Ribbon Program.

On April 27, 2012, President Obama signed Executive Order 13607, Establishing the Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members ("EO 13607"). EO 13607 addresses key areas concerning federal military and veterans' educational benefits. Pursuant to EO 13607, for students who are eligible to receive federal military and veterans educational benefits, the institution must:

- provide a standardized cost form, the Financial Aid Shopping Sheet, prior to enrollment;
- advise the student of the availability of and their potential eligibility for federal financial aid before recommending or offering private student loans;
- comply with ED's Title IV "program integrity" rules, including rules related to incentive compensation and misrepresentation;
- obtain approval from its accreditor, as required under the accreditor's standards, for new courses or programs before offering and enrolling students in such courses or programs;
- establish a readmissions policy that allows service members and reservists who are unable to attend class or experience short term absences due to service obligations to be readmitted to their program of study;
- agree to an institutional refund policy that is aligned with the Return of Title IV policy for students who withdraw prior to term completion;
- provide individual education plans that detail the requirements necessary to graduate, information about transfer of credit and expected timeline of completion; and
- provide a designated point of contact for academic and financial advising to assist with completion of studies and job search activities.

While the VA did not implement new regulatory requirements to effectuate the requirements of EO 13607, it did ask institutions to voluntarily agree to comply with those requirements and it routinely assesses compliance by institutions that volunteered to comply. All of our institutions volunteered to comply with the requirements of EO 13607.

Department of Defense. Service members of the United States Armed Forces are eligible to receive tuition assistance from their branch of service through the Uniform Tuition Assistance Program of the U.S. Department of Defense ("DoD") (" DoD Tuition Assistance Programs"). Each institution participating in the DoD Tuition Assistance Programs is required to sign a Memorandum of Understanding ("MOU"), outlining certain commitments and agreements between the institution and DoD prior to being permitted to participate in the DoD Tuition Assistance Programs. In 2014, the DoD revised the MOU and required participating institutions to execute a new MOU. We participate in the DoD Tuition Assistance Programs under the revised MOU. We executed the required revised MOUs on or before the September 2014 deadline and, therefore, all of our campuses are party to an executed revised MOU.

Pursuant to the MOU, among other requirements, the institution must provide each prospective military student with specific information prior to enrollment regarding certain ED and U.S. Consumer Financial Protection Bureau ("CFPB") tools, such as ED's "College Navigator" website, the "College Scorecard" website and the CFPB's "Paying for College" website; and, in certain circumstances, return tuition assistance funds to the DoD (such as when a student ceases to attend or an institution cancels a course). The MOU also provides that an institution may only participate in the DoD Tuition Assistance Programs if it is accredited by an accrediting agency recognized by the ED, approved for funding by the VA, and a participant in the Title IV programs administered by the ED.

On January 30, 2014, the DoD, VA, ED, and Federal Trade Commission, in collaboration with the CFPB and the U.S. Department of Justice, announced a new online VA GI Bill Feedback System for service members, veterans, and their families to report negative experiences at education institutions and training programs administering the Post-9/11 GI Bill, DoD Tuition Assistance Programs, and other military-related education benefit programs. The feedback system is designed to help the government identify and address unfair, deceptive, and misleading practices. The VA GI Bill Feedback System was developed pursuant to EO 13607, which requires federal agencies to create a centralized online reporting system for students receiving federal military and veterans' educational benefits to register complaints that can be tracked and responded to by relevant agencies. An institution having recurring substantive complaints, or demonstrating an unwillingness to resolve complaints, may face a range of penalties, including revocation of its MOU and removal from participation in the VA educational benefits and DoD Tuition Assistance Programs.

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The VA, the DoD and the applicable state approving agency also periodically review a location's compliance with laws, regulations and applicable guidance. The scope of the reviews vary, and noncompliance may result in the assessment of repayment liabilities to students receiving DoD or VA educational benefits, as well as locations being subjected to corrective action, fines and/or suspensions, including the location no longer being an approved location for students to access their DoD or VA educational benefits, and the potential loss of program and institutional eligibility for such benefits.

All of our campuses are approved to receive veterans' educational program benefits under the GI Bill Programs. State approving agencies could decide to suspend the approval of our courses in the campuses of those states for receipt of veterans' educational program benefits under the GI Bill Programs and require the submission of additional information and reports. Any of these actions by any state approving agency could materially and adversely affect our enrollments, results of operations and financial condition. If a material amount of the veterans' educational benefits funding that our students have historically received that is included in our non-Title IV revenue for purposes of the 90/10 Rule is no longer available, the percentage of our revenue from Title IV sources could materially increase, which could make it more difficult for us to satisfy the 90/10 Rule.

See "Risk Factors – Risks Related to Our Highly Regulated Industry – *Our campuses' failure to comply with the requirements for receiving veterans' educational benefits or Department of Defense tuition assistance program funds could result in their loss of eligibility to receive such benefits and funds, which could materially and adversely affect our business.*"

Regulation by State Education Agencies and Professional Licensing Authorities

As of December 31, 2015, we operated one or more campuses in 39 states and our campuses recruited students in all 50 states. Each of our campuses must be authorized by the applicable SAs to operate. The state laws and regulations that we must comply with in order to obtain authorization from the SAs are numerous and complex. As of December 31, 2015, each of our campuses had received authorization from one or more SAs.

The laws and regulations in most of the states in which our campuses are located treat each of our campuses as a separate, unaffiliated institution and do not distinguish between main campuses and additional locations or branch campuses, although many states recognize other locations within the state where educational activities are conducted and/or student services are provided as learning sites, teaching sites, satellite campuses or otherwise. In some states, the requirements to obtain state authorization limit our ability to establish new campuses, add instructional locations, offer new programs, recruit and offer online programs.

Campuses that confer bachelor or master degrees must, in most cases, meet additional regulatory standards. Raising the curricula of our existing campuses to the bachelor and/or master degree level requires the approval of the applicable SAs and the ACs.

State education laws and regulations affect our operations and may limit our ability to introduce programs or obtain authorization to operate in some states. If any one of our campuses lost its state authorization to operate in the state in which it is physically located, the campus would be unable to offer postsecondary education and we would be forced to close the campus. Closing multiple campuses for any reason could have a material adverse effect on our financial condition, results of operations and cash flows.

Most of the states in which our institutions are authorized to operate have laws or regulations that require institutions to demonstrate annually that they are financially stable. As a result of the delay in the submission of our 2013 audited consolidated financial statements to our Florida SA, our Florida SA determined on August 5, 2014 that our 11 campuses in Florida are not financially stable. Based on this determination, our Florida SA:

- changed the authorization to operate for each of our Florida campuses from an annual license to a provisional license;
- told us that it would conduct an on-site visit of each of our Florida campuses to determine the campus' compliance with the Florida SA's regulations;
- told us that it would require each of our Florida campuses to correct any deficiencies noted during our Florida SA's on-site visit of the campus;
- required us to submit to our Florida SA any correspondence that we or any of our institutions have with the ED or the AC of our Florida campuses, within 15 days of the submission or receipt of that correspondence;
- required each of our Florida campuses to submit a train-out plan to our Florida SA on or before September 4, 2014; and
- required us to report to our Florida SA, at its September 2014 meeting, on the stability of our Florida campuses and any changes that may further affect our stability or operations.

The provisional license of each of our Florida campuses currently extends through March 31, 2016. Upon the satisfaction of all of the requirements specified above, however, each campus may apply to our Florida SA to have the campus' authorization changed back to an annual license. We cannot assure you, however, that our Florida campuses will be able to satisfy all of the requirements specified above, or that our Florida SA will change any of the campuses back to an annual license. See "Risk Factors – Risks Related to Our Highly Regulated Industry – *Failure of our campuses to comply with the extensive regulatory requirements for school operations could result in financial penalties, restrictions on our operations, loss of federal and state financial aid funding for our students or loss of our authorization to operate our campuses.*"

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Regulation by Accrediting Commissions

Accreditation by an accrediting commission recognized by the ED is required for an institution to become and remain eligible to participate in Title IV Programs. In addition, some states require institutions operating in the state to be accredited as a condition of state authorization. Both of our ITT Technical Institute institutions are accredited by the Accrediting Council for Independent Colleges and Schools (the "ACICS"). DWC is accredited by the Commission on Institutions of Higher Education of the New England Association of Schools and Colleges (the "NEASC"). Both the ACICS and the NEASC are accrediting commissions recognized by the ED.

The accreditation standards of our ACs generally permit an institution's main campus to establish additional campuses. Our campuses that are treated as additional locations of the main campus under the ED's regulations and the ACICS accreditation standards are treated as branch campuses under the accreditation standards of the NEASC. During 2013, the ACICS evaluated our ITT Technical Institute institution with 133 additional locations for a renewal grant of accreditation. In April 2013, the ACICS extended that institution's current grant of accreditation through December 31, 2017. In 2015, the ACICS also approved one ITT Technical Institute location for inclusion in that institution's grant of accreditation. In January 2016, the ACICS awarded our ITT Technical Institute institution with two additional locations a renewal of accreditation through December 31, 2018.

Accreditation Criteria. The HEA specifies a series of criteria that each recognized accrediting commission must use in reviewing institutions. For example, accrediting commissions must assess the length of each academic program offered by an institution in relation to the objectives of the degrees or diplomas offered. Further, accrediting commissions must evaluate each institution's success with respect to student achievement.

Under the ACICS standards, if the student retention or graduate placement rates:

- of a campus fall below the ACICS benchmark standards, the campus must develop and implement a campus improvement plan and periodically report its results to the ACICS;
- of a campus fall below the ACICS Council standards, the campus must develop and implement a campus improvement plan and come into compliance within a specified time period, or the ACICS may withdraw the campus' inclusion in the institution's grant of accreditation;
- of a program offering at a campus fall below the ACICS benchmark standards, the campus must develop and implement a program improvement plan for that program offering; or
- of a program offering at a campus fall below the ACICS Council standards, the program offering must develop and implement a campus improvement plan and come into compliance within a specified time period, or the ACICS may withdraw its authorization of that program offering.

Under the ACICS standards, if the Licensure Examination Pass Rate (as defined below) of a program offering that is subject to that standard at a campus:

- falls below the ACICS benchmark standards, the campus is required to develop and implement a program improvement plan for that program offering; or
- falls below the ACICS Council standards, the program offering is required to come into compliance within a specified time period, or the ACICS may withdraw its authorization of that program offering.

A program offering is subject to the Licensure Examination Pass Rate standard, if graduates of the program of study who seek employment are required to have a certificate, license or registration based on an industry-sponsored examination in the applicable field.

A campus that falls below the ACICS benchmark standards is not required to obtain permission from the ACICS prior to applying to add a new program offering, but a campus that falls below the ACICS Council standards is required to obtain permission from the ACICS prior to applying to add a new program offering.

ACICS Institutional and Campus Accountability Report Reviews. In January 2015, the ACICS confirmed that it reviews the Institutional Accountability Report and Campus Accountability Report submitted by each of its accredited institutions to monitor performance in terms of student achievement at both the campus and program levels. Measures include Student Retention Rate, Graduate Placement Rate and the Licensure Examination Pass Rate (each as defined below), if applicable. When this review indicates that student achievement is below ACICS standards, the ACICS will require the institution to add an improvement plan that applies to either a program and/or a campus (an "Improvement Plan") within its Campus Effectiveness Plan ("CEP"). If the ACICS determines the institution no longer complies with the ACICS' requirement for student achievement, the ACICS will issue a warning, a show-cause directive, or otherwise take action and require the institution to demonstrate compliance within a specified time frame. Any specified time frame may be extended at the sole discretion of the ACICS for good cause, including evidence that there has been significant improvement in the deficient area(s) and the applicable time frame does not provide sufficient time to demonstrate full compliance (e.g., improvement in Student Retention Rate, Graduate Placement Rate and/or the Licensure Examination Pass Rate).

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Institutions that are required to include an Improvement Plan within their CEPs are considered to be on "Student Achievement Monitoring." Those with institutional or campus-level plans may have additional restrictions imposed if determined to be out of compliance.

Campus and Program Improvement Plans and Monitoring. Neither of our two ITT Technical Institute institutions are on probation with the ACICS, but the ACICS has taken the following actions with respect to a number of our campuses and programs:

Campus and Program Improvement Plans and Monitoring

	Locations (a)	Programs (b)
Student Retention Rate (as defined below)		
Below Council	31(c)	473 (d)
Below Benchmark	76	182
Graduate Placement Rate (as defined below)		
	Locations (a)	**Programs (b)**
Below Council	6	313(e)
Below Benchmark	34	174
Licensure Examination Pass Rate (as defined below)		
		Programs (b)
Below Council	N/A	19(f)
Below Benchmark	N/A	10

(a) Locations with outcomes "Below Benchmark" are subject to a campus Improvement Plan. Locations with outcomes "Below Council" are subject to a campus Improvement Plan and Student Achievement Monitoring and need to:

i. Raise their Student Retention Rate to at least 60% by November 1, 2016, or the ACICS may withdraw those locations' inclusion in the institution's grant of accreditation; or

ii. Raise their Graduate Placement Rate to at least 60% by November 1, 2016, or the ACICS may withdraw those locations' inclusion in the institution's grant of accreditation.

(b) Programs with outcomes "Below Benchmark" are subject to a program Improvement Plan. Programs with outcomes "Below Council" are subject to a program Improvement Plan and Student Achievement Monitoring and need to:

i. raise their Student Retention Rate to at least 60% by November 1, 2016, or the ACICS may withdraw its authorization of those program offerings; or

ii. raise their Graduate Placement Rate to at least 60% by November 1, 2016, or the ACICS may withdraw its authorization of those program offerings; or

iii. raise their Licensure Examination Pass Rate to at least 60% by November 1, 2016, or the ACICS may withdraw its authorization of those program offerings.

(c) We are no longer enrolling students at eight of these locations.
(d) We have discontinued and are no longer enrolling new students in 175 of these program offerings.
(e) We have discontinued and are no longer enrolling new students in 85 of these program offerings.
(f) We have discontinued and are no longer enrolling new students in two of these program offerings.

For purposes of the standards and actions described above, the ACICS uses the following definitions:

- "Student Retention Rate" is a calculated rate defined as Adjusted Total Enrollment, less All Other Withdrawals, divided by Adjusted Total Enrollment. "Adjusted Total Enrollment" is defined as total student enrollment in the program of study during the reporting period, less the number of any of those students who withdrew to enroll in another institution under common ownership. "All Other Withdrawals" is defined by the ACICS as the number of students enrolled in the program of study during the reporting period who withdrew from the program of study for a reason other than the student's:
  - call to active duty in the U.S. military;
  - enrollment in another institution under common ownership;
  - incarceration; or
  - death.
- "Graduate Placement Rate" is defined as the number of Employable Graduates who were employed in a position that required the direct or indirect use of the skills taught in the program of study during the reporting period, divided by the total number of Employable Graduates.
- "Licensure Examination Pass Rate" is defined as the three-year average of the number of graduates or completers of a program of study that is subject to the Licensure Examination Pass Rate standard who attempted the examination during a calendar year and received a score necessary to obtain the required certificate, license or registration, divided by the number of graduates or completers of that program of study who attempted the applicable examination during that calendar year.

If any of our ITT Technical Institute locations and/or program offerings fall below the Student Retention Rate, Graduate Placement Rate or Licensure Examination Pass Rate compliance standards and we are unable to timely bring those locations and/or program offerings into compliance, we may have to close those locations and reduce the offerings of those programs, which could have a material adverse effect on our growth plans, financial condition, results of operations and cash flows.

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DWC was subject to a notice of concern from the NEASC with respect to DWC's financial condition from June 2009, when we acquired DWC, until April 2011. The NEASC reinstated the notice of concern with respect to DWC's financial condition in March 2013. During 2013 and the first quarter of 2014, the NEASC evaluated DWC in connection with its financial condition, but the NEASC did not remove the notice of concern. In September 2014, the NEASC conducted a focused evaluation visit at DWC to assess, in part, DWC's progress in addressing the issues that led the NEASC to reinstate the notice of concern in 2013. DWC responded to the visit report and attended the NEASC April 2015 meeting. Following DWC's attendance at the NEASC September 2015 meeting, the NEASC issued a continued notice of concern with respect to DWC's financial condition and informed DWC that further determination with respect to compliance and monitoring would be made following the NEASC March 2016 meeting. See "Risk Factors – Risks Related to Our Highly Regulated Industry – *The failure of DWC to meet the accreditation requirements of NEASC could result in its loss of eligibility to participate in Title IV Programs and possibly its ability to operate.*" for additional information regarding the notice of concern and other communications from NEASC.

Reviews and Other Oversight Actions

The internal audit function of our compliance department reviews our campuses' compliance with Title IV Program requirements and conducts an annual compliance review of each of our campuses. The review addresses numerous compliance areas, including:

- student tuition refunds and return of Title IV Program funds;
- student academic progress;
- student admission;
- student attendance;
- student financial aid applications;
- student financial aid awards and disbursements; and
- graduate employment.

Each of our institutions' administration of Title IV Program funds must also be audited annually by an independent accounting firm, and the resulting audit report must be submitted to the ED for review.

Due to the highly regulated nature of the postsecondary education industry, we are subject to audits, reviews, inquiries, complaints, investigations, claims of non-compliance and lawsuits by federal and state governmental agencies, the ACs, present and former students and employees, shareholders and other third parties, which may allege violations of statutes, regulations or accreditation standards or common law causes of action (collectively, "Claims"). If the results of any Claims are unfavorable to us, we may be required to pay money damages or be subject to fines, penalties, injunctions, operational limitations, loss of eligibility to participate in federal or state financial aid programs, debarments, additional oversight and reporting, other civil and criminal penalties or other censure that could have a material adverse effect on our financial condition, results of operations and cash flows. Even if we satisfactorily resolve the issues raised by a Claim, we may have to expend significant financial and management resources, which could have a material adverse effect on our financial condition, results of operations and cash flows. Adverse publicity regarding a Claim could also negatively affect our business.

See "Risk Factors – Risks Related to Our Highly Regulated Industry" for a discussion of particular risks associated with our highly regulated industry.

Shareholder Information

We make the following materials available free of charge through our website at www.ittesi.com as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC under the Exchange Act:

- our annual reports on Form 10-K and all amendments thereto;
- our quarterly reports on Form 10-Q and all amendments thereto;
- our current reports on Form 8-K and all amendments thereto; and
- various other filings that we make with the SEC.

You should be aware that our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 was filed with the SEC after its applicable filing deadline. Failure to timely file our reports with the SEC may have negative consequences. See "Risk Factors – Risks Related to Our Business – *Our failure to prepare and timely file our periodic reports with the SEC limits our access to the public markets to raise debt or equity capital.*"

We also make the following materials available free of charge through our website at www.ittesi.com:

- our Corporate Governance Guidelines;
- the charter for each of the Audit, Compensation, and Nominating and Corporate Governance Committees of our Board of Directors; and
- our Code of Business Conduct and Ethics ("Code").

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We will provide a copy of the following materials without charge to anyone who makes a written request to our Investor Relations Department at ITT Educational Services, Inc., 13000 North Meridian Street, Carmel, Indiana 46032-1404 or by e-mail through our website at www.ittesi.com:

- our annual report on Form 10-K for the year ended December 31, 2015, excluding certain of its exhibits;
- our Corporate Governance Guidelines;
- the charter for each of the Audit, Compensation, and Nominating and Corporate Governance Committees of our Board of Directors; and
- the Code.

We also intend to promptly disclose on our website at www.ittesi.com any amendments that we make to, or waivers for our Directors or executive officers that we grant from, the Code.

Item 1A. Risk Factors.

In addition to the other information contained in this report, you should consider carefully the following risk factors in evaluating us and our business before making an investment decision with respect to any shares of our common stock. This report contains certain statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are based on the beliefs of, as well as assumptions made by and information currently available to, our management. All statements which are not statements of historical fact are intended to be forward-looking statements. The forward-looking statements contained in this report reflect our or our management's current views and are subject to certain risks, uncertainties and assumptions, including, but not limited to, those set forth in the following Risk Factors. Should one or more of those risks or uncertainties materialize or should underlying assumptions prove incorrect, our actual results, performance or achievements in 2016 and beyond could differ materially from those expressed in, or implied by, those forward-looking statements.

Risks Related to Our Highly Regulated Industry

Failure of our campuses to comply with the extensive regulatory requirements for school operations could result in financial penalties, restrictions on our operations, loss of federal and state financial aid funding for our students or loss of our authorization to operate our campuses. To participate in Title IV Programs, an institution must receive and maintain authorization by the appropriate SAs, be accredited by an AC recognized by the ED and be certified as an eligible institution by the ED. As a result, our ITT Technical Institute and DWC campuses are subject to extensive regulation by the ED, SAs and ACs, which cover the vast majority of our operations. The ED, SAs and ACs periodically revise their requirements and modify their interpretations of existing requirements. We cannot predict with certainty how all of the requirements applied by these agencies will be interpreted or implemented or whether all of our campuses will be able to comply with all of the requirements in the future.

If our campuses failed to comply with any of these regulatory requirements, these agencies could:

- impose monetary fines or penalties on our campuses;
- terminate or limit our campuses' operations or ability to award credentials;
- restrict or revoke our campuses' accreditation;
- limit, terminate or suspend our campuses' eligibility to participate in Title IV Programs or state financial aid programs;
- require our campuses to repay funds received under Title IV Programs or state financial aid programs;
- require us to post new letters of credit or increase the amount of or extend the duration of the ED Escrowed Funds (as defined below);
- increase the level of heightened cash monitoring to which our institutions are already subject by the ED;
- transfer our institutions from the ED's heightened cash monitoring system of receiving Title IV Program funds to its reimbursement system, which would significantly delay our institutions' receipt of Title IV Program funds;
- place a maximum limit on the amount of Title IV funding that our institutions could receive or a maximum limit on the number of students to whom our institutions could award Title IV program funds;
- deny applications for our institutions to obtain Title IV eligibility for new educational programs or new campuses; and
- subject us or our campuses to other civil or criminal penalties.

See "Business – Highly Regulated Industry," for a discussion of the sanctions imposed on us by the ED for our failure to submit our 2013 audited consolidated financial statements and Compliance Audits to the ED by the regulatory deadline, and by our Florida SA as a result of its determination that our 11 campuses in Florida are not financially stable. The sanctions imposed by the ED and our Florida SA or any other sanctions described above that could be imposed by any agencies could materially adversely affect our financial condition, results of operations and cash flows and impose significant operating restrictions on us.

If any of our campuses lost its state authorization, the campus would be unable to offer postsecondary education and we would be forced to close the campus.

If any of our campuses lost its accreditation, it would lose its eligibility to participate in Title IV Programs and, in some states, its ability to operate. If we could not arrange for alternative financing sources for the students attending a campus that lost its eligibility to participate in Title IV Programs, we could be forced to close that campus. Closing multiple campuses could have a

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material adverse effect on our financial condition, results of operations and cash flows. If all or substantially all of our campuses lost their eligibility to participate in Title IV Programs, we likely would not be able to continue to operate our business. See "Business – Highly Regulated Industry."

The following are some of the specific risk factors related to our highly regulated industry:

The ED has imposed sanctions and reporting requirements on us, including having to post a letter of credit with the ED (subsequently replaced with a deposit of funds into an ED escrow account), being placed on heightened cash monitoring, being provisionally certified, and various reporting and operational requirements, due to our late submission to the ED of our institutions' 2013 audited consolidated financial statements and Compliance Audits and other reasons, and could impose additional sanctions and requirements on us in the future. Our institutions are subject to extensive regulation by the ED. One of the ED's regulations applicable to our institutions is that each institution must submit to the ED on an annual basis its audited, consolidated financial statements and a Compliance Audit, in each case with respect to a fiscal year within six months of the end of the fiscal year. Our institutions did not submit their 2013 audited consolidated financial statements and Compliance Audits to the ED by the June 30, 2014 due date and, as a result, the ED determined on August 21, 2014 that our institutions were not financially responsible. Based on this determination, the ED, among other things:

- required our institutions to submit a letter of credit payable to the ED in the amount of $79.7 million (the "ED Letter of Credit"), which subsequently has been replaced by a deposit of funds in the same amount into an escrow account with the ED;
- placed our institutions on heightened cash monitoring by the ED, instead of the ED's standard advance payment method;
- provisionally certified our institutions to participate in Title IV Programs;
- requires our institutions to provide the ED with information about certain oversight and financial events, as described further below;
- requires us to be able to demonstrate to the ED that, for our two most recent fiscal years, we were current on our debt payments and our institutions have met all of their financial obligations, pursuant to the ED's standards; and
- could require our institutions, in future years, to submit their audited financial statements and Compliance Audits to the ED earlier than six months following the end of their fiscal year.

We caused the ED Letter of Credit to be issued on October 31, 2014 and submitted to the ED. On December 16, 2015, we and the ED entered into an agreement (the "ED Agreement"), which provides that we would provide funds to the ED for the ED to maintain in an escrow account ("ED Escrowed Funds") in lieu of the ED Letter of Credit. On December 17, 2015, we provided to the ED funds in the amount of $79.7 million, which amount is subject to further adjustment by the ED based upon changes in our annual federal student aid funding, and based on the ED's determination of the percentage of our annual federal student aid funding that must be maintained. The ED Agreement provides that the ED will maintain the funds provided by us in an escrow account to be used for one or more of the following purposes:

- to pay refunds of institutional or non-institutional charges owed to or on behalf of current or former students of our institutions, whether our institutions remain open or have closed;
- to provide for the "teach-out" of students enrolled at the time of closure of our institutions; and
- to pay any liabilities owing to the ED arising from acts or omissions by our institutions, on or before November 4, 2019, in violation of requirements set forth in the HEA, including the violation of any agreement entered into by our institutions with the ED regarding the administration of Title IV Programs,

which are the same reasons that funds could have been drawn under the ED Letter of Credit. As was the case with the term of the ED Letter of Credit, the ED will hold the ED Escrowed Funds until November 4, 2019, unless we are notified on or before then of the requirement and reasons that the ED Agreement needs to be extended, to the extent provided in the ED's financial responsibility regulations. We could be required to adjust the amount of the ED Escrowed Funds annually to 10% of the Title IV Program funds received by our institutions in the immediately preceding fiscal year, or such other amount as the ED may specify. As a result of our provision of funds under the ED Agreement, the ED Letter of Credit was cancelled on December 22, 2015.

Under heightened cash monitoring ("HCM"), before any of our institutions can request or draw down Title IV Program funds from the ED, the institution must:

- make disbursements to students and parents for the amount of Title IV Program funds that those students and parents are eligible to receive; and
- compile borrower-level records with respect to the disbursement of Title IV Program funds to each student and parent.

Once the HCM requirements as imposed on us in August 2014 were satisfied, our institutions could request or draw down Title IV Program funds from the ED in an amount equal to the actual disbursements made by our institutions. Our institutions will be subject to HCM until at least November 4, 2019. Although we have implemented procedures to address the HCM requirements, we cannot assure you that there will not be future delays in our institutions' receipt of Title IV Program funds or that our institutions will not request or draw down Title IV Program funds from the ED before the HCM requirements are satisfied. If any of our institutions request or draw down Title IV Program funds from the ED before the HCM requirements are satisfied, the ED could impose additional sanctions on our institutions that could have a material adverse effect on our business, financial condition, results of operations and cash flows, including, among other things:

- monetary fines or penalties;

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- limiting, terminating or suspending our institutions' eligibility to participate in Title IV Programs; and/or
- transferring our institutions from the HCM method of receiving Title IV Program funds to the ED's reimbursement system, which would significantly delay our institutions' receipt of Title IV Program funds.

Our institutions' participation in Title IV Programs will continue to be provisional, if our institutions are recertified when their current provisional certifications expire on June 30, 2017, until at least November 4, 2019. Any institution provisionally certified by the ED must apply for and receive approval by the ED for any substantial change, before the institution can award, disburse or distribute Title IV Program funds based on the substantial change. Substantial changes generally include, but are not limited to:

- the establishment of an additional location;
- an increase in the level of academic offering beyond those listed in the institution's Eligibility and Certification Approval Report with the ED;
- an addition of any non-degree program or short-term training program; or
- an addition of a degree program by a proprietary institution.

If an institution applies for the ED's approval of a substantial change, the institution must demonstrate that it has the financial and administrative resources necessary to assure the institution's continued compliance with the ED's standards of financial responsibility and administrative capability. We may be unable to obtain the required approvals from the ED for any new campuses or any new program offerings, or to obtain those approvals in a timely manner. For example, in December 2014, the ED disapproved our application to offer four new degree programs at the ITT Technical Institutes due to administrative capability issues reported in recent compliance audits and ED program reviews, and in March 2015, the ED disapproved two of eight new degree programs that we applied to offer at DWC also due to administrative capability issues. In February 2016, the ED disapproved our request for reconsideration of the two new degree programs we had previously applied to offer at DWC, due to administrative capability issues reported in recent compliance audits. If we are unable to obtain the required approvals from the ED for any new campuses or any new program offerings, or to obtain those approvals in a timely manner, our ability to operate the new campuses or offer new programs as planned would be impaired, which could have a material adverse effect on our growth plans. See "*— We cannot operate new campuses or offer new programs, if they are not timely authorized by our regulators, and we may have to repay Title IV Program funds disbursed to students enrolled at any of those locations or in any of those programs, if we do not obtain prior authorization,*" and "*— Failure by one or more of our institutions to satisfy the ED's administrative capability requirements could result in financial penalties, limitations on the institution's participation in the Title IV Programs, or loss of the institution's eligibility to participate in Title IV Programs.*"

We are required to provide information to the ED about any of the following events within 10 days of its occurrence:

- any adverse action, including probation or similar action, taken against any of our institutions by its AC, any of its SAs or any federal agency;
- any event that causes us to realize any liability that was noted as a contingent liability in our most recent audited financial statements;
- any violation by us of any loan agreement;
- any failure by us to make a payment in accordance with our debt obligations that results in a creditor filing suit to recover funds under those obligations;
- any withdrawal of our shareholders' equity or net assets by any means, including the declaration of a dividend;
- any extraordinary loss by us, as defined under Accounting Principles Board Opinion No. 30; or
- any filing of a petition by us for relief in bankruptcy court.

Our notice to the ED of the occurrence of any of the above events must include the details of the circumstances surrounding the event and, if applicable, the steps we have taken, or plan to take, to resolve the issue. If we fail to notify the ED within the 10 day reporting period, the ED may impose additional sanctions upon us that could negatively impact our provisional certification.

On May 20, 2015, the ED informed us that, based on our institutions' current reporting status to the ED and due to the SEC's filing of its complaint in the SEC Litigation, the ED was requiring us to comply with additional requirements in order for the ED to more closely monitor our institutions' ongoing participation in the Title IV Programs. The additional requirements are that we have to submit to the ED:

- every two weeks, a thirteen-week projected cash flow statement that includes disclosures concerning significant transactions, important financial transactions, planned school closures, anticipated new program offerings, and other matters; and
- every month, a roster of students, by campus, that includes information on each student's program of study, program start date and anticipated graduation date, enrollment status, and individual contact information.

Although we have submitted these reports to the ED to date, we cannot assure you that we will be able to continue to submit these reports to the ED according to its schedule. In addition, we cannot assure you that the ED will not impose further sanctions on us in light of the SEC Litigation and other matters.

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On June 8, 2015, we received a letter from the ED requiring that we provide a more detailed thirteen-week projected cash flow statement. In addition, the ED instructed that our business and financial disclosures required by the May 20, 2015 letter should be listed as a component of the thirteen-week projected cash flow statement.

On October 19, 2015, we received a letter from the ED identifying additional procedures that we are required to implement as a result of the identification of certain past deficiencies. These additional procedures include:

- requiring students to attend courses prior to the disbursement of Title IV Program funds to them;
- reporting disbursement and refund information as part of the monthly student roster reporting;
- providing certification forms regarding the reconciliation of accounts and eligibility of disbursements; and
- other reporting requirements.

These additional procedures have resulted in the delay of our receipt of Title IV Program funds. While these additional procedures have affected the timing of our receipt of Title IV Program funds and have imposed an administrative burden on us, we do not expect them to have a significant negative effect on our overall cash flow or operations, but we cannot assure you that there will not be future delays in our institutions' receipt of Title IV Program funds. We have implemented, and are in the process of implementing, measures to comply with the ED's requirements. We have begun submitting the additional information to the ED, and intend to continue submitting information to the ED according to the schedule specified by the ED. On January 26 and 27, 2016, the ED conducted a program review, where the ED reviewed our disbursement, reconciliation and reporting processes required by its October 19, 2015 letter. We have not received the results of the program review and cannot assure you that the ED will not impose additional requirements on us as a result of their program review.

The sanctions imposed on us by the ED described above could have a material adverse effect on our financial condition, results of operations, cash flows and ability to meet our contractual and regulatory obligations. Further, we cannot assure you that we will be able to fund any required increases in the required ED Escrowed Funds amount. Our provision of the ED Escrowed Funds has, and will continue to have, a material adverse effect on our liquidity, and significantly reduces the amount of cash that we will have available for other purposes, including to satisfy our future payment obligations under the PEAKS Guarantee and the CUSO RSA (collectively, the "RSAs"). The fact that a significant amount of our cash is being held in connection with the ED Agreement could also negatively affect our ability to satisfy the financial metrics of the ED, SAs and ACs to which we are subject.

Any significant delay in our institutions' receipt of Title IV Program funds could materially adversely affect our financial condition, results of operations and cash flows, and could cause us to be in default of the Financing Agreement (as defined below). Depending on the length of the delay, we cannot assure you that we would be able to continue to operate our business in such an event. The ED may also terminate our institutions' eligibility to participate in Title IV Programs, in which case we likely would not be able to continue to operate our business. See also "*—Restrictive covenants in the Financing Agreement restrict or prohibit our ability to engage in or enter into a variety of transactions, which could adversely restrict our financial and operating flexibility, and any default by us under the Financing Agreement could have a material adverse effect on our liquidity and ability to comply with our obligations.*"

The enforcement action by the SEC against us, our CEO and our former CFO could result in the ED or any of the SAs or ACs imposing additional sanctions on our institutions. On May 12, 2015, the SEC filed a civil enforcement action against us, our Chief Executive Officer and our former Chief Financial Officer (the "SEC Litigation"). See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements for a further discussion of the SEC Litigation.

On May 20, 2015, the ED informed us that, based on our institutions' current reporting status to the ED and due to the SEC's filing of its complaint in the SEC Litigation, the ED was requiring us to comply with additional requirements in order for the ED to more closely monitor our institutions' ongoing participation in the Title IV Programs. The additional requirements are that we have to submit to the ED:

- every two weeks, a thirteen-week projected cash flow statement that includes disclosures concerning significant transactions, important financial transactions, planned school closures, anticipated new program offerings, and other matters; and
- every month, a roster of students, by campus, that includes information on each student's program of study, program start date and anticipated graduation date, enrollment status, and individual contact information.

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Although we have submitted these reports to the ED to date, we cannot assure you that we will be able to continue to submit these reports to the ED according to its schedule.

Based on the allegations in the SEC's complaint, combined with other regulatory matters our institutions are facing by the ED, the SAs, the ACs and other federal and state agencies, it is possible that the ED or any of the SAs or ACs might impose additional sanctions against us. The ED, the SAs and the ACs have a wide range of sanctions and penalties that they can impose on institutions. See "— Risks Related to Our Highly Regulated Industry – *Failure of our campuses to comply with the extensive regulatory requirements for school operations could result in financial penalties, restrictions on our operations, loss of federal and state financial aid funding for our students or loss of our authorization to operate our campuses,"* for a discussion of sanctions that the ED, the SAs and the ACs could impose on our institutions as a result of the SEC Litigation.

We cannot assure you that the ED will not impose further sanctions on us in light of the SEC Litigation and other matters.

Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student population and increase our costs of operation. Political and budgetary concerns significantly affect Title IV Programs. The U.S. Congress ("Congress") enacted the HEA to be reauthorized on a periodic basis, which most recently occurred in 2008. Congress has begun the legislative process for reauthorizing the HEA, but it is unclear at this time if the reauthorization will be completed in 2016 or later. Until the reauthorization process is completed, the current provisions of the HEA will remain in effect, unless Congress amends any specific provisions.

In addition, Congress can change the laws affecting Title IV Programs in the annual federal appropriations bills and other laws it enacts between the HEA reauthorizations. We cannot predict all of the changes that Congress will ultimately make. Since a significant percentage of our revenue is indirectly derived from Title IV Programs, any action by Congress that significantly reduces Title IV Program funding or the ability of our campuses or students to participate in Title IV Programs could have a material adverse effect on our financial condition, results of operations and cash flows.

If one or more of our ITT Technical Institute or DWC campuses lost its eligibility to participate in Title IV Programs, or if Congress significantly reduced the amount of available Title IV Program funding, we would try to arrange or provide alternative sources of financial aid for the students at the affected campuses. It is unlikely that private organizations would be willing to provide loans to students attending those campuses or that the interest rate and other terms of those loans would be as favorable as for Title IV Program loans. If all or substantially all of our campuses lost their eligibility to participate in Title IV Programs, we likely would not be able to continue to operate our business.

Legislative action may also increase our administrative costs and burden and require us to modify our practices in order for our campuses to comply fully with the legislative requirements, which could have a material adverse effect on our financial condition, results of operations and cash flows.

One or more of our institutions may lose its eligibility to participate in Title IV Programs, if its federal student loan cohort default rates are too high. Under the HEA, an institution may lose its eligibility to participate in some or all Title IV Programs, if the rates at which the institution's students default on their federal student loans exceed specified percentages. The ED calculates these rates for each institution on an annual basis, based on the number of students who have defaulted, not the dollar amount of such defaults. Each institution that participated in the FFEL program and/or FDL program receives a FFEL/FDL cohort default rate for each federal fiscal year ("FFY") based on defaulted FFEL and FDL program loans. A FFY is October 1 through September 30. The ED calculates an institution's annual cohort default rate as the rate at which borrowers scheduled to begin repayment on their loans in one FFY default on those loans by the end of the second succeeding FFY ("Three-Year CDR").

The ED began calculating a Three-Year CDR for each institution for FFY 2009, and the ED issued those FFY 2009 Three-Year CDRs in 2012. If an institution's Three-Year CDR is:

- 30% or greater for three consecutive FFYs, the institution loses eligibility to participate in the FDL program and the Pell program for the remainder of the FFY in which the ED determines that the institution has lost its eligibility and for the two subsequent FFYs; or
- greater than 40% for one FFY, the institution loses eligibility to participate in the FDL programs for the remainder of the FFY in which the ED determines that the institution has lost its eligibility and for the two subsequent FFYs.

In addition, the ED may place an institution on provisional certification status, if the institution's official Three-Year CDR is 30% or greater for at least two of the three most recent FFYs. The ED may more closely review an institution that is provisionally certified, if it applies for approval to open a new location or offer a new program of study that requires approval, or makes some other significant change affecting its eligibility. See *"—The ED has imposed sanctions and reporting requirements on us, including having to post a letter of credit with the ED (subsequently replaced with a deposit of funds into an ED escrow account), being placed on heightened cash monitoring, being provisionally certified, and various reporting and operational requirements, due to our late submission to the ED of our institutions' 2013 audited consolidated financial statements and Compliance Audits and other reasons, and could impose additional sanctions and requirements on us in the future,* for further information concerning the impact on an institution of being placed on provisional certification by the ED.

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The following table sets forth the average of our institutions' Three-Year CDRs for the FFYs indicated, as reported by the ED:

FFY	Three-Year CDR Average
2013(a)	18.9%
2012 (b)	18.7%
2011	22.1%
2010	28.5%

(a) The most recent year for which the ED has issued preliminary Three-Year CDRs. The ED's regulations afford institutions the opportunity to challenge or correct their preliminary Three-Year CDRs before those rates are official.

(b) The most recent year for which the ED has published official Three-Year CDRs.

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CL_Review001698

We believe that the higher Three-Year CDR average for FFY 2010 compared to the official Three-Year CDR averages for FFY 2011 and FFY 2012 was primarily due to the servicing on the FFEL program loans that were purchased by the ED from the lenders (the "Purchased Loans") during 2009 and 2010. The Purchased Loans were initially serviced by the FFEL program lenders that made those loans, until the Purchased Loans were sold to the ED. Upon receipt of the Purchased Loans, the ED transferred the servicing of those loans to the servicer of the FDL program loans. Shortly thereafter, the ED replaced the servicer of the FDL program loans with four different servicers, and servicing of the Purchased Loans was distributed among the new servicers of the FDL program loans. We believe that the changes in the servicers of the Purchased Loans had a negative impact on the servicing of those loans, which could have resulted in a higher Three-Year CDR average with respect to those loans.

An institution can appeal its loss of eligibility that is based on exceeding one of the Three-Year CDR thresholds described above. During the pendency of any such appeal, the institution remains eligible to participate in the FDL and Pell programs. If an institution continues its participation in the FDL program during the pendency of any such appeal and the appeal is unsuccessful, the institution must pay the ED the amount of interest, special allowance, reinsurance and any related payments paid by the ED (or which the ED is obligated to pay) with respect to the FDL program loans made to the institution's students or their parents that would not have been made if the institution had not continued its participation (the "Direct Costs"). If a substantial number of our campuses were subject to losing their eligibility to participate in the FDL and Pell programs because of our institutions' high Three-Year CDRs, the potential amount of the Direct Costs for which we would be liable if our appeals were unsuccessful would prevent us from continuing some or all of the affected campuses' participation in the FDL program during the pendency of those appeals, which would have a material adverse effect on our financial condition, results of operations and cash flows.

Current and future economic conditions in the United States could also adversely affect our institutions' Three-Year CDRs. Increases in interest rates, declines in individuals' incomes and job losses for our students and graduates or their parents have contributed to, and could continue to contribute to, higher default rates on student loans.

The servicing and collection efforts of student loan servicers help to lower our institutions' Three-Year CDRs. We supplement their efforts by attempting to contact students to advise them of their responsibilities and any deferment, forbearance or alternative repayment plans for which they may qualify.

If any of our institutions lost its eligibility to participate in the FDL and Pell programs and we could not arrange for alternative financing sources for the students attending the campuses in that institution, we would probably have to close those campuses, which would have a material adverse effect on our financial condition, results of operations and cash flows. If all or substantially all of our campuses lost their eligibility to participate in Title IV Programs, we likely would not be able to continue to operate our business.

If any of our programs of study fail to qualify as programs that lead to gainful employment in a recognized occupation under the ED's regulations, students attending those programs of study will be unable to use Title IV Program funds to help pay their education costs. On October 31, 2014, the ED issued final regulations that took effect July 1, 2015, specifying requirements related to programs of study that are intended to lead to gainful employment in a recognized occupation (the "New GE Rule"). Those requirements include two debt-to-earnings rates ("D/E Rates") to be calculated every year, consisting of a debt-to-annual earnings ("aDTE") rate and a debt-to-discretionary income ("dDTI") rate.

The aDTE rate is calculated by comparing (i) the annual loan payment required on the median student loan debt incurred by students receiving Title IV Program funds who completed a particular program and (ii) the higher of the mean or median of those graduates' annual earnings approximately two to four years after they graduate, to arrive at a percentage rate. The dDTI rate is calculated by comparing (i) the annual loan payment required on the median student loan debt incurred by students receiving Title IV Program funds who completed a particular program and (ii) the higher of the mean or median of those graduates' discretionary income approximately two to four years after they graduate to arrive at a percentage rate. The ED receives the earnings data used to calculate the aDTE and dDTI rates from the Social Security Administration ("SSA"). Institutions do not have access to the SSA earnings information.

A program must achieve an aDTE rate at or below 8%, or a dDTI rate at or below 20%, to be considered "passing." A program that does not have a passing rate under either the aDTE or dDTI rates, but has an aDTE rate greater than 8% but less than or equal to 12%, or a dDTI rate greater than 20% but less than or equal to 30%, is considered "in the zone." A program with an aDTE rate greater than 12% and a dDTI rate greater than 30%, is considered "failing." A program will cease to be eligible for students to receive Title IV Program funds, if its aDTE rate and dDTI rate are failing in two out of any three consecutive award years or both of those rates are either failing or in the zone for four consecutive award years for which the ED calculates D/E Rates. An award year under the Title IV Programs begins on July 1st and ends on June 30th of the immediately succeeding calendar year.

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If a program could become ineligible for students to use Title IV Program funds based on its D/E Rates for the next award year, which could occur based on the program's D/E Rates for a single year, the institution must:

- deliver a warning to current and prospective students in that program at the prescribed time and by a prescribed method which, among other things, states that students may not be able to use Title IV Program funds to attend or continue to attend the program ("Warning"); and
- not enroll, register or enter into a financial commitment with a prospective student in the program, until three business days after (a) a Warning is provided to the prospective student or (b) a subsequent Warning is provided to the prospective student, if more than 30 days have passed since the initial Warning was first provided to the prospective student.

The New GE Rule also requires institutions to make additional public disclosures and report additional information to the ED with respect to each program that leads to gainful employment in a recognized occupation. We believe that the additional disclosure and reporting requirements will be administratively burdensome, will increase our compliance costs, and could cause fewer students to enroll in our programs of study. We reported to the ED the data for award years 2008-09 through 2014-15, which had submission deadlines of July 31, 2015 and October 1, 2015. Following our initial submissions, the ED notified us that certain elements of our reporting required revision and resubmission. We have resubmitted all required data as the ED has directed, and are in the process of correcting individual discrepancies on selected student records.

The ED had estimated that it would be able to release draft D/E Rates to institutions in the summer of 2016. However, there have been several delays in the initial steps of ED's D/E Rates calculation timeline, so draft D/E Rates will likely not be released until the fall of 2016. Institutions will have limited opportunities to challenge these draft D/E Rates before final D/E Rates are released in 2017.

If a program becomes ineligible for students to use Title IV Program funds, or if the institution chooses to discontinue a program after it receives draft or final D/E Rates that are failing or in the zone for a single award year, the institution cannot seek to reestablish the eligibility of that program, or establish the eligibility of a similar program, based on having a classification of instructional program ("CIP") code that has the same first four digits as the CIP code of the ineligible program, until three years following the date on which the program became ineligible or was discontinued.

We cannot predict with any certainty which or how many of our programs of study may become ineligible or subject to a Warning under the New GE Rule, because we do not have access to the earnings data for students that the ED will use to calculate D/E Rates. While we are evaluating the potential impact of the New GE Rule, we cannot predict what the impact will be on our operations. Compliance with the New GE Rule could reduce our enrollments, increase our cost of doing business and have a material adverse effect on our business, financial condition, results of operations and cash flows.

In response to the predecessor of the New GE Rule that was issued in 2011, we made significant changes to the programs of study that we offer. This prior rule also put downward pressure on our tuition prices, to help prevent students from incurring debt that exceeded the levels required for a program to remain eligible for students to receive Title IV Program funds. This, in turn, increased the percentage of our revenue that is derived from Title IV Programs, which could adversely impact our compliance with other ED regulations. We have also limited enrollment in certain programs of study and substantially increased our efforts to promote student loan repayment. These pressures and other factors are likely to continue under the New GE Rule. Any or all of these factors could reduce our enrollment and/or increase our cost of doing business, perhaps materially, which could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows and stock price.

In November 2014, two organizations of schools filed separate lawsuits against the ED in federal courts seeking to have the New GE Rule invalidated. One lawsuit was filed by the Association of Private Sector Colleges and Universities ("APSCU"), which represents more than 1,400 for-profit institutions nationwide, and the other lawsuit was filed by the Association of Proprietary Colleges ("APC"), which represents more than 20 for-profit colleges in the state of New York. The lawsuits alleged, among other things, that the New GE Rule exceeded the ED's statutory authority, violated institutions' constitutional rights, and was arbitrary and capricious. On June 23, 2015, the federal district court in the lawsuit filed by APSCU rejected APSCU's claims and granted summary judgment in favor of the ED, and on May 27, 2015, the federal district court in the lawsuit filed by APC rejected APC's claims and granted summary judgment in favor of the ED. On March 8, 2016, the U.S. Court of Appeals for the District of Columbia rejected APSCU's claims and affirmed the district court's judgment in favor of the ED. No court has delayed the effective date of the New GE Rule and therefore the New GE Rule became effective July 1, 2015.

We may be subject to sanctions, including an increase in the amount of the ED Escrowed Funds, and other limitations in order to continue our campuses' participation in Title IV Programs, state authorization and accreditation, if we or our campuses do not meet the financial standards of the ED, SAs or ACs. The ED, SAs and ACs prescribe specific financial standards that an institution must satisfy to participate in Title IV Programs, operate in a state and be accredited. The ED evaluates institutions for compliance with its financial responsibility standards each year, based on the institution's annual audited financial statements, as well as following any change of control of the institution and when the institution is reviewed for recertification by the ED. In evaluating an institution's compliance with the financial responsibility standards, the ED may examine the financial statements of the individual institution, the institution's parent company or any party related to the institution. Historically, the ED has evaluated the financial condition of our institutions on a consolidated basis, based on our financial statements at the parent company level.

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The most significant ED financial responsibility measurement is the institution's composite score, which is calculated by the ED based on three ratios:

- the equity ratio, which measures the institution's capital resources, ability to borrow and financial viability;
- the primary reserve ratio, which measures the institution's ability to support current operations from expendable resources; and
- the net income ratio, which measures the institution's ability to operate at a profit.

The ED assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. The ED then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to produce a composite score for the institution (the "Composite Score"). The Composite Score must be at least 1.5 for the institution to be deemed financially responsible by the ED without the need for further oversight.

Our institutions' Composite Score, based on our fiscal year consolidated financial statements at the parent company level, was 1.8 in 2012.

In calculating our institutions' 2013 Composite Score, we believe that an exclusion for the effect of a change in accounting estimate related to the CUSO RSA should be available under the ED's financial responsibility regulations, which would cause our 2013 Composite Score to be higher than if that exclusion was not permitted.

On January 28, 2015, we received a letter from the ED stating that it does not agree with our position concerning that exclusion, resulting in a determination by the ED that our institutions' 2013 Composite Score was 0.9. As a result of this determination, the ED indicated that our institutions failed to comply with the ED's financial responsibility standards. Due to our failure to submit our 2013 audited consolidated financial statements and Compliance Audits to the ED by the ED's June 30, 2014 deadline, the ED had previously determined that we failed to comply with the ED's financial responsibility standards for that reason and imposed penalties on us including being placed on provisional certification, having to request Title IV funds from the ED under the Heightened Cash Monitoring 1 method of payment, and requiring us to post a letter of credit with the ED in the amount of $79.7 million (which was subsequently replaced with a deposit of funds in the same amount into an ED escrow account under the ED Agreement). We are already subject to the same sanctions and penalties that the ED normally imposes on institutions that fail to have a Composite Score of at least 1.5, and the ED's determination that our institutions have a 2013 Composite Score of 0.9 did not result in additional sanctions or penalties from the ED against us or our institutions, but we cannot assure you that the ED will not impose additional sanctions or penalties.

We disagree with the ED's determination regarding our institutions' 2013 Composite Score, and we believe that our institutions' 2013 Composite Score is above 1.5. We provided a written response to the ED requesting that the ED reconsider its calculation of our institutions' 2013 Composite Score and offered to meet with the ED to discuss this matter. The ED made a written request for additional information from us, to which we responded on March 25, 2015. On April 15, 2015, the ED reaffirmed its determination that our consolidated financial statements for the fiscal year ended December 31, 2013 yield a Composite Score of 0.9 out of a possible 3.0. On July 10, 2015, we submitted a written appeal to the ED of the ED's April 15, 2015 determination, in which we explained in detail why we believe our institutions' 2013 Composite Score is above 1.5. We cannot assure you that the ED will agree with our position on this matter.

Based on our 2014 fiscal year consolidated financial statements at the parent company level, prior to the Restatements, our institutions' Composite Score for 2014 was 2.2, which was confirmed by the ED by letter dated December 10, 2015. We believe our Composite Score for 2014 after the Restatements was 2.0. Based on our calculations using our 2015 fiscal year consolidated financial statements, we believe our Composite Score for 2015 was 2.2.

The ED Escrowed Funds that the ED is holding might be accepted to satisfy any additional letter of credit requirement, but there can be no assurance that the ED would not require us to increase the amount of the ED Escrowed Funds based on our institutions' 2013 Composite Score. Any significant delay in our institutions' receipt of Title IV Program funds due to the penalties that the ED has imposed on us could adversely affect our financial condition, results of operations, liquidity and cash flows, could cause us to be in default of the Financing Agreement and could negatively impact our ability to satisfy our payment obligations under contractual arrangements, including the RSAs and the Financing Agreement. Depending on the length of the delay, we cannot assure you that we would be able to continue to operate our business in such an event. If the ED requires us to increase the amount of the ED Escrowed Funds or to provide a letter of credit payable to the ED, we cannot assure you that we would be able do so, or that, in the case of a required letter of credit, we would be able to provide the cash collateral necessary to obtain that letter of credit.

The SA's financial standards include a variety of financial metrics and ratios, including, without limitation, positive net working capital, positive net worth, operating profit, one-to-one ratio of assets to liabilities and/or one-to-one ratio of current assets to current liabilities. In addition, some of the ACs and SAs to which we are subject can impose sanctions and penalties against us and our institutions if the ED calculates our Composite Score under the ED regulations to be below 1.5, including requiring us to post separate letters of credit for their benefit, or suspending or terminating our campuses' authority to operate. Any sanctions or penalties imposed by the ACs and SAs could have a material adverse effect on our financial condition, results of operations, and cash flows. Our institutions violated the financial standards of the SAs in Florida, Pennsylvania, Tennessee, Texas and West Virginia, due to

- the PEAKS Consolidation;

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- our institutions' failure to submit their 2013 audited consolidated financial statements to the SAs by the applicable due dates; and/or
- other factors.

As a result of these violations, our:

- Florida SA:
  - changed the authorization to operate for each of our 11 campuses in Florida from an annual license to a provisional license, through March 31, 2016;
  - told us that it would conduct an on-site visit of each of our Florida campuses to determine the campus' compliance with our Florida SA's regulations;
  - told us that it would require each of our Florida campuses to correct any deficiencies noted during our Florida SA's on-site visit of the campus;
  - required us to submit to our Florida SA any correspondence that we or any of our institutions have with the ED or the AC of our Florida campuses, within 15 days of the submission or receipt of that correspondence;
  - required each of our Florida campuses to submit a train-out plan to our Florida SA on or before September 4, 2014; and
  - required us to report to our Florida SA, at its September 2014 meeting, on the stability of our Florida campuses and any changes that may further affect our stability or operations;
- Pennsylvania SA could:
  - place each of our seven campuses in Pennsylvania on quarterly financial reporting;
  - require each of our Pennsylvania campuses to submit to our Pennsylvania SA a teach-out plan with respect to all of the campus' programs;
  - require each of our Pennsylvania campuses to submit to our Pennsylvania SA a business plan with respect to the campus' operations;
  - raise the required amount of the surety bond that each of our Pennsylvania campuses are required to post for the benefit of our Pennsylvania SA; and/or
  - suspend or revoke each of our Pennsylvania campuses' authorization to operate as an educational institution in Pennsylvania;
- Tennessee SA could:
  - assess monetary fines against each of our five campuses in Tennessee;
  - require each of our Tennessee campuses to submit to our Tennessee SA an audit of the campus' financial stability that is conducted in accordance with generally accepted auditing standards in the United States;
  - revoke or change each of our Tennessee campuses' authorization to operate as an educational institution in Tennessee; and/or
  - suspend or terminate all or any portion of our Tennessee campuses' operations in Tennessee, including, without limitation, new student enrollment, advertising and/or teaching specific programs;
- Texas SA could:
  - assess an administrative penalty;
  - revoke our Texas campuses' certificates of approval;
  - place conditions on our Texas campuses' certificates of approval;
  - suspend the admission of students to our Texas campuses or programs;
  - deny program approvals for our Texas campuses;
  - deny, suspend or revoke the registration of our Texas campuses' representatives;
  - apply for an injunction against our Texas campuses;
  - ask the attorney general to collect a civil penalty for violation of state law or regulations; and/or
  - order a peer review of our Texas campuses; and
- West Virginia SA could:
  - raise the amount of the surety bond that our one campus in West Virginia needs is required to post for the benefit of our West Virginia SA;
  - call the surety bond that our West Virginia campus posted for the benefit of our West Virginia SA;
  - suspend, withdraw or revoke our West Virginia campus' authorization to operate or solicit students in West Virginia;
  - change our West Virginia campus' authorization to operate in West Virginia to a probationary authorization;

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- require our West Virginia campus to refund its students' tuition and fees; and/or
- take any other action against our West Virginia campus that our West Virginia SA deems appropriate.

If some or all of the sanctions described above were imposed on many of the affected campuses, those sanctions would have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

One or more of our institutions may have to post a letter of credit or be subject to other sanctions if it does not correctly calculate and return within the required time frame Title IV Program funds for, or refund monies paid by or on behalf of, students

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who withdraw before completing their program of study. The HEA and its implementing regulations impose limits on the amount of Title IV Program funds withdrawing students can use to pay their education costs (the "Return Policy"). The Return Policy permits a student to use only a pro rata portion of the Title IV Program funds that the student would otherwise be eligible to use, if the student withdraws during the first 60% of any period of enrollment. For the vast majority of our campuses, a period of enrollment is generally an academic quarter. The institution must calculate and return to the ED any Title IV Program funds that the institution receives on behalf of a withdrawing student in excess of the amount the student can use for such period of enrollment. The institution must return those unearned funds in a timely manner which is generally within 45 days of the date the institution determined that the student had withdrawn. If the unearned funds are not properly calculated and timely returned, we may have to post a letter of credit in favor of the ED or be otherwise sanctioned by the ED. An institution is required to post a letter of credit with the ED in an amount equal to 25% of the total dollar amount of unearned Title IV Program funds that the institution was required to return with respect to withdrawn students during its most recently completed fiscal year, if the institution is found in an audit or program review to have untimely returned unearned Title IV Program funds with respect to 5% or more of the students in the audit or program review sample of withdrawn students, in either of its two most recently completed fiscal years. As of December 31, 2015, no audit or program review had found that any of our institutions violated the ED's standard on the timely return of unearned Title IV Program funds so as to require the posting of a letter of credit with the ED. On January 26 and 27, 2016, the ED conducted a program review, where the ED reviewed our disbursement, reconciliation and reporting processes required by its October 19, 2015 letter. We have not received the results of the program review and cannot assure you that the ED will not impose additional requirements on us as a result of its program review. The requirement to post a letter of credit or other sanctions by the ED could increase our cost of regulatory compliance and adversely affect our results of operations. Further, we cannot assure you that our institutions would be able to submit a letter of credit payable to the ED in the amount required by the ED, or that we would be able to provide the cash collateral required to maintain any letter of credit.

The standards of most of the SAs and the ACs limit a student's obligation to an institution for tuition and fees, if a student withdraws from the institution (the "Refund Policies"). The specific standards vary among the SAs. Depending on when, during an academic term, a student withdraws and the applicable Refund Policies, in many instances the student remains obligated to the institution for some or all of the student's education costs that were paid by the Title IV Program funds returned under the Return Policy. In these instances, many withdrawing students are unable to pay all of their education costs, unless the students have access to other sources of financial aid. Our experience has been that many of our affected students do not have access to other sources of financial aid and that we have been unable to collect a significant portion of many withdrawing students' education costs that would have been paid by Title IV Program funds that were returned, which, in the aggregate, have had and may continue to have a material adverse effect on our results of operations and cash flows.

One or more of our institutions may lose its eligibility to participate in Title IV Programs, if the percentage of its revenue derived from those programs is too high. Under a provision of the HEA commonly referred to as the 90/10 Rule, a proprietary institution may be sanctioned if, on a cash accounting basis, the institution derives more than 90% of its applicable revenue in a fiscal year from Title IV Programs. If an institution exceeds the 90% threshold for any single fiscal year, the ED would place that institution on provisional certification status for the institution's following two fiscal years, unless the institution's participation in Title IV Programs ends sooner. In addition, if an institution exceeds the 90% threshold for two consecutive fiscal years, it would be ineligible to participate in Title IV Programs as of the first day of the following fiscal year and would be unable to apply to regain its eligibility until the end of the second subsequent fiscal year. Furthermore, if one of our institutions exceeded the 90% threshold for two consecutive fiscal years and became ineligible to participate in Title IV Programs but continued to disburse Title IV Program funds, the ED could require the institution to repay, with limited exceptions, all Title IV Program funds disbursed by the institution after the effective date of the loss of eligibility.

For our 2015 fiscal year, none of our institutions derived more than approximately 80% of its applicable revenue on a cash accounting basis from Title IV Programs under the 90/10 Rule calculation. Any changes in federal law that increase Title IV Program grant or loan limits, or that count funds other than Title IV Program funds toward the 90% limit, may result in an increase in the percentage of revenue that we indirectly derive from Title IV Programs, which could make it more difficult for us to satisfy the 90/10 Rule.

A significant portion of the veterans' educational benefits that our students receive from the VA and state agencies administering those funds is included in our non-Title IV revenue for purposes of the 90/10 Rule. If a portion of our veteran students' educational benefits that are included in our non-Title IV revenue for purposes of the 90/10 Rule is no longer available, the percentage of our revenue from Title IV sources could increase, and if a material amount of such VA funding is no longer available, the percentage of our revenue from Title IV sources could materially increase, which could make it more difficult for us to satisfy the 90/10 Rule. See *"—Our campuses' failure to comply with the requirements for receiving veterans' educational benefits or Department of Defense tuition assistance program funds could result in their loss of eligibility to receive such benefits and funds, which could materially and adversely affect our business."*

We regularly monitor compliance with the 90/10 Rule to minimize the risk that any of our institutions would derive more than the maximum allowable percentage of its applicable revenue from Title IV Programs for any fiscal year. If an institution appeared likely to approach the maximum percentage threshold, we would consider making changes in student financing to comply with the 90/10 Rule, but we cannot assure you that we would be able to do this in a timely manner or at all. If any of our institutions lost its

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eligibility to participate in Title IV Programs and we could not arrange for alternative financing sources for the students attending the campuses in that institution, we would probably have to close those campuses, which could have a material adverse effect on our financial condition, results of operations and cash flows. If all or substantially all of our campuses lost their eligibility to participate in Title IV Programs, we likely would not be able to continue to operate our business.

Failure by one or more of our institutions to satisfy the ED's administrative capability requirements could result in financial penalties, limitations on the institution's participation in Title IV Programs, or loss of the institution's eligibility to participate in Title IV Programs. To participate in Title IV Programs, an institution must satisfy criteria of administrative capability prescribed by the ED. These criteria include requirements that the institution:

- demonstrate a reasonable relationship between the length of its programs and the entry-level job requirements of the relevant fields of employment;
- comply with all of the applicable Title IV Program regulations prescribed by the ED;
- have capable and sufficient personnel to administer the institution's participation in Title IV Programs;
- define and measure the satisfactory academic progress of its students within parameters specified by the ED;
- provide adequate financial aid counseling to its students who receive Title IV Program funds; and
- timely submit all required reports and financial statements to the ED.

If the ED determines that an institution is not capable of adequately administering its participation in any of the Title IV Programs, the ED could, among other things:

- impose monetary fines or penalties on the institution;
- require the institution to repay funds received under Title IV Programs;
- transfer the institution from the advance method of payment of Title IV Program funds to the heightened cash monitoring or reimbursement system of payment; or
- limit or terminate the institution's eligibility to participate in Title IV Programs.

Any of these sanctions could adversely affect our financial condition, results of operations and cash flows and impose significant operating restrictions on us. Further, the ED can disapprove new educational program applications for administrative capability reasons. For example, in December 2014, the ED disapproved our application to offer four new degree programs at the ITT Technical Institutes due to administrative capability issues reported in recent Compliance Audits and ED program reviews, and in March 2015, the ED disapproved two of eight new degree programs that we applied to offer at DWC also due to administrative capability issues. In February 2016, the ED disapproved our request for reconsideration of the two new degree programs we had previously applied to offer at DWC, due to administrative capability issues reported in recent compliance audits. Our institutions' 2014 Compliance Audits, which were submitted to the ED in June 2015, contained findings in some areas that were similar to or the same as some of the findings in the preceding years' Compliance Audits.

On October 19, 2015, we received a letter from the ED identifying additional procedures that we are required to implement as a result of the identification of certain past deficiencies. These additional procedures include: requiring students to attend courses prior to the disbursement of Title IV Program funds to them; reporting disbursement and refund information as part of the monthly student roster reporting; providing certification forms regarding the reconciliation of accounts and eligibility of disbursements; and other reporting requirements. These additional procedures have resulted in the delay of our receipt of Title IV Program funds. While these additional procedures have affected the timing of our receipt of Title IV Program funds and have imposed an administrative burden on us, we do not expect them to have a significant negative effect on our overall cash flow or operations, but we cannot assure you that there will not be future delays in our institutions' receipt of Title IV Program funds. We have implemented, and are in the process of implementing, measures to comply with the ED's requirements. We have begun submitting the additional information to the ED, and intend to continue submitting information to the ED according to the schedule specified by the ED. On January 26 and 27, 2016, the ED conducted a program review, where the ED reviewed our disbursement, reconciliation and reporting processes required by its October 19, 2015 letter. We have not received the results of the program review, and cannot assure you that the ED will not impose additional requirements as a result of its program review.

In addition, for 2014 and subsequent years, an institution is deemed by the ED to lack administrative capability if its Three-Year CDR equals or exceeds 30% for at least two of the three most recent federal fiscal years for which such rates have been published. If an institution's administrative capability is impaired solely because its Three-Year CDRs equal or exceed the applicable percentage, the institution can continue to participate in Title IV Programs, but the ED may place the institution on provisional certification.

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We are subject to sanctions, if we pay impermissible commissions, bonuses or other incentive payments to individuals or entities involved in certain recruiting, admission or financial aid activities. The ED's regulations prohibit an institution participating in Title IV Programs from providing any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment or admission activity or in making decisions regarding the awarding of Title IV Program funds (the "Incentive Compensation Prohibition"). We believe that the Incentive Compensation Prohibition:

- does not establish clear criteria for compliance in all circumstances, and the ED will not entertain a request by an institution for the ED to review and assess its individual compensation plan;

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- may subject us to qui tam lawsuits for alleged violations of the False Claims Act, 31 U.S.C. § 3729 *et seq.* ("False Claims Act");
- adversely affects our ability to compensate our employees based on their performance of their job responsibilities, which makes it more difficult to attract and retain highly-qualified employees; and
- impairs our ability to sustain and grow our business.

We cannot be sure that the compensation that we have paid our employees will not be determined to violate the Incentive Compensation Prohibition. If the ED determines that our compensation practices violate the Incentive Compensation Prohibition, the ED could subject us to substantial monetary fines or penalties or other sanctions. We could also be subjected to qui tam lawsuits for alleged violations of the False Claims Act related to the Incentive Compensation Prohibition. Any of those sanctions and lawsuits could have a material adverse effect on our financial condition, results of operations, cash flows and future growth. For example, in January 2016, a court issued an order unsealing a qui tam False Claims Act complaint against us which alleges, among other things, that we violated the False Claims Act by receiving Title IV Program funds in violation of the Incentive Compensation Prohibition and other ED regulations, and also asserts a claim of retaliation. The complaint has not been served on us.

In November 2015, the ED announced that, in response to a decision in a court case challenging some aspects of the Incentive Compensation Prohibition, the ED had reconsidered its interpretation of the law and no longer interprets the regulations to prohibit compensation for recruiters that is based upon students' graduation from or completion of their educational programs. As a result, in January 2016, we added an objective under the short-term compensation element of our executive compensation program, which objective is based on the graduation rate of ITT Technical Institute students. The ED has stated, however, that it reserves the right to take enforcement action against institutions if compensation labeled by an institution as graduation-based or completion-based compensation is merely a guise for enrollment-based compensation, which continues to be prohibited. Any determination by the ED that our use of a graduation rate-based objective in our compensation programs, or the application thereof, violates the Incentive Compensation Prohibition could subject us to substantial monetary fines or penalties or other sanctions, and the uncertainty around the permissibility of the use or application of such an objective could subject us to additional qui tam lawsuits alleging violations of the False Claims Act related to the Incentive Compensation Prohibition.

We cannot operate new campuses or offer new programs, if they are not timely authorized by our regulators, and we may have to repay Title IV Program funds disbursed to students enrolled at any of those locations or in any of those programs, if we do not obtain prior authorization. Our growth plans assume that we will be able to continue to obtain the necessary authorization from the ED, ACs and SAs to establish new campuses and expand or revise program offerings in a timely manner. If we are unable to obtain the required authorizations from the ED, ACs or SAs for any new campuses or any new or revised program offerings, or to obtain such authorizations in a timely manner, our ability to operate the new campuses or offer new or revised programs as planned would be impaired, which could have a material adverse effect on our growth plans.

The process of obtaining any required SA and AC authorizations can also delay our operating new campuses or offering new programs. The status of our institutions and the state laws and regulations in effect in the states where we are located or anticipate establishing a new location or the ACs standards may limit our ability to establish new campuses and expand the programs offered at a campus, which could have a material adverse effect on our growth plans.

In addition, an institution that is eligible to participate in Title IV Programs may add a new location or education program without the ED's approval only if certain requirements are met. Otherwise, the institution must obtain the ED's approval before it may disburse Title IV Program funds to students in the new location or education program. If we were to erroneously determine that a new location or education program is eligible for Title IV Program funding, we would likely be liable for repayment of the Title IV Program funds provided to students in that location or program.

Due to our institutions' failure to submit their 2013 audited consolidated financial statements and Compliance Audits to the ED by the June 30, 2014 due date, all of our institutions are provisionally certified to participate in Title IV Programs. Any institution provisionally certified by the ED must apply for and receive approval by the ED for any substantial change before the institution can award, disburse or distribute Title IV Program funds based on the substantial change. Substantial changes generally include, but are not limited to:

- the establishment of an additional location;
- an increase in the level of academic offering beyond those listed in the institution's Eligibility and Certification Approval Report with the ED;
- an addition of any non-degree program or short-term training program; or
- an addition of a degree program by a proprietary institution.

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In December 2014, the ED informed us that it had disapproved our application to offer four new degree programs at the ITT Technical Institutes due to administrative capability issues reported in recent Compliance Audits and ED program reviews. The ED also told us that we could reapply for these programs when we demonstrated improved performance in those areas. Although we believe that we have made improvements in the areas identified by the ED and we intend to reapply to the ED for approval to offer these programs in the future, we cannot assure you that the ED will approve that re-application or that the ED will permit us to apply for a third time if the re-application is not approved. In addition, in March 2015, the ED approved six and disapproved two new degree programs that we had applied to offer at Daniel Webster College. The basis for disapproval was due to administrative capability issues

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reported in recent compliance audits and ED program reviews. In February 2016, the ED disapproved our request for reconsideration of the two new degree programs we had previously applied to offer at DWC, due to administrative capability issues reported in recent compliance audits. Our institutions' 2014 Compliance Audits, which were submitted to the ED in June 2015, contained findings in some areas that were similar to or the same as some of the findings in the preceding years' Compliance Audits.

See "*—If any of our programs of study fail to qualify as programs that lead to gainful employment in a recognized occupation under the ED's regulations, students attending those programs of study will be unable to use Title IV Program funds to help pay their education costs,*" regarding additional program approval requirements that are contained in the New GE Rule.

Failure by any of our campuses or program offerings to satisfy the ACICS Council standards with respect to Student Retention Rates, Graduate Placement Rates or Licensure Examination Pass Rates could cause us to close those campuses and reduce the offerings of those programs. Under the standards of the ACICS, if the Student Retention Rate or Graduate Placement Rate:

- of a campus falls below the ACICS benchmark standards, the campus is required to develop and implement a campus improvement plan and periodically report its results to the ACICS;
- of a campus falls below the ACICS Council standards, the campus is required to develop and implement a campus improvement plan and come into compliance within a specified time period, or the ACICS may withdraw the campus' inclusion in the institution's grant of accreditation;
- of a program offering at a campus falls below the ACICS benchmark standards, the campus is required to develop and implement a program improvement plan for that program offering; or
- of a program offering at a campus falls below the ACICS Council standards, the program offering is required to develop and implement a campus improvement plan and come into compliance within a specified time period, or the ACICS may withdraw its authorization of that program offering.

The ACICS has also implemented standards related to Licensure Examination Pass Rates that apply to programs of study that have graduates who, if they seek employment, are required to have a certificate, licensure or registration based on an industry-sponsored examination in the applicable field. Under the ACICS standards, if the Licensure Examination Pass Rate:

- of a program offering at a campus falls below the ACICS benchmark standards, the campus is required to develop and implement a program improvement plan for that program offering; or
- of a program offering at a campus falls below the ACICS Council standards, the program offering is required to develop and implement a campus improvement plan and come into compliance within a specified time period, or the ACICS may withdraw its authorization of that program offering.

A campus that falls below the ACICS benchmark standards is not required to obtain permission from the ACICS prior to applying to add a new program offering, but a campus that falls below the ACICS compliance standards is required to obtain permission from the ACICS prior to applying to add a new program offering. See "Business —Highly Regulated Industry – *Regulation by Accrediting Commissions*" for a description of ACICS' review of and actions related to our campuses and programs.

If any of our ITT Technical Institute locations and/or program offerings fall below the Student Retention Rate, Graduate Placement Rate or Licensure Examination Pass Rate standards and we were unable to timely bring those locations and/or program offerings into compliance, we may have to close those locations and reduce the offerings of those programs, which could have a material adverse effect on our growth plans, financial condition, results of operations and cash flows.

The failure of our programs of study offered in any state to qualify as credit hour programs, as opposed to clock hour programs, under the ED's regulations would likely result in our students who attend those programs receiving less funds from Title IV Programs, may result in fewer students attending those programs and could result in financial penalties. The ED's regulations related to determining when a program of study is required to measure student progress in clock hours for Title IV funding purposes, despite being approved by other regulatory agencies to be offered in credit hours, are complex. Students attending credit hour programs of study that are required to be measured in clock hours for Title IV purposes often receive less funds from Title IV Programs to pay their cost of education with respect to those programs of study. Students interested in those programs of study may have to use more expensive private financing to pay their cost of education or may be unable to enroll in those programs of study. Students may determine that they do not qualify for private financing or that the private financing costs make borrowing too expensive, which may cause students to abandon or delay their education. Any or all of these factors could reduce our enrollment, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and stock price. If we were to erroneously determine that a program of study is not required to measure student progress in clock hours for Title IV funding purposes, we would likely be liable for repayment of a portion of the Title IV Program funds provided to students in that program of study based on the difference between the amount of funds those students received and the amount they were eligible to receive.

Government and regulatory agencies and third parties have brought, and may bring additional, investigations, claims or actions against us based on alleged violations of the extensive regulatory requirements applicable to us, which could require us to pay monetary damages, receive other sanctions and expend significant resources to defend those claims or actions. We are subject to investigations and claims of non-compliance with regulatory standards and other actions brought by regulatory agencies, students, shareholders and other parties. Some of the more significant pending investigations, claims and actions are described in Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements. If the results of any investigations, claims and/or

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actions are unfavorable to us, we may be required to pay money damages or be subject to fines, penalties, injunctions, operational limitations, loss of eligibility to participate in federal or state financial aid programs, debarments, additional oversight and reporting, or other civil and criminal sanctions. Those sanctions could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, we have incurred, and expect to continue to incur, significant legal and other expenses in connection with investigations, claims and actions, which could have a material adverse effect on our financial condition, results of operations and cash flows. Investigations, claims and actions have caused and will continue to cause a substantial diversion of our management's attention and resources from our ongoing business operations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Adverse publicity regarding any investigations, claims and/or actions could also negatively affect our business and the market price of our common stock. Further, the fact that investigations, claims and actions are pending against us has resulted in, and could in the future result in, increased scrutiny, the withholding of authorizations and/or the imposition of other sanctions by SAs, the ACs and other regulatory agencies governing us. See "Business – Highly Regulated Industry."

See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, and the discussions under the sub-headings "Government Investigations" and "Litigation," for information regarding certain lawsuits and investigations affecting us.

Investigations, claims and actions against companies in our industry could adversely affect our business and stock price. The operations of a number of other companies in the postsecondary education industry have been subject to intense regulatory scrutiny. In some cases, allegations of wrongdoing have resulted in reviews, investigations or lawsuits by the U.S. Department of Justice, SEC, ED, CFPB, Government Accountability Office, Department of Veterans Affairs, Federal Trade Commission, Department of Defense, state education and professional licensing authorities, states' attorney general offices or other state agencies. These investigations and actions have alleged, among other things, deceptive trade practices and noncompliance with applicable laws and regulations. These allegations have attracted adverse media coverage that may negatively affect public perceptions of proprietary education institutions, including the ITT Technical Institutes and Daniel Webster College. Adverse media coverage regarding other companies in the proprietary education sector or regarding us directly could damage our reputation, could result in lower enrollments, revenue and profit, and could have a negative impact on our stock price. These allegations, reviews, investigations and enforcement actions and the accompanying adverse publicity could also result in increased scrutiny of, and have a negative impact on, us and our industry.

Our campuses' failure to comply with the requirements for receiving veterans' educational benefits or Department of Defense tuition assistance program funds could result in their loss of eligibility to receive such benefits and funds, which could materially and adversely affect our business. All of our campuses are approved to receive veterans' educational program benefits under the Montgomery GI Bill or the Post-9/11 Veterans Educational Assistance Act of 2008, as amended (collectively the "GI Bill Programs"). Although recent actions by the state approving agencies in California and New York were resolved favorably to us in 2015, we believe that state approving agencies in other states may take similar actions to suspend the approval of our courses offered by the campuses in those states for receipt of veterans' educational program benefits under the GI Bill Programs and require the submission of additional information and reports. Any of these actions by any state approving agency could materially and adversely affect our enrollments, results of operations and financial condition. If a material amount of the veterans' educational benefits funding that our students have historically received that is included in our non-Title IV revenue for purposes of the 90/10 Rule is no longer available, the percentage of our revenue from Title IV sources could materially increase, which could make it more difficult for us to satisfy the 90/10 Rule.

If the ED determines that borrowers of federal student loans who attended our institutions have a defense to repayment of their federal student loans based on a state law claim against any of our institutions, our institutions' repayment liability to the ED could have a material adverse effect on our financial condition, results of operations and cash flows. In addition to other authority, the ED's current regulations provide borrowers of loans under the FDL program a defense against an attempt to collect their FDL program loans based on any act or omission of the school attended by the student that would give rise to a cause of action under applicable state law. In the event the borrower asserts this defense, and the borrower's defense against repayment is successful, the ED will discharge all or part of the student's obligation to repay the loan, and may proceed to require the student's school to repay the amount of the loan to which the defense applies. The theory behind this regulation is that students who were victims of fraud should not be required to repay their FDL program loans and that the responsible institution should be accountable for loans forgiven by the ED based on the ED's determination that there is a valid defense to repayment.

On June 8, 2015, the ED issued a fact sheet, announcing steps it would be taking to support efforts by borrowers to secure discharge of their FDL program loans under the borrower defense regulations. Among those steps, the ED indicated that it would be appointing a Special Master to oversee borrower defense issues and to create a streamlined process for discharge applications, and that it would be revisiting the borrower defense regulations in the future for the purpose of creating a better system for debt relief. In announcing these actions, the ED also stated that its authority under the law extends to all institutions.

On October 20, 2015, the ED published a notice in the Federal Register requesting nominations for negotiators to serve on a negotiated rulemaking committee that will address for loans made under the FDL program: (1) the procedures to be used for a borrower to establish a defense to repayment; (2) the criteria that the ED will use to identify acts or omissions of an institution that

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constitute defenses to repayment of FDL program loans, including the creation of a federal standard; (3) the standards and procedures that the ED will use to determine the liability of the institution for amounts based on borrower defenses; (4) the effect of borrower defenses on institutional capability assessments; and (5) other loan discharges. In addition, the committee may also consider if and how these issues will affect the FFEL program.

The negotiated rulemaking committee began its deliberations in January 2016 and will conclude its three scheduled meetings in March 2016, following which the ED is expected to issue a proposed regulation for public comment. During the negotiated rulemaking, the ED has supported permitting borrowers to seek discharge of their FDL program loans based on acts or omission of their school that violate a new federal standard or standards, thereby obviating the need for the ED to determine whether there is a cause of action against the school under the applicable state law. The ED has indicated that should a new federal standard or standards be created, it would only be applicable where the contested loan was first disbursed on or after July 1, 2017. In accordance with the ED's rulemaking calendar, any final rule published by November 1, 2016, would be effective July 1, 2017.

If the ED determines that borrowers of FDL program loans who attended our institutions have a defense to repayment of their FDL program loans based on a certain act or omission of any of our institutions, the repayment liability to the ED could have a material adverse effect on our financial condition, results of operations and cash flows.

Changes in the amount or availability of veterans' educational benefits or Department of Defense tuition assistance programs could materially and adversely affect our business. Certain members of Congress and the Obama Administration have increased their focus on Department of Defense tuition assistance and the Department of Veterans Affairs veterans educational benefits that are used for programs of study offered at proprietary education institutions, particularly distance education programs of study. EO 13607 requires an institution to agree to comply with the principles of excellence described in the EO in order for the institution to participate in the Department of Defense tuition assistance and Department of Veterans Affairs veterans' education benefits programs, including the Post-9/11 GI Bill and the Tuition Assistance Program for active duty service members. Among other things, the principles of excellence include a requirement that institutions implement an institutional refund policy for veterans and service members that is aligned with the return of unearned student aid rules applicable to Title IV Programs when students withdraw prior to completing their programs. In addition, federal legislation has been introduced that would revise the 90/10 Rule to count Department of Defense tuition assistance and Department of Veterans Affairs veterans' educational benefits toward the 90% limit. To the extent that any laws, regulations or other requirements are adopted that limit or condition the amount of educational benefits that veterans and active duty service members can use toward their costs of education at proprietary education institutions or in distance education programs, or that limit or condition the participation of proprietary education institutions or distance education programs in veteran or military tuition assistance programs or in Title IV Programs with respect to veteran or military tuition assistance programs, our enrollments, results of operations and financial condition could be materially and adversely affected.

The failure of DWC to meet the accreditation requirements of NEASC could result in its loss of eligibility to participate in Title IV Programs and possibly its ability to operate. DWC was subject to a notice of concern from its accrediting commission, the Commission on Institutions of Higher Education of the New England Association of Schools and Colleges ("NEASC") with respect to DWC's financial condition from June 2009, when we acquired DWC, until April 2011. NEASC reinstated the notice of concern with respect to DWC's financial condition in March 2013. During 2013 and the first quarter of 2014, NEASC evaluated DWC in connection with its financial condition, but NEASC did not remove the notice of concern. In November 2014, NEASC conducted a focused evaluation visit at DWC to assess, in part, DWC's progress in addressing the issues that led NEASC to reinstate the notice of concern in 2013. DWC responded to the visiting team's report in February 2015, and subsequently responded to questions related to the visiting team's report and our pending regulatory and financial matters during NEASC's April 2015 meeting.

On June 24, 2015, NEASC informed DWC that it had reason to believe that DWC may not meet three NEASC standards. As a result, DWC was given the opportunity at NEASC's September 2015 meeting to show cause why DWC's accreditation should not be withdrawn. DWC was required to submit a show-cause report by September 4, 2015, evidencing compliance with the three NEASC accreditation standards cited: Standard Two (Planning and Evaluation), Standard Three (Organization and Governance), and Standard Nine (Financial Resources). NEASC requested specific materials be included with the show-cause report, including an update on DWC's planning efforts and progress in developing a strategic plan and an enrollment management plan, an update on Summer 2015 and Fall 2015 enrollment, evidence that we will provide sufficient continued financial support to DWC, an update on our financial and regulatory challenges, and an update on the appointment of a new CEO for DWC. DWC provided a responsive show-cause report and attended the September 2015 meeting.

On October 13, 2015, NEASC sent a letter to DWC, notifying DWC that, among other things, a continued formal notice of concern would be issued to DWC that it is in danger of not meeting NEASC's accreditation standard on Financial Resources and that a determination about DWC's compliance with NEASC's accreditation standards on Organization and Governance and Planning and Evaluation would be deferred pending receipt of additional information from DWC by January 6, 2016. The letter also indicated that a determination would be made at or following NEASC's March 2016 meeting about DWC's compliance with the standards on Organization and Governance and Planning and Evaluation and additional monitoring, including the status of DWC's Fall 2016 comprehensive evaluation and reports and visits related to the continued formal notice of concern. If these matters are not resolved to NEASC's satisfaction and DWC ultimately were to lose its accreditation, it would lose its eligibility to participate in Title IV Programs and possibly its ability to operate. If we could not arrange for alternative financial resources for the students attending DWC, we could be forced to close DWC, which could have a negative impact on the realizable value of DWC's assets and could result in a material impairment charge.

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If the graduates of some of our programs are unable to obtain licensure in their chosen professional fields of study, the enrollment in and the revenue derived from those programs could decrease and claims could be made against us that could be costly to defend. Graduates of certain of our programs of study offered through our Breckinridge School of Nursing and Health Sciences seek professional licensure in their chosen field following graduation. Their success in obtaining licensure depends on several factors, including:

- the merits of the individual student;
- whether the campus and the program were authorized by the appropriate SAs and/or approved by an accrediting commission and/or professional association; and
- whether we complied with the requirements of those SAs, the accrediting commission or the professional association.

Certain SAs refuse to license students who graduate from programs that do not meet specific types of programmatic accreditation, residency or other state requirements. In the event that one or more SAs refuses to recognize our graduates for professional licensure in the future based on factors relating to our campuses or their programs, student enrollment in those programs would be negatively impacted which could have an adverse effect on our results of operations. In addition, we could be exposed to claims that would force us to incur legal and other expenses that could have a material adverse effect on our results of operations.

Laws and regulations relating to marketing practices could limit our marketing activities or cause us to discontinue the marketing activities that we currently use or plan to use, and failure to comply with such laws and regulations could result in statutory damages or lawsuits against us. We rely on a variety of direct-to-consumer marketing techniques, including telemarketing, email marketing and postal mailings, and we are subject to various laws and regulations which govern marketing and advertising practices. For example, the Telephone Consumer Protection Act of 1991, the Telemarketing Sales Rule, the CAN-SPAM Act of 2003 and various other federal and state laws and regulations impose requirements on the manner and extent to which we can market our programs to prospective students. The Telephone Consumer Protection Act requires, among other things, that we receive prior express written consent from consumers in order to place telemarketing calls to wireless phones using certain technology. Efforts to comply with these regulations may negatively affect our ability to contact prospective students and, therefore, our revenue and profitability. Newly-adopted or amended laws and regulations relating to telemarketing, and increased enforcement of such laws and regulations by governmental agencies or by private litigants, could adversely affect our business, operating results and financial condition. Our failure to comply with laws and regulations applicable to our marketing activities could also result in statutory damages and class action lawsuits or other lawsuits against us.

Risks Related to Our Business

Our guarantee obligations under the private education loan programs have had, and could continue to have, a material adverse effect on us, our consolidated financial statements and our compliance with covenants and metrics to which we are subject. We have entered into risk sharing and guarantee agreements with entities related to private education loans provided to our students to help pay the students' cost of education that student financial aid from federal, state and other sources does not cover. Our obligations under the PEAKS Guarantee will remain in effect until the PEAKS Senior Debt and the PEAKS Trust's fees and expenses are paid in full. Our obligations under the CUSO RSA will remain in effect, until all private education loans made under the CUSO Program are paid in full. See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for information regarding the guarantee payments, the payments on behalf of borrowers and the payments that we made related to the RSAs in 2015.

The repayment performance of the private education loans under the RSAs has been significantly worse, and the charge-off rate on those loans has been significantly higher, than we originally projected when we entered into the RSAs and our subsequent projections. Further, under the PEAKS Guarantee, due to the PEAKS Consolidation and other factors, we were not in compliance with certain financial metrics under the PEAKS Program, which resulted in an increase in the required minimum Asset/Liability Ratio and a requirement that we make higher payments under the PEAKS Guarantee. As a result of the higher charge-off rates of the private education loans made under both the CUSO Program and PEAKS Program and the increased Asset/Liability Ratio, we have made payments related to the RSAs that have been significantly higher than we initially anticipated, and we currently estimate that we will be required to make payments in material amounts under the RSAs in 2016 and future years. See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for the amount of payments that we currently estimate we will be required to make through the remaining terms of the RSAs.

As a consequence of the restatement of our unaudited condensed consolidated financial statements in our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013, June 30, 2013 and September 30, 2013, certain quarterly reports that we were required to deliver to the indenture trustee of the PEAKS Trust under the PEAKS Guarantee were inaccurate. We delivered corrected quarterly reports to the indenture trustee on October 9, 2014. If we had delivered accurate quarterly reports, or with respect to periods in 2014 through June 30, 2014, delivered quarterly reports, to the indenture trustee of the PEAKS Trust, we believe the indenture trustee would have made payment demands beginning in April 2013, requiring us to make additional payments under the PEAKS Guarantee totaling approximately $60.3 million in the aggregate, in order to maintain an Asset/Liability Ratio of 1.40/1.00.

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On October 9, 2014, we made a guarantee payment of $50.0 million, which payment, along with other payments that we made to the PEAKS Trust in prior months, included amounts that would have become due between April 2013 and September 2014, had we delivered accurate quarterly reports. The delivery of inaccurate quarterly reports constituted a breach of the PEAKS Guarantee and an event of default under the PEAKS Indenture. In the event of a default under the PEAKS Indenture, the payment of the entire amount of the PEAKS Senior Debt could be accelerated, which would trigger our obligation to pay the full amount of the PEAKS Senior Debt pursuant to our obligations under the PEAKS Guarantee, additional remedies could be sought against us and there could be a cross-default under the Financing Agreement, any of which would have a material adverse effect on our results of operations, financial condition and cash flows. We believe that the delivery of the corrected quarterly reports and the payments we made under the PEAKS Guarantee through October 9, 2014 satisfied our obligations under the PEAKS Guarantee with respect to these matters and cured the breach of the PEAKS Guarantee and the event of default under the PEAKS Indenture.

As a consequence of the Restatements, the quarterly and annual reports for the affected periods that we were required to deliver to the indenture trustee of the PEAKS Trust under the PEAKS Guarantee were inaccurate. We delivered corrected reports to the indenture trustee on March 14, 2016, and we believe that if any breach of the PEAKS Guarantee or any event of default under the PEAKS Indenture had occurred as a result of the Restatements, that our delivery of the corrected reports has cured any such breach or event of default. We cannot predict, however, whether the holders of the PEAKS Senior Debt will assert other breaches of the PEAKS Guarantee by us or assert that any breach of the PEAKS Guarantee or event of default under the PEAKS Indenture was not properly cured.

As a consequence of the Restatements, the quarterly and annual reports for the affected periods that we were required to deliver to the CUSO were inaccurate. We delivered corrected reports to the CUSO on March 14, 2016, and we believe that if any breach of any of our obligations under our agreements with the CUSO or any event of default had occurred as a result of the Restatements, that our delivery of the corrected reports has cured any such breach or event of default. We cannot predict, however, whether the CUSO will assert other breaches of our agreements with the CUSO or assert that any breach or event of default was not properly cured.

We have offset approximately $8.5 million against amounts owed to us by the CUSO under a revolving note owed to us by the CUSO (the "Revolving Note"), instead of making additional payments under the CUSO RSA in that amount. We understand the CUSO's position to be that the offset was improper and, as a result, we are in default under the CUSO RSA. In the event of a default by us under the CUSO RSA related to the offset, we may be required to pay to the CUSO approximately $10.2 million, net of approximately $1.0 million of recoveries from charged-off loans that are owed, but have not been paid, to us. If the CUSO instead were to withdraw cash collateral in that amount from the restricted bank account maintained to hold collateral to secure our obligations under the CUSO RSA, we would be required to deposit that amount of cash in the account to maintain the required level of collateral under the CUSO RSA.

In addition, the litigation brought by the CFPB against us, including the allegations and ultimate outcome, could result in disputes regarding obligations and liabilities in connection with our private loan program guarantees.

Even if the charge-off rates of the private education loans made under the CUSO Program and PEAKS Program remain at levels similar to the charge-off rates that we are currently utilizing in our estimates of future payment amounts under the RSAs, those payment amounts could have a material adverse effect on our liquidity, cash flows and financial position, and could cause us to violate the requirements of the ED, SAs and the ACs and/or our compliance with the covenants under the Financing Agreement.

Our estimates of the future payment amounts under the CUSO RSA and the timing of those payments, assume, among other factors, that we do not make any Discharge Payments (as defined below) in 2016 or future years, based on the uncertainty related to the amount of future operating cash flows that will be available to us to make Discharge Payments. If we do make Discharge Payments in any future years, the effect of those Discharge Payments will be to reduce the total amount of our projected future payments under the CUSO RSA.

Our estimates of the future charge-off rates of the private education loans made under the CUSO Program and PEAKS Program and of other factors that we utilize in our projections are based on numerous assumptions which may not prove to be correct and involve a number of risks and uncertainties. We would be required to pay additional material amounts under the RSAs and we could be required to make payments under the RSAs earlier than currently projected in the event that:

- the charge-off rates on the private education loans are higher than we are currently estimating;
- other factors utilized in our projections are worse than currently estimated; and/or
- other factors negatively impact our compliance with the financial metrics to which we are subject under the RSAs

Any of these events could have a material adverse effect on us, including, among others, on our:

- results of operations, financial condition and cash flows;
- liquidity and ability to pay our obligations as they become due;
- ability to comply with the requirements of the ED, SAs and ACs to which we are subject, resulting in significant negative consequences;
- ability to comply with our covenants under the Financing Agreement, resulting in a default thereunder, which could have a material adverse effect on our results of operations, financial condition, cash flows, liquidity and ability to comply with our other obligations; and
- ability to make required payments under the RSAs, resulting in a default thereunder, which, in the case of a default under the PEAKS Guarantee, could result in an acceleration of the entire amount of the PEAKS Senior Debt and our obligations to pay the full amount of the PEAKS Senior Debt pursuant to the terms of the PEAKS Guarantee, additional remedies against us and there could be a cross-default under the Financing Agreement, any of which would have a material adverse effect on our results of operations, financial condition and cash flows.

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Our management has identified material weaknesses in our internal control over financial reporting, which could, if not remediated, result in material misstatements in our future financial statements and may adversely affect our business and stock price. Our management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as defined in Rule 13a-15(f) under the Exchange Act. As disclosed in Part II, Item 9A, "Controls and Procedures" of this Annual Report on Form 10-K, as of December 31, 2015, our management identified a material weakness in our ICFR related to a deficiency in the design and operation of a review control over the financial close and reporting process specific to the PEAKS Senior Debt balances reported in the financial statements, including:

- appropriate reconciliation of the reported amounts and related amortization of the discount recorded against the PEAKS Senior Debt balance; and
- adequacy of the depth, sufficiency and number of resources with the technical expertise available in our accounting and finance group to appropriately identify, research, analyze and conclude upon the accounting treatment.

A material weakness is defined as a deficiency, or combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weaknesses discussed above, our management concluded that our ICFR was not effective as of December 31, 2015. This is the third consecutive year that our management has concluded that our ICFR was not effective. As of December 31, 2013, our management concluded that our ICFR was not effective as a result of four material weaknesses, three of which were remediated as of December 31, 2014, but one of which remained unremediated as of December 31, 2014. This remaining material weakness, which related to data obtained from third parties related to private education loans, was remediated as of December 31, 2015. As of December 31, 2014, our management concluded that our ICFR was not effective as a result of three material weaknesses, two of which were remediated as of December 31, 2015. The unremediated material weakness was the one noted above. Further, we cannot assure you that additional material weaknesses in our ICFR will not be identified in the future.

Although we are implementing remedial measures designed to address the identified material weakness, if our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our ICFR are discovered or occur in the future, our consolidated financial statements may contain material misstatements. These misstatements could result in additional restatements of our consolidated financial statements, cause us to fail to meet our reporting obligations, lead to a default under our Financing Agreement, reduce our ability to obtain financing, increase the cost of any financing that we obtain or cause investors to lose confidence in our reported financial information, which could lead to a decline in our stock price. The likelihood of any or all of those risks may be increased as a result of the unremediated material weakness and/or the fact that we have had ineffective ICFR in three consecutive years.

Although we are working to remedy the ineffectiveness of our ICFR, there can be no assurance as to when the remediation plan will be fully implemented or the aggregate cost of implementation. Until our remediation plan is fully implemented and considered complete, our management will continue to devote significant time and attention to these efforts. If we do not complete our remediation in a timely fashion, or at all, or if our remediation plan is inadequate, there will continue to be an increased risk that we will be unable to timely file future periodic reports with the SEC and that our future consolidated financial statements could contain errors that will be undetected. For more information relating to our ICFR (and disclosure controls and procedures) and the remediation plan undertaken by us, see Part II, Item 9A, "Controls and Procedures."

Restrictive covenants in the Financing Agreement restrict or prohibit our ability to engage in or enter into a variety of transactions, which could adversely restrict our financial and operating flexibility, and any default by us under the Financing Agreement could have a material adverse effect on our liquidity and ability to comply with our obligations. The Financing Agreement contains a number of covenants that limit our ability to take certain actions. In particular, the Financing Agreement limits the ability of us and certain of our subsidiaries (the "Guarantors" and together with us, the "Loan Parties") to, among other things:

- incur additional indebtedness;
- incur or create liens;
- make investments;
- dispose of assets;
- pay dividends; and
- make prepayments on existing indebtedness.

The Financing Agreement also requires us to maintain compliance with a total leverage ratio and a fixed charge coverage ratio, as well as with certain educational regulatory measurements. In determining our compliance with the leverage ratio covenant, we are required to include the PEAKS Senior Debt and the CUSO Secured Borrowing Obligation (defined below) in the amount of our indebtedness, and therefore the amount of such liabilities could negatively impact our ability to comply with the leverage ratio covenant in the Financing Agreement. In addition, we are required to limit our annual payments with respect to the CUSO Program

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and the PEAKS Program. Further, pursuant to the Financing Agreement, we must provide the lenders with our quarterly financial statements within 45 days after the end of each fiscal quarter and our annual, audited financial statements within 90 days after the end of each fiscal year. If we are not able to deliver our financial statements for future periods by the applicable due dates, we would have to seek a waiver or an additional amendment to the Financing Agreement, which we may not be able to obtain on terms acceptable to us or at all. If we cannot obtain a waiver or amendment, the failure to timely deliver our financial statements would be an event of default under the Financing Agreement.

In connection with the Restatements, we obtained a waiver under the Financing Agreement, pursuant to which the lenders under the Financing Agreement waive any default or event of default that may have occurred and is continuing, or may occur, under the Financing Agreement or related loan documents as a result of various matters related to, or in connection with, the Restatements. Although the financial impact of the Restatements did not affect our compliance with any of the financial covenants in the Financing Agreement, we cannot assure you that actions taken by the ED affecting us or other factors relating to recent or future events affecting us, will not violate the covenants, or constitute a default by us, under the Financing Agreement. We may not be able to obtain additional amendments to, or waivers of, those covenants or events of default.

Any or all of the covenants under the Financing Agreement could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities. The restrictions could limit our ability to plan for, or react to, changes in market conditions or to finance future operations or capital needs. Further, our ability to comply with the covenants in the Financing Agreement may be affected by events beyond our control, including without limitation worsening economic or business conditions, unfavorable regulatory or judicial determinations, unfavorable legislation, the impact of the Consolidations or other events, and we cannot assure you that we will be able to comply with the covenants.

Our ability to make required payments on our indebtedness under the Financing Agreement is dependent on our ability to generate cash flows in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate cash flows in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Additionally, there is an excess cash flow mandatory prepayment provision in the Financing Agreement that will also limit our ability to utilize excess cash flows for other purposes in our business or to respond to market opportunities.

We may be required to make payments under the PEAKS Program and/or the CUSO RSA in 2016 or future years that exceed our current estimates and the guarantee payment limitation amount contained in the Financing Agreement. In such event, we would have to seek a waiver or an additional amendment to the Financing Agreement, which we may not be able to obtain on terms acceptable to us or at all. If we cannot obtain a waiver or amendment, the payment of amounts under the PEAKS Guarantee in excess of the stated limitation would be an event of default under the Financing Agreement.

The Financing Agreement provides for a number of potential events of default, including violations of the covenants or other provisions in the Financing Agreement or related loan documents, a failure to pay or a default under the PEAKS Program or the CUSO RSA, certain delays in our receipt of Title IV Program funds, and the occurrence of certain regulatory events. In the case of an event of default, the lenders could declare the senior secured term loans under the Financing Agreement (the "Term Loans") then outstanding to be immediately due and payable in full. We may not be able to repay outstanding Term Loans, in which case the lenders would be entitled to recourse against the collateral security that we and the other Loan Parties have provided, to obtain payment of amounts we owe. The collateral security consists of substantially all of the Loan Parties' assets, including a pledge of the equity of the Guarantors and our other subsidiaries, and a mortgage on the Loan Parties' owned real estate. In addition, even if we were able to repay the outstanding borrowings under the Financing Agreement, the use of funds to make that repayment would have a material adverse effect on our cash position and would significantly reduce the amount of funds available to us to satisfy our obligations under the RSAs, which could result in a default by us under those arrangements. Any of these events could have a material adverse effect on our business, ability to meet our obligations, ability to comply with regulatory requirements, financial condition and cash flows.

A default by us under the Financing Agreement could also lead to a determination by:

- the ED to impose additional sanctions;
- the ACs that our institutions are not financially stable; and/or
- one or more of the SAs that our institutions do not satisfy the SAs' financial requirements.

If the ED, ACs and/or SAs determines that our institutions do not satisfy the applicable financial requirements for that reason, and given the sanctions that have already been imposed on our institutions for other reasons, these agencies could:

- impose monetary fines or penalties on our campuses;
- terminate or limit our campuses' operations or ability to award credentials;
- restrict or revoke our campuses' accreditation;
- limit, terminate or suspend our campuses' eligibility to participate in Title IV Programs or state financial aid programs;
- require our campuses to repay funds received under Title IV Programs or state financial aid programs;
- require us to post new letters of credit or increase the amounts of or extend the duration of amounts held in escrow;
- increase the level of heightened cash monitoring to which our institutions are already subject by the ED;

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- transfer our institutions from the ED's heightened cash monitoring system of receiving Title IV Program funds to its reimbursement system, which would significantly delay our institutions' receipt of Title IV Program funds;
- place a maximum limit on the amount of Title IV funding that our institutions could receive or a maximum limit on the number of students to whom our institutions could award Title IV program funds;
- deny applications for our institutions to obtain Title IV eligibility for new educational programs or new campuses or educational sites; and
- subject us or our campuses to other penalties.

Each of these sanctions could materially adversely affect our financial condition, results of operations and cash flows, and impose significant operating restrictions on us. If any of our campuses lost its state authorization, the campus would be unable to offer postsecondary education and we would be forced to close the campus. If all or substantially all of our campuses lost their eligibility to participate in Title IV Programs, we likely would not be able to continue to operate our business.

The Restatements may lead to additional risks and uncertainties, including shareholder litigation, loss of investor confidence and negative impacts on our stock price. In addition to the Restatements, we previously restated our unaudited condensed consolidated financial statements as of and for each of the fiscal quarters ended March 31, 2013, June 30, 2013 and September 30, 2013. Restatements may increase the risk of additional shareholder litigation against us. In addition, the fact that we have restated our financial statements in multiple periods may lead to a loss of investor confidence and have negative impacts on the trading price of our common stock.

Our failure to prepare and timely file our periodic reports with the SEC limits our access to the public markets to raise debt or equity capital. We did not file our Annual Report on Form 10-K for the year ended December 31, 2013, our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2014, June 30, 2014, and September 30, 2014, our Annual Report on Form 10-K for the year ended December 31, 2014 or our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 within the timeframes required by the SEC. As a result of our late filings, we may be limited in our ability to access the public markets to raise debt or equity capital, which could prevent us from pursuing transactions or implementing business strategies that we believe would be beneficial to our business. We are ineligible to use shorter and less costly filings, such as Form S-3, to register our securities for sale for a period of 12 months following the month in which we regained compliance with our SEC reporting obligations, which was June 12, 2015.

If we fail to effectively identify, establish and operate new campuses, our opportunity to grow will be limited. Part of our business strategy includes operating new campuses at locations throughout the United States. Establishing new campuses poses challenges and requires us to make investments in management and capital expenditures, incur marketing and advertising expenses and devote other resources that are different, and in some cases greater, than those required with respect to the operation of existing campuses. To operate a new campus, we would be required to obtain the appropriate authorizations from the ED and applicable SAs and ACs, which may be conditioned or delayed in a manner that could significantly affect our growth plans. In addition, to be eligible to participate in Title IV Programs, a new campus must be certified by the ED, before it starts disbursing Title IV Program funds to its students. See *"—We cannot operate new campuses or offer new programs, if they are not timely authorized by our regulators, and we may have to repay Title IV Program funds disbursed to students enrolled at any of those locations or in any of those programs, if we do not obtain prior authorization."* We cannot be sure that we will be able to identify suitable growth opportunities, obtain the required authorizations, or successfully integrate or profitably operate any new campuses. Any failure by us to effectively identify, establish and manage the operations of newly established campuses could limit our growth opportunities, make any newly established campuses more costly to operate than we had planned and have a material adverse effect on our growth plans and results of operations.

Our success depends, in part, on our ability to effectively identify, develop, obtain approval to offer and teach new programs at different levels in a cost-effective and timely manner. Part of our business strategy also includes increasing the number, levels, lengths and disciplines of programs offered at our campuses. Developing and offering new programs pose challenges and require us to make investments in research and development, management and capital expenditures, to incur marketing and advertising expenses and to devote other resources that are in addition to, and in some cases greater than, those associated with our current program offerings. In order to offer new programs at different levels at our campuses, we may be required to obtain the appropriate authorizations from the ED, SAs, ACs and, in certain circumstances, specialized programmatic accrediting commissions, which may be conditioned or delayed in a manner that could affect the programs offered at our campuses. We cannot be sure that we will be able to identify new programs, that we will be able to obtain the requisite authorizations to offer new programs at different levels at our campuses or that students will enroll in any new programs that we offer at our campuses. Any failure by us to effectively identify, develop, obtain authorization to offer and teach new programs at our campuses could have a material adverse effect on our growth plans and results of operations. See "Business – Business Strategy – *Enhance Results at Each Institution," "—If any of our programs of study fail to qualify as programs that lead to gainful employment in a recognized occupation under the ED's regulations, students attending those programs of study will be unable to use Title IV Program funds to help pay their education costs", "—We cannot operate new campuses or offer new programs, if they are not timely authorized by our regulators, and we may have to repay Title IV Program funds disbursed to students enrolled at any of those locations or in any of those programs, if we do not obtain prior authorization" and "—Failure by any of our campuses or program offerings to satisfy the ACICS Council standards with respect to Student Retention Rates, Graduate Placement Rates or Licensure Examination Pass Rates could cause us to close those campuses and reduce the offerings of those programs.*"

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Our success depends, in part, on our ability to keep pace with changing market needs and technology. Increasingly, prospective employers of our graduates demand that their entry-level employees possess appropriate technical skills and also appropriate soft skills, such as communication, critical thinking and teamwork skills. The skills that employees need may evolve rapidly in a changing economic and technological environment. Accordingly, it is important for our programs to evolve in response to those economic and technological changes. Any expansion of our existing programs and the development of new programs may not be accepted by prospective students or the employers of our graduates. Even if we are able to develop acceptable new programs, we may not be able to begin offering those new programs as quickly as required by the employers we serve or as quickly as our competitors offer similar programs. If we are unable to adequately respond to changes in market requirements due to regulatory or financial constraints, technological changes or other factors, our ability to attract and retain students could be impaired and the rates at which our graduates obtain jobs involving their fields of study could suffer.

Our financial performance depends, in part, on our ability to continue to develop awareness and acceptance of our programs among working adults and, to a lesser extent, recent high school graduates. The awareness of our programs among working adults and, to a lesser extent, recent high school graduates is important to the success of our campuses. If we were unable to successfully market or advertise our programs, our ability to attract and enroll prospective students in our programs would be adversely affected and, consequently, our ability to increase revenue or maintain profitability would be impaired. The following are some of the factors that could prevent us from successfully marketing or advertising our programs:

- adverse publicity regarding us, our competitors or proprietary education generally;
- student dissatisfaction with our programs and services;
- employer dissatisfaction with our programs and services;
- high costs of certain types of advertising media; and
- our failure to maintain or expand our brands or other factors related to our marketing or advertising practices.

Increases in institutional scholarships and awards and internal student financing could have a material adverse effect on our cash flows, revenue and student population. During the fourth quarter of 2012, we introduced an institutional scholarship program, called the Opportunity Scholarship, which is intended to help reduce the cost of an ITT Technical Institute education and increase student access to our programs of study. By June 30, 2013, the Opportunity Scholarship was being offered to students at all of the ITT Technical Institute campuses. We believe that the Opportunity Scholarship has, and will continue to, reduce our students' need and use of private education loans, as well as decrease the internal student financing that we provide to our students. As an institutional scholarship, our revenue is reduced by the amount of the Opportunity Scholarship awarded. In addition, no cash payments are received and students will not be obligated to make payments to us of the amounts awarded under the Opportunity Scholarship. Therefore, the amounts receivable from students to us, as well as our revenue, decreased in 2015 and, we believe, may continue to decrease in 2016.

The increased amount of internal student financing that we previously provided to our students has exposed us to greater credit risk. The internal student financing that we provide to our students consists of non-interest bearing, unsecured credit extended to our students. Internal student financing typically provides for payment to us by our students by the end of the student's academic year or enrollment, whichever occurs first, compared to payments from private education loan programs, which we typically received at the beginning of a student's academic year. We plan to continue to offer the Opportunity Scholarship and other scholarships to eligible students which we believe will continue to reduce the amount of internal student financing that we provide to our students. The increased use of institutional scholarships and awards by our students and any additional internal student financing provided to our students could result in a continuation of the adverse factors that are described above, including a material adverse effect on our financial condition and cash flows.

We have a significant amount of cash held in escrow with the ED, which has a continuing material adverse effect on our cash flows and liquidity. In December 2015, we deposited $79.7 million to be held in escrow by the ED in replacement of the ED Letter of Credit requirement. The holding of such funds in escrow has, and will continue to have, a material adverse effect on our liquidity, and significantly reduces the amount of cash that we have available for other purposes, including to satisfy our future payment obligations under the RSAs. The ED Escrowed Funds are not available for use by us, and could be used by the ED if for one or more of the following purposes:

- to pay refunds of institutional or non-institutional charges owed to or on behalf of current or former students of our institutions, whether our institutions remain open or have closed;
- to provide for the "teach-out" of students enrolled at the time of closure of our institutions; and
- to pay any liabilities owing to the ED arising from acts or omissions by our institutions, on or before November 4, 2019, in violation of requirements set forth in the HEA, including the violation of any agreement entered into by our institutions with the ED regarding the administration of Title IV Programs.

The fact that a significant amount of our cash is held in escrow with the ED could also negatively affect our ability to satisfy the financial metrics of the SAs and ACs to which we are subject. We cannot assure you that we will not have to deposit additional amounts to be held as ED Escrowed Funds, which deposit could have a material adverse effect on our cash flows and liquidity.

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If we experience losses in excess of the amounts that we have accrued with respect to the significant amount of internal student financing that we have provided to our students, it could have a material adverse effect on our financial condition, results of operations and cash flows. We offer internal student financing to help students pay the portion of their cost of education that is not covered by financial aid or other funds. These balances are unsecured and not typically guaranteed. The introduction of the Opportunity Scholarship has reduced, and will continue to reduce, our students' need for internal student financing. Internal student financing adversely affects our cash flows and exposes us to greater credit risk. Although we have accrued for estimated losses related to unpaid student balances, losses in excess of the amount we have accrued for bad debts could have a material adverse effect on our financial condition and results of operations.

If we are unable to successfully conclude litigation against us, our business, financial condition and results of operations could be materially adversely affected. We are subject to various lawsuits, investigations and claims, covering a wide range of matters, including, but not limited to, alleged violations of federal and state laws, claims involving students or graduates and routine employment matters. We cannot predict the ultimate outcome of these matters and have incurred, and expect to incur, significant defense costs and other expenses in connection with these matters. Those costs and expenses have had, and could continue to have, a material adverse effect on our business, financial condition, results of operations and cash flows and the market price of our common stock. These matters have and will continue to cause substantial diversion of our management's attention and resources from our ongoing business operations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may be required to pay substantial damages or settlement costs in excess of our insurance coverage related to these matters, or may be required to pay substantial fines or penalties, any of which could have a further material adverse effect on our business, financial condition, results of operations and cash flows. An adverse outcome in any of these matters could also materially and adversely affect our authorizations, licenses, accreditations and eligibility to participate in Title IV programs. See "Legal Proceedings."

High interest rates and tightening of the credit markets could adversely affect our ability to attract and retain students and could increase our risk exposure. Since much of the financing our students receive is tied to floating interest rates, higher interest rates cause a corresponding increase in the cost to our existing and prospective students of financing their education, which could result in a reduction in the number of students attending our campuses and, consequently, in our revenue. Higher interest rates could also contribute to higher default rates with respect to our students' repayment of Title IV Program and private education loans. High default rates may, in turn, adversely impact our eligibility to participate in Title IV Programs, trigger our guarantee obligations with respect to private education loan programs and/or negatively affect the willingness of private lenders to make private education loan programs available to our students, which could result in a reduction in the number of students attending our campuses and could have a material adverse effect on our financial condition, results of operations and cash flows. As a result of those adverse effects on our students' ability to finance their cost of education, our receivables could increase and/or our student population could decrease, which could have a material adverse effect on our financial condition, results of operations and cash flows.

The ability of the CPD to provide education-related services depends, in large part, on obtaining authorizations from vendors and trade associations to use their content in the CPD's education-related services. Part of our business strategy includes developing and providing education-related services to students and other constituencies. Through the CPD, we are developing and providing education-related services, including training programs, curricula, assessments and consulting. The majority of the content of the education-related services provided by the CPD is authorized under agreements between the CPD and vendors or trade associations (the "Content Agreements"). We cannot be sure that we will be able to maintain or renew the existing Content Agreements or enter into new Content Agreements. Any failure by us to effectively identify or develop content for education-related services, or maintain, renew or obtain Content Agreements with respect to our education-related services, could have a material adverse effect on our growth plans and results of operations.

Our inability to attract, hire or retain key personnel could harm our business. Our success to date has depended, and will continue to depend, largely on the skills, efforts and motivation of our executive officers. Our success also depends in large part on our ability to attract and retain highly qualified faculty, school administrators and corporate management. We face competition in the attraction and retention of personnel who possess the skill sets that we seek. In addition, key personnel may leave us and subsequently compete against us. Furthermore, we do not currently carry "key man" life insurance. The loss of the services of any of our key personnel, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could impair our ability to successfully manage our business.

In order to support revenue growth, we need to hire, retain, develop and train employees who are responsible for student recruiting, financial aid, registration, teaching and career services. Our ability to develop a strong team of employees with these responsibilities may be affected by a number of factors, including:

- our ability to timely and effectively train and motivate our employees in order for them to become productive;
- restrictions imposed by regulatory bodies on the method of compensating employees, such as the Incentive Compensation Prohibition;
- our ability to attract enough prospective students to our program offerings; and
- our ability to effectively manage a multi-institutional and multi-location educational organization.

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If we are unable to hire, retain, develop and train employees who are responsible for student recruiting, financial aid, registration, teaching and career services, our operations would be adversely affected.

Recent and ongoing adverse matters affecting us and our industry, including, without limitation, investigations, claims and lawsuits, and the negative publicity associated with those matters, may make it significantly more difficult for us to attract, motivate and retain employees at all levels of our organization. In addition, volatility or lack of performance in our stock price may also affect our ability to attract and retain key employees. Our key executives may be more inclined to leave us, because the exercise prices of their stock options are significantly above the market price of our common stock or the perceived value of their restricted stock units continues to decline.

Competition could decrease our market share or force us to increase spending. The postsecondary education market in the United States is highly fragmented and competitive, with no single private or public institution enjoying a significant market share. Our campuses compete for students with degree- and non-degree-granting institutions, which include public and private nonprofit colleges and proprietary institutions, as well as with alternatives to higher education, such as military service or immediate employment. Certain public and private colleges offer programs similar to those offered by our campuses at a lower tuition cost due in part to government subsidies, foundation grants, tax deductible contributions or other financial resources not available to proprietary institutions. Other proprietary institutions offer programs that compete with those of our campuses. Certain of our competitors in both the public and private sectors have greater financial and other resources than we do. In addition, recent and ongoing adverse matters affecting us and our industry, including, without limitation, investigations, claims and lawsuits, have resulted in negative publicity related to us and our industry. All of these factors could affect the success of our marketing efforts and enable our competitors to recruit prospective students more effectively.

We may be required to increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our financial condition, results of operations and cash flows may be negatively affected. We cannot be sure that we will be able to compete successfully against current or future competitors or that competitive pressures faced by us will not adversely affect our business, financial condition, results of operations or cash flows.

We may be unable to successfully complete or integrate acquisitions. We may not be able to complete acquisitions on favorable terms or, even if we do, we may not be able to successfully integrate the acquired businesses into our business. Acquisition challenges include, among others:

- regulatory approvals;
- significant capital expenditures;
- assumption of known and unknown liabilities;
- our ability to control costs; and
- our ability to integrate new personnel.

The successful integration of acquisitions may also require substantial attention from our senior management and the senior management of the acquired business, which could decrease the time that they devote to the day-to-day management of our business. If we do not successfully address risks and challenges associated with acquisitions, including integration, acquisitions could harm, rather than enhance, our operating performance.

In addition, if we consummate an acquisition, our capitalization and results of operations may change significantly. An acquisition could result in:

- the incurrence of debt and contingent liabilities;
- an increase in interest expense, amortization expenses, goodwill and other intangible assets;
- charges relating to integration costs; and
- an increase in the number of shares outstanding.

These results could have a material adverse effect on our results of operations or financial condition or result in dilution to current stockholders.

Terrorist attacks and other acts of violence or war could have an adverse effect on our operations. Terrorist attacks and other acts of violence or war could disrupt our operations. Attacks or armed conflicts that directly impact our physical facilities or ability to recruit and retain students and employees could adversely affect our ability to deliver our programs of study to our students and, thereby, impair our ability to achieve our financial and operational goals. Furthermore, violent acts and threats of future attacks could adversely affect the U.S. and world economies. Finally, future terrorist acts could cause the United States to enter into a wider armed conflict that could further impact our operations and result in prospective students, as well as our current students and employees, entering military service. These factors could cause significant declines in the number of students who attend our campuses and have a material adverse effect on our results of operations.

Natural disasters and other acts of God could have an adverse effect on our operations. Hurricanes, earthquakes, floods, tornados and other natural disasters and acts of God could disrupt our operations. Natural disasters and other acts of God that directly impact our physical facilities or ability to recruit and retain students and employees could adversely affect our ability to deliver our programs of study to our students and, thereby, impair our ability to achieve our financial and operational goals. Furthermore, natural disasters could adversely affect the economy and demographics of the affected region, which could cause significant declines in the number of students who attend our campuses in that region and have a material adverse effect on our results of operations.

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A breach of the physical security at any of our locations could harm our business. There have been a number of shooting and other incidents involving violence at school locations over the last several years. An incident involving violence resulting from a breach of the physical security or otherwise at any of our locations and/or harm to any of our students or employees could expose us to adverse publicity, as well as significant litigation and claims from third parties, which could have a material adverse effect on our reputation, business, prospects, results of operations, financial condition or cash flows.

The Early Career Academy is highly regulated, may require significant expenditures by us and may not be a successful business endeavor. To date, we have become the EMO for only three public charter high schools. As such, the Early Career Academy is in the initial stages, and we cannot assure you that it will be a successful endeavor for us in the foreseeable future or at all. The Early Career Academy business is subject to extensive regulation, and we believe that it may require significant expenditures by us. Some of the factors that could have an adverse effect on the business of the Early Career Academy include, among others:

- a reduction in government funding for, or a loss of tax-exempt status or funding eligibility by, public charter high schools;
- the poor performance or misconduct by the Early Career Academy or operators of other public charter high schools;
- legal claims challenging various aspects of public charter high schools; and
- non-compliance with applicable regulations.

In addition, offering education programs to minors through secondary school operations involves certain laws, regulations, liabilities and risks that we have not had to previously address or been subject to in connection with offering education programs to adults through our post-secondary operations. We may be subject, directly or indirectly, to legal claims associated with the actions of, or filed by, employees and students of the Early Career Academy. In the event of accidents or injuries or other harm to students, we may be at an increased risk of claims alleging that we were negligent, provided inadequate supervision or were otherwise liable for their injuries and our insurance may not cover the expenses of litigation or settlement amounts. Any such claims could adversely affect our reputation and our ability to retain authorizations to operate the Early Career Academy. Even if unsuccessful, such a claim could also create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of management.

Anti-takeover provisions in our charter documents and under Delaware law, as well as required approvals by the ED, the ACs and most of the SAs, could make an acquisition of us more difficult. Certain provisions of Delaware law, our Restated Certificate of Incorporation and our By-Laws could have the effect of making it more difficult for a third party to acquire, or discouraging a third party from attempting to acquire, control of us. Those provisions could:

- limit the price that certain investors might be willing to pay in the future for shares of our common stock;
- discourage or prevent certain types of transactions involving an actual or threatened change in control of us (including unsolicited takeover attempts), even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price;
- make it more difficult for stockholders to take certain corporate actions; and
- have the effect of delaying or preventing a change in control of us.

Certain of those provisions authorize us to:

- issue "blank check" preferred stock;
- divide our Board of Directors into three classes expiring in rotation;
- require advance notice for stockholder proposals and nominations;
- prohibit stockholders from calling a special meeting; and
- prohibit stockholder action by written consent.

In addition, the ED, the ACs and most of the SAs have requirements pertaining to the change in ownership and/or control (collectively "change in control") of institutions, but these requirements do not uniformly define what constitutes a change in control and are subject to varying interpretations as to whether a particular transaction constitutes a change in control. If we or any of our campuses experience a change in control under the standards of the ED, the ACs or the SAs, we or the affected campuses must seek the approval of the relevant regulatory agencies. Transactions or events that constitute a change in control for one or more of our regulatory agencies include:

- the acquisition of a school from another entity;
- significant acquisitions or dispositions of our common stock; and
- significant changes to the composition of our, or any campus, Board of Directors.

Some of these transactions or events may be beyond our control. Our failure to obtain, or a delay in obtaining, a required approval of any change in control from the relevant regulatory agencies could impair our ability or the ability of the affected campuses to participate in Title IV Programs, or could require us to suspend our recruitment of students in one or more states until we receive the required approval. A material adverse effect on our financial condition, results of operations and cash flows would result if we had a change in control and a material number of our campuses:

- failed to timely obtain the approvals of the SAs required prior to or following a change in control;

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- failed to timely regain approval by the ACs for inclusion in their institution's grant of accreditation or have their inclusion in that accreditation temporarily continued or reinstated by the ACs;
- were subjected by the ED to restrictions that severely limited for a substantial period of time the number of new additional locations and/or new programs of study that are eligible to participate in Title IV Programs.

The fact that a change in control would require approval of the relevant regulatory agencies, and the uncertainty and potential delay related to obtaining such approvals, could have the effect of making it more difficult for a third party to acquire, or discouraging a third party from attempting to acquire, control of us.

The personal information that we collect may be vulnerable to breach, theft or loss that could adversely affect our reputation and operations. Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. In the ordinary course of our business, we collect, use and retain large amounts of personal information regarding prospective students, students, their families and employees. Some of this personal information is held and managed by certain of our vendors. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches and restrict our use of personal information. We cannot assure you that a breach, loss or theft of personal information will not occur. A major breach, theft or loss of personal information regarding our students and their families or our employees that is held by us or our vendors could subject us to costly claims or litigation, have a material adverse effect on our reputation and results of operations and result in further regulation and oversight by federal and state authorities and increased costs of compliance. Potential new federal or state laws and regulations also may increase our costs of compliance or limit our ability to use personal information to recruit students.

Security breaches or system interruptions or delays involving our computer networks could disrupt our operations, damage our reputation, limit our ability to attract and retain students and require us to expend significant resources. The performance and reliability of our computer systems are critical to our information management, reputation and ability to attract and retain students. Any system error or failure, or a sudden and significant increase in traffic, could disrupt the provision of education to students attending our campuses. We cannot assure you that we will be able to expand the infrastructure of our computer systems on a timely basis sufficient to meet demand. Our computer systems and operations could be vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and telecommunications failures. Any interruption to our computer systems could have a material adverse effect on our operations and ability to attract and retain students. These factors could affect the number of students who attend our campuses and have a material adverse effect on our results of operations.

Our computer systems may be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of those security breaches or to alleviate problems caused by those breaches. These factors could affect the number of students who attend our campuses and have a material adverse effect on our results of operations.

We rely on exclusive proprietary rights and intellectual property that may not be adequately protected under current laws, and we may encounter disputes from time to time relating to our use of intellectual property of third parties. Our success depends in part on our ability to protect our proprietary rights. We rely on a combination of copyrights, trademarks, service marks, trade secrets, domain names and agreements to protect our proprietary rights. We rely on service mark and trademark protection in the United States to protect our rights to distinctive marks associated with our services. We rely on agreements under which we obtain rights to use the "ITT" and related marks and course content developed by our faculty, our other employees and third party content experts. We cannot assure you that those measures will be adequate, that we have secured, or will be able to secure, appropriate protections for all of our proprietary rights, or that third parties will not infringe upon or violate our proprietary rights. Despite our efforts to protect those rights, unauthorized third parties may attempt to duplicate or copy the proprietary aspects of our names, curricula and other content. Our management's attention may be diverted by those attempts and we may need to use funds in litigation to protect our proprietary rights against any infringement or violation.

We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. In certain instances, we may not have obtained sufficient rights in the content or mode of delivery of a course or a program of study. Third parties may raise a claim against us alleging an infringement or violation of the intellectual property of that third party. Some third party intellectual property rights, such as certain patent rights, may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid infringing upon those intellectual property rights. Any such intellectual property claim could subject us to costly litigation, regardless of whether the claim has merit. Our insurance coverage may not cover potential claims of this type adequately or at all, and we may be required to alter the content or mode of delivery of our courses or programs of study, or pay significant monetary damages, any of which could have a material adverse effect on our results of operations.

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Risk Related to Our Common Stock

The trading price of our common stock may fluctuate and decline substantially in the future. The trading price of our common stock has fluctuated and declined, and may continue to fluctuate and decline, substantially as a result of a number of factors, some of which are not within our control. Those factors include, among others:

- our ability to meet or exceed our own forecasts or expectations of analysts or investors;
- quarterly variations in our operating results;
- changes in federal and state laws and regulations and accreditation standards, or changes in the way that laws, regulations and accreditation standards are interpreted and applied;
- the initiation, pendency or outcome of litigation, regulatory reviews and investigations, and any adverse publicity related thereto;
- the effects of financial reporting matters, such as material weaknesses in internal control over financial reporting, restatements and the Consolidations;
- actions by the New York Stock Exchange ("NYSE"), or uncertainty related to possible actions by the NYSE, related to the continued listing of our common stock;
- negative media reports with respect to us and/or our industry;
- changes in our own forecasts or earnings estimates by analysts;
- price and volume fluctuations in the overall stock market, which have affected the market prices of many companies in the proprietary, postsecondary education industry in recent periods;
- the amount and availability of financing and grant programs for our students;
- the short interest in our stock at any point in time;
- the loss of key personnel; and
- general economic conditions.

Those factors could adversely affect the trading price of our common stock and could prevent an investor from selling shares of our common stock at or above the price at which those shares were purchased.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

As of December 31, 2015, we:

- leased 112 facilities used by our campuses;
- owned 42 facilities used by our campuses;
- leased one facility that is intended to be used by a new campus in the future; and
- leased six facilities that are not expected to be used as a campus or learning site, all of which have leases that expire by January 2017.

Thirteen of the owned facilities and three of the leased facilities are used by DWC. We also own our headquarters building in Carmel, Indiana, which represents approximately 43,000 square feet of office space. Our facilities are located in 39 states.

Our obligations under the Financing Agreement are secured by mortgages on 31 separate properties owned by us and DWC, including all of the improvements thereto and fixtures thereon. These properties consist of all of the real property owned by us and DWC. See Note 12 – Debt of the Notes to Consolidated Financial Statements, for a further discussion of the Financing Agreement.

We generally locate our campuses in suburban areas near major population centers. We generally house our campus facilities in modern, air conditioned buildings, which include classrooms, laboratories, student break areas and administrative offices. Our campuses typically have accessible parking facilities and are generally near a major highway. The facilities at our locations range in size from approximately 10,000 to 58,000 square feet. The initial lease terms of our leased facilities range from approximately one to 15 years. The average remaining lease term of our leased facilities is approximately three years. If desirable or necessary, a campus may be relocated to a new facility reasonably near the existing facility at the end of the lease term.

Item 3. Legal Proceedings.

We are subject to various claims and contingencies, including those related to litigation, government investigations, business transactions, employee-related matters and taxes, among others. We cannot assure you of the ultimate outcome of any litigation or investigations involving us. Any litigation alleging violations of education or consumer protection laws and/or regulations, misrepresentation, fraud or deceptive practices may also subject our affected campuses to additional regulatory scrutiny.

See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, and the discussions under the sub-headings

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"Litigation" and "Government Investigations," for information regarding certain lawsuits and investigations affecting us.

Item 4. Mine Safety Disclosures.

Not Applicable.

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PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the NYSE under the "ESI" trading symbol. The prices set forth below are the high and low sale prices of our common stock on the NYSE during the periods indicated.

	2015		2014	
Fiscal Quarter Ended	High	Low	High	Low
March 31	$10.10	$6.36	$45.80	$26.73
June 30	$ 7.19	$1.93	$29.89	$16.20
September 30	$ 6.10	$2.76	$17.17	$ 4.07
December 31	$ 4.10	$2.90	$14.10	$ 3.66

There were 80 holders of record of our common stock on March 11, 2016.

We did not pay a cash dividend in 2015 or 2014. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. The declaration and payment of dividends on our common stock are subject to the discretion of our Board of Directors and compliance with applicable law, as well as the limitations contained in our Financing Agreement. The Financing Agreement generally prohibits us from paying dividends; accordingly, we do not anticipate paying dividends while the Financing Agreement is outstanding. Any decision thereafter to pay dividends will depend on general business conditions, the effect of such payment on our financial condition and other factors our Board of Directors may in the future consider to be relevant.

We did not sell any of our securities during the three months ended December 31, 2015 that were not registered under the Securities Act.

In the three months ended December 31, 2015, we did not repurchase any shares of our common stock. Our Board of Directors has authorized us to repurchase shares of our common stock in the open market or through privately negotiated transactions in accordance with Rule 10b-18 of the Exchange Act (the "Repurchase Program"). The shares that remained available for repurchase under the Repurchase Program were 7,771,025 as of December 31, 2015. Unless earlier terminated by our Board of Directors, the Repurchase Program will expire when we repurchase all shares authorized for repurchase thereunder.

The performance graph set forth below compares the cumulative total shareholder return on our common stock with the S&P 500 Index, a Peer Issuer Group Index and a former peer issuer index for the period from December 31, 2010 through December 31, 2015. The peer issuer group consists of the following companies selected on the basis of the similar nature of their business: American Public Education, Inc., Apollo Education Group, Inc., Bridgepoint Education, Inc., Capella Education Company, Career Education Corp., DeVry Education Group, Inc., Grand Canyon Education, Inc., K12 Inc., Lincoln Educational Services Corporation, Strayer Education, Inc. and Universal Technical Institute, Inc. (the "Peer Issuer Group"). We believe that, including us, the Peer Issuer Group represents a significant portion of the market value of publicly traded companies whose primary business is postsecondary education. The Peer Issuer Group differs from the former peer issuer group in that Corinthian Colleges, Inc. was included in the former peer issuer group, but was removed from the Peer Issuer Group due to its common stock being delisted in 2015.

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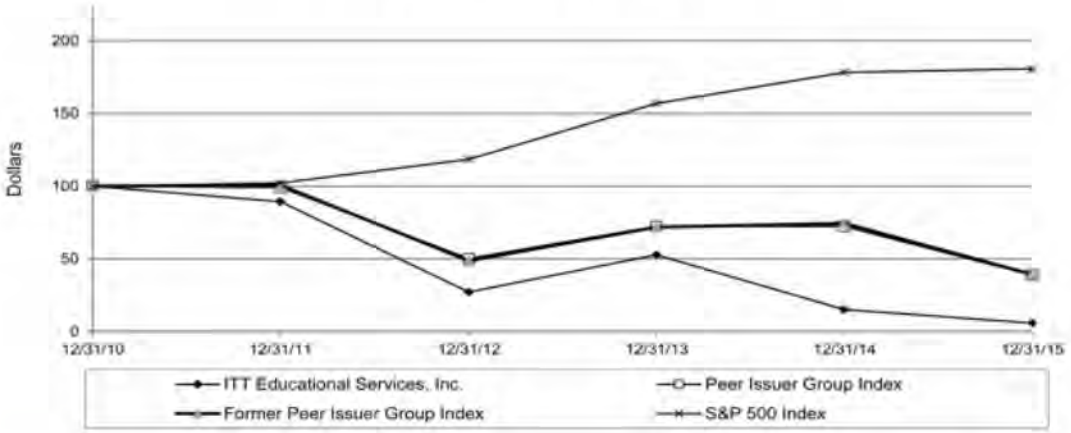
Cumulative Total Return
(Based on $100 invested on December 31, 2010 and assumes the reinvestment of all dividends)



	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
ITT Educational Services, Inc.	100.00	89.32	27.18	52.72	15.09	5.86
Peer Issuer Group Index	100.00	99.04	50.10	72.30	72.41	38.82
Former Peer Issuer Group Index	100.00	100.63	48.70	71.91	74.40	39.34
S&P 500 Index	100.00	102.11	118.45	156.82	178.29	180.75

The preceding stock price performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

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Item 6. Selected Financial Data.

The following selected financial data are qualified by reference to and should be read with our Consolidated Financial Statements and Notes to Consolidated Financial Statements and other financial data included elsewhere in this report. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations," for additional discussion of the selected financial data and the impact of the Consolidations. The amounts below as of and for the year ended December 31, 2014 consist of the restated amounts, which reflect the Restatements.

	Year Ended December 31,				
	2015	2014 (a)	2013 (a)	2012	2011
	(Dollars in thousands, except per share data)				
Statement of Operations Data:					
Revenue	$ 849,826	$ 961,783	$1,072,311	$1,286,633	$1,499,977
Cost of educational services	390,610	460,782	486,353	538,350	553,065
Student services and administrative expenses	343,676	389,116	397,541	400,856	414,156
Goodwill and asset impairment	5,203	2,454	0	15,166	0
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters (b)	26,093	32,008	6,923	873	0
Loss related to loan program guarantees (c)	0	2,019	90,964	101,025	23,500
Provision for private education loan losses	5,083	14,150	29,349	0	0
Total costs and expenses	770,665	900,529	1,011,130	1,056,270	990,721
Operating income	79,161	61,254	61,181	230,363	509,256
Gain (loss) on consolidation of variable interest entities	0	16,631	(73,248)	0	0
Interest income (expense), net	(39,761)	(37,743)	(25,169)	(2,375)	1,077
Income (loss) before provision for income taxes	39,400	40,142	(37,236)	227,988	510,333
Provision (benefit) for income taxes	16,102	16,822	(10,212)	89,018	201,247
Net income (loss)	$ 23,298	$ 23,320	$ (27,024)	$ 138,970	$ 309,086
Earnings (loss) per share: (d)					
Basic	$ 0.99	$ 0.99	$ (1.15)	$ 5.82	$ 11.27
Diluted	$ 0.97	$ 0.98	$ (1.15)	$ 5.79	$ 11.18
Other Operating Data (e):					
Capital expenditures, net (f)	$ 6,586	$ 6,092	$ 5,147	$ 18,250	$ 30,900
Number of students at end of period	44,922	53,646	57,542	61,059	73,255
Number of campuses at end of period	138	144	147	147	141
Number of learning sites at end of period	0	0	2	2	3

	As of December 31,				
	2015	2014 (a)	2013 (a)	2012	2011
	(Dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents and investments	$ 130,897	$ 135,937	$ 215,771	$ 243,465	$ 379,609
Total current assets	$ 243,098	$ 291,414	$ 434,616	$ 386,580	$ 456,790
Property and equipment, less accumulated depreciation	$ 142,164	$ 157,072	$ 168,509	$ 189,890	$ 201,257
Total assets	$ 664,014	$ 752,838	$ 806,851	$ 675,204	$ 729,320
Total current liabilities	$ 330,107	$ 322,733	$ 473,777	$ 327,023	$ 345,243
Total long-term debt (g)	$ 30,701	$ 134,880	$ 71,341	$ 140,000	$ 150,000
CUSO secured borrowing obligation, excluding current portion	$ 91,728	$ 100,194	$ 0	$ 0	$ 0
Total liabilities	$ 502,878	$ 610,766	$ 691,205	$ 549,439	$ 560,215
Shareholders' equity	$ 161,136	$ 142,072	$ 115,646	$ 125,765	$ 169,105

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(a) Beginning on February 28, 2013, we consolidated the PEAKS Trust in our consolidated financial statements. Beginning on September 30, 2014, we consolidated the CUSO in our consolidated financial statements. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the Consolidations.

(b) Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters represent the expenses that we believe are not representative of those normally incurred in the ordinary course of business, including, with respect to accounting matters, accounting for and audit expenses specifically related to the PEAKS Consolidation and the restatement of our 2013 quarterly consolidated financial statements. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements for a further discussion of the Consolidations, and Note 15– Commitments and Contingencies of the Notes to Consolidated Financial Statements, for a further discussion of the settlements, lawsuits and investigations.

(c) Loss related to loan program guarantees represents the additional contingent liability accruals recorded for the RSAs and the 2007 RSA, which includes the accrual that we recorded in 2012 for the settlement related to the 2007 RSA.

(d) Earnings (loss) per share for all periods have been calculated in conformity with Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC" or "Codification") 260, "Earnings Per Share." Earnings (loss) per share data are based on historical net income and the weighted average number of shares of our common stock outstanding during each period. The number of shares used to calculate basic earnings per share differs from the number of shares used to calculate diluted earnings per share. The number of shares used to calculate basic earnings per share was the weighted average number of common shares outstanding. The number of shares used to calculate diluted earnings per share was the weighted average number of common shares outstanding, plus the average number of shares that could be issued under our stock-based compensation plans and less the number of shares assumed to be purchased with any proceeds received from the exercise of awards under those plans.

(e) We did not pay any cash dividends in any of the periods presented.

(f) The amounts included in the line items Capital expenditures, net and Facility expenditures and land purchases reported in our Consolidated Statements of Cash Flows in our Annual Reports on Form 10-K for our fiscal years ended December 31, 2013, 2012 and 2011, have been combined and are shown as Capital expenditures, net in this table.

(g) Total long-term debt for the years ended December 31, 2015, 2014 and 2013 represent the amounts shown on our Consolidated Balance Sheets under the line items related to long-term debt and the PEAKS Senior Debt.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read with the Selected Financial Data and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this report.

This management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenue, expenses and contingent assets and liabilities. Actual results may differ from those estimates and judgments under different assumptions or conditions.

In this management's discussion and analysis of financial condition and results of operations, when we discuss factors that contributed to a change in our financial condition or results of operations, we disclose the primary factors that materially contributed to that change in the order of significance.

The information in this management's discussion and analysis of financial condition and results of operations related to 2014 reflects the impact of the Restatements on the affected line items of our consolidated financial statements.

Executive Summary

In 2015, a number of events and factors impacted our results of operations, financial position, cash flows and liquidity, the most significant of which included the following:

- new and total student enrollment in education programs decreased, in each case, compared to the prior year;
- total operating expenses decreased $115.6 million;
- we made payments aggregating $43.2 million under the PEAKS Guarantee and the CUSO RSA;
- we made principal, interest and fee payments aggregating $39.5 million under the Financing Agreement;
- we received a refund of federal income taxes of $18.2 million; and
- we reduced the amount of cash held as collateral or escrowed funds from $97.9 million to $91.2 million.

These events and factors are described further in this management's discussion and analysis of financial condition and results of operations and in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

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We continue to have significant cash payment obligations in connection with the PEAKS Program and the CUSO Program. Based on various assumptions, including the historical and projected performance and collection of the PEAKS Trust Student Loans, we believe that we will make payments under the PEAKS Guarantee of approximately:

- $11.7 million in 2016;
- $0.1 million in 2017; and
- $9.7 million in 2020.

Based on various assumptions, including the historical and projected performance and collections of the CUSO Student Loans, we believe that we will make payments under the CUSO RSA of approximately:

- $16.0 million in 2016, which includes, pursuant to the Sixth Amendment to CUSO RSA, $6.1 million of Regular Payments that were due from June 2015 through December 2015 that we deferred to January 2016, offset by $0.8 million of recoveries of charged-off loans in 2015 owed to us and $1.0 million of recoveries estimated to be owed to us in 2016;
- $13.0 million in 2017, which is net of $1.0 million of recoveries estimated to be owed to us in 2017;
- $13.4 million in 2018, which is net of $1.0 million of recoveries estimated to be owed to us in 2018; and
- approximately $97.0 million in the aggregate in 2019 and later years.

Our estimates of the future payment amounts under the CUSO RSA and the timing of those payments assume, among other factors, that we do not make any Discharge Payments in 2016 or future years, based on the uncertainty related to the amount of future operating cash flows that will be available to us to make Discharge Payments. If we do make Discharge Payments in any future years, the effect of those Discharge Payments will be to reduce the total amount of our projected future payments under the CUSO RSA.

The estimated amount of future payments under the CUSO RSA assumes that an offset that we made in 2013 of certain payment obligations under the CUSO RSA against the CUSO's obligations owed to us under the Revolving Note will not be determined to have been improper. See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements for a further discussion of that Offset. In the event that Offset is determined to be improper, we may be required to pay the CUSO approximately $10.2 million, net of approximately $1.0 million of recoveries from charged-off loans, which would be in addition to the estimated payment amounts set forth above.

We also have debt service and principal repayment obligations under the Financing Agreement. We estimate that the amount of those cash payments will be approximately $74.5 million in 2016.

In the event of a default by us under the Financing Agreement, the lenders could declare the full amount of the Term Loans then outstanding to be immediately due and payable in full. Our obligations under the Financing Agreement are secured by a security interest in substantially all of our and our subsidiaries' assets, including a mortgage on all of our and our subsidiaries' owned real estate. The covenants under the Financing Agreement could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities and/or to make certain payments under the RSAs.

Continued enrollment declines and/or continued increases in use of institutional scholarships and awards would have a negative impact on our revenue, cash flows and financial condition.

Based on our current projections, we believe that cash generated from operations will be sufficient for us to satisfy our CUSO RSA and PEAKS Guarantee payments, working capital, loan repayment and capital expenditure requirements over the 12-month period following the date that this Annual Report on Form 10-K was filed with the SEC. We also believe that any reduction in cash and cash equivalents that may result from their use to make payments under the CUSO RSA and PEAKS Guarantee or repay loans will not have a material adverse effect on our planned capital expenditures, ability to meet any applicable regulatory financial responsibility standards, ability to satisfy the financial covenants under the Financing Agreement or ability to conduct normal operations over the 12-month period following the date that this Annual Report on Form 10-K was filed with the SEC. Our projections, however, are estimates, which are based on numerous assumptions and, therefore, may not prove to be accurate or reliable and involve a number of risks and uncertainties. See Part I, Item 1, "Risk Factors" and Note 16 – Risks and Uncertainties of the Notes to Consolidated Financial Statements for a further discussion of those risks and uncertainties.

Consolidations and Core Operations

Our consolidated financial statements as of and for the fiscal year ended December 31, 2015 include the results of operations, financial condition and cash flows of the CUSO and the PEAKS Trust, two variable interest entities that we were required to consolidate in our consolidated financial statements. Beginning on September 30, 2014, our consolidated financial statements include the CUSO, and beginning on February 28, 2013, our consolidated financial statements include the PEAKS Trust.

We included the CUSO in our consolidated financial statements beginning on September 30, 2014, because we were considered to have the power to direct the activities that most significantly impact the economic performance of the CUSO under ASC 810, "Consolidation" ("ASC 810"), on that date. In accordance with ASC 810, we included the PEAKS Trust in our consolidated financial statements beginning on February 28, 2013, because we determined that was the first date that we had the power to direct the activities

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of the PEAKS Trust that most significantly impact the economic performance of the PEAKS Trust. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements. We do not, however, actively manage the operations of the CUSO or the PEAKS Trust, and the assets of the consolidated CUSO and the consolidated PEAKS Trust can only be used to satisfy the obligations of the CUSO and the PEAKS Trust, respectively. Our obligations under the CUSO RSA remain in effect, until all CUSO Student Loans are paid in full. Our obligations under the PEAKS Guarantee remain in effect, until the PEAKS Senior Debt and the PEAKS Trust's fees and expenses are paid in full. See Note 12 – Debt and Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

Unless otherwise noted, the information in this management's discussion and analysis of financial condition and results of operations is presented and discussed on a consolidated basis, including the CUSO and the PEAKS Trust as of and following the applicable consolidation dates. Certain information is also provided, however, regarding our results of operations, on a basis that excludes the impact of the CUSO and the PEAKS Trust. We identify and describe our education programs and education-related services on this basis as our core operations ("Core Operations"). The presentation of the Core Operations financial measures differs from the presentation of our consolidated financial measures determined in accordance with generally accepted accounting principles in the United States ("GAAP"). We believe that the presentation of the Core Operations information assists investors in comparing current period information against prior periods during which the CUSO and the PEAKS Trust were not consolidated. In addition, our management believes that the Core Operations information provides useful information to investors, because it:

- allows more meaningful information about our ongoing operating results;
- helps in performing trend analyses and identifying trends that may otherwise be masked or distorted by items that are not part of the Core Operations; and
- provides a higher degree of transparency of our core results of operations.

The following tables set forth selected data from our statements of operations for the years ended:

- December 31, 2015, regarding:
  - the Core Operations on a stand-alone basis;
  - the PEAKS Trust on a stand-alone basis;
  - the CUSO on a stand-alone basis; and
  - the Core Operations, the CUSO and the PEAKS Trust consolidated in accordance with GAAP; and
- December 31, 2014, regarding:
  - the Core Operations on a stand-alone basis;
  - the PEAKS Trust on a stand-alone basis;
  - the CUSO on a stand-alone basis;
  - the elimination of transactions between the CUSO and Core Operations as a result of the CUSO consolidation; and
  - the Core Operations, the PEAKS Trust and the CUSO consolidated in accordance with GAAP; and
- December 31, 2013, regarding:
  - the Core Operations on a stand-alone basis;
  - the PEAKS Trust on a stand-alone basis;
  - the elimination of transactions between the PEAKS Trust and Core Operations as a result of the PEAKS Consolidation; and
  - the Core Operations and the PEAKS Trust consolidated in accordance with GAAP.

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The information presented related to 2015, 2014 and 2013 also constitutes the reconciliation of our non-GAAP Core Operations, PEAKS Trust and CUSO data to the related GAAP consolidated financial measures. Following the tables, we describe the effect of the PEAKS Consolidation and the CUSO Consolidation, as applicable, on the financial statement information presented, including the components attributable to the Core Operations, the PEAKS Trust and the CUSO. Certain reclassifications have been made to the presentation of the selected data in the following tables for the year ended December 31, 2013 to conform to the current year presentation.

	Year Ended December 31, 2015			
	Core Operations	PEAKS Trust	CUSO	GAAP Consolidated
	(Dollar amounts in thousands)			
Statement of Operations Data:				
Revenue	$ 836,544	$ 8,702	$ 4,580	$ 849,826
Costs and expenses:				
Cost of educational services	390,610	0	0	390,610
Student services and administrative Expenses	340,114	1,892	1,670	343,676
Goodwill and asset impairment	5,203	0	0	5,203
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	26,093	0	0	26,093
Provision for private education loan losses	0	6,519	(1,436)	5,083
Total costs and expenses	762,020	8,411	234	770,665
Operating income	74,524	291	4,346	79,161
Interest income	86	0	0	86
Interest (expense)	(15,253)	(10,598)	(13,996)	(39,847)
Income (loss) before provision for income taxes	$ 59,357	$ (10,307)	$ (9,650)	$ 39,400

	Year Ended December 31, 2014				
	Core Operations	PEAKS Trust	CUSO	Eliminations	GAAP Consolidated
	(Dollar amounts in thousands)				
Statement of Operations Data:					
Revenue	$ 949,176	$ 11,471	$ 1,136	$ 0	$ 961,783
Costs and expenses:					
Cost of educational services	460,782	0	0	0	460,782
Student services and administrative expenses	384,200	4,479	437	0	389,116
Goodwill and asset impairment	2,454	0	0	0	2,454
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	32,008	0	0	0	32,008
Loss related to loan program guarantees	2,019	0	0	0	2,019
Provision for private education loan losses	0	12,111	2,039		14,150
Total costs and expenses	881,463	16,590	2,476	0	900,529
Operating income (loss)	67,713	(5,119)	(1,340)	0	61,254
Gain on consolidation of variable interest entities	0	0	(94,970)	111,601	16,631
Interest income	65	0	0	0	65
Interest (expense)	(3,761)	(30,322)	(3,725)	0	(37,808)
Income (loss) before provision for income taxes	$ 64,017	$(35,441)	$(100,035)	$ 111,601	$ 40,142

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	Year Ended December 31, 2013			
	Core Operations	PEAKS Trust	Eliminations	GAAP Consolidated
	(Dollar amounts in thousands)			
Statement of Operations Data:				
Revenue	$1,059,315	$ 12,996	$ 0	$1,072,311
Costs and expenses:				
Cost of educational services	486,353	0	0	486,353
Student services and administrative expenses	392,253	5,288	0	397,541
Goodwill and asset impairment	0	0	0	0
Legal and professional fees related to certain lawsuits, investigations and accounting matters	6,923	0	0	6,923
Loss related to loan program guarantee	115,503	0	(24,539)	90,964
Provision for private education loan losses	0	29,349	0	29,349
Total costs and expenses	1,001,032	34,637	(24,539)	1,011,130
Operating income (loss)	58,283	(21,641)	24,539	61,181
(Loss) on consolidation of variable interest entities	0	(112,748)	39,500	(73,248)
Interest income	578	0	(470)	108
Interest (expense)	(3,989)	(21,288)	0	(25,277)
Income (loss) before provision for income taxes	$ 54,872	$(155,677)	$ 63,569	$ (37,236)

The PEAKS Consolidation and the CUSO Consolidation impact the presentation of our Statements of Operations in a number of ways. Following the applicable Consolidation, our revenue consists of:

- revenue from the Core Operations, primarily from tuition, tool kit sales and student fees;
- student loan interest income on the PEAKS Trust Student Loans and the CUSO Student Loans (collectively, the "Private Education Loans"), which is the accretion of the accretable yield on the Private Education Loans; and
- administrative fees earned by the CUSO.

Following the applicable Consolidation, our student services and administrative expenses are comprised of:

- expenses related to the Core Operations, including marketing expenses, an expense for uncollectible accounts and administrative expenses incurred primarily at our corporate headquarters; and
- expenses incurred by the PEAKS Trust and the CUSO, primarily related to fees for servicing the Private Education Loans and various other administrative fees and expenses of the PEAKS Trust and the CUSO.

The loss related to loan program guarantees represents:

- in 2013, the contingent liability accruals that we recorded related to the CUSO RSA, because the contingent liability related to the PEAKS Guarantee was eliminated from our consolidated financial statements as a result of the PEAKS Consolidation (though our obligations under the PEAKS Guarantee remain in effect); and
- in 2014, the contingent liability accruals that we recorded related to the CUSO RSA prior to September 30, 2014, because after that date, the contingent liability related to the CUSO RSA was eliminated from our consolidated financial statements as a result of the CUSO Consolidation (though our obligations under the CUSO RSA remain in effect).

Following the applicable Consolidation, our provision for private education loan losses in a reporting period represents the increase in the allowance for loan losses that occurred during that period. The allowance for loan losses is the difference between the carrying value and the total present value of the expected principal and interest collections of each loan pool of the Private Education Loans, discounted by the loan pool's effective interest rate as of December 31, 2015, 2014 or 2013, as applicable.

In the year ended December 31, 2014, we recognized a gain upon the CUSO Consolidation that represented the difference between (i) the fair value of the net liabilities of the CUSO that we recorded upon the CUSO Consolidation, and (ii) the carrying value of the net liabilities related to the CUSO Program that had been recorded in our consolidated financial statements and were eliminated upon the CUSO Consolidation, in each case as of September 30, 2014. In the year ended December 31, 2013, we recognized a loss upon the PEAKS Consolidation that represented the amount by which the fair value of the PEAKS Trust's liabilities exceeded the fair

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value of the PEAKS Trust's assets as of February 28, 2013, partially reduced by the net amount of the carrying value of the assets and liabilities related to the PEAKS Program that had been recorded in our consolidated financial statements as of February 28, 2013 and were eliminated upon the PEAKS Consolidation.

Following the applicable Consolidation, our interest expense includes:

- interest expense from matters related to the Core Operations, primarily the interest expense on the outstanding balance under the Amended Credit Agreement (prior to December 4, 2014) and the Financing Agreement (on and after December 4, 2014);
- interest expense on the PEAKS Senior Debt, which includes the contractual interest obligation and the accretion of the discount on the PEAKS Senior Debt; and
- interest expense on the CUSO Secured Borrowing Obligation, which includes the amount of interest expense on the CUSO Student Loans that is accrued for payment to the owners of the CUSO and the accretion of the discount of the adjustment associated with accounting for the CUSO Secured Borrowing Obligation at fair value upon the CUSO Consolidation.

Since the inception of the PEAKS Program, we have guaranteed, and continue to guarantee the payment of the principal and interest owed on the PEAKS Senior Debt, the administrative fees and expenses of the PEAKS Trust and the minimum required Asset/Liability Ratio, pursuant to the terms of the PEAKS Guarantee. Our obligations under the PEAKS Guarantee remain in effect until the PEAKS Senior Debt and the PEAKS Trust's fees and expenses are paid in full.

Since the inception of the CUSO Program, under the CUSO RSA, we have guaranteed, and continue to guarantee, the repayment of any CUSO Student Loans that are charged off above a certain percentage of the CUSO Student Loans made under the CUSO Program, based on the annual dollar volume. Our obligations under the CUSO RSA remain in effect until all CUSO Student Loans are paid in full. Under the CUSO RSA, we have an obligation to make the monthly payments due and unpaid on those private education loans that have been charged off above a certain percentage ("Regular Payments"). Instead of making Regular Payments, however, we may elect to discharge our obligations to make Regular Payments on specified charged-off private education loans by:

- paying the then outstanding balance (plus accrued and unpaid interest) of those private education loans that have been charged off above a certain percentage and, with respect to which, an amount equal to at least ten monthly payments has been paid; or
- paying the then outstanding balance (plus accrued and unpaid interest) of those private education loans that have been charged off above a certain percentage and, with respect to which, an amount equal to at least ten monthly payments has not been paid, plus any interest that would otherwise have been payable until ten monthly payments had been made, discounted at the rate of 10% per annum

(collectively, "Discharge Payments").

The revenue and expenses of the PEAKS Trust are presented in our Consolidated Statements of Operations following the PEAKS Consolidation. The cash received by the PEAKS Trust, which is derived from its revenue, however, is considered restricted and can only be used to satisfy the obligations of the PEAKS Trust. The revenue and expenses of the CUSO are presented in our Consolidated Statements of Operations following the CUSO Consolidation. The cash received by the CUSO, which is derived from its revenue, however, is considered restricted and can only be used to satisfy the obligations of the CUSO.

General

As of December 31, 2015, we had 138 campus locations in 39 states, which were providing education programs to approximately 45,000 students. In 2015, we derived approximately 97% of our revenue from the Core Operations from tuition and approximately 3% from the sale of tool kits and fees, charged to and paid by, or on behalf of, our students. Most students enrolled in our education programs at our institutions pay a substantial portion of their tuition and other education-related expenses with funds received under various government-sponsored student financial aid programs, especially Title IV Programs.

Our revenue from the Core Operations varies based primarily on the following factors:

- the aggregate student population, which is influenced by the number of students attending our institutions at the beginning of a fiscal period and student retention rates;
- the amount of tuition charged to our students; and
- the levels of availability and utilization of institutional scholarships, grants and awards.

New students generally enter our education programs at the beginning of an academic term that typically begins for most education programs in early March, mid-June, early September and late November or early December. We believe that the changes to our institutions' aggregate student population in recent years was primarily due to:

- our prospective students' greater sensitivity to the cost of a postsecondary education;
- our prospective students' uncertainty about the value of a postsecondary education due to the prolonged economic and labor market disruptions;

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- changes that we made to education program offerings at select campuses, which resulted in a more significant decline in new student enrollment in the criminal justice programs of study compared to our institutions' other curricula; and
- the discontinuation or suspension of new student enrollments at select locations.

In order to participate in Title IV Programs, a new campus must be authorized by the state in which it will operate, accredited by an accrediting commission recognized by the ED, and certified by the ED to participate in Title IV Programs. The ED's certification process cannot commence until the location receives its state authorization and accreditation.

We generally earn tuition revenue on a straight-line basis over the length of each of four, 12-week academic quarters in each fiscal year. State regulations, accrediting commission criteria and our policies generally require us to refund a portion of the tuition and fee payments received from a student who withdraws from one of our institutions during an academic term. We recognize immediately the amount of tuition and fees, if any, that we may retain after payment of any refund. Revenue that we recognize after each Consolidation also includes student loan interest income on the related Private Education Loans, which is the accretion of the accretable yield on those Private Education Loans, and administrative fees earned by the CUSO.

We incur expenses throughout a fiscal period in connection with the operation of our institutions. The cost of educational services includes salaries of faculty and institution administrators, cost of course materials, occupancy costs, depreciation and amortization of equipment costs, facilities and leasehold improvements, and other miscellaneous costs incurred by our institutions.

Student services and administrative expenses from the Core Operations include marketing expenses, an expense for uncollectible accounts and administrative expenses incurred primarily at our corporate headquarters. Marketing expenses include advertising expenses and salaries and employee benefits for recruiting representatives. After each Consolidation, student services and administrative expenses also include expenses incurred by the PEAKS Trust and the CUSO, as applicable, primarily related to fees for servicing the Private Education Loans held by that entity and various other administrative fees and expenses of that entity.

In 2015, we continued to add education program offerings among existing campuses. We also continued our efforts to diversify our education program offerings by developing education programs at different degree levels in both technology and non-technology fields of study that we intend to offer at our campuses and deliver entirely in residence, entirely online over the Internet or partially in residence and partially online. In 2015, we did not begin operations at any new ITT Technical Institute campuses or learning sites. As part of our efforts to maximize the efficiency and effectiveness of our current campus locations, during 2015, we:

- closed six of our ITT Technical Institute campuses after teaching out or relocating the affected students; and
- decreased the number of our campuses that offer bachelor degree programs from 130 to 125.

We also ceased accepting new student enrollment at 10 campus locations, effective with the academic quarter that began in December 2015. During the next 12 months, we will be evaluating the total demands for these markets. During this evaluation period, we do not believe there will be any disruptions to ongoing course work for the continuously enrolled students, as we will continue to teach classes for those students. The 10 campus locations undergoing these market assessments represented approximately 3% of our new student enrollments, based on our new student enrollment results in the third quarter of 2015.

The following table sets forth select operating statistics for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Additional education program offerings	43	146	348
Additional training program offerings	513	2,397	293
Number of locations with additional education program offerings	29	84	104
Campuses offering bachelor degree programs	125	130	134

The number of additional education and training program offerings decreased in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the limited number of instances where we decided to add approved associate and bachelor degree programs to our campuses and our inability to obtain the required approvals from the ED for any new program offerings. In 2016, we intend to add more of our current education program offerings among our institutions' locations. We also plan to continue developing new education programs in both technology and non-technology fields, but primarily in technology- and healthcare-related disciplines. We believe that those programs of study would be at different education levels and delivered in a variety of formats, including entirely in residence, entirely online or partially in residence and partially online. Our ability to execute on this strategy is subject to extensive regulations and restrictions, as discussed further under "Business" and "Risk Factors." In December 2014, the ED did not approve our application to offer four new degree programs at the ITT Technical Institutes due to administrative capability issues reported in recent compliance audits and ED program reviews. In March 2015, the ED approved six and denied two new degree programs that we had applied to offer at Daniel Webster College. The basis for disapproval was due to administrative capability issues reported in recent compliance audits and ED program reviews. In February 2016, the ED disapproved our request for reconsideration of the two new degree programs we had previously applied to offer at DWC, due to administrative

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capability issues reported in recent compliance audits. While our growth strategy continues to include opening new campuses, we do not expect to begin operations at any new campuses in 2016. We plan to continue to evaluate the performance of the current ITT Technical Institute campuses in order to maximize the efficiency and effectiveness of our national network of campuses. As part of this effort, we may suspend enrollments at, and/or relocate and close, additional campuses. We also plan to continue to develop and offer training programs to career advancers and other professionals through the CPD.

Variations in Quarterly Results of Operations

Our quarterly results of operations have tended to fluctuate within a fiscal year due to the timing of student matriculations. Each of our four fiscal quarters has 12 weeks of earned tuition revenue. The academic schedule generally does not affect our incurrence of most of our costs, however, and costs do not fluctuate significantly on a quarterly basis.

The revenue recognized in our fiscal quarters has been impacted by fluctuations in our institutions' total student enrollment. These fluctuations were primarily due to changing patterns of student matriculations and variations in student persistence, which were primarily attributable to the number of graduates in the fiscal quarter and student retention in certain courses. These factors are discussed in greater detail below under "—Results of Operations." In addition, the increased amount of our institutional scholarships and awards, primarily the Opportunity Scholarship, has reduced revenue per student in the various periods compared to the same prior year periods.

The following table sets forth the Core Operations revenue per student for the periods indicated:

	Core Operations Revenue per Student					
	2015		2014		2013	
Three Months Ended	Amount	Increase (Decrease) from Prior Year	Amount	(Decrease) from Prior Year	Amount	Increase (Decrease) from Prior Year
March 31	$ 4,222	3.5%	$ 4,080	(12.2)%	$ 4,646	0.3%
June 30	4,117	0.1%	4,111	(2.1)%	4,200	(8.9)%
September 30	4,163	(3.7)%	4,323	(0.9)%	4,360	(7.7)%
December 31	4,132	(1.6)%	4,198	(2.9)%	4,323	(7.1)%
Total for Year	$16,635	(0.5)%	$16,712	(4.7)%	$17,529	(5.9)%

Core Operations revenue per student is calculated by dividing all revenue from Core Operations by the total student enrollment in education programs as of the beginning of the applicable fiscal period.

Results of Operations

The following table sets forth the percentage relationship of certain statement of operations data to revenue for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Revenue	100.0%	100.0%	100.0%
Cost of educational services	46.0%	47.9%	45.4%
Student services and administrative expenses	40.4%	40.5%	37.1%
Goodwill and asset impairment	0.6%	0.3%	0.0%
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	3.1%	3.3%	0.6%
Loss related to loan program guarantees	0.0%	0.2%	8.5%
Provision for private education loan losses	0.6%	1.5%	2.7%
Operating income	9.3%	6.4%	5.7%
Gain (loss) on consolidation of variable interest entities	0.0%	1.7%	(6.8)%
Interest (expense), net	(4.7)%	(3.9)%	(2.3)%
Income (loss) before income taxes	4.6%	4.2%	(3.5)%

The following table sets forth our total student enrollment in education programs as of the dates indicated:

As of December 31,	Total Student Enrollment in Education Programs	(Decrease) from Prior Year
2015	44,922(1)	(16.3)%
2014	53,646	(6.8)%
2013	57,542	(5.8)%

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(1) Amount reflects the revised definition of a new student that was effective beginning in the quarter ended September 2015, as described below and resulted in approximately 340 fewer students being included in this total student enrollment number than would have been included using the previous definition of new student.

Total student enrollment in education programs includes all new and continuing students. A continuing student is any student who, in the academic term being measured, is enrolled in an education program at one of our campuses and was enrolled in the same program at any of our campuses at the end of the immediately preceding academic term. A new student is any student who, in the academic term being measured, enrolls in and begins attending any education program at one of our campuses:

- for the first time at that campus;
- after graduating in a prior academic term from a different education program at that campus; or
- after having withdrawn or been terminated from an education program at that campus.

Beginning in the three months ended September 30, 2015, we revised our definition of a new student to include any student who (1) met the above criteria, and (2) if the student was a first-time student and was enrolled in an online degree program, continued to attend their program of study beyond the first 15 days of the program's term (or 30 days, if the student was only enrolled in courses that are taught over a 12-week period). Our accounting policies for revenue recognition are not based on the definition of a new student and, therefore, our revenue recognition is not impacted by this revised definition. The impact of this revised definition of new student is to:

- exclude those students in our reported new student enrollment for the quarter in which they began attending class, but had not yet continued to attend beyond the applicable time described above;
- exclude those same students from our reported total student enrollment for that same quarter; and
- if those students continued to attend beyond the applicable time described above, include those same students in our reported new and total student enrollment for the subsequent quarter.

The following table sets forth our new student enrollment in education programs in the periods indicated:

	2015		2014		2013	
New Student Enrollment in Education Programs in the Three Months Ended: (1)	New Student Enrollment in Education Programs	(Decrease) from Prior Year	New Student Enrollment in Education Programs	(Decrease) from Prior Year	New Student Enrollment in Education Programs	Increase (Decrease) from Prior Year
March 31	14,104	(15.8)%	16,746	(3.8)%	17,412	(3.6)%
June 30	12,638	(18.6)%	15,523	(8.1)%	16,883	7.5%
September 30	14,943	(18.4)%	18,317	(9.8)%	20,307	5.2%
December 31	10,478	(17.1)%	12,639	(9.7)%	13,995	4.5%
Total for the year	52,163	(17.5)%	63,225	(7.8)%	68,597	3.2%

(1) New student enrollment for periods prior to September 30, 2015 do not reflect the revised definition of new student that became effective in the three months ended September 30, 2015.

We believe that the 17.1% decrease in new student enrollment in education programs in the three months ended December 31, 2015 compared to the three months ended December 31, 2014, the 18.4% decrease in new student enrollment in the three months ended September 30, 2015 compared to the three months ended September 30, 2014, the 18.6% decrease in new student enrollment in the three months ended June 30, 2015 compared to the three months ended June 30, 2014 and the 15.8% decrease in new student enrollment in the three months ended March 31, 2015 compared to the three months ended March 31, 2014 were primarily due to:

- a decrease in the rate at which prospective students who inquired about our education programs actually began attending classes in their education program in each of the three months ended December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015 compared to the same prior year period;
- greater sensitivity to the cost of postsecondary education; and
- uncertainty about the value of a postsecondary education due to the prolonged economic and labor market disruptions.

New student enrollment in the three months ended December 31, 2015 compared to the three months ended December 31, 2014 was also impacted by our decision to cease accepting new student enrollment at 10 campus locations, effective with the academic quarter that began in December 2015.

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A continued decline in new and total student enrollment in education programs could have a material adverse effect on our business, financial condition, revenue and other results of operations and cash flows. We have taken a number of steps in an attempt to reverse the declines in total and new student enrollment in education programs, including, without limitation:

- conducting comprehensive market research to better understand prospective student perspectives and needs;
- redesigning our website to improve user experience and usability;
- refining our marketing, advertising and communications to better target our messaging, including focusing more on the student value proposition and outcomes of an ITT Technical Institute education;
- maintaining the availability of institutional scholarships, primarily the Opportunity Scholarship, which are intended to help reduce the cost of an ITT Technical Institute education and increase student access to our education programs;
- investing in enhanced training for our admissions representatives; and
- increasing our frequency and methods of communicating with prospective students.

At the vast majority of our campuses, we generally organize the academic schedule for education programs offered on the basis of four 12-week academic quarters in a calendar year. The academic quarters typically begin in early March, mid-June, early September and late November or early December. To measure the persistence of our students, the number of continuing students in any academic term is divided by the total student enrollment in education programs in the immediately preceding academic term.

The following table sets forth the rates of our students' persistence as of the dates indicated:

	Student Persistence as of:			
Year	March 31	June 30	September 30	December 31
2015	69.2%	68.8%	69.5%	71.4%
2014	70.2%	70.0%	69.9%	71.8%
2013	71.5%	68.4%	69.4%	71.4%

We believe that the decrease in student persistence as of December 31, 2015 compared to December 31, 2014 was due to lower student retention in certain associate degree programs of study in the three months ended December 31, 2015 compared to the same prior year period. We believe that the decrease in student persistence as of each of September 30, June 30, and March 31, 2015 compared to the same date in the prior year was primarily due to lower student retention in certain associate degree programs of study and, to a lesser degree, an increase in graduates in the three months ended September 30, 2015, June 30, 2015 and March 31, 2015 compared to the same prior year period.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2014. Revenue decreased $112.0 million, or 11.6%, to $849.8 million in the year ended December 31, 2015 compared to $961.8 million in the year ended December 31, 2014. The primary factor that contributed to this decrease was an average 13.9% decrease in total student enrollment in education programs as of the end of each fiscal quarter in 2015 compared to 2014. The decrease in revenue resulting from decreases in total student enrollment was partially offset by a decrease in the average amount of institutional scholarships and awards provided per student in the year ended December 31, 2015, compared to the year ended December 31, 2014.

Revenue of the PEAKS Trust is comprised of interest income on the PEAKS Trust Student Loans, which is the accretion of the accretable yield on the PEAKS Trust Student Loans. Revenue of the PEAKS Trust decreased $2.8 million, or 24.1%, to $8.7 million in the year ended December 31, 2015 compared to $11.5 million in the year ended December 31, 2014.

Revenue of the CUSO is comprised of (i) interest income on the CUSO Student Loans, which is the accretion of the accretable yield on the CUSO Student Loans, and (ii) an administrative fee paid by the owners of the CUSO (the "CUSO Participants") to the CUSO on a monthly basis ("Administrative Fee"). Revenue attributable to the interest income on the CUSO Student Loans was approximately $2.9 million in the year ended December 31, 2015 compared to $0.7 million in the year ended December 31, 2014. Revenue attributable to the Administrative Fee was approximately $1.7 million in the year ended December 31, 2015, compared to $0.4 million in the year ended December 31, 2014. Beginning on September 30, 2014, our consolidated financial statements include the CUSO. Therefore, the year ended December 31, 2014 includes only three months of operating results for the CUSO, compared to 12 months for the year ended December 31, 2015.

Cost of educational services decreased $70.2 million, or 15.2%, to $390.6 million in the year ended December 31, 2015 compared to $460.8 million in the year ended December 31, 2014. The primary factors that contributed to this decrease included:

- decreases in compensation costs and benefit costs resulting from fewer employees;
- a decrease in course supplies as a result of lower total student enrollments; and
- a decrease in campus operating costs resulting from fewer locations.

Cost of educational services as a percentage of revenue decreased 190 basis points to 46.0% in the year ended December 31, 2015 compared to 47.9% in the year ended December 31, 2014. The primary factors that contributed to this decrease were decreases in compensation costs and benefit costs, course supplies and campus operating costs, which were partially offset by a decline in revenue.

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Student services and administrative expenses decreased $45.4 million, or 11.7%, to $343.7 million in the year ended December 31, 2015 compared to $389.1 million in the year ended December 31, 2014. The principal causes of this decrease were decreases in bad debt expense, media advertising costs and compensation and benefit costs. Approximately $1.9 million of expenses of the PEAKS Trust and $1.7 million of expenses of the CUSO were included in student services and administrative expenses in the year ended December 31, 2015. Those expenses primarily represented fees for servicing the Private Education Loans and various other administrative fees and expenses of the PEAKS Trust and the CUSO. In the year ended December 31, 2014, approximately $4.5 million of expenses of the PEAKS Trust and $0.4 million of expenses of the CUSO were included in student services and administrative expenses. The amount of the fees for servicing the PEAKS Trust Student Loans are based on the outstanding balance of non-defaulted PEAKS Trust Student Loans, and the amount of the other administrative fees and expenses of the PEAKS Trust are based on the outstanding principal balance of the PEAKS Senior Debt. The amount of the fees for servicing the CUSO Student Loans is based on the number of loans that have not defaulted and the payment status of the loans.

Student services and administrative expenses was 40.4% of revenue in the year ended December 31, 2015 compared to 40.5 % of revenue in the year ended December 31, 2014. The principal causes of this decrease were decreases in bad debt expense, media advertising and compensation and benefit costs, which were partially offset by the decline in revenue. Bad debt expense as a percentage of revenue decreased to 4.1% in the year ended December 31, 2015 compared to 6.6% in the year ended December 31, 2014, primarily as a result of a reduction in internal student financing from the utilization of the Opportunity Scholarship and other institutional scholarships and awards.

In the year ended December 31, 2015, we recorded an impairment charge of $5.2 million for the impairment of goodwill associated with the acquisitions of Cable Holdings and the Ascolta business. In the year ended December 31, 2014, we recorded an impairment charge of $2.0 million for the impairment of goodwill associated with the acquisitions of Cable Holdings and the Ascolta business, and an impairment charge of $0.4 million for the impairment of the trademark associated with the acquisition of Daniel Webster College. The amount of each impairment charge equaled the difference between the estimated fair value of the goodwill or trademark and its carrying value as of the impairment testing date. The determination of the estimated fair value requires the use of assumptions, which may change in future periods. See Note 11 – Goodwill and Other Intangibles of the Notes to Consolidated Financial Statements.

Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters decreased $5.9 million, or 18.5%, to $26.1 million in the year ended December 31, 2015 compared to $32.0 million in the year ended December 31, 2014. In the year ended December 31, 2015, these expenses related primarily to settlements of securities related actions and legal and professional fees associated with:

- the lawsuit filed by the SEC against us, one of our executive officers and one of our former executive officers;
- the lawsuit filed against us by the CFPB;
- the securities class action and shareholder derivative lawsuits filed against us;
- the investigation of us by various state Attorneys General; and
- certain other legal and accounting matters.

In the year ended December 31, 2014, these expenses related primarily to legal and professional fees associated with:

- the investigation of us by the SEC;
- the lawsuit filed against us by the CFPB;
- the investigation of us by various state Attorneys General;
- the lawsuit filed against us by the New Mexico Attorney General;
- the securities class action and shareholder derivative lawsuits filed against us;
- certain lawsuits, investigations and accounting matters;
- a letter agreement, dated as of March 17, 2014, that we entered into with the trustee under the PEAKS Program and the holders of the PEAKS Senior Debt (the "PEAKS Letter Agreement"), in order to resolve differing interpretations of the permissibility of payments on behalf of borrowers that we made; and
- certain other legal and regulatory matters.

See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for further information about those matters.

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We did not record a loss related to loan program guarantees in the year ended December 31, 2015 because the PEAKS Trust and CUSO were consolidated in our consolidated financial statements. We recorded a loss related to loan program guarantees with respect to the CUSO RSA of $2.0 million in the year ended December 31, 2014. The entire amount of the loss recorded in the year ended December 31, 2014 related to a change in accounting estimate of the amount of our guarantee obligations under the CUSO RSA, which was primarily due to continued deterioration in the repayment performance of the CUSO Student Loans. See Note 8 – Variable Interest Entities and Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

In the year ended December 31, 2015, we recorded a provision for private education loan losses of approximately $5.1 million compared to $14.2 million in the year ended December 31, 2014. The provision for private education loan losses in the year ended

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December 31, 2015 represented the increase in the allowance for loan losses on the PEAKS Trust Student Loans and CUSO Student Loans that occurred from January 1, 2015 through December 31, 2015, partially offset by recoveries received from private education loans that were charged off prior to the Consolidations. In the year ended December 31, 2014, the provision for private education loan losses represented (a) the increase in the allowance for loan losses on the PEAKS Trust Student Loans that occurred from January 1, 2014 through December 31, 2014, and (b) the increase in the allowance for loan losses on the CUSO Student Loans that occurred from September 30, 2014 through December 31, 2014.

Operating income increased $17.9 million, or 29.2%, to $79.2 million in the year ended December 31, 2015 compared to $61.3 million in the year ended December 31, 2014, primarily as a result of the impact of the factors discussed above in connection with revenue, cost of educational services, student services and administrative expenses, goodwill impairment, settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters, loss related to loan program guarantees and provision for private education loan losses. Our operating margin increased to 9.3% in the year ended December 31, 2015 compared to 6.4% in the year ended December 31, 2014, primarily due to the impact of the factors discussed above.

In the year ended December 31, 2015, we did not record a gain or loss on the consolidation of a variable interest entity because we did not consolidate any new variable interest entities in 2015. In the year ended December 31, 2014, we recorded a gain upon the consolidation of a variable interest entity (the CUSO) of $16.6 million. Upon the CUSO Consolidation, we recorded the CUSO's assets and liabilities at their fair value in our consolidated financial statements and we eliminated the carrying value of the assets and liabilities related to the CUSO Program that had been recorded in our consolidated financial statements as of September 30, 2014. The fair value of the CUSO's liabilities exceeded the fair value of the CUSO's assets as of September 30, 2014 by approximately $95.0 million. As of September 30, 2014, the carrying value of the liabilities related to the CUSO Program that had been recorded in our consolidated financial statements exceeded the carrying value of the assets related to the CUSO Program that had been recorded in our consolidated financial statements by approximately $111.6 million. As a result, we recognized a total gain of approximately $16.6 million in our consolidated financial statements for the year ended December 31, 2014, which represented the difference between (i) the fair value of the net liabilities of the CUSO that we recorded upon the CUSO Consolidation, and (ii) the carrying value of the net liabilities related to the CUSO Program that had been recorded in our consolidated financial statements and were eliminated upon the CUSO Consolidation, in each case, as of September 30, 2014. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the CUSO Consolidation.

Interest income was less than $0.1 million in the years ended December 31, 2015 and December 31, 2014.

Interest expense increased $2.0 million, or 5.4%, to $39.8 million in the year ended December 31, 2015 compared to $37.8 million in the year ended December 31, 2014, primarily due to:

- interest expense of approximately $14.0 million related to the CUSO Secured Borrowing Obligation in the year ended December 31, 2015, which was for a 12 month period, compared to $3.7 million in the year ended December 31, 2014, which was for a three month period due to the consolidation of the CUSO beginning on September 30, 2014; and
- an increase in the amount of our average outstanding borrowings and the effective interest rate on those borrowings in the year ended December 31, 2015 compared to the year ended December 31, 2014.

The increase in interest expense was partially offset by a decrease in interest expense of $19.7 million related to the PEAKS Senior Debt in the year ended December 31, 2015 compared to the year ended December 31, 2014. Interest expense on the PEAKS Senior Debt, which includes the contractual interest obligation and the accretion of the discount on the PEAKS Senior Debt, was $10.6 million in the year ended December 31, 2015, compared to $30.3 million in the year ended December 31, 2014. See Note 12 – Debt of the Notes to Consolidated Financial Statements, for further information about interest expense and effective interest rates under the Financing Agreement and Amended Credit Agreement.

Our combined federal and state effective income tax rate was 40.9% in the year ended December 31, 2015 compared to 41.9% in the year ended December 31, 2014. Our effective income tax rate was lower in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to favorable settlements of certain state income tax matters.

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013. Revenue decreased $110.5 million, or 10.3%, to $961.8 million in the year ended December 31, 2014 compared to $1,072.3 million in the year ended December 31, 2013. The primary factors that contributed to this decrease were:

- an increase in institutional scholarships and awards provided to our students, which reduced revenue by $90.6 million in the year ended December 31, 2014 compared to the prior year; and
- an average 6.2% decrease in total student enrollment in education programs as of the end of each fiscal quarter in 2014 compared to 2013.

The increase in institutional scholarships and awards was primarily due to the introduction of the Opportunity Scholarship at the vast majority of the ITT Technical Institute campuses in the academic quarter that began in March 2013 and the expanded availability and increased utilization of the Opportunity Scholarship since its introduction.

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Revenue of the PEAKS Trust is comprised of interest income on the PEAKS Trust Student Loans, which is the accretion of the accretable yield on the PEAKS Trust Student Loans. Revenue of the PEAKS Trust decreased $1.5 million, or 11.7%, to $11.5 million in the year ended December 31, 2014 compared to $13.0 million in the year ended December 31, 2013.

Revenue of the CUSO is comprised of (i) interest income on the CUSO Student Loans, which is the accretion of the accretable yield on the CUSO Student Loans, and (ii) an Administrative Fee paid by the CUSO Participants to the CUSO. Revenue attributable to the interest income on the CUSO Student Loans was approximately $0.7 million and revenue attributable to the Administrative Fee was approximately $0.4 million in the year ended December 31, 2014. No interest income on the CUSO Student Loans or revenue attributable to the Administrative Fee was included in revenue in the year ended December 31, 2013, because the CUSO Consolidation was effective September 30, 2014.

Cost of educational services decreased $25.6 million, or 5.3%, to $460.8 million in the year ended December 31, 2014 compared to $486.4 million in the year ended December 31, 2013. The primary factors that contributed to this decrease included:

- decreases in compensation costs and benefit costs resulting from fewer employees; and
- a decrease in occupancy costs as a result of fewer physical locations and reduced square footage.

These decreases were partially offset by an increase in the cost of electronic devices issued to students as part of a transition from physical to electronic books.

Cost of educational services as a percentage of revenue increased 250 basis points to 47.9% in the year ended December 31, 2014 compared to 45.4% in the year ended December 31, 2013. The primary factors that contributed to this increase was a decline in revenue and an increase in the cost of electronic devices issued to students, which was partially offset by decreases in compensation costs and benefit costs and a decrease in occupancy costs.

Student services and administrative expenses decreased $8.4 million, or 2.1%, to $389.1 million in the year ended December 31, 2014 compared to $397.5 million in the year ended December 31, 2013. The principal causes of this decrease were decreases in compensation costs, benefit costs and bad debt expense. Approximately $4.5 million of expenses of the PEAKS Trust and $0.4 million of expenses of the CUSO were included in student services and administrative expenses in the year ended December 31, 2014. Those expenses primarily represented fees for servicing the Private Education Loans and various other administrative fees and expenses of the PEAKS Trust and the CUSO. In the year ended December 31, 2013, $5.3 million of expenses of the PEAKS Trust were included in student services and administrative expenses, which primarily represented fees for servicing the PEAKS Trust Student Loans and various other administrative fees and expenses of the PEAKS Trust. The amount of the fees for servicing the PEAKS Trust Student Loans are based on the outstanding balance of non-defaulted PEAKS Trust Student Loans, and the amount of the other administrative fees and expenses of the PEAKS Trust are based on the outstanding principal balance of the PEAKS Senior Debt. The amount of the fees for servicing the CUSO Student Loans is based on the number of loans that have not defaulted and the payment status of the loans.

Student services and administrative expenses increased to 40.5% of revenue in the year ended December 31, 2014 compared to 37.1 % of revenue in the year ended December 31, 2013. The principal cause of this increase was the decline in revenue, which was partially offset by decreases in compensation costs and benefit costs and bad debt expense. Bad debt expense as a percentage of revenue increased to 6.6% in the year ended December 31, 2014 compared to 6.3% in the year ended December 31, 2013, primarily as a result of a decrease in collections on accounts receivable balances of students no longer enrolled in a program of study.

In the year ended December 31, 2014, we recorded an impairment charge of $2.0 million for the impairment of goodwill associated with the acquisitions of Cable Holdings and the Ascolta business, and an impairment charge of $0.4 million for the impairment of the trademark associated with the acquisition of Daniel Webster College. The amount of each impairment charge equaled the difference between the estimated fair value of the goodwill or trademark and its carrying value as of the impairment testing date. The determination of the estimated fair value requires the use of assumptions, which may change in future periods. See Note 11 – Goodwill and Other Intangibles of the Notes to Consolidated Financial Statements. We did not record an impairment charge in the year ended December 31, 2013 for goodwill or other intangible assets.

Settlement and legal and professional fees related to certain lawsuits, investigations and accounting matters increased $25.1 million, or 362.3%, to $32.0 million in the year ended December 31, 2014 compared to $6.9 million in the year ended December 31, 2013. In the year ended December 31, 2014, these expenses related primarily to legal and professional fees associated with:

- the investigation of us by the SEC;
- the lawsuit filed against us by the CFPB;
- the investigation of us by various state Attorneys General;
- the lawsuit filed against us by the New Mexico Attorney General;
- the securities class action lawsuits filed against us;
- legal and professional fees related to certain lawsuits, investigations and accounting matters;
- a letter agreement, dated as of March 17, 2014, that we entered into with the trustee under the PEAKS Program and the holders of the PEAKS Senior Debt (the "PEAKS Letter Agreement"), in order to resolve differing interpretations of the permissibility of payments on behalf of borrowers that we made; and
- certain other legal and regulatory matters.

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In the year ended December 31, 2013, these expenses related primarily to legal fees associated with the SEC investigation of us, the CFPB investigation of us and the securities class action lawsuits filed against us. See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for further information about those matters.

In the year ended December 31, 2014, we recorded a loss related to loan program guarantees of $2.0 million for the CUSO RSA compared to $91.0 million in the year ended December 31, 2013 for the CUSO RSA. The entire amount of the loss recorded in the year ended December 31, 2013 related to a change in our accounting estimate for the amount of our guarantee obligations under the CUSO RSA. We revised our estimate for the CUSO RSA based on our enhanced default rate methodology and more recent performance data that we obtained in the three months ended December 31, 2013. The primary enhancements and performance data included:

- an adjustment to the default estimates for student borrowers as a result of recently obtained actual default data for similarly-situated student borrowers;
- an adjustment to the default rate expectations, due to declines in repayment performance;
- our ability to make Discharge Payments; and
- a lower expectation for collections on defaulted loans as a result of the performance to date of collections.

See Note 8 – Variable Interest Entities and Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

The provision for private education loan losses of approximately $14.2 million in the year ended December 31, 2014 represented the increase in the allowance for loan losses on the PEAKS Trust Student Loans that occurred from January 1, 2014 through December 31, 2014 and the increase in the allowance for loan losses on the CUSO Student Loans that occurred from September 30, 2014 through December 31, 2014. The provision for private education loan losses of approximately $29.3 million in the year ended December 31, 2013 represented the increase in the allowance for loan losses on the PEAKS Trust Student Loans that occurred from February 28, 2013 through December 31, 2013. We did not consolidate the CUSO in our consolidated financial statements in the year ended December 31, 2013, and, therefore, we did not include the CUSO Student Loans in our consolidated financial statements or recognize any provision for CUSO Student Loan losses in that year.

Operating income increased $0.1 million, or 0.1%, to $61.3 million in the year ended December 31, 2014 compared to $61.2 million in the year ended December 31, 2013, primarily as a result of the impact of the factors discussed above in connection with revenue, cost of educational services, student services and administrative expenses, goodwill impairment, settlement and legal and professional fees related to certain lawsuits, investigations and accounting matters, loss related to loan program guarantees and provision for private education loan losses. Our operating margin increased to 6.4% in the year ended December 31, 2014 compared to 5.7% in the year ended December 31, 2013, primarily due to the impact of the factors discussed above.

In the year ended December 31, 2014, we recorded a gain upon the consolidation of a variable interest entity (the CUSO) of $16.6 million, compared to a loss upon the consolidation of a variable interest entity (the PEAKS Trust) of $73.2 million in the year ended December 31, 2013. Upon the CUSO Consolidation, we recorded the CUSO's assets and liabilities at their fair value in our consolidated financial statements and we eliminated the carrying value of the assets and liabilities related to the CUSO Program that had been recorded in our consolidated financial statements as of September 30, 2014. The fair value of the CUSO's liabilities exceeded the fair value of the CUSO's assets as of September 30, 2014 by approximately $95.0 million. As of September 30, 2014, the carrying value of the liabilities related to the CUSO Program that had been recorded in our consolidated financial statements exceeded the carrying value of the assets related to the CUSO Program that had been recorded in our consolidated financial statements by approximately $111.6 million. As a result, we recognized a total gain of approximately $16.6 million in our consolidated financial statements for the year ended December 31, 2014, which represented the difference between (i) the fair value of the net liabilities of the CUSO that we recorded upon the CUSO Consolidation, and (ii) the carrying value of the net liabilities related to the CUSO Program that had been recorded in our consolidated financial statements and were eliminated upon the CUSO Consolidation, in each case, as of September 30, 2014. In the year ended December 31, 2013, the loss upon the PEAKS Trust Consolidation of $73.2 million represented the amount by which the fair value of the PEAKS Trust's liabilities exceeded the fair value of the PEAKS Trust's assets as of February 28, 2013 upon the PEAKS Consolidation, partially reduced by the net amount of the carrying value of the assets and liabilities related to the PEAKS Program that had been recorded in our consolidated financial statements as of February 28, 2013 and were eliminated upon the PEAKS Consolidation. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the Consolidations.

Interest income was less than $0.1 million in the year ended December 31, 2014 and approximately $0.1 million in December 31, 2013.

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Interest expense increased $12.5 million, or 49.6%, to $37.8 million in the year ended December 31, 2014 compared to $25.3 million in the year ended December 31, 2013, primarily due to:

- interest expense of approximately $30.3 million related to the PEAKS Senior Debt, which includes the contractual interest and the accretion of the discount on the PEAKS Senior Debt, compared to $21.3 million in the year ended December 31, 2013;
- interest expense of approximately $3.7 million related to the CUSO Secured Borrowing Obligation in the year ended December 31, 2014, compared to none in the year ended December 31, 2013; and
- an increase in the effective interest rate under the Amended Credit Agreement, which was partially offset by a decrease in our weighted average outstanding borrowings under the Amended Credit Agreement.

Our combined federal and state effective income tax rate was 41.9% in the year ended December 31, 2014 compared to 27.4% in the year ended December 31, 2013. We recorded pretax consolidated income in the year ended December 31, 2014 compared to a pretax consolidated loss in the year ended December 31, 2013. Our effective income tax rate was lower in the year ended December 31, 2013 compared to the year ended December 31, 2014 primarily due to certain losses related to the PEAKS Trust that were included in our consolidated pretax loss for which an income tax benefit was not recognized.

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents were $130.9 million as of December 31, 2015 compared to $135.9 million as of December 31, 2014. The $5.0 million decrease in cash and cash equivalents as of December 31, 2015 compared to December 31, 2014 was primarily due to payments related to our RSA obligations and the Term Loans that resulted in principal reductions totaling approximately:

- $39.8 million related to the PEAKS Senior Debt;
- $10.4 million related to the CUSO Secured Borrowing Obligation; and
- $30.3 million under the Financing Agreement.

The reduction in cash and cash equivalents was partially offset by net cash flows generated from operating activities of $76.7 million.

See Note 12 – Debt and Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for a further discussion of the payments we made related to the Financing Agreement and the private education loan programs.

On October 19, 2015, we received a letter from the ED identifying additional procedures that we are required to implement as a result of the identification of certain past deficiencies. These additional procedures have resulted in the delay of our Title IV Program funds. While these additional procedures have affected the timing of our receipt of Title IV Program funds and have imposed an administrative burden on us, we do not expect them to have a significant negative effect on our overall cash flow or operations. The letter also states that we are required to provide certain additional information and reporting to the ED on a regular basis. We have implemented, and are in the process of implementing, measures to comply with the ED's requirements. We have begun submitting the additional information to the ED, and intend to continue submitting information to the ED according to the schedule specified by the ED.

Our Consolidated Balance Sheets as of December 31, 2015 and 2014 included the assets and liabilities of the PEAKS Trust and the CUSO. The assets of the PEAKS Trust can only be used to satisfy the obligations of the PEAKS Trust and the assets of the CUSO can only be used to satisfy the obligations of the CUSO.

Restricted cash of $6.0 million as of December 31, 2015 included approximately $1.5 million of funds held by the PEAKS Trust and $4.0 million of funds held by the CUSO. Restricted cash of $6.0 million as of December 31, 2014 included approximately $1.6 million of funds held by the PEAKS Trust and $2.5 million of funds held by the CUSO. Although the funds held by the PEAKS Trust and the CUSO are included on our Consolidated Balance Sheets after the related Consolidation, those funds can only be used to satisfy the obligations of the PEAKS Trust and the CUSO, as applicable. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the Consolidations.

The PEAKS Trust's ability to satisfy its obligations is based on payments received from borrowers on the PEAKS Trust Student Loans and collections on the PEAKS Trust Student Loans that have defaulted. To the extent that those payments and collections from borrowers on the PEAKS Trust Student Loans are not sufficient to satisfy the obligations of the PEAKS Trust, including the PEAKS Senior Debt, we are required to make payments under the PEAKS Guarantee.

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We have significant payment obligations under the PEAKS Guarantee and the CUSO RSA. Under the PEAKS Guarantee, we guarantee payment of the principal and interest owed on the PEAKS Senior Debt, the administrative fees and expenses of the PEAKS Trust and a minimum required ratio of assets of the PEAKS Trust to outstanding PEAKS Senior Debt ("Asset/Liability Ratio"). Our guarantee obligations under the PEAKS Program remain in effect until the PEAKS Senior Debt and the PEAKS Trust's fees and expenses are paid in full. Under the CUSO RSA, we guarantee the repayment of any CUSO Student Loans that are charged off above a certain percentage of the CUSO Student Loans made under the CUSO Program, based on the annual dollar volume. Our obligations under the CUSO RSA remain in effect until all CUSO Student Loans are paid in full. See Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements for a further discussion of the PEAKS Guarantee and CUSO RSA.

We believe that we will make payments in 2016 of approximately $11.7 million under the PEAKS Guarantee and approximately $16.0 million, net of $1.8 million in recoveries, under the CUSO RSA. As revised pursuant to Amendment No. 2, the Financing

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Agreement limits the aggregate amount of payments that we can make related to the PEAKS Guarantee and the CUSO RSA to $35.0 million under both programs in any year after 2015 that the Financing Agreement is in effect. We also expect to make payments aggregating approximately $74.5 million in 2016 under the Financing Agreement. For a detailed description of our obligations under the Financing Agreement and the repayment amounts that we expect to pay in 2016, see Note 12 – Debt of the Notes to Consolidated Financial Statements.

We expect to make significant payments after 2016 under the PEAKS Guarantee and the CUSO RSA. For a detailed description of our obligations under the PEAKS Guarantee and the CUSO RSA, the amounts that we estimate we may have to pay pursuant to those obligations in the future and certain disputes and other matters relating to the RSAs, see Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

If we are required to pay amounts that exceed the amounts that we estimated could be due under the RSAs or the Financing Agreement, or if our estimated timing of the required payments under any of those obligations changes, we may not have cash and other sources of funds sufficient to make those payments. Failure to make required payments:

- would constitute a default under the applicable documents;
- could result in cross-defaults under other obligations; and
- could have a material adverse effect on our compliance with the regulations of the ED, state education and professional licensing authorities, the accrediting commissions that accredit our institutions and other agencies that regulate us.

In addition, payments that we do make under the RSAs and the Financing Agreement will reduce the cash we have available to use for other purposes, including to make required payments under the other obligations, and will reduce our cash balance, which could negatively impact our ability to satisfy the ED's financial responsibility measurements, the financial requirements of the SAs or the financial metrics to which we are subject under the applicable obligations. Failure to satisfy those other obligations or standards could have a material adverse effect on our financial condition, results of operations and cash flows.

On October 31, 2014, the ED Letter of Credit in the amount of $79.7 million was issued for our account. Pursuant to the Amended Credit Agreement, we were required to provide cash collateral in an amount equal to 109% of the face amount of the ED Letter of Credit and 103% of the face amount of all other letters of credit. We satisfied those collateral obligations for the letters of credit by providing approximately $89.3 million in cash collateral utilizing proceeds from the Term Loans and other funds in 2014. On December 16, 2015, we entered into an agreement with the ED to provide funds to the ED for the ED to maintain in an escrow account in lieu of the ED Letter of Credit. As of December 31, 2015 the amount of ED Escrowed Funds held by the ED was $79.7 million. The ED Letter of Credit was cancelled effective December 22, 2015.

In December 2015, instead of issuing a letter of credit, we provided cash collateral to one of our insurance carriers to secure our obligations in connection with certain workers' compensation insurance policies. We can replace the cash collateral with a letter of credit at our option at any time. As of December 31, 2015, the amount of funds that we had deposited with the insurance carrier was $2.2 million. We deposited an additional $0.6 million of cash collateral for our workers' compensation obligations in January 2016.

As a result of replacing the letters of credit, we reduced the amount of funds held by third parties related to those matters by $6.8 million as of December 31, 2015 and an additional $0.6 million in January 2016. We utilized the proceeds from the return of the cash collateral to repay $7.2 million of outstanding principal under the Term Loans.

As of December 31, 2015, approximately $82.5 million was held as cash collateral or escrowed funds for our obligations to the ED, insurance carrier and one letter of credit to a state regulatory agency. This cash collateral and the escrowed funds are reflected in the line item Collateral deposits on our Consolidated Balance Sheets. These funds are not available for use by us, and could be used by the third parties to satisfy our obligations if certain conditions are met. The fact that a significant amount of our cash is held by third parties could also negatively affect our ability to satisfy the financial metrics of the ED, SAs and ACs to which we are subject.

Pursuant to the CUSO RSA, we are required to maintain collateral to secure our guarantee obligation in an amount equal to a percentage of the outstanding balance of the private education loans disbursed to our students under the CUSO Program. As of December 31, 2015 and 2014, the total amount of this collateral was approximately $8.6 million, and was included in the line item Collateral deposits on our Consolidated Balance Sheets. The funds held as cash collateral related to the CUSO RSA are not available for use by us, and could be withdrawn by the CUSO, in which case we would be required to deposit that amount of cash in the account to maintain the required level of collateral. The CUSO has notified us that it had taken control of the restricted account containing the cash collateral, as described further in Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

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In 2014, we also utilized a portion of the proceeds of the Term Loans and other funds to repay $50.0 million of outstanding loans under the Amended Credit Agreement. See Note 12 – Debt of the Notes to Consolidated Financial Statements, for a further discussion of the Term Loans and our use of those proceeds.

We are required to recognize the funded status of our defined benefit postretirement plans on our balance sheet. We recorded an asset of $29.4 million for the ESI Pension Plan, a non-contributory defined benefit pension plan commonly referred to as a cash balance plan, and a liability of $0.2 million for the ESI Excess Pension Plan, a nonqualified, unfunded retirement plan, on our Consolidated Balance Sheet as of December 31, 2015. As of December 31, 2014, we recorded an asset of $29.0 million for the ESI Pension Plan and a liability of $0.3 million for the ESI Excess Pension Plan. In order to determine those amounts, we performed an actuarial valuation of the ESI Pension Plan and ESI Excess Pension Plan (the "Pension Plans"), and reviewed and updated our key assumptions as part of each valuation, including the discount rate and expected long-term rate of return on the investments.

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Effective March 31, 2006, the benefit accruals under the Pension Plans were frozen, such that no further benefits accrue under those plans after March 31, 2006. Participants in the Pension Plans, however, continue to be credited with vesting service and interest according to the terms of the Pension Plans. Total net pension benefit in the year ended December 31, 2015 was $5.1 million, compared to $4.6 million in the year ended December 31, 2014 and $2.1 million in the year ended December 31, 2013. We expect our total net pension benefit in 2016 to be approximately the same as our total net pension benefit recognized in 2015.

We did not make any contributions to the Pension Plans in 2015 or 2014. We do not expect to make any material contributions to either of the Pension Plans in 2016.

See Note 14 – Employee Benefit Plans of the Notes to Consolidated Financial Statements, for a more detailed discussion of the Pension Plans.

Capital Resources. Our cash flows are highly dependent upon the receipt of Title IV Program funds. The primary Title IV Programs from which the students at our campuses receive grants, loans and other aid to fund the cost of their education include:

- the FDL program, which represented, in aggregate, approximately 56% of our cash receipts in 2015 and 57% of our cash receipts in 2014; and
- the Pell program, which represented, in aggregate, approximately 23% of our cash receipts in 2015 and 24% of our cash receipts in 2014.

We also receive funds on behalf of our students from state financial aid programs, veterans' and military service member benefit programs and other sources, which represented, in aggregate, approximately 14% of our cash receipts in 2015 and approximately 14% in 2014.

Under a provision of the HEA commonly referred to as the 90/10 Rule, a proprietary institution, such as each of our institutions, must not derive more than 90% of its applicable revenue in a fiscal year, on a cash accounting basis, from Title IV Programs. If an institution exceeds the 90% threshold for any single fiscal year, then that institution would be placed on provisional certification status for the institution's following two fiscal years. In addition, if an institution exceeds the 90% threshold for two consecutive fiscal years, it would be ineligible to participate in Title IV Programs as of the first day of the following fiscal year and would be unable to apply to regain its eligibility until the end of the second subsequent fiscal year. Payments that we made under the 2007 RSA impact the 90/10 Rule calculation by reducing the amount of cash receipts from sources other than Title IV Programs and total cash receipts. As a result of the PEAKS Consolidation and CUSO Consolidation, disbursements of the private education loans that we received under the PEAKS Program and CUSO Program are no longer considered cash proceeds from external sources for purposes of determining total cash receipts in the 90/10 Rule calculation. The amount of payments received by the PEAKS Trust and CUSO from borrowers is included, however, in both the total receipts component and the cash receipts from sources other than Title IV Programs component of the 90/10 Rule calculation.

In our 2015 and 2014 fiscal years, none of our institutions derived more than approximately 80% of its revenue from Title IV Programs under the 90/10 Rule calculation. In the aggregate, we derived approximately 80% of our revenue in 2015 and 80% of our revenue in 2014 from Title IV Programs under the 90/10 Rule calculation.

Federal regulations affect the timing of our receipt and disbursements of Title IV Program funds. These regulations require institutions to disburse all Title IV Program funds by payment period. For most of our campuses, the payment period is an academic term. Our campuses generally disburse the first installment of an FDL program loan to a first-year undergraduate student who was a first-time borrower 30 or more days after the student begins his or her education program. We disburse Title IV Program funds to other students enrolled in education programs after those students have begun attending their scheduled classes and met eligibility requirements.

During the fourth quarter of 2012, we introduced an institutional scholarship program, called the Opportunity Scholarship, which is intended to help reduce the cost of an ITT Technical Institute education and increase student access to our programs of study. Beginning with the June 2013 academic quarter, the Opportunity Scholarship was being offered to students at all of the ITT Technical Institute campuses. As a result of our institutional scholarships and awards granted in 2015 and 2014, we received minimal cash payments from private education loan lenders related to our students' cost of education in 2015 and 2014.

As an institutional scholarship, in addition to us not receiving any cash payment when amounts are awarded under the Opportunity Scholarship, students are not obligated to make payments to us of amounts awarded under the Opportunity Scholarship. Therefore, the accounts receivable from students to us, as well as revenue, decreased beginning in 2013, as we began awarding the Opportunity Scholarship at all of our ITT Technical Institute campuses. The Opportunity Scholarships awarded in 2015 and 2014 and, to a lesser extent, other factors had the effect of reducing our Core Operations revenue per student by approximately 0.5% in 2015 compared to 2014.

Operations. Net cash flows from operating activities decreased $60.1 million to $76.7 million in the year ended December 31, 2015 compared to $136.8 million in the year ended December 31, 2014. The decrease in net cash flows from operating activities was primarily due to lower net cash receipts due to lower total student enrollment, in the year ended December 31, 2015 compared to the year ended December 31, 2014.

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Accounts receivable less allowance for doubtful accounts was $48.8 million as of December 31, 2015 compared to $46.4 million as of December 31, 2014. Days sales outstanding increased 4.7 days to 22.2 days at December 31, 2015 compared to 17.5 days at December 31, 2014. Our accounts receivable balance and days sales outstanding at December 31, 2015 increased primarily due to the delay in the receipt of the Title IV funds following our implementation of additional procedures required by the ED in October 2015, which was partially offset by:

- a decrease in internal student financing caused by the utilization of the Opportunity Scholarship by our students; and
- a decrease in total student enrollment.

The amount of institutional scholarships and awards provided to our students decreased 16.1% to $219.1 million in 2015 compared to $261.2 million in 2014.

In the year ended December 31, 2014, net cash flows from operating activities increased $59.1 million to $136.8 million compared to $77.7 million in the year ended December 31, 2013. The increase in net cash flows from operating activities was primarily due to the $46.0 million payment that we made to settle the litigation and absolve us from any further obligations under the 2007 RSA in the year ended December 31, 2013 and lower income tax payments made during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was partially offset by a decrease in funds received as a result of lower student enrollments.

Investing. Capital expenditures, including expenditures for facility renovation, expansion and construction, totaled $7.4 million in 2015, $6.1 million in 2014 and $5.2 million in 2013. These expenditures consisted primarily of classroom and laboratory equipment (such as computers and electronic equipment), classroom and office furniture, software and leasehold improvements.

We also spent:

- $5.2 million to acquire certain assets of Ascolta in the year ended December 31, 2014; and
- $7.2 million to acquire Cable Holdings in the year ended December 31, 2013.

See Note 3 – Acquisitions of the Notes to Consolidated Financial Statements, for a more detailed discussion of the Ascolta acquisition

Cash generated from operations is expected to be sufficient to fund our capital expenditure requirements.

Financing. On December 4, 2014, we and certain of our subsidiaries entered into the Financing Agreement. Under the Financing Agreement, we received an aggregate principal amount of $100.0 million under the Term Loans. A portion of the proceeds of the Term Loans and other funds were used by us on December 4, 2014 to provide approximately $89.2 million in cash collateral for letters of credit outstanding for our account, which was in addition to the approximately $0.1 million of cash collateral we had previously provided related to a letter of credit in September 2014. We also used a portion of the proceeds of the Term Loans and other funds to repay all outstanding borrowings, plus accrued interest and fees, owed by us under the Amended Credit Agreement in the amount of approximately $50.4 million on December 4, 2014. A portion of the proceeds of the Term Loans, as well as other funds, were also used for payment of fees in connection with the Financing Agreement. For the year ended December 31, 2015, we made principal, interest and fee payments pursuant to the Financing Agreement in the aggregate amount of $39.5 million.

On March 21, 2012, we entered into the Amended Credit Agreement that provided for a $325.0 million senior revolving credit facility. A portion of the borrowings under the Amended Credit Agreement was used to prepay the entire outstanding indebtedness under a prior credit agreement which was terminated on March 21, 2012. In addition to the prepayment of the outstanding indebtedness under the prior credit agreement, borrowings under the Amended Credit Agreement were used for general corporate purposes. The commitments of the lenders under the Amended Credit Agreement to make revolving loans, issue or participate in new letters of credit and to amend, renew or extend letters of credit outstanding were terminated effective December 4, 2014.

See Note 12 – Debt of the Notes to Consolidated Financial Statements, for additional information regarding the Financing Agreement and the Amended Credit Agreement.

In January 2010, the PEAKS Trust issued PEAKS Senior Debt in the aggregate principal amount of $300.0 million to investors. The PEAKS Trust utilized the proceeds from the issuance of the PEAKS Senior Debt and the Subordinated Note to purchase student loans from the lender. Beginning on February 28, 2013, we consolidated the PEAKS Trust in our consolidated financial statements. As a result, among other things, the PEAKS Senior Debt is recorded on our Consolidated Balance Sheets following that date. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the PEAKS Consolidation. See Note 12 – Debt of the Notes to Consolidated Financial Statements, for a further discussion of the PEAKS Senior Debt.

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Beginning on September 30, 2014, we consolidated the CUSO in our consolidated financial statements. As a result, among other things, the CUSO Secured Borrowing Obligation is recorded on our Consolidated Balance Sheets following that date. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the CUSO Consolidation.

We entered into the Waiver to the Financing Agreement, whereby the lenders and agents waive any default or event of default that may have occurred and is continuing, or may occur, under the Financing Agreement or related loan documents as a result of various matters related to, or in connection with, the Restatements. We also believe that if any breach of, or event of default under, the documents under the PEAKS Program or the CUSO Program had occurred as a result of us previously delivering reports that were inaccurate because of the error that was the subject of the Restatements, that our delivery of corrected reports has cured any such breach or event of default. Further, we have determined that the Restatements do not have the effect of altering our compliance with our financial metric covenants under the Financing Agreement, the PEAKS Program documents or the CUSO Program documents in the periods covered by the Restatements.

Based on our current projections, we believe that cash generated from operations will be sufficient for us to satisfy our CUSO RSA and PEAKS Guarantee payments, working capital, loan repayment, and capital expenditure requirements over the 12-month period following the date that this Annual Report on Form 10-K was filed with the SEC. We also believe that any reduction in cash and cash equivalents that may result from their use to make payments under the CUSO RSA and PEAKS Guarantee or repay loans will not have a material adverse effect on our planned capital expenditures, ability to meet any applicable regulatory financial responsibility standards, ability to satisfy the financial covenants under the Financing Agreement or ability to conduct normal operations over the 12-month period following the date that this Annual Report on Form 10-K was filed with the SEC. Our projections, however, are estimates, which are based on numerous assumptions and, therefore, may not prove to be accurate or reliable and involve a number of risks and uncertainties.

Student Financing Update. During the fourth quarter of 2012, we introduced an institutional scholarship program, called the Opportunity Scholarship, which is intended to help reduce the cost of an ITT Technical Institute education and increase student access to our programs of study. As of June 30, 2013, the Opportunity Scholarship was being offered to students at all of the ITT Technical Institute campuses. We believe that the Opportunity Scholarship has and will continue to reduce our students' need and use of private education loans, as well as decrease the internal student financing that we provide to our students. As an institutional scholarship, our revenue is reduced by the amount of the Opportunity Scholarship awarded. In addition, no cash payments are received and students will not be obligated to make payments to us of the amounts awarded under the Opportunity Scholarship.

The internal student financing that we provide to our students consists of non-interest bearing, unsecured credit extended to our students and is included in Accounts receivable, net on our Consolidated Balance Sheets. The utilization of the Opportunity Scholarship has significantly decreased the need for us to provide internal student financing to our students.

We plan to continue offering the Opportunity Scholarship and other scholarships which we believe will continue to reduce the amount of internal student financing that we provide to our students. The increased use of institutional scholarships and awards by our students and any additional internal student financing provided to our students could result in a continuation of the adverse factors that are described above, including a material adverse effect on our financial condition and cash flows.

Contractual Obligations and Other Commercial Commitments

The following table sets forth the specified contractual obligations and other commitments as of December 31, 2015:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(In thousands)		
Operating lease obligations	$134,559	$ 37,270	$ 61,920	$31,210	$ 4,159
Term Loans[a]	74,532	74,532	0	0	0
PEAKS Senior Debt[b]	66,136	23,556	21,867	20,713	0
CUSO Secured Borrowing Obligation[c]	202,149	23,591	35,611	35,002	107,945
Total	$477,376	$158,949	$119,398	$86,925	$112,104

(a) The Term Loans are our borrowings under the Financing Agreement. The amounts shown consist of: (i) the required quarterly principal payment amounts and quarterly administrative fees; (ii) the required monthly interest payment amounts; and (iii) the anticipated payment of $9.0 million under the Excess Cash Flow provision of the Financing Agreement in the first quarter of 2016. Interest payment amounts have been calculated based on their scheduled payment dates using the interest rate charged on our borrowings as of December 31, 2015. See Note 12 – Debt of the Notes to Consolidated Financial Statements, for a further discussion of the Financing Agreement and our payment obligations and estimates.

(b) The PEAKS Senior Debt represents the senior debt issued by the PEAKS Trust. Beginning on February 28, 2013, the PEAKS Trust was consolidated in our consolidated financial statements, and the PEAKS Senior Debt was included on our Consolidated Balance Sheet as of December 31, 2015. There is no separate liability recorded on our Consolidated Balance Sheet as of December 31, 2015 for the PEAKS Guarantee, because this liability was eliminated upon the PEAKS Consolidation. We do, however, have significant payment obligations under the PEAKS Guarantee, as further discussed in Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements. The assets of the PEAKS Trust serve as collateral for, and are intended to be the principal source of, the repayment of the PEAKS Senior Debt. There are no scheduled principal repayment requirements for the PEAKS Senior Debt prior to the January 2020 maturity date. The amounts shown in the above table represent our estimate of the total PEAKS Senior Debt interest and principal payments that may be made by the PEAKS Trust in the periods indicated. We estimated the interest due on the PEAKS Senior Debt in each of the periods based on our estimate of the outstanding balance of the PEAKS Senior Debt during those periods. Interest payments have been calculated using the

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interest rate charged on the PEAKS Senior Debt as of December 31, 2015. We estimated the amount of PEAKS Senior Debt principal payments in each of the periods based on an estimate of the excess cash flows generated by the PEAKS Trust. Cash flows generated by the PEAKS Trust in any month that exceed the amounts needed to pay various administrative fees and expenses and the interest due on the PEAKS Senior Debt for the month must be applied to reduce the outstanding balance on the PEAKS Senior Debt. We also considered whether any payments would be required to be made under the PEAKS Guarantee in order to maintain the required Asset/Liability Ratio. Payments made under the PEAKS Guarantee to maintain the required Asset/Liability Ratio reduce the amount of the outstanding PEAKS Senior Debt and have been included as principal payments in the above table. In order to estimate the PEAKS Senior Debt interest and principal payments shown above, we made certain assumptions regarding the timing and amount of the cash flows generated by the PEAKS Trust. The cash flows of the PEAKS Trust are dependent on the performance of the PEAKS Trust Student Loans and, therefore, are subject to change. See Note 8 – Variable Interest Entities, Note 12 – Debt and Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for a further discussion of the PEAKS Senior Debt and PEAKS Guarantee.

(c) The CUSO Secured Borrowing Obligation represents the estimated amount owed by the CUSO to the CUSO Participants related to their participation interests in the CUSO Student Loans, which amount is expected to be paid to the CUSO Participants by the CUSO from payments received by the CUSO related to the CUSO Student Loans, whether from the borrower or from us under the CUSO RSA. Beginning on September 30, 2014, the CUSO was consolidated in our consolidated financial statements, and the CUSO Secured Borrowing Obligation was included on our Consolidated Balance Sheet as of December 31, 2015. There is no separate liability recorded on our Consolidated Balance Sheet as of December 31, 2015 for the CUSO RSA, because this liability was eliminated upon the CUSO Consolidation. The amounts shown in the table represent our estimate of the amount of the payments to be made to the CUSO Participants in the periods indicated. In order to estimate these payments, we made certain assumptions regarding the timing and amount of the repayment of the CUSO Student Loans and, therefore, are subject to change. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the CUSO Secured Borrowing Obligation.

The table above does not reflect unrecognized tax benefits of $27.6 million and accrued interest related to unrecognized tax benefits of $6.6 million, because we cannot reasonably predict the timing of the resolution of the related tax positions. We may resolve certain federal and state income tax matters presently under examination within the 12 months immediately following the date of this filing. We believe it is reasonably possible that we could pay approximately $8.1 million within the 12 months following December 31, 2015 to resolve certain income tax audits for which we have recorded an unrecognized tax benefit. See Note 13 – Income Taxes of the Notes to Consolidated Financial Statements, for additional information on the unrecognized tax benefits as of December 31, 2015.

Off-Balance Sheet Arrangements

As of December 31, 2015, we leased our non-owned facilities under operating lease agreements. A majority of the operating leases contain renewal options that can be exercised after the initial lease term. Renewal options are generally for periods of one to five years. All operating leases will expire over the next eight years and management believes that:

- those leases will be renewed or replaced by other leases in the normal course of business;
- we may purchase the facilities represented by those leases; or
- we may purchase or build other replacement facilities.

There are no material restrictions imposed by the lease agreements, and we have not entered into any significant guarantees related to the leases. We are required to make additional payments under the terms of certain operating leases for taxes, insurance and other operating expenses incurred during the operating lease period.

As part of our normal course of operations, one of our insurers issues surety bonds for us that are required by various education authorities that regulate us. We are obligated to reimburse our insurer for any of those surety bonds that are paid by the insurer. As of December 31, 2015, the total face amount of those surety bonds was approximately $23.0 million.

We caused the ED Letter of Credit in the amount of $79.7 million to be issued on October 31, 2014. As of December 31, 2014, the amount of the outstanding letters of credit that we caused to be issued to the ED, our workers' compensation insurers and one of our state regulatory agencies was $82.1 million. Pursuant to the Amended Credit Agreement, we were required to provide cash collateral in an amount equal to 109% of the face amount of the ED Letter of Credit and 103% of the face amount of all other letters of credit. As of December 31, 2014, approximately $89.3 million of cash was maintained in a restricted bank account to satisfy those cash collateral requirements. This amount is included in the line item Collateral deposits on our Consolidated Balance Sheet as of December 31, 2014. See Note 12– Debt and Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for a further discussion of the ED Letter of Credit.

In December 2015, we replaced the ED Letter of Credit and the letter of credit to our workers' compensation insurer with escrowed funds and cash collateral. As of December 31, 2015, the amount of the escrowed funds and cash collateral that we provided to the ED and our workers' compensation insurer was $81.9 million. This amount is included in the line item Collateral deposits on our Consolidated Balance Sheet as of December 31, 2015.

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Critical Accounting Policies and Estimates

We believe the following critical accounting policies affect our more significant estimates and judgments used in the preparation of our consolidated financial statements. These policies should be read in conjunction with Note 1 – Business and Significant Accounting Policies of the Notes to Consolidated Financial Statements.

Recognition of Revenue. Tuition revenue is recorded on a straight-line basis over the length of the applicable course to the extent that we consider the collectability of that revenue to be reasonably assured. If a student withdraws from an institution, the standards of most SAs that regulate our institutions, the ACs and our own internal policy limit a student's obligation for tuition and fees to the institution depending on when a student withdraws during an academic term. The terms of the Refund Policies vary by state, and the limitations imposed by the Refund Policies are generally based on the portion of the academic term that has elapsed at the time the student withdraws. Generally, the greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the institution for the tuition and fees related to that academic term. We record revenue net of any refunds that result from any applicable Refund Policy. On an individual student basis, tuition earned in excess of cash received is recorded as accounts receivable, and cash received in excess of tuition earned is recorded as deferred revenue.

We do not charge a separate fee for textbooks and certain equipment that students use in their education programs. We record the cost of these textbooks and equipment in prepaid expenses and other current assets and amortize the cost on a straight-line basis over the applicable course length. Tool kit sales, and the related cost, are recognized when the student receives the tool kit. Academic fees (which are charged only one time to students on their first day of class attendance) are recognized as revenue on a straight-line basis over the average education program length. If a student withdraws from an institution, all unrecognized revenue relating to his or her fees, net of any refunds that result from any applicable Refund Policy, is recognized upon the student's departure. An administrative fee is charged to a student and recognized as revenue when the student withdraws or graduates from an education program at an institution. We reassess the collectability of tuition revenue on a student-by-student basis throughout our revenue recognition period. We reassess the collectability of tuition revenue that we may earn based on new information and changes in the facts and circumstances relevant to a student's ability to pay, which primarily include when a student withdraws from a program of study.

We derived approximately 97% of our revenue from tuition and approximately 3% from tool kit sales and student fees in each of the years ended December 31, 2015 and December 31, 2014 and approximately 98% from tuition and approximately 2% from tool kit sales and student fees in the year ended December 31, 2013. The amount of tuition earned depends on:

- the cost per credit hour of the courses in our education programs;
- the length of a student's enrollment;
- the number of courses a student takes during each period of enrollment; and
- the total number of students enrolled in our education programs.

Each of these factors is known at the time our tuition revenue is calculated.

Since the academic quarter that began in March 2013, we have significantly increased the amount of institutional scholarships and awards that we offer to our institutions' students and which those students use to help reduce their educational expenses. Institutional scholarships and awards reduce the students' tuition charges and are recorded as offsets to revenue. In the year ended December 31, 2015, institutional scholarships and awards amounted to, in aggregate, approximately $219.1 million, compared to approximately $261.2 million in the year ended December 31, 2014.

Interest income on the Private Education Loans, which is the accretion of the accretable yield on the Private Education Loans, is included in revenue in our Consolidated Statements of Operations and recognized based on the effective interest method, as described in Note 9 – Private Education Loans of the Notes to Consolidated Financial Statements.

Equity-Based Compensation. In accordance with ASC 718, "Compensation – Stock Compensation" ("ASC 718"), the value of our equity instruments exchanged for employee and director services is measured at the date of grant, based on the calculated fair value of the grant, and is recognized as an expense over the period of time that the grantee must provide services to us before the stock-based compensation is fully vested. The vesting period is generally the period set forth in the agreement granting the stock-based compensation. Under the terms of our stock-based compensation plans, some grants immediately vest in full when the grantee's employment or service terminates for death or disability. As a result, in certain circumstances, the period of time that the grantee provides services to us in order for that stock-based compensation to fully vest may be less than the vesting period set forth in the agreement granting the stock-based compensation. In these instances, compensation expense will be recognized over this shorter period. We recognize stock-based compensation expense on a straight-line basis over the service period applicable to the grantee.

We use a binomial option pricing model to determine the fair value of stock options granted, and we use the market price of our common stock to determine the fair value of restricted stock units ("RSUs") granted. Various assumptions are used in the binomial option pricing model to determine the fair value of the stock options. These assumptions are discussed in Note 1 – Business and Significant Accounting Policies of the Notes to Consolidated Financial Statements.

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The following table sets forth the stock-based compensation expense, including its components, and related income tax benefit recognized in our Consolidated Statements of Operations in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Cost of education services	$ 3,075	$ 4,790	$ 4,799
Student services and administrative expense	2,711	5,546	6,839
Total stock-based compensation expense	$ 5,786	$10,336	$11,638
Income tax (benefit)	(2,227)	(3,980)	(4,481)
	$ 3,559	$ 6,356	$ 7,157

As of December 31, 2015, we estimated that pre-tax compensation expense for unvested stock-based compensation grants in the amount of approximately $3.8 million, net of estimated forfeitures, will be recognized in future periods. We expect to recognize this expense over the remaining service period applicable to the grantees which, on a weighted average basis, is approximately 1.1 years.

See also Note 1 – Business and Significant Accounting Policies and Note 6 – Equity Compensation Plans of the Notes to Consolidated Financial Statements, for a discussion of stock-based compensation.

Income Taxes. We follow ASC 740, "Income Taxes" ("ASC 740"), which prescribes a single, comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. This guidance requires us to evaluate whether it is more likely than not, based on the technical merits of a tax position, that the benefits resulting from the position will be realized by us.

Accounts Receivable and Allowance for Doubtful Accounts. We extend unsecured credit to our institutions' students for tuition and fees, and we record a receivable for the tuition and fees earned in excess of the payment received from or on behalf of a student. The individual student balances of these receivables are insignificant. We record an allowance for doubtful accounts with respect to accounts receivable based on our historical collection experience. If our collection trends were to differ significantly from our historical collection experience, we would make a corresponding adjustment to our allowance for doubtful accounts.

When a student is no longer enrolled in an education program at one of our campuses, we increase the allowance for doubtful accounts related to the former student's receivable balance to reflect the amount we estimate will not be collected. The amount that we estimate will not be collected is based on a review of the historical collection experience for each campus, adjusted as needed to reflect other facts and circumstances. We review the collection activity after a student withdraws or graduates from an education program and will write off the accounts receivable, if we conclude that collection of the balance is not probable.

Private Education Loans. We consolidate two VIEs that purchased, own and collect private education loans made to our students in our consolidated financial statements. Beginning on February 28, 2013, we consolidated the PEAKS Trust in our consolidated financial statements, and beginning on September 30, 2014, we consolidated the CUSO in our consolidated financial statements.

Certain of the Private Education Loans had evidence of credit deterioration since the date those loans were originated and, therefore, we determined that, at the date of the PEAKS Consolidation and the CUSO Consolidation, it was probable that all contractually required payments under the applicable loans would not be collected. We recorded those loans at fair value at the date of the PEAKS Consolidation and the CUSO Consolidation, as applicable. We also recorded at fair value the Private Education Loans that did not individually have evidence of deteriorated credit quality at the date of the PEAKS Consolidation and the CUSO Consolidation, because we determined that the application of an expected cash flow model provided the most reasonable presentation and this accounting treatment was consistent with the American Institute of Certified Public Accountants' (the "AICPA") December 18, 2009 Confirmation Letter (the "Confirmation Letter"). No allowance for loan losses was recorded at the date of the PEAKS Consolidation or the CUSO Consolidation, because all of the Private Education Loans were recorded at fair value and future credit losses are considered in the estimate of fair value. Cash flows from the Private Education Loans expected to be collected within the 12 month period after December 31, 2015 have been classified as current on our Consolidated Balance Sheet. The remaining balance is classified as non-current.

As of the date of the applicable Consolidation, we aggregated the PEAKS Trust Student Loans into 24 separate pools of loans and the CUSO Student Loans into 48 separate pools of loans, based on common risk characteristics of the loans, which included:

- the fiscal quarter in which the Private Education Loan was purchased by the PEAKS Trust or the CUSO; and
- the consumer credit score of the borrower.

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Loans that did not have evidence of deteriorated credit quality were not aggregated in the same pools with loans that had evidence of deteriorated credit quality. The same aggregation criteria, however, were used to determine those loan pools. Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

On a quarterly basis subsequent to the PEAKS Consolidation and the CUSO Consolidation, as applicable, we estimate the total principal and interest expected to be collected over the remaining life of each loan pool. These estimates include assumptions regarding default rates, forbearances and other factors that reflect then-current market conditions. Prepayments of loans were not considered when estimating the expected cash flows, because, historically, few Private Education Loans have been prepaid.

If a decrease in the expected cash flows of a loan pool is probable and would cause the expected cash flows to be less than the expected cash flows at the end of the previous fiscal quarter, we would record the impairment as:

- a provision for private education loan losses in our Consolidated Statement of Operations; and
- an increase in the allowance for loan losses on our Consolidated Balance Sheets.

The provision for private education loan losses represents the increase in the allowance for loan losses that occurred during the period, offset by recoveries received from private education loans that were charged off prior to the PEAKS Consolidation and CUSO Consolidation. The allowance for loan losses is the difference between the carrying value and the total present value of the expected principal and interest collections of each loan pool, discounted by the loan pool's effective interest rate at the end of the previous fiscal quarter. If a significant increase in the expected cash flows of a loan pool is probable and would cause the expected cash flows to be greater than the expected cash flows at the end of the previous fiscal quarter, we would:

- first reverse any allowance for loan losses with respect to that loan pool that was previously recorded on our Consolidated Balance Sheet, up to the amount of that allowance; and
- record any remaining increase prospectively as a yield adjustment over the remaining estimated lives of the loans in the loan pool.

The impact of prepayments, changes in variable interest rates and any other changes in the timing of the expected cash flows of a loan pool are recognized prospectively as adjustments to interest income.

The impact of modifications made to loans in a loan pool is incorporated into our quarterly assessment of whether a significant change in the expected cash flows of the loan pool is probable or has occurred. We consider the historical loss experience associated with the Private Education Loans in estimating the future probabilities of default for all of the outstanding Private Education Loans.

The excess of any cash flows expected to be collected with respect to a loan pool of the Private Education Loans over the carrying value of the loan pool is referred to as the accretable yield. The accretable yield is not reported on our Consolidated Balance Sheets, but it is accreted and included as interest income at a level rate of return over the remaining estimated life of the loan pool. If we determine that the timing and/or amounts of expected cash flows with respect to a loan pool are not reasonably estimable, no interest income would be accreted and the loans in that loan pool would be reported as nonaccrual loans. We recognize the accretable yield of the Private Education Loans as interest income, because the timing and the amounts of the expected cash flows are reasonably estimable.

If a Private Education Loan is paid in full or charged-off, that loan is removed from the loan pool. If the amount of the proceeds received for that loan, if any, is less than the unpaid principal balance of the loan, the difference is first applied against the loan pool's nonaccretable difference for principal losses (i.e., the lifetime credit loss estimate established at the date of the related Consolidation). If the nonaccretable difference for principal losses with respect to a loan pool has been fully depleted, any unpaid loan principal balance in excess of the proceeds received for the loan is charged-off against the loan pool's allowance for loan losses. We do not recognize charge-offs of individual Private Education Loans when those loans reach certain stages of delinquency, because those loans are accounted for at a loan pool level.

If any portion of a Private Education Loan that had previously been charged-off is recovered, the amount collected increases the applicable loan pool's nonaccretable difference. If the nonaccretable difference with respect to the applicable loan pool has been fully depleted, the amount collected increases that loan pool's allowance for loan losses. If amounts are recovered from Private Education Loans that were not recognized on our Consolidated Balance Sheet at the time of the PEAKS Consolidation or CUSO Consolidation (because it was estimated that they had no value), we recognize the amount of these recoveries in our Consolidated Statements of Operations as a reduction to the provision for loan losses.

Fair Value. ASC 820, "Fair Value Measurements" ("ASC 820"), defines fair value for financial reporting as the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value measurement of our financial assets utilized assumptions categorized as observable inputs under ASC 820. Observable inputs are assumptions based on independent market data sources.

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The following table sets forth information regarding the recurring fair value measurement of our financial assets as of December 31, 2015:

Description	As of December 31, 2015	Fair Value Measurements at Reporting Date Using (Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
		(In thousands)		
Cash equivalents:				
Money market fund	$ 130,821	$ 130,821	$ 0	$ 0
Restricted cash:				
Money market fund	585	585	0	0
Collateral deposits:				
Money market fund	8,631	8,631	0	0
	$ 140,037	$ 140,037	$ 0	$ 0

We used quoted prices in active markets for identical assets as of the measurement date to value our financial assets that were categorized as Level 1.

Property and Equipment. We include all property and equipment in the financial statements at cost and make provisions for depreciation of property and equipment using the straight-line method. The following table sets forth the general ranges of the estimated useful lives of our property and equipment:

Type of Property and Equipment	Estimated Useful Life
Furniture and equipment	3 to 10 years
Leasehold, building and land improvements	3 to 14 years
Buildings	20 to 40 years

Changes in circumstances, such as changes in our curricula and technological advances, may result in the actual useful lives of our property and equipment differing from our estimates. We regularly review and evaluate the estimated useful lives of our property and equipment. Although we believe that our assumptions and estimates are reasonable, deviations from our assumptions and estimates could produce a materially different result.

Long-Lived Assets. We regularly review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable. If we determine that the carrying value of the long-lived asset exceeds its fair market value, we recognize an impairment loss equal to the difference. We base our impairment analyses of long-lived assets on our current business strategy, expected growth rates and estimates of future economic and regulatory conditions. We evaluate each note receivable individually for impairment.

Goodwill and Other Indefinite-Lived Intangible Assets. Goodwill and certain other intangible assets (primarily our trademarks) are not amortized, because there are no legal, regulatory, contractual, economic or other factors that limit the useful life of those intangible assets. Intangible assets that are not amortized (indefinite-lived intangible assets) are subject to evaluation for impairment. We perform this evaluation annually, during the fourth quarter, or more frequently if facts and circumstances warrant. These facts and circumstances may include a significant long-term decrease in our market capitalization based on events specific to our operations, as well as deteriorating operating results and current period and projected future operating results that negatively differ from the operating plans used in the most recent impairment analysis. We also consider changes in the accreditation, regulatory or legal environment, increased competition; innovation changes and changes in the market acceptance of our educational programs and the graduates of those programs, among other factors, when determining whether an interim impairment analysis is warranted.

We assess whether goodwill or other indefinite-lived intangible assets may be impaired by determining the estimated fair value of the reporting unit and comparing that value to the carrying value of the reporting unit. If the carrying value of the reporting unit

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exceeds the estimated fair value of the reporting unit, we allocate the estimated fair value of the reporting unit to the assets (including intangible assets) and liabilities of the reporting unit, with the residual representing the implied fair value of goodwill. We recognize an impairment loss if, and to the extent that, the carrying value of the goodwill or other indefinite-lived intangible asset exceeds its estimated fair value.

Contingent Liabilities. We are subject to various claims and contingencies, including those related to litigation, government investigations, business transactions, guarantee obligations and employee-related matters, among others. When we are aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs associated with the claim or potential claim. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible and the amount involved is material.

Prior to the CUSO Consolidation, we determined the amount of our contingent liability for our guarantee obligations related to the CUSO Program by estimating the expected payments to be made by us under the guarantee and the amount that we expected to be repaid to us. We also considered the payment options available to us. To the extent that we projected that we would have sufficient funds available to pay the full amount of the outstanding balance of those private education loans that have been charged off at the time that they default to satisfy our guarantee obligations, we incorporated that assumption into our estimate of the contingent liability. If we did not believe that we would have sufficient funds available, we assumed that we would make monthly payments to satisfy our guarantee obligations related to the CUSO Program. We discounted the amount of those expected future monthly payments at a risk-free rate of interest. Making payments for the full amount of the charged-off loans at the time that they default results in us paying a lesser amount than we otherwise would have been required to pay under our guarantee obligations in future periods and, therefore, results in an estimated contingent liability that is less than if we had assumed we would make monthly payments in the future.

The difference between the amount of the guarantee payments that we expected to make and the amount that we expected would be repaid to us, each discounted at a risk-free rate of interest, as applicable, was included in our estimate of the amount of our contingent liability related to our guarantee obligations under the CUSO Program prior to the date of the CUSO Consolidation. Beginning on September 30, 2014, we no longer record a contingent liability related to the CUSO Program on our Consolidated Balance Sheet because the contingent liability was eliminated upon the CUSO Consolidation.

PEAKS Senior Debt. In accordance with ASC 810, we included the PEAKS Senior Debt on our Consolidated Balance Sheet at its fair value as of February 28, 2013, the date of the PEAKS Consolidation. The difference between the fair value of the PEAKS Senior Debt and its outstanding aggregate principal balance at the date of the PEAKS Consolidation was recorded as an accrued discount on our Consolidated Balance Sheet at the date of the PEAKS Consolidation. The accrued discount is being recognized in interest expense using the interest method based on the actual and projected cash flows, over the expected life of the PEAKS Senior Debt.

CUSO Secured Borrowing Obligation. The CUSO Participants purchased participation interests in the CUSO Student Loans from the CUSO. The terms of the agreements between the CUSO Participants and the CUSO did not meet the requirements under ASC 860, "Transfers and Servicing" ("ASC 860"), to be considered a sale. As a result, the CUSO was required to record a liability (the "CUSO Secured Borrowing Obligation") on its balance sheet for the cash received from the CUSO Participants. The CUSO Secured Borrowing Obligation represents the estimated amount that the CUSO owes to the CUSO Participants related to their participation interests in the CUSO Student Loans, which amount is expected to be paid to the CUSO Participants by the CUSO from payments received by the CUSO related to the CUSO Student Loans, whether from the borrower or from us under the CUSO RSA.

In accordance with ASC 810, we included the CUSO Secured Borrowing Obligation on our Consolidated Balance Sheet at its fair value as of September 30, 2014, the date of the CUSO Consolidation. The difference between the estimated fair value of the CUSO Secured Borrowing Obligation and the amount expected to be paid by the CUSO to the CUSO Participants was recorded as an accrued discount on our Consolidated Balance Sheet at the date of the CUSO Consolidation. The accrued discount is being recognized in interest expense, using the interest method based on the actual and projected cash flows, over the expected life of the CUSO Secured Borrowing Obligation.

The expected life of the CUSO Secured Borrowing Obligation is an estimate of the period of time over which payments are expected to be made by the CUSO to the CUSO Participants related to their participation interests in the CUSO Student Loans. The period of time over which payments are expected to be made by the CUSO to the CUSO Participants is based on when the CUSO Student Loans enter a repayment status and the period of time they remain in a repayment status. Since all of the CUSO Student Loans have not entered repayment, and those loans that have entered repayment may be granted forbearances or deferments, the period of time over which payments are expected to be made to the CUSO Participants is an estimate. The assumptions used to estimate the expected life of the CUSO Secured Borrowing Obligation are reviewed periodically and updated accordingly, which may result in an adjustment to the expected life of the CUSO Secured Borrowing Obligation and the related recognized interest expense.

New Accounting Guidance

For a discussion of applicable new accounting guidance, see Note 2 – New Accounting Guidance of the Notes to Consolidated Financial Statements.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of our business, we are subject to fluctuations in interest rates that could impact the cost of our financing activities and guarantee obligations. Our primary interest rate risk exposure results from changes in short-term interest rates, the LIBOR and the U.S. prime rate.

Changes in the LIBOR would affect the borrowing costs associated with the Financing Agreement and the PEAKS Senior Debt. Changes in the U.S. prime rate would affect the interest cost of the Private Education Loans. We estimate that the market risk can best be measured by a hypothetical 100 basis point increase in the LIBOR or U.S. prime rate. If such a hypothetical increase in the LIBOR or U.S. prime rate were to occur, the effect on our results from operations and cash flows would not have been material for the year ended December 31, 2015.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item appears on pages F-1 through F-68 of this Annual Report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We are responsible for establishing and maintaining disclosure controls and procedures ("DCP") that are designed to ensure that information required to be disclosed by us in the reports filed by us under the Exchange Act is: (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (b) accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosures. In designing and evaluating our DCP, we recognize that any controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving the desired control objectives.

We conducted an evaluation pursuant to Rule 13a-15 of the Exchange Act of the effectiveness of the design and operation of our DCP as of December 31, 2015. This evaluation was conducted under the supervision (and with the participation) of our management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our DCP were not effective at the reasonable assurance level as of December 31, 2015, because of a material weakness (the "Material Weakness") in our ICFR described in Management's Report on Internal Control Over Financial Reporting included in this filing. Notwithstanding the Material Weakness, our management, based on the substantial work performed, concluded that our consolidated financial statements for the periods covered by and included in this Annual Report on Form 10-K are fairly stated in all material respects in accordance with GAAP for each of the periods presented in this Annual Report on Form 10-K.

2014 and 2015 Material Weaknesses

We disclosed in Management's Report on Internal Control Over Financial Reporting of our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2014, that there were three material weaknesses in our ICFR as of December 31, 2014 (the "2014 Material Weaknesses"). Specifically, we did not maintain effective internal controls related to:

- the assessment of the completeness and accuracy of the data obtained from third parties related to the private education loans that are owned by variable interest entities that we were required to consolidate;
- the aggregation of design and operating effectiveness control deficiencies related to property and equipment, including logical access controls related to information systems relevant to property and equipment, the design of controls over the impairment of long-lived assets and the design and operation of review controls over accounting for leasehold improvements, which lead to individually immaterial adjustments; and
- the aggregation of control deficiencies relating to design and operation of review controls over the financial close and reporting and income tax reporting processes, which lead to individually immaterial adjustments.

We committed to remediating the control deficiencies that constituted the 2014 Material Weaknesses by implementing changes to our ICFR. In 2015, we implemented measures designed to remediate the underlying causes of the control deficiencies that gave rise to the 2014 Material Weaknesses, including, without limitation:

- engaging a third-party consultant to assist us in our review and testing of the private education loan data that we receive from the servicer;
- separating responsibilities related to information system access;
- enhancing the level of the precision of the review controls related to our financial close and reporting and income tax processes; and
- engaging supplemental internal and external resources.

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Our management concluded that, as of December 31, 2015, the remedial measures were sufficient to remediate two of the three 2014 Material Weaknesses. While measures were implemented in an effort to remediate the third deficiency from the 2014 Material Weaknesses regarding the review controls over our financial close and reporting process, it was determined that the review controls related to our financial close and reporting process over the PEAKS Senior Debt balances reported in the consolidated financial statements were deficient as of December 31, 2015. The remediation measures that were implemented in the fourth quarter of 2015 did identify an error in the PEAKS Senior Debt balance, which led to the Restatements of previously reported financial statements, as described elsewhere in this Annual Report on Form 10-K. However, the process related to the investigation and resolution of the identified issue was considered to be deficient. As a result, our management concluded that a material weakness in our ICFR existed as of December 31, 2015 related to a deficiency in the design and operation of a review control over the financial close and reporting process specific to the PEAKS Senior Debt balances reported in the financial statements, including:

- appropriate reconciliation of the reported amounts and related amortization of the discount recorded against the PEAKS Senior Debt balance; and
- adequacy of the depth, sufficiency and number of resources with the technical expertise available in our accounting and finance group to appropriately identify, research, analyze and conclude upon the accounting treatment.

Because certain corrective actions specific to this deficiency have not been fully implemented as of the date of this report, the deficiency was not considered remediated as of December 31, 2015.

Management's Plan for Remediation

Our management and Board of Directors are committed to the remediation of the Material Weakness, as well as the continued improvement of our overall system of ICFR. We are in the process of implementing measures to remediate the underlying causes of the control deficiency that gave rise to the Material Weakness, which primarily include engaging additional and supplemental internal and external resources.

We believe these measures will remediate the control deficiency. While we have completed some of these measures as of the date of this report, we have not completed all of the corrective processes, procedures and related evaluation or remediation that we believe are necessary to determine whether the Material Weakness has been remediated. Therefore, the Material Weakness has not been remediated as of the date of this report. As we continue to evaluate and work to remediate the control deficiency that gave rise to the Material Weakness, we may determine that additional measures are required to address the control deficiency.

We are committed to maintaining a strong internal control environment, and believe that these remediation actions will represent improvements in our ICFR when they are fully implemented. Certain remediation steps, however, have not been implemented or have not had sufficient time to be fully integrated in the operations of our ICFR. As a result, the identified Material Weakness will not be considered remediated until controls have been designed and/or controls are in operation for a sufficient period of time for our management to conclude that the control environment is operating effectively. Additional remediation measures may be required, which may require additional implementation time. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluation of our ICFR and DCP.

As we continue to evaluate and work to remediate the Material Weakness and enhance our ICFR and DCP, we may determine that we need to modify or otherwise adjust the remediation measures described above. As a result, we cannot assure you that our remediation efforts will be successful or that our ICFR or DCP will be effective as a result of those efforts.

Changes in Internal Control Over Financial Reporting

We evaluated the changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2015 and concluded that, except for enhancing the level of precision of certain of our controls related to our financial close and reporting and income tax reporting processes, there were no changes in our ICFR that occurred during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Management's Annual Report on Internal Control over Financial Reporting. Our management's report on internal control over financial reporting appears on page F-1 of this Annual Report and is incorporated herein by reference.

The effectiveness of our ICFR as of December 31, 2015 has been audited by Deloitte & Touche LLP ("Deloitte"), our independent registered public accounting firm, based on the criteria established in the *Internal Control Integrated Framework* (2013) issued by The Committee of Sponsoring Organizations of the Treadway Commission, as stated in its report dated March 14, 2016, which appears beginning on page F-3 of this Annual Report and is incorporated herein by reference.

Item 9B. Other Information.

On March 12, 2016, we and John E. Dean, our Executive Chairman, entered into an Amendment No. 1 to the John E. Dean Letter Agreement, pursuant to which the Letter Agreement, dated August 4, 2014, between us and Mr. Dean is amended to change Mr. Dean's annual base salary from $575,000 to $200,000.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The information required by this Item concerning our audit committee members and financial expert, code of ethics and disclosure of delinquent Section 16 filers is incorporated herein by reference to our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

The following is the biographical information with respect to our directors and our executive officers as of March 1, 2016. Unless otherwise specified, the occupation of each individual has been the same for the past five years.

C. David Brown II, age 64, has been Chairman of Broad and Cassel, a law firm based in Florida, since March 2000. From 1989 until March 2000, he was Managing Partner of the Orlando office of the firm. Mr. Brown joined the firm in 1980. Mr. Brown is the immediate past Chairman of the Board of Trustees for the University of Florida. Mr. Brown is also a member of the board of directors of CVS Health Corporation, Rayonier Advanced Materials Inc., a leading specialty cellulose production company, and Orlando Health, a major health care provider serving Florida. During the past five years, he was also a director of Rayonier, Inc. Mr. Brown has been a director of ours since April 2015.

Jerry M. Cohen, age 64, retired as a senior partner of Deloitte in June 2014. Mr. Cohen joined Deloitte in 1973, and served for over 40 years with that firm, providing business advisory and audit services to a wide range of global organizations, including small, mid and large cap multinational public companies. Mr. Cohen worked with corporate boards of directors to develop, enhance and support corporate strategy and functioned as an advisor to senior executives and members of boards of directors. During his career, Mr. Cohen also served in a wide variety of strategic and leadership roles at Deloitte, including: managing partner, Philadelphia office; member of the Mid-Atlantic Executive Committee; regional managing partner – Assurance and Advisory Operations, Midwest; member of the Assurance and Advisory Management Committee; and member of the Assurance and Advisory Partner Evaluation and Compensation Committee. Mr. Cohen has been a Director of ours since September 2014.

John F. Cozzi, age 54, has served as a partner of AEA Investors LP, a private equity firm, since January 2004. Mr. Cozzi has been a Director of ours since October 2003.

John E. Dean, age 65, has served as our Executive Chairman since August 4, 2014. Mr. Dean is an attorney who has specialized in higher education law since April 1985. Mr. Dean has served as a principal of Washington Partners, LLC, a public affairs firm, since June 2002. Mr. Dean also was a partner at the Law Offices of John E. Dean from June 2005 through December 2015. Mr. Dean has been a Director of ours since December 1994.

Joanna T. Lau, age 57, has served as chairperson and chief executive officer of Lau Acquisition Corporation (doing business as LAU Technologies), a management consulting and investment firm, since March 1990. She is also a director of DSW Inc. Ms. Lau has been a Director of ours since October 2003.

Thomas I. Morgan, age 62, served as chairman of Baker & Taylor, Inc. ("B&T"), a distributor of physical and digital books, entertainment products and value-added services, from July 2008 until January 2014. He served as chief executive officer of B&T from July 2008 through January 2013. Prior to that, Mr. Morgan served as chief executive officer of Hughes Supply, Inc., a diversified wholesale distributor of construction, repair and maintenance-related products, from May 2003 until his retirement in March 2006. Mr. Morgan is also a director of Rayonier Advanced Materials, Inc. and Tech Data Corporation. During the past five years, Mr. Morgan was also a director of Rayonier, Inc. Mr. Morgan previously served as a Director of ours from May 2006 to June 2008, and currently has served as a Director of ours since January 2013.

Samuel L. Odle, age 66, has been a senior policy advisor for Bose Public Affairs Group, a public affairs consulting firm, since October 2012. He has also acted as a consultant, primarily in the healthcare and life sciences fields, since July 2012. Prior to that, he served as president and chief executive officer of Methodist Hospital ("MH") and Indiana University Hospital ("IUH") and executive vice president of Indiana University Health (formerly Clarian Health Partners) ("IU Health"), an Indianapolis-based private, non-profit healthcare organization comprised of MH, IUH and Riley Hospital for Children, since July 2004. Mr. Odle has been a Director of ours since January 2006.

Vin Weber, age 63, has served as co-chairman and partner of Mercury Public Affairs LLC (doing business as Mercury), a public affairs and lobbying firm, since October 2011. Mr. Weber was a partner at Clark & Weinstock Inc. ("C&W") from 1994 until October 2011 and was the chief executive officer of C&W from 2007 until October 2011. During the past five years, he was also a director of Lenox Group, Inc. Mr. Weber has been a Director of ours since December 1994.

Kevin M. Modany, age 49, has served as our Chief Executive Officer since April 2007. Mr. Modany served as a Director of ours from July 2006 until August 2014 and as our Chairman from February 2008 until August 2014. He also served as our President from April 2005 through March 2009.

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Eugene W. Feichtner, age 60, has served as our President and Chief Operating Officer since August 2014. Mr. Feichtner served as an Executive Vice President and as President, ITT Technical Institute Division from April 2009 until August 2014. He served as our Senior Vice President, Operations from March 2004 through March 2009.

Angela K. Knowlton, age 53, has served as our Senior Vice President, Controller and Treasurer since March 2010 and was designated as our principal accounting officer in November 2014. She served as our Vice President, Controller and Treasurer from February 2006 to March 2010.

June M. McCormack, age 67, has served as an Executive Vice President since April 2009 and as our President, Online Division since May 2008. Ms. McCormack also served as our Interim Chief Information Officer from May 2012 through November 2012 and from June 2013 through September 2013.

Ryan L. Roney, age 43 has served as our Executive Vice President, Chief Administrative and Legal Officer and Secretary since July 2014. Mr. Roney served as the chief legal officer, executive vice president of business development and corporate secretary of Vistage International, Inc., a chief executive membership organization, from December 2012 until July 2014. Prior to that, he served as the chief ethics and compliance officer of Powerwave Technologies, Inc., a global supplier of end-to-end wireless solutions for wireless communications networks from June 2011 until November 2012. From October 2000 until March 2011, Mr. Roney served in various roles with Smiths Group, PLC, most recently as general counsel of Smiths Detection, a provider of regulated technology products and advanced services from August 2002 through March 2011.

Glenn E. Tanner, age 68, has served as our Executive Vice President, Chief Marketing Officer since April 2009. He served as our Senior Vice President, Marketing from April 2007 through March 2009.

Rocco F. Tarasi, III, age 44, has served as our Executive Vice President, Chief Financial Officer since January 25, 2016 and prior to that, as our interim Chief Financial Officer beginning August 1, 2015. He served as Senior Vice President, President – The Center for Professional Development from January 2013 until August 2015. He served as our Vice President, Finance – Corporate Strategy and Development from October 2011 through January 2013. Mr. Tarasi was the co-founder of BrainCredits Corporation, an education start-up, from August 2010 through October 2011, and served as managing director, policyIQ for Resources Global Professionals, a multinational professional services firm, from July 2003 through August 2010.

Item 11. Executive Compensation.

The information required of this Item concerning remuneration of our executive offers and directors, material transactions involving such executive officers and directors and Compensation Committee interlocks, as well as the Compensation Committee Report, are incorporated herein by reference to our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item concerning the stock ownership of management, five percent beneficial owners and securities authorized for issuance under equity compensation plans is incorporated herein by reference to our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item concerning certain relationships and related person transactions, and director independence is incorporated herein by reference to our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

Item 14. Principal Accountant Fees and Services.

The information required by this Item concerning the fees and services of our independent registered public accounting firm and our Audit Committee actions with respect thereto is incorporated herein by reference to our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements:

	Page No. In This Filing
Management's Report on Internal Control Over Financial Reporting	F-1
Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	F-2
Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	F-3
Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	F-5
Consolidated Balance Sheets as of December 31, 2015 and 2014	F-6
Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013	F-7
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	F-9
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013	F-10
Notes to Consolidated Financial Statements	F-11

2. Financial Statement Schedules:

   Schedule II – Valuation and Qualifying Accounts of the Company for the years ended December 31, 2015, 2014 and 2013 appear on page F-66 of this Annual Report.

3. Quarterly Financial Results for 2015 and 2014 (unaudited) appear on page F-67 of this Annual Report.

4. Exhibits:

   A list of exhibits required to be filed as part of this report is set forth in the Index to Exhibits appearing on pages S-2 through S-11 of this Annual Report, which immediately precedes such exhibits, and is incorporated herein by reference.

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Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act ("ICFR"). Our ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of our records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions;
- provide reasonable assurance that our transactions are recorded as necessary to permit the preparation of our financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors (as appropriate); and
- provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Reasonable assurance, as defined in Section 13(b)(7) of the Exchange Act, is the level of detail and degree of assurance that would satisfy prudent officials in the conduct of their own affairs in devising and maintaining a system of internal accounting controls.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we assessed the effectiveness of our ICFR as of December 31, 2015. Our assessment included extensive documenting, evaluating and testing of the design and operating effectiveness of our ICFR. In making this assessment, our management used the criteria for the *Internal Control-Integrated Framework (2013)* set forth by The Committee of Sponsoring Organizations of the Treadway Commission. These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. Based on our assessment using these criteria, our management has identified a control deficiency that constituted a material weakness in our ICFR as of December 31, 2015, as described below. A material weakness is a deficiency, or a combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our management has concluded that there was a deficiency in the design and operation of a review control over the financial close and reporting process specific to the PEAKS Senior Debt balances reported in the financial statements, including:

- appropriate reconciliation of the reported amounts and related amortization of the discount recorded against the PEAKS Senior Debt balance; and
- adequacy of the depth, sufficiency and number of resources with the technical expertise available in our accounting and finance group to appropriately identify, research, analyze and conclude upon the accounting treatment.

Our management determined this control deficiency could result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected on a timely basis. As a result, our management determined that this deficiency constituted a material weakness in our ICFR as of December 31, 2015, and our ICFR was not effective as of that date.

The effectiveness of our ICFR as of December 31, 2015 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in its accompanying report.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ITT Educational Services, Inc.
Carmel, Indiana

We have audited the accompanying consolidated balance sheets of ITT Educational Services, Inc. and subsidiaries (the "Company") as of December 31, 2015 and December 31, 2014, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and shareholders' equity for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITT Educational Services, Inc. and subsidiaries as of December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 16 to the consolidated financial statements, the Company is subject to risks and uncertainties including claims and contingencies arising from litigation and governmental investigations and increasing liquidity pressures that could affect amounts reported in the Company's financial statements in future periods.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2016 expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

/s/ Deloitte & Touche LLP
Indianapolis, Indiana
March 14, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ITT Educational Services, Inc.
Carmel, Indiana

We have audited the internal control over financial reporting of ITT Educational Services, Inc. and subsidiaries (the "Company") as of December 31, 2015 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on that risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment:

A deficiency in the design and operation of a review control over the financial close and reporting process specific to the PEAKS Trust Senior Debt balances reported in the financial statements, including:

- Appropriate reconciliation of the reported amounts and related amortization of the discount recorded against the PEAKS Trust Senior Debt balance,
- Adequacy of the depth, sufficiency and number of resources with the technical expertise available in the Company's accounting and finance group to appropriately identify, research, analyze and conclude upon the accounting treatment.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015, of the Company and this report does not affect our report on such financial statements and financial statement schedule.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015, of the Company and our report dated March 14, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule

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and included an explanatory paragraph regarding risks and uncertainties including claims and contingencies arising from litigation and governmental investigations and increasing liquidity pressures that could affect amounts reported in the Company's financial statements in future periods.

/s/ Deloitte & Touche LLP
Indianapolis, Indiana
March 14, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
ITT Educational Services, Inc.

In our opinion, the consolidated statements of operations, comprehensive income (loss), cash flows and shareholders' equity for the year ended December 31, 2013 present fairly, in all material respects, the results of operations and cash flows of ITT Educational Services, Inc. and its subsidiaries for the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2013 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 16 to the consolidated financial statements, the Company is subject to risks and uncertainties including litigation, governmental investigations and increasing liquidity pressures that could affect amounts reported in the Company's financial statements in future periods.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Indianapolis, Indiana
October 15, 2014

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ITT EDUCATIONAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	As of December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 130,897	$ 135,937
Restricted cash	6,015	6,040
Accounts receivable, less allowance for doubtful accounts of $268 and $2,351	48,837	46,383
Private education loans	8,480	10,584
Deferred income taxes	26,440	34,547
Prepaid expenses and other current assets	22,429	57,923
Total current assets	243,098	291,414
Property and equipment, net	142,164	157,072
Private education loans, excluding current portion, less allowance for loan losses of $23,612 and $44,392	62,161	80,292
Deferred income taxes	71,817	71,719
Collateral deposits	91,168	97,932
Other assets	53,606	54,409
Total assets	$ 664,014	$ 752,838
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 68,521	$ 9,635
Current portion of PEAKS Trust senior debt	20,105	37,545
Current portion of CUSO secured borrowing obligation	23,591	20,813
Accounts payable	59,753	67,848
Accrued compensation and benefits	12,425	12,264
Other current liabilities	31,973	27,153
Deferred revenue	113,739	147,475
Total current liabilities	330,107	322,733
Long-term debt, excluding current portion	0	86,714
PEAKS Trust senior debt, excluding current portion	30,701	48,166
CUSO secured borrowing obligation, excluding current portion	91,728	101,267
Other liabilities	50,342	51,886
Total liabilities	502,878	610,766
Commitments and contingent liabilities (Note 15)		
Shareholders' equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized, none issued	0	0
Common stock, $.01 par value, 300,000,000 shares authorized, 37,068,904 issued	371	371
Capital surplus	181,160	198,883
Retained earnings	987,223	963,737
Accumulated other comprehensive (loss) income	(1,693)	1,201
Treasury stock, 13,394,834 and 13,619,010 shares, at cost	(1,005,925)	(1,022,120)
Total shareholders' equity	161,136	142,072
Total liabilities and shareholders' equity	$ 664,014	$ 752,838

The accompanying notes are an integral part of the consolidated financial statements.

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ITT EDUCATIONAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Revenue	$849,826	$961,783	$1,072,311
Costs and expenses:			
Cost of educational services	390,610	460,782	486,353
Student services and administrative expenses	343,676	389,116	397,541
Goodwill and asset impairment	5,203	2,454	0
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	26,093	32,008	6,923
Loss related to loan program guarantees	0	2,019	90,964
Provision for private education loan losses, net	5,083	14,150	29,349
Total costs and expenses	770,665	900,529	1,011,130
Operating income	79,161	61,254	61,181
Gain (loss) on consolidation of variable interest entities	0	16,631	(73,248)
Interest income	86	65	108
Interest (expense)	(39,847)	(37,808)	(25,277)
Income (loss) before provision for income taxes	39,400	40,142	(37,236)
Provision (benefit) for income taxes	16,102	16,822	(10,212)
Net income (loss)	$ 23,298	$ 23,320	$ (27,024)
Earnings (loss) per share:			
Basic	$ 0.99	$ 0.99	$ (1.15)
Diluted	$ 0.97	$ 0.98	$ (1.15)
Weighted average shares outstanding:			
Basic	23,651	23,474	23,412
Diluted	23,957	23,681	23,412

The accompanying notes are an integral part of the consolidated financial statements.

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ITT EDUCATIONAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net income (loss)	$23,298	$23,320	$(27,024)
Other comprehensive income (loss), net of tax:			
Net actuarial pension (loss) gain, net of income tax of $1,364, $683 and $6,811	(2,159)	(1,077)	10,755
Net actuarial pension loss amortization, net of income tax of $0, $0 and $790	1	0	1,247
Prior service cost (credit) amortization, net of income tax of $602, $603 and $604	(953)	(952)	(951)
Pension settlement, net of income tax of $137, $53 and $17	217	84	25
Other comprehensive income (loss), net of tax	(2,894)	(1,945)	11,076
Comprehensive income (loss)	$20,404	$21,375	$(15,948)

The accompanying notes are an integral part of the consolidated financial statements.

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ITT EDUCATIONAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	$ 23,298	$ 23,320	$ (27,024)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	21,973	26,456	27,252
Provision for doubtful accounts	35,195	63,928	67,640
Deferred income taxes	7,671	38,291	(54,102)
Stock-based compensation expense	5,786	10,336	11,638
Settlement payments	(4,500)	0	(46,000)
Goodwill and asset impairment	5,203	2,454	0
Accretion of discount on private education loans	(11,603)	(12,170)	(12,996)
Accretion of discount on long-term debt	2,491	118	0
Accretion of discount on PEAKS Trust senior debt	4,902	16,220	4,926
Accretion of discount on CUSO secured borrowing obligation	845	231	0
Provision for private education loan losses	5,083	14,150	29,349
(Gain) loss on consolidation of variable interest entities	0	(16,631)	73,248
Other	(504)	(613)	315
Changes in operating assets and liabilities, net of acquisition:			
Restricted cash	25	2,334	(455)
Accounts receivable	(37,649)	(10,010)	(87,225)
Private education loans	26,755	18,552	11,554
Accounts payable	(9,394)	9,591	(5,574)
Other operating assets and liabilities	34,869	(48,624)	73,880
Deferred revenue	(33,736)	(1,156)	11,299
Net cash flows from operating activities	76,710	136,777	77,725
Cash flows from investing activities:			
Capital expenditures	(7,405)	(6,092)	(5,147)
Acquisition of company, net of cash acquired	0	(5,220)	(7,150)
Collateralization of letters of credit	88,662	(89,304)	0
Collateral and escrowed funds	(81,895)	0	0
Proceeds from repayment of notes	0	293	461
Purchases of investments	(3)	(2)	(1,242)
Net cash flows from investing activities	(641)	(100,325)	(13,078)
Cash flows from financing activities:			
Debt issue costs	0	(4,938)	0
Proceeds from term borrowings	0	100,000	0
Repayment of term debt and revolver borrowings	(30,319)	(50,000)	(90,000)
Repayment of PEAKS Trust senior debt	(39,807)	(158,668)	(1,946)
Repayment of CUSO secured borrowing obligation	(10,351)	(1,766)	0
Common shares tendered for taxes	(632)	(914)	(395)
Net cash flows from financing activities	(81,109)	(116,286)	(92,341)
Net change in cash and cash equivalents	(5,040)	(79,834)	(27,694)
Cash and cash equivalents at beginning of period	135,937	215,771	243,465
Cash and cash equivalents at end of period	$130,897	$ 135,937	$215,771
Supplemental disclosures of cash flow information:			
Cash paid (refunded) during the period for:			
Income taxes (net of refunds)	$ (17,359)	$ 14,466	$ 61,131
Interest	$ 23,276	$ 20,897	$ 3,310
Non-cash operating activities:			
Consolidation of variable interest entities assets	$ 0	$ 30,136	$113,819
Consolidation of variable interest entities liabilities	$ 0	$ 2,564	$ 471
Non-cash operating and investing activities:			
Accrued capital expenditures	$ 1,564	$ 236	$ 0
Non-cash financing activities:			
Issuance of treasury stock for Directors' compensation	$ 206	$ 38	$ 0
Consolidation of PEAKS Trust senior debt	$ 0	$ 0	$226,096
Consolidation of CUSO secured borrowing obligation	$ 0	$ 122,542	$ 0

The accompanying notes are an integral part of the consolidated financial statements.

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ITT EDUCATIONAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars and shares in thousands)

	Common Stock		Capital	Retained	Accumulated Other Comprehensive	Common Stock in Treasury		
	Shares	Amount	Surplus	Earnings	Income (Loss)	Shares	Amount	Total
Balance as of December 31, 2012	37,069	$ 371	$197,113	$967,473	$ (7,930)	(13,744)	$ (1,031,262)	$125,765
Net (loss)				(27,024)				(27,024)
Other comprehensive income, net of income tax					11,076			11,076
Equity award vesting			(3,297)			68	3,297	0
Tax benefit from equity awards			(5,414)					(5,414)
Stock-based compensation			11,638					11,638
Shares tendered for taxes						(23)	(395)	(395)
Balance as of December 31, 2013	37,069	371	200,040	940,449	3,146	(13,699)	(1,028,360)	115,646
Net income				23,320				23,320
Other comprehensive (loss), net of income tax					(1,945)			(1,945)
Equity award vesting			(7,084)			121	7,084	0
Tax benefit from equity awards			(4,409)					(4,409)
Stock-based compensation			10,336					10,336
Shares tendered for taxes						(42)	(914)	(914)
Issuance of shares for Directors' compensation				(32)		1	70	38
Balance as of December 31, 2014	37,069	371	198,883	963,737	1,201	(13,619)	(1,022,120)	142,072
Net income				23,298				23,298
Other comprehensive (loss), net of income tax					(2,894)			(2,894)
Equity award vesting			(16,809)			334	16,809	0
Tax benefit from equity awards			(6,700)					(6,700)
Stock-based compensation			5,786					5,786
Shares tendered for taxes						(112)	(632)	(632)
Issuance of shares for Directors' compensation				188		2	18	206
Balance as of December 31, 2015	37,069	$ 371	$181,160	$987,223	$ (1,693)	(13,395)	($ 1,005,925)	$161,136

The accompanying notes are an integral part of the consolidated financial statements.

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ITT EDUCATIONAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data and unless otherwise stated)

1. Business and Significant Accounting Policies

Business Overview. ITT Educational Services, Inc. is a leading proprietary provider of postsecondary degree programs in the United States based on revenue and student enrollment. References in these Notes to "we", "us" and "our" refer to ITT Educational Services, Inc., its wholly-owned subsidiaries and the variable interest entities ("VIEs") that it consolidates, unless the context requires or indicates otherwise. As of December 31, 2015, we were offering:

- master, bachelor and associate degree programs to approximately 45,000 students at ITT Technical Institute and Daniel Webster College locations; and
- short-term information technology and business learning solutions for individuals.

In addition, we offered one or more of our online education programs to students who are located in all 50 states. As of December 31, 2015, we had 138 campus locations in 39 states. All of our campus locations are authorized by the applicable education authorities of the states in which they operate and are accredited by an accrediting commission recognized by the U.S. Department of Education ("ED"). We have provided career-oriented education programs since 1969 under the "ITT Technical Institute" name and since 2009 under the "Daniel Webster College" name. In January 2014, we acquired certain assets and assumed certain liabilities of CompetenC Solutions, Inc. and Great Equalizer, Inc. CompetenC Solutions, Inc. and Great Equalizer, Inc. were education companies that operated primarily under the name of Ascolta ("Ascolta") and offered short-term information technology and business learning solutions for career advancers and other professionals. In August 2013, we acquired all of the membership interests of Cable Holdings, LLC ("Cable Holdings"), an education company that offered short-term information technology and business learning solutions for career advancers and other professionals. See Note 3 – Acquisitions, for additional discussion of the acquisitions of the Ascolta business and Cable Holdings. Our corporate headquarters are located in Carmel, Indiana.

Basis of Presentation. The accompanying consolidated financial statements include the accounts of our wholly-owned subsidiaries and the VIEs that we consolidate, and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Arrangements where we have a variable interest in another party are evaluated in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ™ ("ASC" or "Codification") 810, "Consolidation" ("ASC 810"), to determine whether we are required to consolidate the other party in our consolidated financial statements. See Note 8 – Variable Interest Entities, for a further discussion of the VIEs in which we held a variable interest and the consolidation of those entities in our consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013. All intercompany balances and transactions are eliminated upon consolidation. We review the operations of our business on a regular basis to determine our reportable operating segments, as defined in ASC 280, "Segment Reporting." As of December 31, 2015, 2014 and 2013, we reported our financial results under one reportable operating segment.

Use of Estimates. The preparation of these consolidated financial statements, in accordance with GAAP, requires estimates and assumptions that affect amounts reported and disclosed in our consolidated financial statements and accompanying notes. Actual results could differ materially from the estimates. Significant accounting estimates and assumptions are used for, but not limited to:

- the allowance for doubtful accounts;
- the allowance for private education loan losses;
- useful lives of tangible and intangible assets;
- goodwill and asset impairments;
- fair value of the assets and liabilities of the VIEs upon consolidation;
- fair value of the assets acquired and liabilities assumed related to acquisitions;
- self-insurance;
- pension liabilities;
- stock-based compensation;
- guarantee obligations;
- income tax valuation allowances and unrecognized income tax benefits; and
- litigation liabilities.

Our accounting estimates may be adjusted or refined due to changes in the facts and circumstances supporting the accounting estimates. Such changes and refinements are reflected in our consolidated financial statements in the period in which they are made and, if material, their effects are disclosed in our consolidated financial statements.

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Cash Equivalents. Highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents.

Restricted Cash. The funds from the federal student financial aid programs under Title IV ("Title IV Programs") of the Higher Education Act of 1965, as amended ("HEA"), and certain other monies transferred to us by electronic funds transfer, are subject to holding restrictions before they can be drawn into our cash account. The funds subject to these holding periods are identified as restricted cash until they are applied to the students' accounts. In addition, funds held for students from Title IV Programs that result in a credit balance on a student's account are also reflected as restricted cash on our Consolidated Balance Sheet. The amount of these funds included on our Consolidated Balance Sheet was $585 as of December 31, 2015 and $1,967 as of December 31, 2014.

We consolidated two VIEs in our consolidated financial statements, one beginning on February 28, 2013 and the other beginning on September 30, 2014. Funds held by these VIEs are classified as restricted cash on our Consolidated Balance Sheets, because those funds can only be used to satisfy the obligations of the related VIE. Funds held by the VIEs included in restricted cash on our Consolidated Balance Sheet were $5,430 as of December 31, 2015 and $4,073 as of December 31, 2014.

Collateral Deposits. We have provided cash collateral and escrowed funds for:

- our guarantee obligations to a VIE;
- workers' compensation obligations;
- letters of credit issued for our account; and
- regulatory requirements.

The amount of the cash collateral and escrowed funds provided for these purposes is included in the line item Collateral deposits on our Consolidated Balance Sheets. The funds held as cash collateral and escrowed funds are not available for use by us.

We maintain an escrow account to secure our guarantee obligation to the VIE that we consolidated in our consolidated financial statements beginning September 30, 2014. The amount of funds that are required to be held in the escrow account is based on a percentage of the aggregate principal balance of the private education loans associated with our guarantee obligation to the VIE. We may be required to increase the amount held in this escrow account if we are not in compliance with certain covenants. The amount of funds in this escrow account was $8,631 as of December 31, 2015 and $8,628 as of December 31, 2014. See Note 15 – Commitments and Contingencies, for a further discussion of the collateral requirements associated with our guarantee obligation.

In December 2015, we provided cash collateral to one of our insurance carriers to secure our obligations in connection with certain workers' compensation insurance policies instead of issuing a letter of credit. We can replace the cash collateral with a letter of credit at our option at any time. As of December 31, 2015, the amount of funds that we had deposited with the insurance carrier was $2,187. We deposited an additional $593 of cash collateral for our workers' compensation obligations in January 2016.

Beginning in 2014, we were required to provide cash collateral in an amount equal to 109% of the face amount of a letter of credit payable to the ED ("ED Letter of Credit") and 103% of the face amount of all other letters of credit issued for our account. The balance of this cash collateral was $109 as of December 31, 2015 and $89,304 as of December 31, 2014. Of the amount as of December 31, 2014, $86,882 related to the letter of credit that was issued on October 31, 2014 to the ED. The funds held as cash collateral could be paid to the issuing bank for the letters of credit if the letters of credit are drawn upon and remain subject to such potential use until the cancellation, termination, expiration or reduction of the face amount of the outstanding letters of credit.

On December 16, 2015, we entered into an agreement with the ED ("ED Agreement") to provide funds to the ED for the ED to maintain in an escrow account in lieu of the ED Letter of Credit. As of December 31, 2015 the amount of funds held by the ED ("ED Escrowed Funds") was $79,708. See Note 15 – Commitments and Contingencies.

Accounts Receivable and Allowance for Doubtful Accounts. We extend unsecured credit to our institutions' students for tuition and fees, and we record a receivable for the tuition and fees earned in excess of the payment received from or on behalf of a student. The average student receivable balance is insignificant. We record an allowance for doubtful accounts with respect to accounts receivable based on our historical collection experience. If our collection trends were to differ significantly from our historical collection experience, we would make a corresponding adjustment to our allowance for doubtful accounts.

When a student is no longer enrolled in an education program at one of our campuses, we increase the allowance for doubtful accounts related to the former student's receivable balance to reflect the amount we estimate will not be collected. The amount that we estimate will not be collected is based on a review of the historical collection experience for our campuses, adjusted as needed to reflect other facts and circumstances. We review the collection activity after a student withdraws or graduates from an education program and write off the accounts receivable, if we conclude that collection of the balance is not probable.

Private Education Loans. We consolidate two VIEs that purchased, own and collect private education loans made to our students in our consolidated financial statements. Beginning on February 28, 2013, we consolidated a VIE, which is a trust (the "PEAKS Trust") that purchased, owns and collects private education loans (the "PEAKS Trust Student Loans") made under a private education loan program for our students (the "PEAKS Program"), in our consolidated financial statements (the "PEAKS Consolidation"). Beginning on September 30, 2014, we consolidated a VIE (the "CUSO") that purchased, owns and collects private education loans (the "CUSO Student Loans") made under a private education loan program for our students (the "CUSO Program"), in our consolidated financial statements (the "CUSO Consolidation").

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Certain of the PEAKS Trust Student Loans and the CUSO Student Loans (collectively, the "Private Education Loans") had evidence of credit deterioration since the date those loans were originated and, therefore, we determined that, at the date of the PEAKS Consolidation and the CUSO Consolidation, it was probable that all contractually required payments under the applicable loans would not be collected. We recorded those loans at fair value at the date of the PEAKS Consolidation and the CUSO Consolidation, as applicable. We also recorded at fair value the Private Education Loans that did not individually have evidence of deteriorated credit quality at the date of the PEAKS Consolidation and the CUSO Consolidation, because we determined that the application of an expected cash flow model provided the most reasonable presentation and this accounting treatment was consistent with the American Institute of Certified Public Accountants' (the "AICPA") December 18, 2009 Confirmation Letter (the "Confirmation Letter"). No allowance for loan losses was recorded at the date of the PEAKS Consolidation or the CUSO Consolidation, because all of the Private Education Loans were recorded at fair value and future credit losses are considered in the estimate of fair value. Cash flows from the Private Education Loans expected to be collected within the 12 month period after December 31, 2015 have been classified as current on our Consolidated Balance Sheet. The remaining balance is classified as non-current.

As of the date of the applicable Consolidation, we aggregated the PEAKS Trust Student Loans into 24 separate pools of loans and the CUSO Student Loans into 48 separate pools of loans, based on common risk characteristics of the loans, which included:

- the fiscal quarter in which the Private Education Loan was purchased by the PEAKS Trust or the CUSO; and
- the consumer credit score of the borrower.

Loans that did not have evidence of deteriorated credit quality were not aggregated in the same pools with loans that had evidence of deteriorated credit quality. The same aggregation criteria, however, were used to determine those loan pools. Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

On a quarterly basis subsequent to the PEAKS Consolidation and the CUSO Consolidation, as applicable, we estimate the total principal and interest expected to be collected over the remaining life of each loan pool. These estimates include assumptions regarding default rates, forbearances and other factors that reflect then-current market conditions. Prepayments of loans were not considered when estimating the expected cash flows, because historically, few Private Education Loans have been prepaid.

If a decrease in the expected cash flows of a loan pool is probable and would cause the expected cash flows to be less than the expected cash flows at the end of the previous fiscal quarter, we would record the impairment as:

- a provision for private education loan losses in our Consolidated Statement of Operations; and
- an increase in the allowance for loan losses on our Consolidated Balance Sheets.

The provision for private education loan losses represents the increase in the allowance for loan losses that occurred during the period. The allowance for loan losses is the difference between the carrying value and the total present value of the expected principal and interest collections of each loan pool, discounted by the loan pool's effective interest rate at the end of the previous fiscal quarter. If a significant increase in the expected cash flows of a loan pool is probable and would cause the expected cash flows to be greater than the expected cash flows at the end of the previous fiscal quarter, we would:

- first reverse any allowance for loan losses with respect to that loan pool that was previously recorded on our Consolidated Balance Sheet, up to the amount of that allowance; and
- record any remaining increase prospectively as a yield adjustment over the remaining estimated lives of the loans in the loan pool.

The impact of prepayments, changes in variable interest rates and any other changes in the timing of the expected cash flows of a loan pool are recognized prospectively as adjustments to interest income.

The impact of modifications made to loans in a loan pool is incorporated into our quarterly assessment of whether a significant change in the expected cash flows of the loan pool is probable or has occurred. We consider the historical loss experience associated with the Private Education Loans in estimating the future probabilities of default for all of the outstanding Private Education Loans.

The excess of any cash flows expected to be collected with respect to a loan pool of the Private Education Loans over the carrying value of the loan pool is referred to as the accretable yield. The accretable yield is accreted and included as interest income at a level rate of return over the remaining estimated life of the loan pool. If we determine that the timing and/or amounts of expected cash flows with respect to a loan pool are not reasonably estimable, no interest income would be accreted and the loans in that loan pool would be reported as nonaccrual loans. We recognize the accretable yield of the Private Education Loans as interest income, because the timing and the amounts of the expected cash flows are reasonably estimable.

If a Private Education Loan is paid in full or charged-off, that loan is removed from the loan pool. If the amount of the proceeds received for that loan, if any, is less than the unpaid principal balance of the loan, the difference is first applied against the loan pool's

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nonaccretable difference for principal losses (i.e., the lifetime credit loss estimate established at the date of the related Consolidation). If the nonaccretable difference for principal losses with respect to a loan pool has been fully depleted, any unpaid loan principal balance in excess of the proceeds received for the loan is charged-off against the loan pool's allowance for loan losses. We do not recognize charge-offs of individual Private Education Loans when those loans reach certain stages of delinquency, because those loans are accounted for at a loan pool level.

If any portion of a Private Education Loan that had previously been charged-off is recovered, the amount collected increases the applicable loan pool's nonaccretable difference. If the nonaccretable difference with respect to the applicable loan pool has been fully depleted, the amount collected increases that loan pool's allowance for loan losses. If amounts are recovered from Private Education Loans that were not recognized on our Consolidated Balance Sheet at the time of the PEAKS Consolidation or the CUSO Consolidation (because it was estimated that they had no value), we recognize the amount of these recoveries in our Consolidated Statements of Operations as a reduction to the provision for loan losses.

Property and Equipment. Property and equipment is recorded on our consolidated financial statements at cost, less accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred. Expenditures that extend the useful lives of our assets are capitalized.

Developed or purchased software is capitalized in accordance with ASC 350, "Intangibles – Goodwill and Other." Facility construction costs are capitalized as incurred, with depreciation commencing when the facility is placed in service.

Provisions for depreciation and amortization of property and equipment have generally been made using the straight-line method over the following ranges of useful lives:

Type of Property and Equipment	Estimated Useful Life
Furniture and equipment	3 to 10 years
Leasehold, building and land improvements	3 to 14 years
Buildings	20 to 40 years

We amortize leasehold improvements using the straight-line method over the shorter of the life of the improvement or the term of the underlying lease. Land is not depreciated.

Long-Lived Assets. We review our long-lived assets (which are primarily property and equipment) for possible impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We assess the recoverability of the carrying value of the long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

An impairment of a long-lived asset or asset group exists when the carrying value of a long-lived asset or asset group exceeds the total amount of the estimated undiscounted future cash flows from that asset or asset group. An impairment loss is measured and recognized based on the amount of the difference between the estimated fair value and carrying value of the asset or asset group. We base our impairment analyses of long-lived assets on our current business strategy, expected growth rates and estimates of future economic and regulatory conditions. The estimated cash flows used in the evaluation of impairment and the fair value used to determine the impairment are based on assumptions. Changes in assumptions resulting from changes in actual results from those anticipated may result in a future impairment charge.

Goodwill and Other Indefinite-Lived Intangible Assets. Goodwill and certain other intangible assets (primarily trademarks) are not amortized, because there are no legal, regulatory, contractual, economic or other factors that limit the useful life of those intangible assets. Intangible assets that are not amortized (indefinite-lived intangible assets) are subject to evaluation for impairment. We perform this evaluation annually, during the fourth quarter, or more frequently if facts and circumstances warrant. Certain triggering events are considered by us when evaluating whether an interim impairment analysis is warranted. These events may include a significant long-term decrease in our market capitalization based on events specific to our operations, as well as deteriorating operating results and current period and projected future operating results that negatively differ from the operating plans used in the most recent impairment analysis. We also consider changes in the accreditation, regulatory or legal environment; increased competition; innovation changes; and changes in the market acceptance of our educational programs and the graduates of those programs, among other factors, when determining whether an interim impairment analysis is warranted.

We assess whether goodwill or other indefinite-lived intangible assets may be impaired by determining the estimated fair value of the reporting unit and comparing that value to the carrying value of the reporting unit. If the carrying value of the reporting unit exceeds the estimated fair value of the reporting unit, we allocate the estimated fair value of the reporting unit to the assets (including intangible assets) and liabilities of the reporting unit, with the residual representing the implied fair value of goodwill. We recognize an impairment loss if, and to the extent that, the carrying value of the goodwill or other indefinite-lived intangible asset exceeds its estimated fair value.

Insurance Liabilities. We record liabilities and related expenses for medical, workers compensation and other insurance in accordance with the contractual terms of the insurance policies. We record the total liabilities that are estimable and probable as of the reporting date for our insurance liabilities that we self-insure. The accounting for our self-insured arrangements involves estimates and judgments to determine the liability to be recorded for reported claims and claims incurred but not reported. We consider our historical experience in determining the appropriate insurance liability to record. If our current insurance claim trends were to differ significantly from our historic claim experience, however, we would make a corresponding adjustment to our insurance liability.

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Contingent Liabilities. We are subject to various claims and contingencies, including those related to litigation, government investigations, business transactions, guarantee obligations and employee-related matters, among others. When we are aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs associated with the claim or potential claim. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible and the amount involved is material.

Prior to the CUSO Consolidation, we determined the amount of our contingent liability for our guarantee obligations related to the CUSO Program by estimating the expected payments to be made by us under the guarantee and the amount that we expected to be repaid to us. We also considered the payment options available to us. To the extent that we projected that we would have sufficient funds available to pay the full amount of the outstanding balance of those private education loans that have been charged off at the time that they default to satisfy our guarantee obligations, we incorporated that assumption into our estimate of the contingent liability. If we did not believe that we would have sufficient funds available, we assumed that we would make monthly payments to satisfy our guarantee obligations related to the CUSO Program. We discounted the amount of those expected future monthly payments at a risk-free rate of interest. Making payments for the full amount of the charged-off loans at the time that they default results in us paying a lesser amount than we otherwise would have been required to pay under our guarantee obligations in future periods and, therefore, results in an estimated contingent liability that is less than if we had assumed we would make monthly payments in the future.

The difference between the amount of the guarantee payments that we expected to make and the amount that we expected would be repaid to us, each discounted at a risk-free rate of interest, as applicable, was included in our estimate of the amount of our contingent liability related to our guarantee obligations under the CUSO Program prior to the date of the CUSO Consolidation. Beginning on September 30, 2014, we no longer record a contingent liability related to the CUSO Program on our Consolidated Balance Sheets because the contingent liability was eliminated upon the CUSO Consolidation.

Debt. The PEAKS Trust issued senior debt in the initial aggregate principal amount of $300,000 (the "PEAKS Senior Debt"). In accordance with ASC 810, we included the PEAKS Senior Debt on our Consolidated Balance Sheet at its fair value as of February 28, 2013, the date of the PEAKS Consolidation. The difference between the fair value of the PEAKS Senior Debt and its outstanding aggregate principal balance at the date of the PEAKS Consolidation was recorded as an accrued discount on our Consolidated Balance Sheet at the date of the PEAKS Consolidation. The accrued discount is being recognized in interest expense, using the interest method based on the actual and projected cash flows, over the expected life of the PEAKS Senior Debt.

Commitment fees and other amounts that we paid to or on behalf of a third-party lender to realize the proceeds of debt financing have been recorded as a discount to the associated debt on our Consolidated Balance Sheets and are amortized into interest expense using the interest method.

CUSO Secured Borrowing Obligation. The owners of the CUSO (the "CUSO Participants") purchased participation interests in the CUSO Student Loans from the CUSO. The terms of the agreements between the CUSO Participants and the CUSO did not meet the requirements under ASC 860, "Transfers and Servicing," to be considered a sale. As a result, the CUSO was required to record a liability (the "CUSO Secured Borrowing Obligation") on its balance sheet for the cash received from the CUSO Participants. The CUSO Secured Borrowing Obligation represents the estimated amount that the CUSO owes to the CUSO Participants related to their participation interests in the CUSO Student Loans, which amount is expected to be paid to the CUSO Participants by the CUSO from payments received by the CUSO related to the CUSO Student Loans, whether from the borrower or from us under the risk-sharing agreement (the "CUSO RSA") that we entered into with the CUSO on February 20, 2009.

In accordance with ASC 810, we included the CUSO Secured Borrowing Obligation on our Consolidated Balance Sheet at its fair value as of September 30, 2014, the date of the CUSO Consolidation. The difference between the estimated fair value of the CUSO Secured Borrowing Obligation and the amount expected to be paid by the CUSO to the CUSO Participants was recorded as an accrued discount on our Consolidated Balance Sheet at the date of the CUSO Consolidation. The accrued discount is being recognized in interest expense, using the interest method based on the actual and projected cash flows, over the expected life of the CUSO Secured Borrowing Obligation.

The expected life of the CUSO Secured Borrowing Obligation is an estimate of the period of time over which payments are expected to be made by the CUSO to the CUSO Participants related to their participation interests in the CUSO Student Loans. The period of time over which payments are expected to be made by the CUSO to the CUSO Participants is based on when the CUSO Student Loans enter a repayment status and the period of time they remain in a repayment status. Since all of the CUSO Student Loans have not entered repayment, and those loans that have entered repayment may be granted forbearances or deferments, the period of time over which payments are expected to be made to the CUSO Participants is an estimate. The assumptions used to estimate the expected life of the CUSO Secured Borrowing Obligation are reviewed periodically and updated accordingly, which may result in an adjustment to the expected life of the CUSO Secured Borrowing Obligation and the related recognized interest expense.

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Treasury Stock. Repurchases of outstanding shares of our common stock are recorded at cost. Treasury stock issued in fulfillment of stock-based compensation awards or other obligations is accounted for under the last in, first out method. We record "losses" from the sale of treasury stock that exceed previous net "gains" from the sale of treasury stock as a charge to retained earnings.

Recognition of Revenue. Tuition revenue is recorded on a straight-line basis over the length of the applicable course to the extent that we consider the collectability of that revenue to be reasonably assured. If a student withdraws from an institution, the standards of most state education authorities that regulate our institutions, the accrediting commissions that accredit our institutions and our own internal policy limit a student's obligation for tuition and fees to the institution depending on when a student withdraws during an academic term ("Refund Policies"). The terms of the Refund Policies vary by state, and the limitations imposed by the Refund Policies are generally based on the portion of the academic term that has elapsed at the time the student withdraws. Generally, the greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the institution for the tuition and fees related to that academic term. We record revenue net of any refunds that result from any applicable Refund Policy. On an individual student basis, tuition earned in excess of cash received is recorded as accounts receivable, and cash received in excess of tuition earned is recorded as deferred revenue.

We do not charge a separate fee for textbooks that students use in their education programs. We record the cost of these textbooks in Prepaid expenses and other current assets and amortize the cost of textbooks on a straight-line basis over the applicable course length. Tool kit sales, and the related cost, are recognized when the student receives the tool kit. Academic fees (which are charged only one time to students on their first day of class attendance) are recognized as revenue on a straight-line basis over the average length of the education program. If a student withdraws from an institution, all unrecognized revenue relating to his or her fees, net of any refunds that result from any applicable Refund Policy, is recognized upon the student's departure. An administrative fee is charged to a student and recognized as revenue when the student withdraws or graduates from an education program at an institution. We reassess the collectability of tuition revenue on a student-by-student basis throughout our revenue recognition period. We reassess the collectability of tuition revenue that we may earn based on new information and changes in the facts and circumstances relevant to a student's ability to pay, which primarily include when a student withdraws from a program of study.

We report 12 weeks of tuition revenue in each of our four fiscal quarters. We standardized the number of weeks of revenue reported in each fiscal quarter, because the timing of student breaks in a calendar quarter can fluctuate from quarter to quarter each year. The total number of weeks of school during each year is 48.

We provide institutional scholarships and awards to our institutions' students, which those students use to help reduce their educational expenses. Institutional scholarships and awards reduce the students' tuition charges and are recorded as offsets to revenue in the period in which the tuition is earned.

Interest income on the Private Education Loans, which is the accretion of the accretable yield on the Private Education Loans, is included in revenue and recognized based on the effective interest method as described in Note 9 – Private Education Loans.

Advertising Costs. We expense all advertising costs as incurred. Advertising expense, which is included in Student services and administrative expenses in our Consolidated Statements of Operations, was $167,927 in the year ended December 31, 2015, $177,564 in the year ended December 31, 2014 and $177,791 in the year ended December 2013.

Equity-Based Compensation. Stock-based compensation cost for our equity instruments exchanged for employee and director services is measured at the date of grant, based on the calculated fair value of the grant and is recognized as an expense on a straight-line basis over the period of time that the grantee must provide services to us before the stock-based compensation is fully vested. The vesting period is generally the period set forth in the agreement granting the stock-based compensation. Under the terms of our stock-based compensation plans, some grants immediately vest in full when the grantee's employment or service terminates due to death or disability. As a result, in certain circumstances, the period of time that the grantee provides services to us in order for that stock-based compensation to fully vest may be less than the vesting period set forth in the agreement granting the stock-based compensation. In these instances, compensation expense will be recognized over this shorter period.

We use a binomial option pricing model to determine the fair value of stock options granted and we use the market price of our common stock to determine the fair value of restricted stock units ("RSUs") granted. The binomial option pricing model takes into account the variables defined below:

- "Volatility" is a statistical measure of the extent to which the stock price is expected to fluctuate during a period and combines our historical stock price volatility and the implied volatility as measured by actively traded stock options.
- "Expected life" is the weighted average period that those stock options are expected to remain outstanding, based on the historical patterns of our stock option exercises, as adjusted to reflect the current position-level demographics of the stock option grantees.
- "Risk-free interest rate" is based on interest rates for terms that are similar to the expected life of the stock options.
- "Dividend yield" is based on our historical and expected future dividend payment practices.

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We generally issue shares of our common stock from treasury shares upon the exercise of stock options or vesting of RSUs. As of December 31, 2015, approximately 13.4 million shares of our common stock were held in treasury. Our Board of Directors has authorized us to repurchase outstanding shares of our common stock, but we do not expect to repurchase any outstanding shares of our common stock in 2016.

Operating Leases. We lease our non-owned facilities under operating lease agreements. Common provisions within our operating lease agreements include:

- renewal options, which can be exercised after the initial lease term;
- rent escalation clauses;
- tenant improvement allowances; and
- rent holidays.

We record the rent expense associated with each operating lease agreement evenly over the term of the lease. The difference between the amount of rent expense recorded and the amount of rent actually paid is recorded as either prepaid or accrued rent, which is included in Other assets or Other liabilities, on our Consolidated Balance Sheets. We recognize a liability for the costs to terminate the lease of a leased facility when we cease using that leased facility.

Income Taxes. We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax bases and financial reporting bases of our assets and liabilities.

We follow the guidance under ASC 740, "Income Taxes" ("ASC 740"), which prescribes a single, comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on its tax returns. This guidance requires us to evaluate whether it is more likely than not, based on the technical merits of a tax position, that the benefits resulting from the position will be realized by us.

We record interest and penalties related to unrecognized tax benefits in income tax expense.

2. New Accounting Guidance

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, "Leases" ("ASU 2016-02"), which is included in the Codification under ASC 840, "Leases" ("ASC 840"). This guidance introduces a new lessee model that brings substantially all leases on the balance sheet and represents a significant change to lease accounting. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2019, with early adoption permitted. We are assessing the impact that ASU 2016-02 may have on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes" ("ASU 2015-17"), which is included in the Codification under ASC 740. This guidance simplifies the presentation of deferred income taxes by requiring that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2017. Earlier adoption is permitted as of the beginning of an interim or annual reporting period. The amendments in ASU 2015-17 may be applied either prospectively to all deferred income tax liabilities and assets or retrospectively to all periods presented. We are assessing the impact that this guidance may have on our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement Period Adjustments" ("ASU 2015-16"), which is included in the Codification under ASC 805, "Business Combinations" ("ASC 805"). This guidance simplifies the accounting for adjustments made to provisional amounts recognized in a business combination and requires that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is also required to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts. In addition, an entity is required to present separately on the face of its financial statements or disclose in the notes to its financial statements, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance became effective for our interim and annual reporting periods beginning January 1, 2016. We do not expect the adoption of ASU 2015-16 to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory" ("ASU 2015-11"), which is included in the Codification under ASC 330, "Inventory" ("ASC 330"). This guidance requires inventory to be measured at the lower of cost and net realizable value under certain circumstances. Current guidance requires inventory to be measured at the lower of cost or market value, where market value could be either replacement cost, net realizable value, or net realizable value less a normal profit margin. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2017, with early adoption permitted. We do not expect the adoption of ASU 2015-11 to have a material impact on our consolidated financial statements.

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In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"), which is included in the Codification under ASC 835, "Interest" ("ASC 835"). This guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that liability. These standards became effective for our interim and annual reporting periods beginning January 1, 2016, with early adoption permitted. We do not expect the adoption of ASU 2015-03 to have a material impact on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendment to the Consolidation Analysis" ("ASU 2015-02"), which is included in the Codification under ASC 810. This guidance changes the analysis that an entity must perform to determine whether it should consolidate certain types of legal entities. This guidance became effective for our interim and annual reporting periods beginning January 1, 2016, with early adoption permitted. We do not expect the adoption of ASU 2015-02 to have a material impact on our consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement – Extraordinary and Unusual Items" ("ASU 2015-01"), which is included in the Codification under ASC 225, "Income Statement" ("ASC 225"). This guidance eliminates the concept of extraordinary items from GAAP. This guidance became effective for our interim and annual reporting periods beginning January 1, 2016, with early adoption permitted. We do not expect the adoption of ASU 2015-01 to have a material impact on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements – Going Concern" ("ASU 2014-15"), which is included in the Codification under ASC 205, "Presentation of Financial Statements" ("ASC 205"). This guidance was issued to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosure in certain circumstances. Under the new guidance, management is required to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and to provide related disclosures. The guidance will be effective for our interim and annual reporting periods beginning January 1, 2017, with early adoption permitted. We are assessing the impact that this guidance may have on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which is included in the Codification under ASC 606, "Revenue From Contracts With Customers" ("ASC 606"). This guidance requires the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods or services. Originally, this guidance was to become effective for our interim and annual reporting periods beginning January 1, 2017. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 by one year. Therefore, ASU 2014-09 will become effective for our interim and annual reporting periods beginning January 1, 2018. Early adoption is permitted, but not any earlier than the original effective date. We are assessing the impact that this guidance may have on our consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"), which is included in the Codification under ASC 205. This update changes the requirements for reporting discontinued operations and clarifies when disposals of groups of assets qualify for a discontinued operations presentation under ASC 205. This guidance became effective for our interim and annual reporting periods beginning January 1, 2015. The adoption of ASU 2014-08 did not have a material impact on our consolidated financial statements.

3. Acquisitions

On January 31, 2014, we acquired certain assets and assumed certain liabilities of CompetenC Solutions, Inc. and Great Equalizer, Inc. for approximately $5,220. CompetenC Solutions, Inc. and Great Equalizer, Inc. were education companies that operated primarily under the name of Ascolta and offered short-term information technology and business learning solutions for career advancers and other professionals. The acquisition of the Ascolta business allowed us to expand our offerings in the short-term learning solutions market by integrating the Ascolta operations into the Center for Professional Development @ ITT Technical Institute (the "CPD").

Our consolidated financial statements include the results of the Ascolta business beginning as of the acquisition date. The revenue and expenses of the Ascolta business included in our Consolidated Statement of Operations for the year ended December 31, 2014 were not significant. Our revenue, net income and earnings per share would not have been significantly affected, if the revenue and expenses of the Ascolta business were presented for the year ended December 31, 2014 and 2013 as if the transaction had occurred at the beginning of the earliest period presented. The costs incurred to acquire the Ascolta business were expensed and were not significant.

We accounted for the acquisition of the Ascolta business in accordance with ASC 805, which requires the use of the acquisition method of accounting for all business combinations. The excess of the consideration paid over the estimated fair values of the identifiable net assets acquired was recognized as goodwill and is expected to be deductible for income tax purposes. The identifiable intangible assets acquired consist of customer relationships and non-compete agreements, which are being amortized over a weighted-average life of approximately five years.

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The following table sets forth the estimated fair values allocated to the major classes of assets acquired and liabilities assumed in the Ascolta business acquisition as of the acquisition date:

	Assets Acquired	Liabilities Assumed
Accounts receivable and other current assets	$ 849	
Furniture and equipment	370	
Identifiable intangible assets	1,670	
Goodwill	3,332	
Other liabilities		$ 1,001

On August 1, 2013, we acquired all of the membership interests of Cable Holdings for $7,150 in cash, net of cash acquired. Cable Holdings was an education company that operated under the name of Benchmark Learning and offered short-term information technology and business learning solutions for career advancers and other professionals. The acquisition of Cable Holdings allowed us to immediately begin operating in the short-term learning solutions market, and we integrated Cable Holdings' operations into the CPD.

Our consolidated financial statements include the results of Cable Holdings from the acquisition date. The revenue and expenses of Cable Holdings included in our Consolidated Statements of Operations for the year ended December 31, 2013 were not significant. Our revenue, net income and earnings per share would not have been significantly affected, if the revenue and expenses of Cable Holdings were presented for the year ended December 31, 2013 as if the transaction had occurred at the beginning of the earliest period presented. The costs incurred to acquire Cable Holdings were expensed and were not significant.

We accounted for the acquisition of Cable Holdings in accordance with ASC 805. The excess of the consideration paid over the estimated fair values of the identifiable net assets acquired was recognized as goodwill and is expected to be deductible for income tax purposes. The identifiable intangible assets acquired consist of customer relationships, non-compete agreements and training materials, which are being amortized over a weighted-average life of approximately five years.

The following table sets forth the estimated fair values allocated to the major classes of assets acquired and liabilities assumed in the Cable Holdings acquisition as of the acquisition date:

	Assets Acquired	Liabilities Assumed
Accounts receivable and other current assets	$ 1,110	
Furniture and equipment	480	
Identifiable intangible assets	2,390	
Goodwill	3,958	
Accounts payable and other liabilities		$ 788

In 2015, the goodwill associated with the acquisition of the Ascolta business and Cable Holdings was fully written-off. See Note 11 – Goodwill and Other Intangibles, for additional discussion of the write-off of the goodwill.

4. Fair Value and Credit Risk of Financial Instruments

Fair value for financial reporting is defined as the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value measurement of our financial assets utilized assumptions categorized as observable inputs under the accounting guidance. Observable inputs are assumptions based on independent market data sources.

The following table sets forth information regarding the recurring fair value measurement of our financial assets as reflected on our Consolidated Balance Sheet as of December 31, 2015:

		Fair Value Measurements at Reporting Date Using		
Description	As of December 31, 2015	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Cash equivalents:				
Money market fund	$ 130,821	$ 130,821	$ 0	$ 0
Restricted cash:				
Money market fund	585	585	0	0
Collateral deposits:				
Money market fund	8,631	8,631	0	0
	$ 140,037	$ 140,037	$ 0	$ 0

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The following table sets forth information regarding the recurring fair value measurement of our financial assets as reflected on our Consolidated Balance Sheet as of December 31, 2014:

		Fair Value Measurements at Reporting Date Using		
Description	As of December 31, 2014	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Cash equivalents:				
Money market fund	$ 60,960	$ 60,960	$ 0	$ 0
Restricted cash:				
Money market fund	1,967	1,967	0	0
Collateral deposits:				
Money market fund	8,628	8,628	0	0
	$ 71,555	$ 71,555	$ 0	$ 0

We used quoted prices in active markets for identical assets as of the measurement dates to value our financial assets that were categorized as Level 1.

The carrying value for cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and other current liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. We did not have any financial assets or liabilities recorded at estimated fair value on a non-recurring basis on our Consolidated Balance Sheets as of December 31, 2015 or 2014.

The carrying value of the Private Education Loans was $70,641 as of December 31, 2015 and $90,876 as of December 31, 2014. The estimated fair value of the Private Education Loans was approximately $81,335 as of December 31, 2015 and approximately $101,623 as of December 31, 2014. The fair value of the Private Education Loans was estimated using the income approach with estimated discounted expected cash flows. We utilized inputs that were unobservable in determining the estimated fair value of the Private Education Loans. The significant inputs used in determining the estimated fair value included the default rate, repayment rate and discount rate. Fair value measurements that utilize significant unobservable inputs are categorized as Level 3 measurements under the accounting guidance.

As of December 31, 2015, the carrying value of our debt under our Financing Agreement (as defined in Note 12 – Debt) was $68,521 and the estimated fair value was approximately $70,000. As of December 31, 2014, each of the carrying value and the estimated fair value of our debt under our Financing Agreement was approximately $96,349. The fair value of our debt under the Financing Agreement was estimated by discounting the future expected cash flows using current rates for similar loans with similar characteristics and remaining maturities. We utilized inputs that were unobservable in determining the estimated fair value of our debt under the Financing Agreement. Fair value measurements that utilize significant unobservable inputs are categorized as Level 3 measurements under the accounting guidance.

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The carrying value of the PEAKS Senior Debt was $50,806 as of December 31, 2015 and $85,711 as of December 31, 2014. The estimated fair value of the PEAKS Senior Debt was approximately $47,000 as of December 31, 2015 and approximately $85,000 as of December 31, 2014. The fair value of the PEAKS Senior Debt was estimated using the income approach with estimated discounted expected cash flows. We utilized inputs that were unobservable in determining the estimated fair value of the PEAKS Senior Debt. The significant input used in determining the estimated fair value was the discount rate utilized for both credit and liquidity purposes. Fair value measurements that utilize significant unobservable inputs are categorized as Level 3 measurements under the accounting guidance.

The carrying value of the CUSO Secured Borrowing Obligation was $115,319 as of December 31, 2015 and $121,007 as of December 31, 2014. The estimated fair value of the CUSO Secured Borrowing Obligation was approximately $87,000 as of December 31, 2015 and $116,933 as of December 31, 2014. The fair value of the CUSO Secured Borrowing Obligation was estimated using the income approach with estimated discounted expected cash flows. We utilized inputs that were unobservable in determining the estimated fair value of the CUSO Secured Borrowing Obligation. The significant input used in determining the estimated fair value was the discount rate utilized for both credit and liquidity purposes. Fair value measurements that utilize significant unobservable inputs are categorized as Level 3 measurements under the accounting guidance.

Financial instruments that potentially subject us to credit risk consist primarily of accounts receivable, cash equivalents and the Private Education Loans. There is no concentration of credit risk of our accounts receivable, as the total is comprised of a large number of individual balances owed by students whose credit profiles vary and who are located throughout the United States. Our cash equivalents generally consist of money market funds which invest in high-quality securities issued by various entities. The Private Education Loans consist of a large number of individual loans owed by borrowers, whose credit profiles vary and who are located throughout the United States.

5. Financial Aid Programs

We participate in various Title IV Programs of the HEA. In 2015, in the aggregate, our institutions derived approximately 80% of their applicable revenue from funds distributed under those Title IV Programs, as determined on a cash accounting basis under the calculation of the provision of the HEA commonly referred to as the "90/10 Rule."

We administer the Title IV Programs in separate accounts as required by government regulation. We are required to administer the funds in accordance with the requirements of the HEA and the ED's regulations and must use due diligence in approving and disbursing funds. In the event we do not comply with federal requirements, or if student loan default rates rise to a level considered excessive by the federal government, we could lose our eligibility to participate in Title IV Programs or could be required to repay funds determined to have been improperly disbursed. Our management believes that we are in substantial compliance with the federal requirements.

6. Equity Compensation Plans

We have adopted the following equity compensation plans, referred to collectively as the "Plans":

- *2006 ITT Educational Services, Inc. Equity Compensation Plan* – On May 9, 2006, our shareholders approved the 2006 ITT Educational Services, Inc. Equity Compensation Plan (the "Original 2006 Plan").
- *ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan* – On May 7, 2013, our shareholders approved the ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan and on October 20, 2014 and May 22, 2015, we approved amendments to that plan (as so amended, the "Amended 2006 Plan"). Awards may be granted to our employees and directors under the Amended 2006 Plan in the form of stock options (incentive and nonqualified), stock appreciation rights ("SARs"), restricted stock, RSUs, performance shares, performance units and other stock-based awards as defined in the plan. The Amended 2006 Plan increased the maximum number of shares of our common stock that may be issued pursuant to awards under the plan to 7,350,000, an increase of 3,350,000 over the 4,000,000 maximum under the Original 2006 Plan. Each share underlying stock options and SARs granted and not forfeited or terminated, reduces the number of shares available for future awards by one share. The delivery of a share in connection with a "full-value award" (i.e., an award of restricted stock, RSUs, performance shares, performance units or any other stock-based award with value denominated in shares) reduces the number of shares remaining for other awards by two shares. As of December 31, 2015, restricted stock, RSUs and nonqualified stock options have been awarded under this plan.

All awards granted under equity compensation plans other than the Plans expired in or prior to 2014.

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The amount of stock-based compensation expense and the line items in which those amounts are included in our Consolidated Statements of Operations and the related estimated income tax benefit recognized in the periods indicated were as follows:

	Year Ended December 31,		
	2015	2014	2013
Cost of educational services	$ 3,075	$ 4,790	$ 4,799
Student services and administrative expenses	2,711	5,546	6,839
Total stock-based compensation expense	$ 5,786	$10,336	$11,638
Income tax (benefit)	$(2,227)	$ (3,980)	$ (4,481)

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CL_Review001781

As of December 31, 2015, we estimated that pre-tax compensation expense for unvested stock-based compensation grants in the amount of approximately $3,825, net of estimated forfeitures, will be recognized in future periods. This expense will be recognized over the remaining service period applicable to the grantees which, on a weighted-average basis, is approximately 1.1 years.

Stock Options. Under the Plans, the stock option exercise price may not be less than 100% of the fair market value of our common stock on the date of grant. The maximum term of any stock option granted under the Amended 2006 Plan and Original 2006 Plan may not exceed seven years from the date of grant, and those stock options will be exercisable at such times and under conditions as determined by the Compensation Committee of our Board of Directors, subject to the limitations contained in the plan. All stock options awarded under the Amended 2006 Plan and Original 2006 Plan typically vest and become exercisable in three equal installments commencing with the first anniversary of the date of grant.

The stock options granted, forfeited, exercised and expired in the period indicated were as follows:

	Year Ended December 31, 2015				
	# of Shares	Weighted Average Exercise Price	Aggregate Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (1)
Outstanding at beginning of period	1,153,273	$ 76.92	$ 88,711		
Granted	121,208	$ 4.91	595		
Forfeited	(43,334)	$ 18.23	(790)		
Exercised	0	$ 0.00	0		
Expired	(142,939)	$ 84.73	(12,111)		
Outstanding at end of period	1,088,208	$ 70.21	$ 76,405	1.5 years	$ 0
Exercisable at end of period	841,231	$ 85.96	$ 72,313	1.3 years	$ 0

(1) The aggregate intrinsic value of stock options is calculated by identifying those stock options that had a lower exercise price than the closing market price of our common stock on December 31, 2015 and multiplying the difference between the closing market price of our common stock and the exercise price of each of those stock options by the number of shares subject to those stock options that were outstanding or exercisable, as applicable. Since the closing market price of our common stock on December 31, 2015 was lower than the exercise price of all outstanding stock options and exercisable stock options, the aggregate intrinsic value of the stock options was zero.

We expect all of the outstanding stock options that are not exercisable at December 31, 2015 to vest.

The following table sets forth information regarding the stock options granted and exercised in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Shares subject to stock options granted	121,208	168,500	156,500
Weighted average grant date fair value	$ 3.65	$ 12.62	$ 9.27
Shares subject to stock options exercised	0	0	0
Intrinsic value of stock options exercised	$ 0	$ 0	$ 0
Proceeds received from stock options exercised	$ 0	$ 0	$ 0
Tax benefits realized from stock options exercised	$ 0	$ 0	$ 0

The intrinsic value of a stock option is the difference between the fair market value of the stock and the option exercise price.

The fair value of each stock option grant was estimated on the date of grant using the following assumptions:

	Year Ended December 31,		
	2015	2014	2013
Risk-free interest rates	1.6%	1.3%	0.7%
Expected lives (in years)	4.7	4.7	4.6
Volatility	107%	55%	60%
Dividend yield	None	None	None

Restricted Stock Units. Under the Amended 2006 Plan and Original 2006 Plan, RSUs awarded are subject to a restriction period of at least: (a) for awards made prior to November 24, 2010, three years in the case of a time-based period of restriction and one year in the case of a performance-based period of restriction; and (b) for awards made after November 24, 2010, one year, unless the Compensation Committee determines otherwise. All RSUs awarded under the Amended 2006 Plan and Original 2006 Plan that were not vested as of December 31, 2015 have a time-based restriction period that ranges from ending on the first to the third anniversary of the date of grant.

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The following table sets forth the number of RSUs that were granted, forfeited and vested in the period indicated:

	Year Ended December 31, 2015	
	# of RSUs	Weighted Average Grant Date Fair Value
Unvested at beginning of period	831,307	$ 30.17
Granted	423,632	$ 4.84
Forfeited	(127,821)	$ 19.09
Vested	(334,099)	$ 40.26
Unvested at end of period	793,019	$ 14.18

The total fair market value of the RSUs that vested and were settled in shares of our common stock was $1,802 in the year ended December 31, 2015, $2,512 in the year ended December 31, 2014 and $1,241 in the year ended December 31, 2013.

7. Earnings (Loss) Per Common Share

Earnings (loss) per common share for all periods have been calculated in conformity with ASC 260, "Earnings Per Share." This data is based on historical net income (loss) and the weighted average number of shares of our common stock outstanding during each period as set forth in the following table:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Shares:			
Weighted average number of shares of common stock outstanding	23,651	23,474	23,412
Shares assumed issued (less shares assumed purchased for stock-based compensation)	306	207	Not Applicable
Outstanding shares for diluted earnings (loss) per share calculation	23,957	23,681	23,412

A total of approximately 1.4 million shares for fiscal year 2015, approximately 1.4 million shares for fiscal year 2014 and approximately 1.4 million shares for fiscal year 2013 were excluded from the calculation of our diluted earnings per common share, because the effect was anti-dilutive.

8. Variable Interest Entities

Under ASC 810, an entity that holds a variable interest in a VIE and meets certain requirements would be considered to be the primary beneficiary of the VIE and required to consolidate the VIE in its consolidated financial statements. In order to be considered the primary beneficiary of a VIE, an entity must hold a variable interest in the VIE and have both:

- the power to direct the activities that most significantly impact the economic performance of the VIE; and
- the right to receive benefits from, or the obligation to absorb losses of, the VIE that could be potentially significant to the VIE.

We hold variable interests in the PEAKS Trust as a result of:

- a subordinated note issued to us by the PEAKS Trust in exchange for the portion of each private education loan disbursed to us under the PEAKS Program that we transferred to the PEAKS Trust ("Subordinated Note"); and
- our guarantee of the payment of the principal and interest owed on the PEAKS Senior Debt, the administrative fees and expenses of the PEAKS Trust and a minimum required ratio of assets of the PEAKS Trust to outstanding PEAKS Senior Debt ("PEAKS Guarantee").

We hold variable interests in the CUSO as a result of:

- the CUSO RSA; and
- a revolving note owed to us by the CUSO (the "Revolving Note").

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CL_Review001783

Primary Beneficiary Analysis. The PEAKS Trust and the CUSO are VIEs as defined under ASC 810. To determine whether we are the primary beneficiary of the PEAKS Trust or the CUSO, we:

- assessed the risks that the VIE was designed to create and pass through to its variable interest holders;
- identified the variable interests in the VIE;
- identified the other variable interest holders and their involvement in the activities of the VIE;
- identified the activities that most significantly impact the VIE's economic performance;
- determined whether we have the power to direct those activities; and
- determined whether we have the right to receive the benefits from, or the obligation to absorb the losses of, the VIE that could potentially be significant to the VIE.

We determined that the activities of the PEAKS Trust and the CUSO that most significantly impact the economic performance of the PEAKS Trust and the CUSO involve the servicing (which includes the collection) of the PEAKS Trust Student Loans and the CUSO Student Loans. To make that determination, we analyzed various possible scenarios of student loan portfolio performance to evaluate the potential economic impact on the PEAKS Trust and the CUSO. In our analysis, we made what we believe are reasonable assumptions based on historical data for the following key variables:

- the composition of the credit profiles of the borrowers;
- the interest rates and fees charged on the loans;
- the default rates and the timing of defaults associated with similar types of loans; and
- the prepayment and the speed of repayment associated with similar types of loans.

Based on our analysis, we concluded that we became the primary beneficiary of the PEAKS Trust on February 28, 2013. This was the first date that we had the power to direct the activities of the PEAKS Trust that most significantly impact the economic performance of the PEAKS Trust, because we could have exercised our right to terminate the servicing agreement that governs the servicing activities of the PEAKS Trust Student Loans (the "PEAKS Servicing Agreement"), due to the failure of the entity that performs those servicing activities for the PEAKS Trust Student Loans on behalf of the PEAKS Trust to meet certain performance criteria specified in the PEAKS Servicing Agreement. We have not, however, exercised our right to terminate the PEAKS Servicing Agreement. As a result of our primary beneficiary conclusion, we consolidated the PEAKS Trust in our consolidated financial statements beginning on February 28, 2013. Prior to February 28, 2013, the PEAKS Trust was not required to be consolidated in our consolidated financial statements, because we concluded that we were not the primary beneficiary of the PEAKS Trust prior to that time. The PEAKS Trust is discussed in more detail below.

Our consolidated financial statements for periods as of and after February 28, 2013 include the PEAKS Trust, because we were considered to have control over the PEAKS Trust under ASC 810, as a result of our substantive unilateral right to terminate the PEAKS Servicing Agreement. We do not, however, actively manage the operations of the PEAKS Trust, and the assets of the consolidated PEAKS Trust can only be used to satisfy the obligations of the PEAKS Trust. Our obligations under the PEAKS Guarantee remain in effect, until the PEAKS Senior Debt and the PEAKS Trust's fees and expenses are paid in full. See Note 15—Commitments and Contingencies, for a further discussion of the PEAKS Guarantee.

Based on our analysis, we concluded that we became the primary beneficiary of the CUSO on September 30, 2014. This was the first date that we determined we had the power to direct the activities of the CUSO that most significantly impact the economic performance of the CUSO, because the entity that performs the servicing activities on behalf of the CUSO (the "CUSO Program Servicer") failed to meet certain performance criteria specified in the servicing agreement that governs the servicing activities of the CUSO Student Loans (the "CUSO Servicing Agreement") on that date. The CUSO Servicing Agreement provides that in the event that the CUSO Program Servicer fails to meet certain performance criteria specified in the CUSO Servicing Agreement, and the CUSO Program Servicer does not affect a cure of that failure during a specified cure period, we would have the right to terminate the CUSO Servicing Agreement. We determined that it was not reasonably possible that the CUSO Program Servicer would be able to affect a cure during the specified cure period and, therefore, because the cure period was not substantive, we effectively had the right to terminate the CUSO Servicing Agreement as of the date that the CUSO Program Servicer failed to meet the performance criteria. We have provided notice of termination of the CUSO Servicing Agreement, however, the termination will not be effective until a successor servicer has been retained by the CUSO.

As a result of our primary beneficiary conclusion, we consolidated the CUSO in our consolidated financial statements beginning on September 30, 2014. Prior to September 30, 2014, the CUSO was not required to be consolidated in our consolidated financial statements, because we concluded that we were not the primary beneficiary of the CUSO prior to that time. The CUSO is discussed in more detail below.

Our consolidated financial statements for periods as of and after September 30, 2014 include the CUSO, because we were considered to have control over the CUSO under ASC 810, as a result of our substantive right to terminate the CUSO Servicing Agreement after a cure period that was not substantive. We do not, however, actively manage the operations of the CUSO, and the assets of the consolidated CUSO can only be used to satisfy the obligations of the CUSO. Our obligations under the CUSO RSA remain in effect, until all CUSO Student Loans are paid in full. See Note 15—Commitments and Contingencies, for a further discussion of the CUSO RSA.

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CL_Review001784

PEAKS Private Student Loan Program. On January 20, 2010, we entered into agreements with unrelated third parties to establish the PEAKS Program, which was a private education loan program for our students. We entered into the PEAKS Program to offer our students another source of private education loans that they could use to help pay their education costs owed to us and to supplement the limited amount of private education loans available to our students under other private education loan programs, including the CUSO Program. Under the PEAKS Program, our students had access to a greater amount of private education loans, which resulted in a reduction in the amount of internal financing that we provided to our students in 2010 and 2011. No new private education loans were or will be originated under the PEAKS Program after July 2011, but immaterial amounts related to loans originated prior to that date were disbursed by the lender through March 2012.

Under the PEAKS Program, an unrelated lender originated private education loans to our eligible students and, subsequently, sold those loans to the PEAKS Trust. The PEAKS Trust issued the PEAKS Senior Debt to investors. The lender disbursed the proceeds of the private education loans to us for application to the students' account balances with us that represented their unpaid education costs. We transferred a portion of the amount of each private education loan disbursed to us under the PEAKS Program to the PEAKS Trust in exchange for the Subordinated Note.

The Subordinated Note issued by the PEAKS Trust to us does not bear interest and matures in March 2026. Principal is due on the Subordinated Note following:

- the repayment of the PEAKS Senior Debt;
- the repayment of fees and expenses of the PEAKS Trust; and
- the reimbursement of the amounts of any payments made by us under the PEAKS Guarantee, other than Payments on Behalf of Borrowers (as defined below).

The carrying value of the Subordinated Note was eliminated from our Consolidated Balance Sheet when we consolidated the PEAKS Trust in our consolidated financial statements beginning on February 28, 2013. In the three months ended December 31, 2012, we determined it was probable that we would not collect the carrying value of the Subordinated Note and, therefore, recorded an impairment charge for the total carrying value of the Subordinated Note.

The PEAKS Trust utilized the proceeds from the issuance of the PEAKS Senior Debt and the Subordinated Note to purchase the private education loans made by the lender to our students. The assets of the PEAKS Trust (which include, among other assets, the PEAKS Trust Student Loans) serve as collateral for, and are intended to be the principal source of, the repayment of the PEAKS Senior Debt and the Subordinated Note.

Under the PEAKS Guarantee we guarantee payment of the principal and interest owed on the PEAKS Senior Debt, the administrative fees and expenses of the PEAKS Trust and a minimum required ratio of assets of the PEAKS Trust to outstanding PEAKS Senior Debt (the "Asset/Liability Ratio"). Our guarantee obligations under the PEAKS Program remain in effect until the PEAKS Senior Debt and the PEAKS Trust's fees and expenses are paid in full. At such time, we will be entitled to repayment of the amounts that we paid under the PEAKS Guarantee (which do not include Payments on Behalf of Borrowers, as defined below), to the extent of available funds remaining in the PEAKS Trust. See Note 15 – Commitments and Contingencies, for a further discussion of our obligations to make guarantee payments pursuant to the PEAKS Guarantee.

Assets and Liabilities of the PEAKS Trust. We concluded that we became the primary beneficiary of the PEAKS Trust on February 28, 2013 and, therefore, were required to consolidate the PEAKS Trust in our consolidated financial statements. In accordance with ASC 810, the consolidation of the PEAKS Trust was treated as an acquisition of assets and liabilities and, therefore, the assets and liabilities of the PEAKS Trust were included in our consolidated financial statements at their fair value as of February 28, 2013. The following table sets forth the fair value of the assets and liabilities of the PEAKS Trust as of February 28, 2013 that were included on our Consolidated Balance Sheet on that date:

	As of February 28, 2013	
	Assets	Liabilities
Restricted cash	$ 1,703	
Current portion of PEAKS Trust student loans	7,282	
PEAKS Trust student loans, excluding current portion	104,834	
Current portion of PEAKS Trust senior debt		$103,356
Other current liabilities		471
PEAKS Trust senior debt, excluding current portion		122,740
Total	$113,819	$226,567

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The following table sets forth the carrying value of the assets and liabilities related to the PEAKS Program as of February 28, 2013 that we eliminated from our Consolidated Balance Sheet when we consolidated the PEAKS Trust in our consolidated financial statements, and the line items within which those assets and liabilities were included:

	As of February 28, 2013	
	Assets	Liabilities
Other assets	$ 6,614	
Other current liabilities		$ 3,060
Other liabilities		43,054
Total	$ 6,614	$ 46,114

The fair value of the PEAKS Trust's liabilities exceeded the fair value of the PEAKS Trust's assets as of February 28, 2013 by $112,748. The amount of this excess was reduced by $39,500, which represented the net amount of the carrying value of the assets and liabilities related to the PEAKS Program that had been recorded in our consolidated financial statements as of February 28, 2013 and were eliminated upon the PEAKS Consolidation. As a result, we recognized a total loss of $73,248 in our Consolidated Statement of Operations for the three months ended March 31, 2013 related to the PEAKS Consolidation.

The following table sets forth the carrying values of assets and liabilities of the PEAKS Trust that were included on our Consolidated Balance Sheets as of the dates indicated:

	As of December 31,	
	2015	2014
Assets		
Restricted cash	$ 1,462	$ 1,556
Current portion of PEAKS Trust student loans	5,746	7,169
PEAKS Trust student loans, excluding current portion, less allowance for loan losses of $21,816 and $42,353	45,987	59,902
Total assets	$53,195	$68,627
Liabilities		
Current portion of PEAKS Trust senior debt	$20,105	$37,545
Other current liabilities	191	199
PEAKS Trust senior debt, excluding current portion	30,701	48,166
Total liabilities	$50,997	$85,910

The assets of the PEAKS Trust can only be used to satisfy the obligations of the PEAKS Trust. Payment of the administrative fees and expenses of the PEAKS Trust and the principal and interest owed on the PEAKS Senior Debt are guaranteed by us under the PEAKS Guarantee.

Revenue and Expenses of PEAKS Trust. The following table sets forth the revenue and expenses of the PEAKS Trust, excluding the loss on consolidation of the PEAKS Trust, that were included in our Consolidated Statements of Operations for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Revenue	$ 8,702	$ 11,471	$ 12,996
Student services and administrative expenses	1,892	4,479	5,288
Provision for private education loan losses	6,519	12,111	29,349
Interest expense	10,598	30,322	21,288
(Loss) before provision for income taxes	$(10,307)	$(35,441)	$(42,929)

The revenue of the PEAKS Trust consists of interest income on the PEAKS Trust Student Loans, which is the accretion of the accretable yield on the PEAKS Trust Student Loans. The servicing, administrative and other fees incurred by the PEAKS Trust are included in Student services and administrative expenses in our Consolidated Statements of Operations. The provision for PEAKS

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CL_Review001786

Trust student loan losses represents the increase in the allowance for loan losses that occurred during the period. The allowance for loan losses represents the difference between the carrying value and the total present value of the expected principal and interest collections of each loan pool of the PEAKS Trust Student Loans, discounted by the loan pool's effective interest rate as of the end of the reporting period. Interest expense of the PEAKS Trust represents interest expense on the PEAKS Senior Debt, which includes the contractual interest obligation and the accretion of the discount on the PEAKS Senior Debt.

Payments on Behalf of Borrowers. Beginning in the fourth quarter of 2012 and continuing through January 2014, we made payments on behalf of certain student borrowers under the PEAKS Program to the PEAKS Trust to avoid defaults by those borrowers on their PEAKS Trust Student Loans ("Payments on Behalf of Borrowers"), which defaults would have triggered much larger contractually required payments by us under the PEAKS Guarantee. At the time we made Payments on Behalf of Borrowers, we believed that those payments were contractually permitted and a form of payment to the PEAKS Trust that would satisfy obligations that were contractually required. Since that time, however, we have determined that Payments on Behalf of Borrowers are not permitted or required to support the PEAKS Trust. If we had not made Payments on Behalf of Borrowers, we would have had to make contractually required payments under the PEAKS Guarantee in greater amounts. We made Payments on Behalf of Borrowers after assessing:

- the likelihood of us being contractually required to make payments under the PEAKS Guarantee in the near future;
- the effect on our liquidity that would result from making payments under the PEAKS Guarantee compared to making Payments on Behalf of Borrowers;
- the effect that Payments on Behalf of Borrowers may have on the funds available to the PEAKS Trust to repay the Subordinated Note to us following full payment of the PEAKS Trust's other obligations; and
- the fact that we will not be able to recover Payments on Behalf of Borrowers from the PEAKS Trust or the student borrowers on whose behalf we made those payments.

Payments on Behalf of Borrowers assisted in:

- maintaining the Asset/Liability Ratio at the required level; and
- satisfying the following month's required payment of interest on the PEAKS Senior Debt and administrative fees and expenses of the PEAKS Trust.

Prior to the PEAKS Consolidation, Payments on Behalf of Borrowers were reflected on our consolidated financial statements as a reduction to our contingent liability. Following the PEAKS Consolidation, Payments on Behalf of Borrowers were not reflected on our consolidated financial statements, since those payments were intercompany transactions, which were eliminated from our consolidated financial statements as a result of the PEAKS Consolidation.

In January 2014, we made Payments on Behalf of Borrowers of $1,832. We entered into a letter agreement, dated as of March 17, 2014, with the trustee under the PEAKS Program and the holders of the PEAKS Senior Debt (the "PEAKS Letter Agreement"), in order to resolve differing interpretations of the permissibility of the Payments on Behalf of Borrowers under the PEAKS Program documents. Pursuant to the PEAKS Letter Agreement, the trustee agreed to waive, and the holders of the PEAKS Senior Debt consented to the waiver of, any:

- breach of the PEAKS Program documents caused by us making Payments on Behalf of Borrowers, including any failure to make payments under the PEAKS Guarantee as a result thereof; and
- event of default under the PEAKS Program documents that may have arisen or resulted by us making Payments on Behalf of Borrowers.

In the PEAKS Letter Agreement, we agreed that, after the date of the PEAKS Letter Agreement, we would not make any further payments of any kind on behalf of any borrower in respect of a private education loan made under the PEAKS Program, and that any such payments in lieu of making payments to maintain the applicable required Asset/Liability Ratio would constitute a breach of the terms of the PEAKS Guarantee and an event of default under the indenture and credit agreement for the PEAKS Program. In accordance with the terms of the PEAKS Letter Agreement, we paid $40,000 on March 20, 2014, which is considered to be a payment under the PEAKS Guarantee and was applied primarily to make a mandatory prepayment of the PEAKS Senior Debt.

PEAKS Guarantee Payments and Payments on Behalf of Borrowers. The following table sets forth the PEAKS Guarantee payments and Payments on Behalf of Borrowers that were made in the periods indicated:

	Year Ended December 31,	
Type of Payment	**2015**	**2014**
PEAKS Guarantee	$ 30,090	$ 159,255
Payments on Behalf of Borrowers	0	1,832
Total	$ 30,090	$ 161,087

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CUSO Program. On February 20, 2009, we entered into agreements with the CUSO to create the CUSO Program. Under the CUSO Program, an unrelated lender originated private education loans to our eligible students and, subsequently, sold those loans to the CUSO. The CUSO purchased the private education loans from the lender utilizing funds received from its owners in exchange for participation interests in the private education loans acquired by the CUSO. The lender disbursed the proceeds of the private education loans to us for application to the students' account balances with us that represented their unpaid education costs. No new private education loans were or will be originated under the CUSO Program after December 31, 2011, but immaterial amounts related to loans originated prior to that date were disbursed by the lender through June 2012.

In connection with the CUSO Program, we entered into the CUSO RSA with the CUSO. Under the CUSO RSA, we guarantee the repayment of any private education loans that are charged off above a certain percentage of the private education loans made under the CUSO Program, based on the annual dollar volume. Under the CUSO RSA, we have an obligation to make the monthly payments due and unpaid on those private education loans that have been charged off above a certain percentage ("Regular Payments"). Instead of making Regular Payments, however, we may elect to discharge our obligations to make Regular Payments on specified charged-off private education loans by:

- paying the then outstanding balance (plus accrued and unpaid interest) of those private education loans that have been charged off above a certain percentage and, with respect to which, an amount equal to at least ten monthly payments has been paid; or
- paying the then outstanding balance (plus accrued and unpaid interest) of those private education loans that have been charged off above a certain percentage and, with respect to which, an amount equal to at least ten monthly payments has not been paid, plus any interest that would otherwise have been payable until ten monthly payments had been made, discounted at the rate of 10% per annum

(collectively, "Discharge Payments").

See Note 15 – Commitments and Contingencies, for a further discussion of our obligations to make guarantee payments pursuant to the CUSO RSA.

Assets and Liabilities of the CUSO. We concluded that we became the primary beneficiary of the CUSO on September 30, 2014 and, therefore, were required to consolidate the CUSO in our consolidated financial statements. In accordance with ASC 810, the consolidation of the CUSO was treated as an acquisition of assets and liabilities and, therefore, the assets and liabilities of the CUSO were included in our consolidated financial statements at their fair value as of September 30, 2014.

We recorded the CUSO Secured Borrowing Obligation at the time of the CUSO Consolidation. The CUSO Secured Borrowing Obligation represents the estimated amount that the CUSO owes to the CUSO Participants related to their participation interests in the CUSO Student Loans, which amount is expected to be paid to the CUSO Participants by the CUSO from payments received by the CUSO related to the CUSO Student Loans, whether from the borrower or from us under the CUSO RSA.

In accordance with ASC 810, we included the CUSO Secured Borrowing Obligation on our Consolidated Balance Sheet at its fair value as of September 30, 2014, the date of the CUSO Consolidation. The difference between the estimated fair value of the CUSO Secured Borrowing Obligation and the amount expected to be paid by the CUSO to the CUSO Participants was recorded as an accrued discount on our Consolidated Balance Sheet at the date of the CUSO Consolidation. The accrued discount is being recognized in interest expense at a level rate of return over the expected life of the CUSO Secured Borrowing Obligation.

The expected life of the CUSO Secured Borrowing Obligation is an estimate of the period of time over which payments are expected to be made by the CUSO to the CUSO Participants related to their participation interests in the CUSO Student Loans. The period of time over which payments are expected to be made by the CUSO to the CUSO Participants is based upon when the CUSO Student Loans enter a repayment status and the period of time they remain in a repayment status. Since all of the CUSO Student Loans have not entered repayment, and those loans that have entered a repayment status may be granted forbearances or deferments, the period of time over which payments are expected to be made to the CUSO Participants is an estimate. The assumptions used to estimate the expected life of the CUSO Secured Borrowing Obligation are reviewed periodically and updated accordingly, which may result in an adjustment to the expected life of the CUSO Secured Borrowing Obligation and the related recognized interest expense.

The following table sets forth the fair value of the assets and liabilities of the CUSO as of September 30, 2014 that were included on our Consolidated Balance Sheet on that date:

	As of September 30, 2014	
	Assets	Liabilities
Restricted cash	$ 2,738	
Current portion of CUSO Student Loans	3,406	
CUSO Student Loans, excluding current portion	23,793	
Other assets	199	
Current portion of CUSO Secured Borrowing Obligation		$ 20,662
Other current liabilities		624
CUSO Secured Borrowing Obligation, excluding current portion		101,880
Other liabilities		1,940
Total	$ 30,136	$ 125,106

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The assets of the CUSO can only be used to satisfy the obligations of the CUSO.

The following table sets forth the carrying value of the assets and liabilities related to the CUSO Program as of September 30, 2014 that we eliminated from our Consolidated Balance Sheet when we consolidated the CUSO in our consolidated financial statements, and the line items within which those assets and liabilities were included:

	As of September 30, 2014	
	Assets	Liabilities
Prepaid expenses and other current assets	$ 3,260	
Other current liabilities		$ 23,887
Other liabilities		90,974
Total	$ 3,260	$ 114,861

Upon the CUSO Consolidation, we recorded the CUSO's assets and liabilities at their fair value in our consolidated financial statements and we eliminated the carrying value of the assets and liabilities related to the CUSO Program that had been recorded in our consolidated financial statements as of September 30, 2014. The fair value of the CUSO's liabilities exceeded the fair value of the CUSO's assets as of September 30, 2014 by $94,970. As of September 30, 2014, the carrying value of the liabilities related to the CUSO Program that had been recorded in our consolidated financial statements exceeded the carrying value of the assets related to the CUSO Program that had been recorded in our consolidated financial statements by $111,601. As a result, we recognized a total gain of $16,631 in our Consolidated Statements of Operations for the year ended December 31, 2014, which represented the difference between (i) the fair value of the net liabilities of the CUSO that we recorded upon the CUSO Consolidation, and (ii) the carrying value of the net liabilities related to the CUSO Program that had been recorded in our consolidated financial statements and were eliminated upon the CUSO Consolidation, in each case, as of September 30, 2014.

The following table sets forth the carrying values of assets and liabilities of the CUSO that were included on our Consolidated Balance Sheets as of the dates indicated:

	As of December 31,	
	2015	2014
Assets		
Restricted cash	$ 3,968	$ 2,517
Current portion of CUSO Student Loans	2,734	3,415
CUSO Student Loans, excluding current portion, less allowance for loan losses of $1,796 and $2,039	16,174	20,390
Other assets	257	284
Total assets	$ 23,133	$ 26,606
Liabilities		
Current portion of CUSO Secured Borrowing Obligation	$ 23,591	$ 20,813
Other current liabilities	154	179
CUSO Secured Borrowing Obligation, excluding current portion	91,728	101,267
Total liabilities	$115,473	$122,259

The assets of the CUSO can only be used to satisfy the obligations of the CUSO. Other liabilities of $1,073 of the CUSO that were reported as of December 31, 2014 have been reclassified and included in the line items CUSO Secured Borrowing Obligation to conform to the current year presentation.

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Revenue and Expenses of the CUSO. The following table sets forth the revenue and expenses of the CUSO, excluding the gain on consolidation of the CUSO, which were included in our Consolidated Statement of Operations for the period indicated:

	Year Ended December 31,	
	2015	2014
Revenue	$ 4,580	$ 1,136
Student services and administrative expenses	1,670	437
Provision for private education loan losses, net	(1,436)	2,039
Interest expense	13,996	3,725
(Loss) before provision for income taxes	$ (9,650)	$ (5,065)

The revenue of the CUSO consists of interest income on the CUSO Student Loans, which is the accretion of the accretable yield on the CUSO Student Loans, and an administrative fee paid by the CUSO Participants to the CUSO on a monthly basis. The servicing, administrative and other fees incurred by the CUSO are included in Student services and administrative expenses in our Consolidated Statements of Operations. The provision for private education loan losses represents the increase in the allowance for loan losses that occurred during the period, offset by recoveries received from private education loans that were charged off prior to the CUSO Consolidation. The allowance for loan losses represents the difference between the carrying value and the total present value of the expected principal and interest collections of each loan pool of the CUSO Student Loans, discounted by the loan pool's effective interest rate as of the end of the reporting period. Interest expense of the CUSO represents interest expense on the CUSO Secured Borrowing Obligation, which includes the contractual interest obligation on the CUSO Student Loans and the accretion of the discount on the CUSO Secured Borrowing Obligation.

CUSO RSA – Payments, Recoveries and Offsets. Pursuant to the CUSO RSA, we are entitled to all amounts that the CUSO recovers from loans in a particular loan pool made under the CUSO Program that have been charged off, until all payments that we made under the CUSO RSA with respect to that loan pool have been repaid to us by the CUSO. We have the right to offset payment amounts that we owe under the CUSO RSA by the amount of recoveries from charged-off loans made under the CUSO Program that are owed, but have not been paid, to us. We exercised this offset right in the years ended December 31, 2015 and 2014.

In June 2015, we entered into an amendment to the CUSO RSA that, among other things, allowed us to defer the payments due in June 2015 through December 2015 under the CUSO RSA to January 2016. See Note 15 – Commitments and Contingencies for a discussion of this amendment. In accordance with the provisions of this amendment, we deferred the payments due in June 2015 through December 2015 under the CUSO RSA, which totaled approximately $6,092. We utilized the amount of the recoveries of charged-off loans received by the CUSO between June 2015 and December 2015 that were due but were not paid to us to offset against amounts that we owed under the CUSO RSA in January 2016. The amount of recoveries of charged-off loans received by the CUSO between June 2015 and December 31, 2015 that were due but were not paid to us totaled $761.

The following table sets forth the payments that we made to the CUSO related to our guarantee obligations under the CUSO RSA and the amount of recoveries from charged-off loans paid to us by the CUSO in the periods indicated:

	Year Ended December 31,	
	2015	2014
Regular Payments	$ 3,840(1)	$ 6,562(2)(3)
Discharge Payments	9,253	2,577
	$ 13,093	$ 9,139

(1) This amount is net of $521 of recoveries from charged-off loans owed to us that we offset against amounts owed by us under the CUSO RSA. In addition, we deferred payment of $6,092 of Regular Payments, that otherwise would have been due between June 8, 2015 and December 31, 2015, to January 2016. We also utilized the amount of recoveries of charged-off loans received by the CUSO during this period that were not paid to us, which totaled $761, to offset against amounts that we owed under the CUSO RSA in January 2016.
(2) This amount is net of $466 of recoveries from charged-off loans owed to us that we offset against the amount we owed under the CUSO RSA.
(3) Of this amount, $4,556 was paid prior to the CUSO Consolidation.

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Excluding the recoveries of charged-off loans received by the CUSO between June 2015 and December 2015, the CUSO did not remit to us, and we did not offset payments under the CUSO RSA for, the following amounts of recoveries from charged-off loans that were owed to us:

- $0 in the fiscal year ended December 31, 2015; and
- $475 in the fiscal year ended December 31, 2014.

The amount of recoveries from charged-off loans that were owed to us by the CUSO, but not paid or offset, as of December 31, 2014 were not recorded in our consolidated financial statements, since those amounts were intercompany transactions that were eliminated from our financial statements as a result of the CUSO Consolidation. See Note 15 – Commitments and Contingencies, for a further discussion of the offsets and CUSO RSA.

We made advances to the CUSO under the Revolving Note in years prior to 2012. We made the advances so that the CUSO could use those funds primarily to provide additional funding to the CUSO to purchase additional private education loans made under the CUSO Program. The period of time during which we could make additional advances under the Revolving Note ended on January 1, 2014. Certain of the assets of the CUSO serve as collateral for the Revolving Note. The Revolving Note bears interest, is subject to customary terms and conditions and is currently due and payable in full. In 2013, we offset $8,472 owed by us under the CUSO RSA against amounts owed to us by the CUSO under the Revolving Note, instead of making additional payments in that amount. We did not offset any amounts owed by us under the CUSO RSA against amounts owed to us by the CUSO under the Revolving Note, in the years ended December 31, 2015 and 2014. See Note 15 – Commitments and Contingencies for a further discussion of the offset.

The amount owed to us under the Revolving Note, excluding those offsets, was approximately $8,300 as of December 31, 2015 and $8,200 as of December 31, 2014. The amount of the Revolving Note was eliminated from our consolidated financial statements as a result of the CUSO Consolidation.

9. Private Education Loans

We concluded that we were required to consolidate the PEAKS Trust in our consolidated financial statements beginning on February 28, 2013 and to consolidate the CUSO in our consolidated financial statements beginning on September 30, 2014. See Note 8 – Variable Interest Entities, for a further discussion of the consolidation of the PEAKS Trust and the CUSO (the "Consolidated VIEs"). As a result, the assets and liabilities of the Consolidated VIEs were included on our Consolidated Balance Sheets as of December 31, 2015 and 2014.

As of December 31, 2015, the aggregate carrying amount of the Private Education Loans included in the Private education loan line items on our Consolidated Balance Sheet was $70,641 and as of December 31, 2014 was $90,876. The outstanding principal balance of the Private Education Loans, including accrued interest, was approximately $114,346 as of December 31, 2015 and $184,710 as of December 31, 2014.

Initial Measurement. A significant number of the Private Education Loans were determined to be credit impaired upon consolidation. Loans determined to be credit impaired upon consolidation or acquisition ("Purchased Credit Impaired Loans" or "PCI Loans"), are initially measured at fair value in accordance with ASC 310-30, "Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"). A loan is considered a PCI Loan, if it has evidence of deteriorated credit quality following the loan's origination date. As a result, at the date of consolidation or acquisition, it is probable that all contractually required payments under a PCI Loan will not be collected.

The Private Education Loans that did not individually have evidence of deteriorated credit quality at the time of consolidation were also initially measured at fair value and are accounted for in accordance with ASC 310-30. We believe that following the guidance of ASC 310-30 by analogy with respect to those loans provides the most reasonable presentation of the value of those loans, primarily due to:

- the evidence of deteriorated credit quality of a significant number of the Private Education Loans; and
- the probability that all contractually required payments with respect to those loans will not be collected.

All of the Private Education Loans are, therefore, considered to be, and reported as, PCI Loans.

This accounting treatment is consistent with the AICPA December 18, 2009 "Confirmation Letter", in which the AICPA summarized the SEC staff's view regarding the accounting in subsequent periods for discount accretion associated with loan receivables acquired in a business combination or asset purchase. In this letter, the AICPA states that it understands that the SEC staff will not object to an accounting policy based on contractual or expected cash flow. We believe that following ASC 310-30 by analogy with respect to the Private Education Loans that did not individually have evidence of deteriorated credit quality at the time of consolidation is an appropriate application of the accounting guidance to determine the initial measurement of the value of those loans.

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Aggregation of Loans. PCI Loans recognized upon consolidation or acquisition in the same fiscal quarter may be aggregated into one or more pools, provided that the PCI Loans in each pool have common risk characteristics. The Private Education Loans were considered to be PCI Loans upon consolidation. As of the date of the PEAKS Consolidation or CUSO Consolidation, as applicable, we aggregated the PEAKS Trust Student Loans into 24 separate pools of loans and the CUSO Student Loans into 48 separate pools of loans, based on common risk characteristics of the loans, which included:

- the fiscal quarter in which the Private Education Loan was purchased by the PEAKS Trust or the CUSO; and
- the consumer credit score of the borrower.

PCI Loans that do not have evidence of deteriorated credit quality are not aggregated in the same pools with PCI Loans that have evidence of deteriorated credit quality. The same aggregation criteria, however, were used to determine those loan pools. Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Estimated Fair Value, Accretable Yield and Expected Cash Flows. The Private Education Loans were recorded at their estimated fair value upon consolidation. The estimated fair value of the PEAKS Trust Student Loans as of February 28, 2013 and the CUSO Student Loans as of September 30, 2014 was determined using an expected cash flow methodology. Projected default rates and forbearances were considered in applying the estimated cash flow methodology. Prepayments of loans were not considered when estimating the expected cash flows, because, historically, few Private Education Loans have been prepaid. No allowance for loan loss was established as of the date of consolidation of the PEAKS Trust and the CUSO, because all of the Private Education Loans were recorded at fair value and future credit losses are considered in the estimate of fair value.

The excess of any cash flows expected to be collected with respect to a loan pool of the Private Education Loans over the carrying value of the loan pool is referred to as the accretable yield. The accretable yield is accreted and included as interest income using the effective interest method, which is at a level rate of return over the remaining estimated life of the loan pool.

The following table sets forth the estimated fair value, accretable yield and expected cash flows for the PEAKS Trust Student Loans and the CUSO Student Loans, in total and for those loans pursuant to which ASC 310-30 was applied by analogy, as of the dates indicated:

	PEAKS Trust Student Loans		CUSO Student Loans	
	As of February 28, 2013		As of September 30, 2014	
	Total	ASC 310-30 Applied By Analogy	Total	ASC 310-30 Applied By Analogy
Estimated fair value	$112,116	$ 60,177	$27,199	$ 12,799
Accretable yield	$100,953	$ 58,843	$12,498	$ 5,651
Expected cash flows	$213,069	$ 119,020	$39,697	$ 18,450

The following tables set forth information regarding aggregate changes in accretable yield of the loan pools of the PEAKS Trust Student Loans, in total, and for those loans pursuant to which ASC 310-30 was applied by analogy, for the periods indicated:

	Year Ended December 31, 2015	
	Total	ASC 310-30 Applied By Analogy
Balance as of January 1	$ 51,819	$ 32,654
Accretion	(8,702)	(4,962)
Reclassification from nonaccretable difference and changes in expected cash flows	(8,133)	(8,379)
Balance as of December 31	$ 34,984	$ 19,313

	Year Ended December 31, 2014	
	Total	ASC 310-30 Applied By Analogy
Balance as of January 1	$ 70,580	$ 42,274
Accretion	(11,471)	(6,700)
Reclassification from nonaccretable difference and changes in expected cash flows	(7,290)	(2,920)
Balance as of December 31	$ 51,819	$ 32,654

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The following tables set forth information regarding aggregate changes in accretable yield of the loan pools of the CUSO Student Loans, in total, and for those loans pursuant to which ASC 310-30 was applied by analogy, for the periods indicated:

	Year Ended December 31, 2015	
	Total	ASC 310-30 Applied By Analogy
Balance as of January 1	$ 11,728	$ 5,857
Accretion	(2,902)	(1,654)
Reclassification from nonaccretable difference and changes in expected cash flows	3,967	3,408
Balance as of December 31	$ 12,793	$ 7,611

	Year Ended December 31, 2014	
	Total	ASC 310-30 Applied By Analogy
Balance as of January 1	$ 0	$ 0
Additions resulting from the CUSO Consolidation	12,498	5,651
Accretion	(699)	(333)
Reclassification from nonaccretable difference and changes in expected cash flows	(71)	539
Balance as of December 31	$ 11,728	$ 5,857

Contractually Required Payments. The excess of the contractually required payments of the Private Education Loans over the expected cash flows is referred to as the nonaccretable difference. The following table sets forth the contractually required future principal and interest payments, expected cash flows and the nonaccretable difference, in total and for those loans pursuant to which ASC 310-30 was applied by analogy for the PEAKS Trust Student Loans and the CUSO Student Loans, as of the dates indicated:

	PEAKS Trust Student Loans As of February 28, 2013		CUSO Student Loans As of September 30, 2014	
	Total	ASC 310-30 Applied By Analogy	Total	ASC 310-30 Applied By Analogy
Contractual future principal and interest payments	$487,800	$ 213,600	$111,159	$ 36,715
Expected cash flows	213,069	119,020	39,697	18,450
Nonaccretable difference	$274,731	$ 94,580	$ 71,462	$ 18,265

Allowance for Private Education Loan Losses. On a quarterly basis subsequent to the PEAKS Consolidation and the CUSO Consolidation, as applicable, we estimate the principal and interest expected to be collected over the remaining life of each loan pool. These estimates include assumptions regarding default rates, forbearances and other factors that reflect then-current market conditions. Prepayments of loans were not considered when estimating the expected cash flows, because, historically, few Private Education Loans have been prepaid.

If a decrease in the expected cash flows of a loan pool is probable and would cause the expected cash flows to be less than the expected cash flows at the end of the previous fiscal quarter, we would record the impairment as:

- a provision for private education loan losses in our Consolidated Statement of Operations; and
- an increase in the allowance for loan losses on our Consolidated Balance Sheets.

The provision for private education loan losses represents the increase in the allowance for loan losses that occurred during the period. The allowance for loan losses is the difference between the carrying value and the total present value of the expected principal and interest collections of each loan pool, discounted by the loan pool's effective interest rate at the end of the previous fiscal quarter. If a significant increase in the expected cash flows of a loan pool is probable and would cause the expected cash flows to be greater than the expected cash flows at the end of the previous fiscal quarter, we would:

- first reverse any allowance for loan losses with respect to that loan pool that was previously recorded on our Consolidated Balance Sheet, up to the amount of that allowance; and
- record any remaining increase prospectively as a yield adjustment over the remaining estimated lives of the loans in the loan pool.

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The following table sets forth information regarding changes in the allowance for loan losses of the loan pools of the PEAKS Trust Student Loans in the aggregate for the periods indicated:

	Year Ended December 31,	
	2015	2014
Balance at beginning of period	$ 42,353	$ 29,349
Loans charged off	(29,334)	(1,199)
Recoveries from charged off loans	2,278	2,092
Provision for loan losses	6,519	12,111
Balance at end of period	$ 21,816	$ 42,353

The following table sets forth information regarding changes in the allowance for loan losses of the loan pools of the CUSO Student Loans in the aggregate for the period indicated:

	Year Ended December 31,	
	2015	2014
Balance at beginning of period	$ 2,039	$ 0
Loans charged off	0	0
Recoveries from charged off loans	0	0
Provision for loan losses	(243)(1)	2,039
Balance at end of period	$ 1,796	$ 2,039

(1) The provision for loan losses was reduced by $1,193 for recoveries from CUSO Student Loans that were not recognized on our Consolidated Balance Sheet at the time of the CUSO Consolidation.

Adjustments to the interest income of a loan pool are recognized prospectively, if those adjustments are due to:

- changes in variable interest rates; or
- any other changes in the timing of the expected cash flows of the loan pools.

Loan Modifications and Charge Offs. Modifications were made to PCI Loans in the fiscal years ended December 31, 2015 and 2014 and were primarily due to forbearances granted with respect to the payment of those loans. We consider the impact of any modifications made to PCI Loans as part of our quarterly assessment of whether:

- a probable and significant change in the expected cash flows of the PCI Loans has occurred; and
- the loans should continue to be accounted for and reported as PCI loans.

In evaluating the impact of modifications made to PCI Loans on the expected cash flows of those loans, we consider the effect of any foregone interest and the potential for future default. These default estimates are used to calculate expected credit losses with respect to each loan pool. In developing these probabilities of default estimates, we considered the relationship between the credit quality characteristics of the loans in the loan pool and certain assumptions based on the performance history of the Private Education Loans and industry data related to the severity and recovery lag of defaults applicable to private education loans. Loans for which Payments on Behalf of Borrowers were made were assumed to be defaulted loans in our default estimates.

The charge off of a PCI Loan results in the removal of that loan from the underlying PCI Loan pool and reduces the loan pool discount. If the discount for principal losses for a particular PCI Loan pool has been fully depleted, the charge off of a PCI Loan will reduce the PCI Loan pool's allowance for loan losses. Removal of a PCI Loan from the underlying PCI Loan Pool does not change the effective yield of the PCI Loan Pool.

10. Property and Equipment

The following table sets forth our property and equipment, net, as of the dates indicated:

	As of December 31,	
	2015	2014
Furniture and equipment	$ 156,346	$ 161,994
Buildings and building improvements	134,440	135,241
Land and land improvements	39,007	39,609
Leasehold improvements	39,510	35,738
Software	7,974	8,263
Construction in progress	1,345	766
	$ 378,622	$ 381,611
Less: Accumulated depreciation and amortization	(236,458)	(224,539)
Property and equipment, net	$ 142,164	$ 157,072

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Software includes purchased and internally developed software.

In the fourth quarter of 2015, we decided to sell one of our buildings. As of December 31, 2015, the carrying value of the building that we considered held-for-sale was $2,351, and was included in Prepaid expenses and other current assets on our Consolidated Balance Sheet. The carrying value of the building was approximately equal to the estimated fair value, less selling costs. We expect to complete the sale of the building within the 12 months immediately following December 31, 2015.

The following table sets forth the depreciation and amortization expense for the assets listed above in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Depreciation and amortization expense	$21,093	$25,603	$27,007

11. Goodwill and Other Intangibles

We recognized goodwill and certain other intangible assets on our Consolidated Balance Sheet as a result of the acquisition of:

- certain assets and liabilities of CompetenC Solutions, Inc. and Great Equalizer, Inc. on January 31, 2014;
- the membership interests of Cable Holdings, Inc. on August 1, 2013; and
- all the assets and certain liabilities of Daniel Webster College on June 10, 2009.

The acquired intangible assets consist of certain identifiable intangible assets that are amortized over the asset's estimated life, and other indefinite-lived intangible assets, including goodwill. Goodwill represents the excess of the consideration paid over the estimated fair value of identifiable net assets acquired.

The following tables set forth the carrying value of our acquired intangible assets that are included in Other assets on our Consolidated Balance Sheets as of the dates indicated:

	As of December 31, 2015			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Amortization Period (months)
Amortizable intangible assets:				
Customer relationships	$ 2,500	$ (1,078)	$ 1,422	60
Non-compete agreements	1,120	(504)	616	60
Training materials	440	(304)	136	42
Accreditation	210	(195)	15	84
	$ 4,270	$ (2,081)	$ 2,189	

	As of December 31, 2014			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Amortization Period (months)
Amortizable intangible assets:				
Customer relationships	$ 2,500	$ (578)	$ 1,922	60
Non-compete agreements	1,120	(280)	840	60
Training materials	440	(178)	262	42
Accreditation	210	(165)	45	84
	$ 4,270	$ (1,201)	$ 3,069	

All amortizable intangible assets are being amortized on a straight-line basis. Amortization expense for amortized intangible assets was:

- $880 in the year ended December 31, 2015;
- $851 in the year ended December 31, 2014; and
- $245 in the year ended December 31, 2013.

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The following table sets forth our estimate of the amortization expense for our amortizable intangible assets in each of the next four fiscal years:

Fiscal Year Ending December 31,	Estimated Amortization Expense
2016	$ 865
2017	734
2018	562
2019	28
	$ 2,189

The following tables set forth the carrying value of our indefinite-lived intangible assets that are included in Other assets on our Consolidated Balance Sheets as of the dates indicated:

	As of December 31, 2015		
	Gross Carrying Value	Accumulated Impairment Loss	Net Carrying Value
Indefinite-lived intangible assets:			
Goodwill	$ 7,247	$ (7,247)	$ 0
Trademark	660	(410)	250
	$ 7,907	$ (7,657)	$ 250

	As of December 31, 2014		
	Gross Carrying Value	Accumulated Impairment Loss	Net Carrying Value
Indefinite-lived intangible assets:			
Goodwill	$ 7,290	$ (2,044)	$ 5,246
Trademark	660	(410)	250
	$ 7,950	$ (2,454)	$ 5,496

Indefinite-lived intangible assets include trademarks and goodwill, which are not amortized, since there are no legal, regulatory, contractual, economic or other factors that limit the useful life of those intangible assets by us.

Intangible assets that are not subject to amortization are required to be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. We perform our impairment evaluation annually, during the fourth quarter, or more frequently if facts and circumstances warrant. All of our goodwill relates to one reporting unit, which is defined as one level below an operating segment.

In addition to our annual impairment test, we consider certain triggering events when evaluating whether an interim impairment analysis is warranted. Among these is a significant long-term decrease in our market capitalization based on events specific to our operations. Deteriorating operating results and current period and projected future operating results that negatively differ from the operating plans used in the most recent impairment analysis are also triggering events that could be cause for an interim impairment review. In our analysis of triggering events we also consider changes in the accreditation, regulatory or legal environment; increased competition; innovation changes; and changes in the market acceptance of our educational programs and the graduates of those programs, among other factors.

In the third quarter of 2015, we performed an interim impairment analysis of the goodwill associated with the acquisition of Cable Holdings and the Ascolta business ("CPD Goodwill") because we believed that certain events indicated that the CPD Goodwill may have been impaired. While CPD's revenue improved sequentially in the second and third quarters of 2015, the revenue projections as of the end of the third quarter of 2015 were lower than the revenue projections used in our 2014 annual impairment analysis performed in the fourth quarter of 2014. Using these updated projections, we performed an evaluation and, based on the work performed, we concluded that an impairment charge of $5,203 could be reasonably estimated. Therefore, we recorded a $5,203 charge for the impairment of the CPD Goodwill in the third quarter 2015, which was our preliminary estimate of the goodwill impairment. We completed our analysis of the CPD Goodwill impairment in the fourth quarter of 2015 and concluded that we did not need to adjust our preliminary impairment estimate. As of December 31, 2015, the carrying value of the CPD Goodwill was $0.

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To calculate the amount of the goodwill impairment charge, we estimated the fair value of the CPD reporting unit using a discounted cash flow method. This approach calculates fair value by estimating the after-tax cash flows attributable to a reporting unit and discounting these after-tax cash flows to a present value using a risk-adjusted discount rate. In applying this methodology to calculate the fair value of the reporting unit, we used assumptions about future revenue and costs. In addition, the application of the discounted cash flow method requires judgment in determining a risk-adjusted discount rate. We considered the report of a third-party valuation firm in determining the risk-adjusted discount rate used for the valuation. The estimated fair value of the reporting unit was allocated to all of its assets and liabilities, including certain unrecognized intangible assets, in order to determine the implied fair value of the CPD Goodwill. This allocation process required judgment and the use of additional valuation assumptions in determining the individual fair values of the assets and liabilities of the reporting unit.

The assumptions and estimates underlying the fair value calculations used in our interim and annual impairment tests are uncertain by their nature and can vary significantly from actual results. Therefore, as circumstances and assumptions change, we may be required to recognize additional impairment charges for other intangible assets in future periods.

12. Debt

As of December 31, 2015, our Consolidated Balance Sheet included: (i) outstanding borrowings under the Term Loans (as defined below), as described further below under "*—Term Loans,*" (ii) the PEAKS Senior Debt issued by the PEAKS Trust, which was consolidated in our consolidated financial statements beginning February 28, 2013, as described further below under "*—PEAKS Trust Senior Debt,*" and (iii) the CUSO Secured Borrowing Obligation of the CUSO, which was consolidated in our consolidated financial statements beginning September 30, 2014, as described further in Note 8 – Variable Interest Entities.

Term Loans. On December 4, 2014, we and certain of our subsidiaries entered into a financing agreement (the "Original Financing Agreement") with Cerberus Business Finance, LLC ("Cerberus"), as administrative agent and collateral agent, and the lenders party thereto. Under the Original Financing Agreement, we borrowed $100,000 aggregate principal amount of senior secured term loans (the "Term Loans").

On December 23, 2014, we entered into Amendment No. 1 to Financing Agreement ("Amendment No. 1"), on March 17, 2015, we entered into Amendment No. 2 to Financing Agreement ("Amendment No. 2"), on May 26, 2015, we entered into a Limited Consent to Financing Agreement (the "FA Consent"), on September 18, 2015, we entered into Amendment No. 3 to Financing Agreement ("Amendment No. 3"), on December 31, 2015, we entered into Amendment No. 4 to Financing Agreement ("Amendment No. 4"), and on March 10, 2016, we entered into a Limited Waiver ("Waiver"). The Original Financing Agreement, as amended by Amendment No. 1, Amendment No. 2, Amendment No. 3 and Amendment No. 4 and including the FA Consent and Waiver, is referred to herein as the "Financing Agreement."

Amendment No. 1 made modifications to the Original Financing Agreement to extend the time by which we were required to establish certain cash management accounts. Amendment No. 2 provided:

- for an amendment to the limitation on the aggregate amount of payments that we can make related to the PEAKS Program and the CUSO Program in any fiscal year after 2014, modifying it from $20,000 per program in each year to $45,000 under both programs in 2015 and $35,000 under both programs in any year after 2015 that the Financing Agreement is still in effect;
- that our consolidated financial statements (and related certificates) as of and for the fiscal year ended December 31, 2014 did not have to be furnished by us to the lenders until May 31, 2015; and
- for an amendment to the definition of Fixed Charge Coverage Ratio (as defined in the Financing Agreement) to provide that, for purposes of calculating the Fixed Charge Coverage Ratio for any period that includes the fiscal quarter ended December 31, 2014, the amount of payments made during that fiscal quarter in respect of the PEAKS Program would be deemed to have been $5,000.

The FA Consent provided that our consolidated financial statements (and related certificates) as of and for the fiscal quarter ended March 31, 2015 did not have to be furnished by us to the lenders until June 15, 2015.

Amendment No. 3 provided for an amendment to the provision requiring us to prepay the outstanding principal of the Term Loans outstanding under the Financing Agreement in an amount equal to 100% of the Net Cash Proceeds (as defined in the Financing Agreement) received in connection with any Extraordinary Receipts (as defined in the Financing Agreement), modifying it to include two limited exceptions thereto which provide that:

- we are only required to prepay the Term Loans in an aggregate amount of 66 2/3% of the federal income tax refund received by us as a result of us filing to carry back to a prior year the net taxable operating loss reported on our federal income tax return for the year ended December 31, 2014; and
- we are not required to prepay the Term Loans with cash received from individual tax refunds to the extent that the amount of any such refund is less than $100.

We reported a net operating loss on our federal income tax return for the year ended December 31, 2014, and received a federal income tax refund in the amount of $18,218 in connection with a claim to carry back our 2014 net operating loss to the tax year ended December 31, 2012. Pursuant to Amendment No. 3, we made a prepayment of the Term Loans in the amount of $12,145 in the fourth quarter of 2015.

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Amendment No. 4 modified certain definitions, covenant requirements and scheduled payments under the Financing Agreement. Amendment No. 4:

- modified the definition of Excess Cash Flow in the Financing Agreement to exclude special legal, accounting and similar charges from the calculation of Excess Cash Flow;
- established a minimum amount of $9,000 to be paid in 2016 pursuant to the mandatory prepayment provision based on Excess Cash Flow;
- modified the Leverage Ratio (as defined in the Financing Agreement) covenant requirement as of September 30, 2016 from 1.50:1.00 to 1.75:1.00;
- adjusted the definition of the Fixed Charge Coverage Ratio to exclude certain mandatory prepayments;
- revised the scheduled quarterly installment principal payment amounts and dates in 2016 from $5,000 per quarter to: $10,000 on March 1, 2016; $15,500 on June 30, 2016; $15,500 on September 30, 2016; and $20,000 on December 31, 2016; and
- added additional definitions and amended certain other provisions as necessary to reflect the replacement of the ED Letter of Credit with the ED Agreement.

As a condition for Amendment No. 4, on December 31, 2015 we made a prepayment of $7,174 of outstanding principal of the Term Loans, with no prepayment premium required. This was the approximate amount of the difference between the amount of the collateral held related to the ED Letter of Credit and the amount being held as ED Escrowed Funds. We entered into Amendment No. 4 in order to establish Leverage Ratio and Fixed Charge Covenant Ratio requirements that, based on our current estimates, we believe we would be in compliance with in 2016 and to schedule mandatory principal payments on certain dates and of certain amounts based on our estimated cash balances, which we might have otherwise been required to make voluntarily in order to maintain compliance with those covenants. If such payments were made voluntarily, we would have been required to make a Premium Payment (defined below).

Pursuant to the Waiver we entered into on March 10, 2016, the agents and the lenders under the Financing Agreement agreed to waive any default or event of default that may have occurred and is continuing, or may occur, under the Financing Agreement or related loan documents as a result of the Restatements (as defined below), as long as we deliver to the agents and lenders our restated financial statements by March 31, 2016.

We believe that we will make payments of approximately $11,700 under the PEAKS Guarantee and approximately $16,000, net of approximately $1,800 in recoveries, under the CUSO RSA in 2016. The Financing Agreement limits the aggregate amount of payments that we could make related to the PEAKS Guarantee and the CUSO RSA to $35,000 under both programs in any year after 2015 that the Financing Agreement is in effect. See Note 15 – Commitments and Contingencies for a further discussion of our projected payments under the PEAKS Guarantee and CUSO RSA.

A portion of the proceeds of the Term Loans and other funds were used by us on December 4, 2014 to provide approximately $89,200 in cash collateral for certain letters of credit that were outstanding for our account as of that date, which was in addition to the approximately $100 of cash collateral we had previously provided related to a letter of credit in September 2014, under the Credit Agreement, dated as of March 21, 2012 (as amended and including consents, the "Amended Credit Agreement"), among us, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, and Wells Fargo, N.A., as documentation agent. A portion of the proceeds of the Term Loans and other funds were used by us on December 4, 2014 to repay all outstanding loans, including accrued interest and fees, owed under the Amended Credit Agreement, in the amount of approximately $50,400. All commitments of the lenders to lend additional amounts under the Amended Credit Agreement were terminated.

A portion of the proceeds of the Term Loans, as well as other funds, were used for payment of fees in connection with the Financing Agreement. We paid a one-time commitment fee of $3,000 in the fourth quarter of 2014 in connection with the Financing Agreement. The commitment fee and other costs paid to, or on behalf of, the lender were recorded as debt discount on our Consolidated Balance Sheet. Under the Financing Agreement, we are required to pay a quarterly administration fee to the Administrative Agent of $25.

The following table sets forth the outstanding principal balance, debt discount and carrying value of the Financing Agreement as of the dates indicated:

	As of December 31,	
	2015	2014
Outstanding principal balance	$69,681	$100,000
Debt discount	(1,160)	(3,651)
Carrying value	$68,521	$ 96,349

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The outstanding principal balance under the Financing Agreement is expected to be repaid by us as set forth in the following table:

Fiscal Quarter Ending	Scheduled Payments	Excess Cash Flow Payment	Total
March 31, 2016	$ 10,000	$ 9,000	$19,000
June 30, 2016	15,500	0	15,500
September 30, 2016	15,500	0	15,500
December 31, 2016	19,681	0	19,681
Total	$ 60,681	$ 9,000	$69,681

The Financing Agreement provides for mandatory prepayment of outstanding principal in an amount equal to 50% of Excess Cash Flow calculated based on our financial results for the fiscal years ended December 31, 2015 and 2016. Any mandatory prepayment amounts due under this provision are payable within 90 days of December 31. Based on our Excess Cash Flow for the fiscal year ended December 31, 2015, we expect to make a mandatory prepayment of $9,000 under the Excess Cash Flow provision in March 2016, which is the minimum required payment pursuant to Amendment No. 4. The Term Loans will mature on December 4, 2017. Assuming the required principal payments are made in accordance with the repayment schedule for the remainder of 2016, however, the outstanding balance of the Term Loans is expected to be $0 as of December 31, 2016. Based on these repayment expectations, we have classified the entire carrying value of the Term Loans as a current liability on our December 31, 2015 Consolidated Balance Sheet.

The Financing Agreement provides that we must pay a premium on any prepayment of outstanding principal ("Premium Payment") that we make during the first two years of the Financing Agreement that is not specifically required under the mandatory prepayment provision. The Premium Payment for any such prepayment of principal is 1.0% of the amount of any prepayment we make from December 5, 2015 through December 4, 2016. We were not required to make any Premium Payments in 2015 and do not expect to make any Premium Payments in 2016.

The Term Loans bear interest, at our option, at:

- the higher of (a) the London Interbank Offered Rate ("LIBOR") and (b) 1.00%, plus a margin of 8.50%; or
- the highest of (a) 2.00%, (b) the federal funds rate plus 0.50%, (c) LIBOR plus 1.00% and (d) the U.S. Prime Rate, plus a margin of 8.00%.

The effective interest rate on our borrowings under the Financing Agreement was approximately:

- 14.0% per annum in the year ended December 31, 2015; and
- 12.0% per annum in the year ended December 31, 2014.

The following table sets forth the total amount of interest expense and fees (including amortization of debt issuance costs and accretion of debt discount) that we recognized on our borrowings under the Financing Agreement in the periods indicated:

	Year Ended December 31,	
	2015	2014
Interest expense and fees	$ 12,403	$ 868

The Term Loans are guaranteed by certain of our subsidiaries (the "Guarantors" and together with us, the "Loan Parties") and are secured, subject to certain agreed upon exceptions, by: (i) a first-priority lien on and perfected security interest in substantially all the Loan Parties' assets, including a pledge of the equity of the Guarantors and our other subsidiaries, (ii) a mortgage on the Loan Parties' owned real estate, and (iii) control agreements on certain of the Loan Parties' deposit accounts.

The Financing Agreement contains certain affirmative and negative covenants, including restrictions on the Loan Parties' ability to incur debt and liens, make investments, dispose of assets, pay dividends and make prepayments on existing indebtedness, in each case subject to customary exceptions.

The Financing Agreement requires us to maintain compliance with a Leverage Ratio and a Fixed Charge Coverage Ratio as well as with certain educational regulatory measurements. Compliance with the Leverage Ratio and the Fixed Charge Coverage Ratio is determined on a quarterly basis, covering certain prior periods as described in the Financing Agreement.

The educational regulatory measurements are calculated over different time periods, based on statutory guidelines. The educational regulatory measurements are set forth in the Financing Agreement, and include the following tests:

- a minimum composite score of our equity, primary reserve and net income ratios;
- our institutions' loan cohort default rates under Title IV Programs of the HEA;
- our institutions' compliance with the 90/10 Rule of the HEA;
- our compliance with the ED's gainful employment regulations; and
- our institutions' student retention rate.

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The Financing Agreement contains certain events of default, including:

- the failure by us to pay any amount owed under the Financing Agreement when due;
- an inaccuracy in any material respect of the representations or warranties that the Loan Parties made in the Financing Agreement;
- a violation of any covenant that the Loan Parties made in the Financing Agreement and the related loan documents;
- a default by us under any other material indebtedness owed by us, including without limitation, a failure to pay any amounts due under the PEAKS Guarantee or CUSO RSA;
- a change of control of us;
- the invalidity of certain liens or guarantees granted or made by the Loan Parties in the Financing Agreement;
- the occurrence of certain regulatory events; and
- certain bankruptcy or insolvency events affecting the Loan Parties.

If an event of default occurs under the Financing Agreement, the lenders may declare all Term Loans then outstanding to be immediately due and payable in full.

Credit Facility. On March 21, 2012, we entered into a credit agreement (the "Credit Agreement") that provided for a $325,000 senior revolving credit facility. We entered into amendments to the Credit Agreement on March 31, 2014, May 29, 2014, June 30, 2014, July 30, 2014 and September 15, 2014. We entered into a Consent to Credit Agreement effective October 15, 2014 and a Consent to Credit Agreement, as of November 14, 2014 (collectively, the "Consents"). The Credit Agreement, as so amended and including Consents, is referred to herein as the "Amended Credit Agreement." The Amended Credit Agreement had a maturity date of March 21, 2015. On December 4, 2014, we used a portion of the proceeds of the Term Loans and other funds to repay all outstanding borrowings under the Amended Credit Agreement, and all commitments of the lenders thereunder to make revolving loans, to issue or participate in new letters of credit, and to amend, renew, or extend letters of credit outstanding under the Amended Credit Agreement were terminated.

We caused the ED Letter of Credit in the amount of $79,708 to be issued on October 31, 2014, which was issued pursuant to the Amended Credit Agreement and remained outstanding through December 22, 2015. As of December 31, 2015, no letters of credit issued by JP Morgan Chase Bank, N.A. pursuant to the Amended Credit Agreement remained outstanding. See Note 15 – Commitments and Contingencies, for a further discussion of the ED Letter of Credit.

Pursuant to the original terms of the Credit Agreement related to letters of credit, we were required to pay a quarterly participation fee, which accrued at the same rate used to determine the interest rate applicable to Eurodollar Revolving Loans (as defined in the Amended Credit Agreement). In addition to that quarterly participation fee, the Amended Credit Agreement provided that an additional quarterly participation fee was required to be paid by us related to the ED Letter of Credit, which accrued at a ticking fee rate on the average daily amount of the lenders' letter of credit exposure with respect to the ED Letter of Credit. The ticking fee rate was defined as:

- 0.00% per annum for the period from September 15, 2014 through and including March 21, 2015;
- 1.00% per annum for the period from March 22, 2015 through and including March 21, 2016;
- 2.00% per annum for the period from March 22, 2016 through and including March 21, 2017;
- 3.00% per annum for the period from March 22, 2017 through and including March 21, 2018;
- 4.00% per annum for the period from March 22, 2018 through and including March 21, 2019; and
- 5.00% per annum for the period from March 22, 2019 through November 15, 2019.

Under the Amended Credit Agreement, we were required to provide and were obligated to maintain cash collateral (in an amount equal to 109% of the face amount of the ED Letter of Credit and 103% of the face amount of all other letters of credit) for any letter of credit issued under the Amended Credit Agreement. As required, we utilized a portion of the proceeds from the Term Loans, as well as other funds, to provide cash collateral for the outstanding letters of credit in the amount of approximately $89,300. The cash collateral was released to us in December 2015 and January 2016 when all obligations for the letters of credit issued pursuant to the Amended Credit Agreement were cancelled.

Borrowings under the Amended Credit Agreement bore interest, at our option, at the LIBOR plus an applicable margin or at an alternative base rate, as defined under the Amended Credit Agreement, plus an applicable margin. The applicable margin for borrowings under the Amended Credit Agreement was determined based on the ratio of our total Indebtedness (as defined in the Amended Credit Agreement and which primarily included outstanding borrowings, recorded contingent liabilities related to our guarantee obligations, letters of credit and surety bonds) to EBITDA (as defined in the Amended Credit Agreement) (the "Credit Agreement Leverage Ratio") as of the end of each fiscal quarter. We also paid a commitment fee on the amount of the unutilized commitments under the Amended Credit Agreement. The amount of the commitment fee was determined based on the Credit Agreement Leverage Ratio as of the end of each quarter.

The effective interest rate on our borrowings under the Amended Credit Agreement was approximately:

- 4.20% per annum in the year ended December 31, 2014; and
- 3.60% per annum in the year ended December 31, 2013.

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There were no borrowings outstanding under the Amended Credit Agreement in the year ended December 31, 2015.

The following table sets forth the total amount of interest expense and fees (including the commitment fee and fees for letters of credit) that we recognized under the Amended Credit Agreement in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Interest expense and fees	$2,815	$2,893	$3,424

PEAKS Trust Senior Debt. In January 2010, the PEAKS Trust issued the PEAKS Senior Debt in the aggregate principal amount of $300,000 to investors. Beginning on February 28, 2013, the PEAKS Trust was consolidated in our consolidated financial statements. See Note 8 – Variable Interest Entities, for a further discussion of the PEAKS Consolidation. The PEAKS Senior Debt was recorded on our Consolidated Balance Sheet as of February 28, 2013 at its estimated fair value on that date, which was approximately $226,096. The outstanding principal balance of the PEAKS Senior Debt as of February 28, 2013 was $257,533. The $31,437 difference between the estimated fair value and the outstanding principal balance of the PEAKS Senior Debt as of February 28, 2013 was recorded as a debt discount on our Consolidated Balance Sheet and is being recognized as Interest expense in our Consolidated Statements of Operations using the interest method, based on the actual and projected cash flows, over the expected life of the PEAKS Senior Debt.

The following table sets forth the outstanding principal balance, debt discount and carrying value of the PEAKS Senior Debt as of the dates indicated:

	As of December 31,	
	2015	2014
Outstanding principal balance	$57,111	$ 96,918
Debt discount	(6,305)	(11,207)
Carrying value	$50,806	$ 85,711

We recorded $20,105 as a current liability as of December 31, 2015, which represented our estimate of the amount of the carrying value that we expect to be due in the 12 months immediately following December 31, 2015.

The PEAKS Senior Debt matures in January 2020. There are no scheduled principal repayment requirements for the PEAKS Senior Debt prior to the January 2020 maturity date. Under the terms of the PEAKS Program documents, however, amounts received on a monthly basis by the PEAKS Trust that exceed the fees and expenses of the PEAKS Trust then due and the interest then due on the PEAKS Senior Debt are to be paid to reduce the outstanding principal balance of the PEAKS Senior Debt.

The following table sets forth the estimated principal payments on the PEAKS Senior Debt in the periods indicated:

Fiscal Year Ending December 31,	Amount
2016	$20,105
2017	8,548
2018	8,954
2019	9,775
2020	9,729
Total	$57,111

The PEAKS Senior Debt bears interest at a variable rate based on the LIBOR, plus a 550 basis point margin. The minimum LIBOR rate applied to the PEAKS Senior Debt cannot be less than 2.00%. The effective interest rate on the PEAKS Senior Debt was approximately:

- 17.20% per annum in the year ended December 31, 2015;
- 16.80% per annum in the year ended December 31, 2014; and
- 9.90% per annum in the year ended December 31, 2013.

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The following table sets forth the total amount of contractual interest expense and discount accretion that we recognized on the PEAKS Senior Debt in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Contractual interest expense	$ 5,696	$14,102	$16,362
Discount accretion	4,902	16,220	4,926
Total interest expense	$10,598	$30,322	$21,288

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The assets of the PEAKS Trust (which include, among other assets, the PEAKS Trust Student Loans) serve as collateral for, and are intended to be the principal source of, the repayment of the PEAKS Senior Debt. Payment of the PEAKS Senior Debt may be accelerated by the indenture trustee of the PEAKS Trust or by the holders of the PEAKS Senior Debt in response to certain events of default under the indenture under the PEAKS Program (the "PEAKS Indenture"), including, among other things:

- a payment default by the PEAKS Trust;
- a default in the performance or observation of the PEAKS Trust's covenants, agreements or conditions under the PEAKS Indenture;
- a breach of our obligations under the PEAKS Guarantee; and
- certain bankruptcy events with respect to the PEAKS Trust or us.

An acceleration of the payment of the PEAKS Senior Debt would result in an acceleration of our obligation to pay the full amount of the PEAKS Senior Debt pursuant to the terms of the PEAKS Guarantee, if the PEAKS Trust was not able to make that payment (and we believe that it is unlikely that the PEAKS Trust would be able to make that payment). The acceleration of our obligation to pay the full amount of the PEAKS Senior Debt, and/or our inability to make that payment, could also result in cross-defaults under the Financing Agreement.

Asset/Liability Ratio. The PEAKS Trust must maintain a minimum required Asset/Liability Ratio. The minimum required Asset/Liability Ratio is 1.05/1.00. The applicable required Asset/Liability Ratio as of each monthly measurement date, however, is based on our compliance, as of the prior quarterly measurement date, with certain metrics specified in the PEAKS Program documents, including maximum leverage ratios and minimum liquidity amounts. If we are not in compliance with those metrics as of the end of a fiscal quarter, the required Asset/Liability Ratio increases to 1.40/1.00, until the monthly measurement date following the end of a succeeding quarter at which we are in compliance with those metrics. We were not in compliance with those metrics as of December 31, 2015. For purposes of computing the Asset/Liability Ratio, as of December 31, 2015, the amount of the assets of the PEAKS Trust was $77,078 and the amount of the liabilities was $57,111. The amounts used to calculate the Asset/Liability Ratio include, for the assets, cash and the contractual balance of the PEAKS Trust Student Loans that have not defaulted, and, for the liabilities, the amount of the contractual balance of the PEAKS Senior Debt.

If the amount of the assets of the PEAKS Trust does not equal or exceed the outstanding PEAKS Senior Debt by the applicable required Asset/Liability Ratio on a monthly measurement date, we are required to make a payment under the PEAKS Guarantee in the following month in an amount that would reduce the outstanding principal balance of the PEAKS Senior Debt to the extent necessary to cause the ratio of the assets of the PEAKS Trust to the resulting outstanding PEAKS Senior Debt to equal or exceed the applicable required Asset/Liability Ratio.

In the year ended December 31, 2015, we made payments totaling $30,090 under the PEAKS Guarantee, all of which were made to cause the PEAKS Trust to maintain the applicable required Asset/Liability Ratio. In the year ended December 31, 2014 we made payments of $156,643 under the PEAKS Guarantee that were applied by the PEAKS Trust to reduce the amount of the PEAKS Senior Debt. The amount paid in 2014 included:

- $40,000 that we paid in March 2014 pursuant to the PEAKS Letter Agreement, which was applied primarily to make a mandatory prepayment of the PEAKS Senior Debt (see Note 8 – Variable Interest Entities for a further discussion of the PEAKS Letter Agreement); and
- payments totaling $116,643 that we made from July 2014 through December 2014 to satisfy our obligations under the PEAKS Guarantee with respect to the increased minimum required Asset/Liability Ratio.

We also made additional payments under the PEAKS Guarantee in the year ended December 31, 2014 that were not related to maintaining the required Asset/Liability Ratio. See Note 15 – Commitments and Contingencies, for a further discussion of the payments made under the PEAKS Program in the years ended December 31, 2015 and 2014, as well as our projected PEAKS Guarantee payments for 2016 through 2020.

As a consequence of the restatement of our unaudited condensed consolidated financial statements in our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2014, June 30, 2014, September 30, 2014, March 31, 2015, June 30, 2015 and September 30, 2015, and the restatement of our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2014 (the "Restatements"), the quarterly and annual reports for the affected periods that we were required to deliver to the indenture trustee of the PEAKS Trust under the PEAKS Guarantee were inaccurate. We delivered corrected reports to the indenture trustee on March 14, 2016, and we believe that if any breach of the PEAKS Guarantee or any event of default under the PEAKS Indenture had occurred as a result of the Restatements, that our delivery of the corrected reports has cured any such breach or event of default. We cannot predict, however, whether the holders of the PEAKS Senior Debt will assert other breaches of the PEAKS Guarantee by us or assert that any breach of the PEAKS Guarantee or event of default under the PEAKS Indenture was not properly cured.

As a consequence of the restatement of our unaudited condensed consolidated financial statements in our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013, June 30, 2013 and September 30, 2013, certain quarterly reports that we were required to deliver to the indenture trustee of the PEAKS Trust under the PEAKS Guarantee were inaccurate. We delivered corrected quarterly reports to the indenture trustee on October 9, 2014. If we had delivered accurate quarterly reports or, with respect to periods in 2014 through September 30, 2014, delivered quarterly reports to the indenture trustee of the PEAKS Trust, we believe that the indenture trustee would have made payment demands beginning in April 2013, requiring us to make additional payments under the PEAKS Guarantee totaling approximately $60,340, in the aggregate, in order to maintain an Asset/Liability Ratio of 1.40/1.00. On October 9, 2014, we made a payment under the PEAKS Guarantee of $50,000, which payment, along with other payments that we made to the PEAKS Trust in the third quarter of 2014, included amounts that would have become due between

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April 2013 and September 2014, had we delivered accurate quarterly reports. The delivery of inaccurate quarterly reports constituted a breach of the PEAKS Guarantee and an event of default under the PEAKS Indenture. In the event of a default under the PEAKS Indenture, the payment of the entire amount of the PEAKS Senior Debt could be accelerated, which would trigger our obligation to pay the full amount of the PEAKS Senior Debt pursuant to our obligations under the PEAKS Guarantee, additional remedies could be sought against us and there could be a cross-default under the Financing Agreement, any of which would have a material adverse effect on our results of operations, financial condition and cash flows. We believe that the delivery of the corrected quarterly reports and the payments we made under the PEAKS Guarantee through October 9, 2014 satisfied our obligations under the PEAKS Guarantee with respect to these matters and cured the breach of the PEAKS Guarantee and event of default under the PEAKS Indenture. We cannot predict, however, whether the holders of the PEAKS Senior Debt will assert other breaches of the PEAKS Guarantee by us or that any breach of the PEAKS Guarantee or event of default under the PEAKS Indenture was not properly cured.

13. Income Taxes

The following table sets forth the components of the provision for income taxes in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Current income tax expense:			
U.S. federal	$ 7,704	$(21,401)	$ 39,279
State and local	727	(68)	4,611
Total	$ 8,431	$(21,469)	$ 43,890
Deferred income tax (benefit):			
U.S. federal	$ 6,385	$ 36,088	$(46,345)
State and local	1,286	2,203	(7,757)
Total	$ 7,671	$ 38,291	$(54,102)
Total provision (benefit) for income taxes	$16,102	$ 16,822	$(10,212)

We recognized state income tax benefit of approximately $988 in the year ended December 31, 2015, and $5,687 in the year ended December 31, 2014, as a result of state operating losses.

We are not required to include the Consolidated VIEs in our consolidated income tax returns. Therefore, we did not recognize income tax expense or benefit for the Consolidated VIEs in the provision for income taxes included in our Consolidated Statements of Operations for the years ended December 31, 2015 and 2014. The effect of the exclusion of the Consolidated VIEs from our income tax provision is shown in the reconciliation of our effective income tax rate as a percentage of income shown below.

The following table sets forth the components of our deferred income tax assets (liabilities) as of the dates indicated:

	As of December 31,	
	2015	2014
Deferral of book costs	$ (967)	$ (1,575)
Pension	(11,255)	(11,113)
Other	(1,155)	(1,972)
Gross deferred tax (liabilities)	$ (13,377)	$ (14,660)
Deferred revenue	$ 6,228	$ 10,082
Accounts receivable	103	910
Property and equipment	7,674	2,495
Intangibles	3,110	1,065
Legal accrual	6,288	5,796
Compensation and benefits	2,445	2,410
Stock-based compensation	14,859	19,394
Operating leases	3,889	2,189
Other assets	8,678	8,671
Other contingent liabilities	58,360	67,914
Gross deferred tax assets	$111,634	$120,926
Net deferred income tax asset	$ 98,257	$106,266

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The difference between the U.S. federal statutory income tax rate and our effective income tax rate as a percentage of income in the periods indicated is reconciled in the following table:

	Year Ended December 31,		
	2015	2014	2013
U.S. federal statutory income tax rate	35.0%	35.0%	(35.0)%
Rate differential on VIEs	0.0%	1.0%	11.9%
State income taxes, net of federal benefit	3.4%	3.1%	(5.6%)
Permanent book/tax differences	1.8%	3.3%	2.8%
Other	0.7%	(0.5%)	(1.5%)
Effective income tax rate	40.9%	41.9%	(27.4%)

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The following table sets forth the activity with respect to our unrecognized tax benefits in the period indicated:

	Year Ended December 31,		
	2015	2014	2013
Balance as of January 1	$24,900	$22,291	$20,690
Increases (decreases) from:			
Tax positions taken during a prior period	4,404	5,620	1,675
Tax positions taken during the current period	406	537	870
Settlements with taxing authorities	(1,520)	(2,551)	186
Lapse of statute of limitations	(645)	(997)	(1,130)
Balance as of December 31	$27,545	$24,900	$22,291

The amount of unrecognized tax benefits that, if recognized, would have affected our effective tax rate were approximately:

- $13,990 as of December 31, 2015;
- $11,109 as of December 31, 2014; and
- $10,575 as of December 31, 2013.

We may resolve certain federal and state income tax matters presently under examination within the 12 months immediately following the date of this filing. As of December 31, 2015, we estimated that it was reasonably possible that unrecognized tax benefits, excluding interest and penalties, could decrease in an amount ranging from $0 to $8,100 in the 12 months immediately following the date of this filing due to the resolution of those matters. The amount of interest and penalties related to unrecognized tax benefits accrued on our Consolidated Balance Sheets was $6,552 as of December 31, 2015 and $6,135 as of December 31, 2014. In each of the years ended December 31, 2015, 2014 and 2013, the amount of interest expense and penalties related to our unrecognized tax benefits that we recognized in our Consolidated Statements of Operations was not significant.

We file income tax returns in the United States (federal) and in various state and local jurisdictions. As of December 31, 2015, our federal income tax returns for tax years prior to 2010 were no longer subject to examination. As of December 31, 2015, our state or local income tax returns were no longer subject to examination for tax years prior to 2011, except in nine states where our income tax returns are still subject to examinations for tax year 2010 and one state where our income tax return is still subject to examination for the tax year 2008.

14. Employee Benefit Plans

Employee Pension Benefits. Our ESI Pension Plan, a non-contributory defined benefit pension plan, commonly referred to as a cash balance plan, covers substantially all of our employees who began their employment with us prior to June 2, 2003. This plan provides benefits based on an employee's annual earnings times an established percentage of pay determined by the employee's age and years of benefit service. Effective June 2, 2003, we closed participation in the ESI Pension Plan to all new employees. Employees who begin their employment with us on or after June 2, 2003 do not participate in the ESI Pension Plan.

Our ESI Excess Pension Plan, a nonqualified, unfunded retirement plan, covers a select group of our management. The purpose of the ESI Excess Pension Plan is to restore benefits earned, but not available, to eligible employees under the ESI Pension Plan due to federal statutory limitations on the amount of benefits that can be paid and compensation that may be recognized under a tax-qualified retirement plan.

The benefit accruals under the ESI Pension Plan and the ESI Excess Pension Plan for all participants in those plans were frozen effective March 31, 2006, such that no further benefits accrue under those plans after March 31, 2006. Participants in those plans, however, continue to be credited with vesting service and interest according to the terms of the ESI Pension Plan and the ESI Excess Pension Plan.

The information presented below is based on actuarial valuation dates of December 31, 2015 and 2014, as applicable.

The following table sets forth the change in projected benefit obligation for the periods indicated:

	Year Ended December 31,	
	2015	2014
Projected benefit obligation at beginning of year	$ 52,419	$ 49,412
Service cost	0	0
Actuarial (gain) loss	(1,574)	4,741
Interest cost	1,570	1,993
Benefits paid	(3,631)	(3,727)
Plan amendments	0	0
Projected benefit obligation at end of year	$ 48,784	$ 52,419
Fair value of plan assets at end of year	78,011	81,130
Funded status at end of year	$ 29,227	$ 28,711

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Our accumulated benefit obligation was $48,784 at December 31, 2015 and $52,419 at December 31, 2014.

The following table sets forth the funded status of our defined benefit plans that was recognized on our Consolidated Balance Sheets as of the dates indicated:

	As of December 31,	
	2015	2014
Non-current assets	$29,385	$29,028
Non-current (liabilities)	(158)	(317)
Total	$29,227	$28,711

The weighted-average assumptions used to determine benefit obligations as of December 31, 2015 and 2014 were as follows:

	2015	2014
Discount rate	3.50%	3.25%
Rate of compensation increase	N/A	N/A

The following table sets forth the change in the fair value of plan assets for the periods indicated:

	Year Ended December 31,	
	2015	2014
Fair value of plan assets at beginning of year	$ 81,130	$ 76,710
Actual return on plan assets	346	8,147
Employer contributions	0	0
Benefits paid	(3,465)	(3,727)
Fair value of plan assets at end of year	$ 78,011	$ 81,130

The following tables set forth the fair value of total plan assets by major asset category as of the dates indicated:

		Fair Value Measurements as of December 31, 2015		
Asset Category	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Cash and cash equivalents	$ 440	$ 440	$ 0	$ 0
Fixed income securities (a)	5,622	5,622	0	0
Equity securities:				
Domestic large cap	46,640	46,640	0	0
Mid cap value/growth (a)	13,629	13,629	0	0
Small cap value/growth (a)	7,716	7,716	0	0
Foreign equities	3,964	3,964	0	0
Total	$78,011	$ 78,011	$ 0	$ 0

(a) Mutual funds.

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Asset Category	Total	Fair Value Measurements as of December 31, 2014 (Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Cash and cash equivalents	$ 995	$ 995	$ 0	$ 0
Fixed income securities (a)	9,258	9,258	0	0
Equity securities:				
Domestic large cap	45,137	45,137	0	0
Mid cap value/growth (a)	13,725	13,725	0	0
Small cap value/growth (a)	7,894	7,894	0	0
Foreign equities	4,121	4,121	0	0
Total	$81,130	$ 81,130	$ 0	$ 0

(a) Mutual funds.

We used quoted prices in active markets for identical assets as of the measurement dates to value our plan assets that were categorized as Level 1.

The following table sets forth the amounts in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheets that have not been recognized as components of net periodic pension benefit cost as of the dates indicated:.

	As of December 31, 2015	2014
Net actuarial (loss)	$(5,337)	$(2,169)
Prior service credit	2,468	4,023
Total accumulated other comprehensive income (loss)	$(2,869)	$ 1,854
Income tax (expense)	1,176	(653)
Total accumulated other comprehensive income (loss), net of tax	$(1,693)	$ 1,201

The following table sets forth the changes in the components of Accumulated other comprehensive income (loss) on our Consolidated Balance Sheets in the fiscal years ended December 31, 2014 and 2015:

	Defined Benefit Pension Items		
	Accumulated Other Comprehensive Income (Loss)	Income Tax Benefit (Expense)	Accumulated Other Comprehensive Income (Loss) Net of Income Tax
Balance at December 31, 2013	$ 5,032	$ (1,886)	$ 3,146
Net actuarial gain	(1,760)	683	(1,077)
Settlement gain	137	(53)	84
Amortization of:			
Actuarial (gains)/losses	0	0	0
Prior service costs/(credits)	(1,555)	603	(952)
Balance at December 31, 2014	$ 1,854	$ (653)	$ 1,201
Net actuarial (loss)	(3,523)	1,364	(2,159)
Settlement gain	354	(137)	217
Amortization of:			
Actuarial (gains)/losses	1	0	1
Prior service costs/(credits)	(1,555)	602	(953)
Balance at December 31, 2015	$ (2,869)	$ 1,176	$ (1,693)

The reclassification of prior service costs or credits, actuarial gains or losses and settlement gains or losses from Accumulated other comprehensive income (loss) are included in the computation of net periodic pension benefit cost (income). Net periodic pension benefit cost (income) was included in compensation expense in Cost of educational services and Student services and administrative expenses in our Consolidated Statements of Operations in the fiscal years ended December 31, 2015 and 2014.

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The following table sets forth the components of net periodic pension benefit (income) in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Interest cost	$ 1,570	$ 1,993	$ 1,756
Expected return on assets	(5,443)	(5,164)	(4,344)
Recognized net actuarial loss	1	0	2,037
Amortization of prior service (credit) cost	(1,555)	(1,555)	(1,555)
Settlement loss	354	137	42
Total net periodic pension benefit (income)	$(5,073)	$(4,589)	$(2,064)

The benefit accruals under the ESI Pension Plan and ESI Excess Pension Plan were frozen effective March 31, 2006. As a result, no service cost has been included in the net periodic pension benefit income.

The following table sets forth the amounts related to changes in plan assets and projected benefit obligations that were recognized in other comprehensive (income) loss in the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
Net actuarial (gain) loss	$3,523	$ 1,760	$(17,566)
Amortization of net actuarial loss	(1)	0	(2,037)
Amortization of prior service cost	1,555	1,555	1,555
Settlement	(354)	(137)	(42)
Other comprehensive (income) loss	$4,723	$ 3,178	$(18,090)
Total recognized in net periodic pension benefit (income) and other comprehensive (income) loss	$ (350)	$(1,411)	$(20,154)

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period for employees expected to receive benefits under the pension plans. The estimated net actuarial loss that is expected to be amortized from accumulated other comprehensive income and recognized in net periodic pension benefit cost for the year ended December 31, 2016 is less than $1 and the estimated prior service credit that is expected to be amortized from accumulated other comprehensive income and recognized in net periodic pension benefit cost for the year ended December 31, 2016 is $1,555.

The weighted-average assumptions used to determine net periodic pension benefit cost in the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Discount rate	3.25%	4.25%	3.25%
Expected long-term return on plan assets	7.00%	7.00%	7.00%
Rate of compensation increase	N/A	N/A	N/A

The following table sets forth the benefit payments that we expect to pay from the pension plans in the periods indicated:

Year	Amount
Fiscal 2016	$ 5,360
Fiscal 2017	$ 4,875
Fiscal 2018	$ 4,367
Fiscal 2019	$ 3,803
Fiscal 2020	$ 3,705
Fiscal 2021 – 2025	$14,756

We invest plan assets based on a total return on investment approach, pursuant to which the plan assets include a diversified blend of equity and fixed income investments toward a goal of maximizing the long-term rate of return without assuming an unreasonable level of investment risk. We determine the level of risk based on an analysis of plan liabilities, the extent to which the value of the plan assets satisfies the plan liabilities and our financial condition. Our investment policy includes target allocations ranging from 30% to 70% for equity investments, 20% to 60% for fixed income investments and 0% to 50% for cash equivalents. Actual asset allocations may vary from the targeted allocations for various reasons, including market conditions and the timing of transactions. The equity portion of the plan assets represents growth and value stocks of small, medium and large companies. We measure and monitor the investment risk of the plan assets both on a quarterly basis and annually when we assess plan liabilities.

We use a building block approach to estimate the long-term rate of return on plan assets. This approach is based on the capital market principle that the greater the volatility, the greater the return over the long term. An analysis of the historical performance of equity and fixed income investments, together with current market factors such as the inflation and interest rates, are used to help us make the assumptions necessary to estimate a long-term rate of return on plan assets. Once this estimate is made, we review the portfolio of plan assets and make adjustments thereto that we believe are necessary to reflect a diversified blend of equity and fixed

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income investments that is capable of achieving the estimated long-term rate of return without assuming an unreasonable level of investment risk. We also compare the portfolio of plan assets to those of other pension plans to help us assess the suitability and appropriateness of the plan investments.

We determine our discount rate by performing a yield curve analysis based on a portfolio of high-quality fixed income investments with various maturities. Our expected future benefit payments are discounted to their present value at the appropriate yield curve rate to generate the overall discount rate for pension obligations.

In 2015 and 2014, we made no contributions to the ESI Excess Pension Plan or the ESI Pension Plan. We do not expect to make any contributions to either the ESI Pension Plan or the ESI Excess Pension Plan in 2016.

Retirement Savings Plans. Our ESI 401(k) Plan, a defined contribution plan, covers substantially all of our employees. All of our contributions under the ESI 401(k) Plan are in the form of cash to plan investment options directed by the participant.

On July 1, 2013, we changed the rate at which we made contributions to the ESI 401(k) Plan on behalf of our employees. Prior to July 1, 2013, we contributed 100% of the first 1% and 50% of the next 4% of an employee's salary that the employee contributed to his or her ESI 401(k) Plan account. Beginning July 1, 2013, we contribute 50% of the first 6% of an employee's salary that the employee contributes to his or her ESI 401(k) Plan account.

Our ESI Excess Savings Plan, a nonqualified, unfunded deferred compensation plan, covers a select group of our management. The plan provided for salary deferral of contributions that the participants were unable to make under the ESI 401(k) Plan and our contributions that could not be paid under the ESI 401(k) Plan due to federal statutory limits on the amount that an employee could contribute under a defined contribution plan. Effective for plan years beginning on and after January 1, 2008, we froze the ESI Excess Savings Plan, such that employees may no longer make salary deferrals and we will no longer make contributions under the ESI Excess Savings Plan. Amounts previously credited to an employee under the ESI Excess Savings Plan will, however, continue to accrue interest in accordance with the terms of the ESI Excess Savings Plan, until those amounts are distributed pursuant to the plan's terms.

The costs of providing the benefits under the ESI 401(k) Plan and ESI Excess Savings Plan (including certain administrative costs of the plans) were approximately:

- $2,566 in the year ended December 31, 2015;
- $3,073 in the year ended December 31, 2014; and
- $3,454 in the year ended December 31, 2013.

15. Commitments and Contingencies

As part of our normal operations, one of our insurers issues surety bonds for us that are required by various education authorities that regulate us. We are obligated to reimburse our insurer for any of those surety bonds that are paid by the insurer. As of December 31, 2015, the total face amount of those surety bonds was approximately $23,000. As of December 31, 2015, we also had caused a letter of credit with a face amount of approximately $106 to be issued to one of our state regulatory agencies.

Our institutions' failure to submit their 2013 audited consolidated financial statements and the 2013 compliance audits of their administration of the Title IV Programs in which they participate ("Compliance Audits") to the ED by the due date resulted in sanctions imposed by the ED on our institutions that included, among other things, our institutions having to submit a letter of credit payable to the ED. We caused the ED Letter of Credit in the amount of $79,708 to be issued on October 31, 2014. On December 16, 2015, we entered into the ED Agreement to provide funds to the ED for the ED to maintain in an escrow account in lieu of the ED Letter of Credit. As of December 31, 2015 the amount of the ED Escrowed Funds held by the ED was $79,708. The ED Letter of Credit was cancelled effective December 22, 2015.

The ED Agreement provides, and the ED Letter of Credit provided, that the ED may draw on the ED Escrowed Funds or ED Letter of Credit upon certification by the ED that the drafted funds will be used for one or more of the following purposes:

- to pay refunds of institutional or non-institutional charges owed to or on behalf of current or former students of our institutions, whether our institutions remain open or have closed;
- to provide for the "teach-out" of students enrolled at the time of closure of our institutions; and
- to pay any liabilities owing to the ED arising from acts or omissions by our institutions, on or before November 4, 2019, in violation of requirements set forth in the HEA, including the violation of any agreement entered into by our institutions with the ED regarding the administration of Title IV Programs.

Lease Commitments. We lease our non-owned facilities under operating lease agreements. A majority of the operating leases contain renewal options that can be exercised after the initial lease term. Renewal options are generally for periods of one to five years. All operating leases will expire over the next eight years and we expect that:

- most of those leases will be renewed or replaced by other leases in the normal course of business;
- we may purchase the facilities represented by those leases; or
- we may purchase or build other replacement facilities.

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There are no material restrictions imposed by the lease agreements, and we have not entered into any significant guarantees related to the leases. We are required to make additional payments under the operating lease terms for taxes, insurance and other operating expenses incurred during the operating lease period.

Rent expense under our operating leases was:

- $40,147 in the year ended December 31, 2015;
- $46,268 in the year ended December 31, 2014; and
- $53,212 in the year ended December 31, 2013.

Future minimum rental payments required under our operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2015 are as follows:

2016	$ 37,270
2017	34,728
2018	27,192
2019	20,092
2020	11,118
2021 and thereafter	4,159
	$134,559

Future minimum rental payments related to equipment leases are not significant.

Claims and Contingencies. We are also subject to various claims and contingencies, including those related to litigation, government investigations, business transactions, guarantee arrangements and employee-related matters, among others. We record a liability for those claims and contingencies, if it is probable that a loss will result and the amount of the loss can be reasonably estimated. Although we believe that our estimates related to any claims and contingencies are reasonable, we cannot make any assurances with regard to the accuracy of our estimates, and actual results could differ materially.

The following table sets forth the components of our recorded liability related to our claims and contingencies and where the amounts were included on our Consolidated Balance Sheets as of the dates indicated:

	As of December 31,	
	2015	2014
Other current liabilities	$16,330	$14,976
Other liabilities	588	598
Total	$16,918	$15,574

The following table sets forth the activity with respect to our recorded liability related to our claims and contingencies in the periods indicated:

	Year Ended December 31,	
	2015	2014
Balance as of January 1	$ 15,574	$ 125,880
Increases (decreases) from:		
Additional accruals:		
CUSO RSA	0	2,019
Other(1)	53,490	36,634
Payments, other(2)	(52,146)	(29,542)
Payments under CUSO RSA	0(3)	(9,139)(4)
Elimination of CUSO intercompany transactions	0	4,583(5)
Elimination of CUSO RSA accrual(6)	0	(114,861)
Balance as of December 31	$ 16,918	$ 15,574

(1) Consists of accruals for legal fees and settlement amounts.
(2) Consists of payments for legal and other contingencies.
(3) We consolidated the CUSO in our consolidated financial statements as of September 30, 2014 and, as a result, we eliminated from our consolidated financial statements the amount of payments under the CUSO RSA that we made following the CUSO Consolidation. See below under "—*Guarantees* – CUSO RSA – *CUSO RSA Payments*," for information on the amount of payments that we made under the CUSO RSA in the years ended December 31, 2015 and 2014. See Note 8 – Variable Interest Entities, for a further discussion of the CUSO Consolidation.

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(4) Consists of payments made under the CUSO RSA, net of recoveries from charged-off CUSO Student Loans that we received or offset against payments owed under the CUSO RSA, or that were owed but had not been remitted to us.
(5) We consolidated the CUSO in our consolidated financial statements as of September 30, 2014 and, as a result, we eliminated from our consolidated financial statements the amount of payments under the CUSO RSA that we made following the CUSO Consolidation.
(6) As a result of the CUSO Consolidation, we eliminated from our consolidated financial statements the contingent liability related to the CUSO RSA that we had previously recorded.

Prior to the CUSO Consolidation, in order to determine the amount of the contingent liability to record related to our guarantee obligations under the CUSO RSA, we utilized estimates of, among other things, the projected repayment performance of the private education loans made under the CUSO Program, which projections involved numerous assumptions. We consulted with third-party consumer credit consulting firms in developing certain repayment assumptions. Based on those projections and other factors, we estimated the amount of payments that we expected to make and the amounts that we expected to be repaid to us.

In connection with determining the amount of the contingent liability to record related to our guarantee obligations under the CUSO RSA prior to the CUSO Consolidation, we also considered the payment options available to us under the CUSO Program, including our ability to make Discharge Payments under the CUSO RSA. To the extent that we projected that we would have sufficient funds available to make Discharge Payments under the CUSO RSA, we incorporated an assumption that we would make Discharge Payments into our estimate of the amount of payments that we expected to make when determining the contingent liability. If we did not believe that we would have sufficient funds available to make Discharge Payments, we assumed that we would make Regular Payments to satisfy our obligations under the CUSO RSA. We discounted the amount of those expected future monthly Regular Payments at a risk-free rate of interest. Making Discharge Payments results in us paying a lesser amount than we otherwise would have been required to pay under our guarantee obligations in future periods under the CUSO RSA and, therefore, results in an estimated contingent liability amount that is less than if we had assumed that we would make Regular Payments in future periods.

Under the CUSO RSA, we are entitled to all amounts that the CUSO recovers from loans in a particular loan pool made under the CUSO Program that have been charged off, until all payments that we made under the CUSO RSA with respect to that loan pool have been repaid to us by the CUSO. We discounted the amounts of recoveries that we expected would be repaid to us under the CUSO RSA at a risk-free rate of interest. The difference between the amount of the discounted guarantee payments that we expected to make and the discounted amount that we expected would be repaid to us under the CUSO RSA was recorded as the amount of our estimated contingent liability related to our guarantee obligations under the CUSO RSA, prior to the CUSO Consolidation.

In connection with estimating our recorded liability for claims and contingencies as of December 31, 2015 and 2014, we considered whether additional losses for claims and contingencies were reasonably possible, could be estimated and might be material to our financial condition, results of operations or cash flows. As with any estimate, as facts and circumstances change, the recorded liability and estimated range of reasonably possible losses could change significantly. With respect to legal proceedings, we determined that we cannot provide an estimate of the possible losses, or the range of possible losses, in excess of the amount, if any, accrued, for various reasons, including but not limited to some or all of the following:

- there are significant factual issues to be resolved;
- there are novel or unsettled legal issues presented;
- the proceedings are in the early stages, or discovery has not commenced or has not been completed;
- there is uncertainty as to the likelihood of a class being certified or decertified or the ultimate size and scope of the class;
- there is uncertainty as to the outcome of pending appeals or motions; and
- in many cases, the plaintiffs have not specified damages in their complaint or in court filings.

We have presented settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters as a separate line item in our Consolidated Statements of Operations. A portion of the amounts included in this line item represent expenses for various lawsuits, investigations and accounting matters that we believe are not representative of those normally incurred in the ordinary course of business. Certain of those lawsuits and investigations are described in detail, below. The expenses for the accounting matters included in this line item related primarily to:

- services related to accounting for the Private Education Loans in the year ended December 31, 2015; and
- audit work performed in connection with the assessment of the consolidation of the PEAKS Trust.

In addition, a portion of the amounts included in this line item for the year ended December 31, 2015 included our estimate of the amount of the loss that we believe is probable in order to settle certain lawsuits against us. In the year ended December 31, 2015, we recognized a loss of $31,000 for the settlement of the New York Securities Litigation, the Indiana Securities Litigation, the Wilfred Litigation, the Lawrence Litigation, the McKee Litigation and the Gallien Litigation (each defined and described in detail below), offset by $25,000 for the recovery from insurance for the New York Securities Litigation and the Indiana Securities Litigation.

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Guarantees. *PEAKS Guarantee and Purchase Obligation.* Under the PEAKS Guarantee, we guarantee payment of the principal and interest owed on the PEAKS Senior Debt, the administrative fees and expenses of the PEAKS Trust and a minimum required Asset/Liability Ratio. The PEAKS Guarantee contains, among other things, representations and warranties and events of default that we believe are customary for guarantees of this type. In addition, under the PEAKS Program, some or all of the holders of the PEAKS Senior Debt could require us to purchase their PEAKS Senior Debt, if the law is changed to reduce the maximum allowable percentage of our annual revenue derived from Title IV Program funds from 90% to 75% or less. At this time, we believe that the likelihood of such a change in the law is remote. Our guarantee and purchase obligations under the PEAKS Program remain in effect until the PEAKS Senior Debt and the PEAKS Trust's fees and expenses are paid in full. At such time, we will be entitled to repayment of the amount of any payments we made under the PEAKS Guarantee (which do not include Payments on Behalf of Borrowers) to the extent that funds are remaining in the PEAKS Trust. The PEAKS Senior Debt matures in January 2020 and, therefore, we do not expect to begin receiving any repayment of amounts that we previously paid under the PEAKS Guarantee until February 2020.

We concluded that we were required to consolidate the PEAKS Trust in our consolidated financial statements beginning on February 28, 2013. See Note 8 – Variable Interest Entities, for a further discussion of the PEAKS Consolidation. As a result, the assets and liabilities of the PEAKS Trust have been included on, and all intercompany transactions have been eliminated from, our Consolidated Balance Sheets as of December 31, 2015 and 2014. While we no longer record a contingent liability for the PEAKS Guarantee on our Consolidated Balance Sheet beginning on February 28, 2013, our obligations under the PEAKS Guarantee remain in effect.

PEAKS Program Payments. In the year ended December 31, 2015, we made payments under the PEAKS Guarantee of $30,090. All of these payments reduced the outstanding principal balance of the PEAKS Senior Debt to maintain the minimum Asset/Liability Ratio. In the year ended December 31, 2014, we made payments related to the PEAKS Program of approximately $161,087. Included in this amount were:

- the $40,000 payment we made in March 2014 pursuant to the PEAKS Letter Agreement, which is considered to be a payment under the PEAKS Guarantee;
- the payments totaling $116,643 that we made from July 2014 through December 2014 to satisfy our obligation under the PEAKS Guarantee with respect to the increased minimum required Asset/Liability Ratio;
- payments totaling $2,612 that we made from March 2014 through September 2014 to satisfy our obligations under the PEAKS Guarantee with respect to interest owed on the PEAKS Senior Debt and administrative fees and expenses of the PEAKS Trust; and
- Payments on Behalf of Borrowers of $1,832 that we made in January 2014.

See also "—*PEAKS Program and CUSO RSA Payments in Certain Periods*" for additional information regarding certain payments we have made related to the PEAKS Program.

Projected PEAKS Guarantee Payments. We believe that it is probable that we will make additional payments under the PEAKS Guarantee and estimate that those payments may be approximately $11,700 in 2016, $100 in 2017, and $9,700 in 2020. All of these payments are expected to reduce the outstanding principal balance of the PEAKS Senior Debt, which would result in an outstanding principal balance of the PEAKS Senior Debt of approximately $37,000 as of December 31, 2016, $28,500 as of December 31, 2017 and $0 as of January 31, 2020. See Note 12 – Debt, for a further discussion of the PEAKS Senior Debt. After the PEAKS Senior Debt matures in January 2020, the PEAKS Trust will continue to collect on PEAKS Trust Student Loans that remain in repayment and collect recoveries on PEAKS Trust Student Loans that have been charged off. The only obligation of the PEAKS Trust, at that time, will be the payment of the fees and expenses of the PEAKS Trust. As a result, we believe that, after that time, we may recover from the PEAKS Trust, in the aggregate, approximately $37,000 of the amount that we have paid or will pay under the PEAKS Guarantee. See below for information regarding the assumptions on which those estimates are based.

The estimated amount and timing of future payments and recoveries with respect to the PEAKS Guarantee discussed above and elsewhere in this report are only estimates, are based on numerous assumptions and are subject to change. As with any estimate, as facts and circumstances change, the estimated amounts and timing could change. We made a number of assumptions in preparing the estimates, which assumptions may not be correct. The assumptions included, among other things, the following:

- the repayment performance of the PEAKS Trust Student Loans, the proceeds from which will be used to repay the PEAKS Senior Debt and to pay the fees and expenses of the PEAKS Trust, and the performance of which also affects the Asset/Liability Ratio;
- the fact that those loans will consist of a large number of loans of individually immaterial amounts;
- the fact that the interest rate on the PEAKS Senior Debt is a variable rate based on the LIBOR plus a margin; and
- the amount of fees and expenses of the PEAKS Trust, much of which is based on the principal balance of the PEAKS Trust Student Loans.

CUSO RSA. On February 20, 2009, we entered into the CUSO RSA in connection with the CUSO Program. Under the CUSO RSA, we guarantee the repayment of the principal amount (including capitalized origination fees) and accrued interest payable on any private education loans that are charged off above a certain percentage of the private education loans made under the CUSO

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Program, based on the annual dollar volume. The total initial principal amount of private education loans that the CUSO purchased under the CUSO Program was approximately $141,000. No new private education loans were or will be originated under the CUSO Program after December 31, 2011, but immaterial amounts related to loans originated prior to that date were disbursed by the lender through June 2012. Our obligations under the CUSO RSA will remain in effect, until all private education loans made under the CUSO Program are paid in full. The standard repayment term for a private education loan made under the CUSO Program is ten years, with repayment generally beginning six months after a student graduates or three months after a student withdraws or is terminated from his or her program of study.

Pursuant to the CUSO RSA, we are required to maintain collateral to secure our guarantee obligation in an amount equal to a percentage of the outstanding balance of the private education loans disbursed to our students under the CUSO Program. As of December 31, 2015 and 2014, the total collateral maintained in a restricted bank account was approximately $8,630. This amount was included in Collateral deposits on our Consolidated Balance Sheets as of each of those dates. The CUSO RSA also requires that we comply with certain covenants, including that we maintain certain financial ratios which are measured on a quarterly basis and deliver compliance certificates on a quarterly basis setting forth the status of our compliance with those financial ratios. If we are not in compliance with those covenants at the end of each fiscal quarter, we are required to increase the amount of collateral maintained in the restricted bank account to a predetermined amount, until the end of a succeeding quarter at which we are in compliance with those covenants. The predetermined amount is based on the percentage of the aggregate principal balance of the private education loans made under the CUSO Program that exceeds a certain percentage as of the end of each fiscal quarter.

As a consequence of the Restatements, the quarterly and annual reports for the affected periods that we were required to deliver to the CUSO were inaccurate. We delivered corrected reports to the CUSO on March 14, 2016, and we believe that if any breach of any of our obligations under our agreements with the CUSO or any event of default had occurred as a result of the Restatements, that our delivery of the corrected reports has cured any such breach or event of default. We cannot predict, however, whether the CUSO will assert other breaches of our agreements with the CUSO or assert that any breach or event of default was not properly cured.

Under the CUSO RSA, we have the right to elect to make Discharge Payments with respect to private education loans made under the CUSO Program that have been charged off. The effect of a making a Discharge Payment related to a private education loan is to reduce the aggregate amount that we may have to pay under our guarantee obligations with respect to that loan. We have claimed as an offset against amounts owed to us under the Revolving Note amounts that would have the effect of discharging our obligations with respect to certain charged off loans under the CUSO RSA. In addition, in the years ended December 31, 2015 and 2014, we made Discharge Payments to the CUSO. Making Discharge Payments results in us paying amounts to the CUSO in advance of when a guarantee payment would be due, which would negatively impact our liquidity in a particular period, but results in us paying a lesser amount than we otherwise would have been required to pay under our guarantee obligation in future periods under the CUSO RSA. See Note 8 – Variable Interest Entities, for a further discussion of Discharge Payments.

We concluded that we were required to consolidate the CUSO in our consolidated financial statements beginning on September 30, 2014. See Note 8 – Variable Interest Entities, for a further discussion of the CUSO Consolidation. As a result, the assets and liabilities of the CUSO have been included on, and all intercompany transactions have been eliminated from, our Consolidated Balance Sheets as of December 31, 2015 and 2014. While we no longer record a contingent liability for the CUSO RSA on our Consolidated Balance Sheet beginning on September 30, 2014, our obligations under the CUSO RSA remain in effect.

CUSO RSA Payments. In the year ended December 31, 2015, we made payments under the CUSO RSA of $13,093, which is net of $521 of recoveries from charged-off loans owed to us. In the year ended December 31, 2014, we made payments under the CUSO RSA of $9,139, which is net of $466 in recoveries from charged-off loans owed to us. In the year ended December 31, 2014, the CUSO did not remit to us $475 of recoveries from charged-off loans that were owed to us. See also "*—PEAKS Program and CUSO RSA Payments in Certain Periods*" for additional information regarding certain payments we have made related to the CUSO Program.

CUSO RSA Amendments. As a consequence of the restatement of our unaudited condensed consolidated financial statements in our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013, June 30, 2013 and September 30, 2013, certain quarterly compliance certificates that we were required to deliver to the CUSO under the CUSO RSA were inaccurate. Those inaccuracies did not affect our compliance with the financial ratio covenants in the CUSO RSA as of March 31, 2013. We were not, however, in compliance with certain financial ratio covenants in the CUSO RSA as of June 30, 2013 or subsequent fiscal quarter measurement dates through September 30, 2014. Further, due to our failure to timely file our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2014, June 30, 2014 and September 30, 2014, we did not timely deliver the required compliance certificates under the CUSO RSA with respect to those periods. As a result of our noncompliance with certain financial ratio covenants as of June 30, 2013 and subsequent fiscal quarter measurement dates through September 30, 2014, the amount of collateral required to be maintained in the restricted bank account would have been increased by approximately $2,600. On November 6, 2014, we entered into a Fourth Amendment to the CUSO RSA with the CUSO (the "Fourth Amendment to CUSO RSA"). The Fourth Amendment to CUSO RSA provides that we were not required to comply with certain financial ratio covenants under the CUSO RSA that we otherwise would not have been in compliance with from June 30, 2013 through September 30, 2014 and that we did not expect to be in compliance with as of December 31, 2014. In lieu of an increase in the required collateral under the CUSO RSA, we made a payment of $2,577 to the CUSO on November 12, 2014, pursuant to the Fourth Amendment to CUSO RSA, which payment was considered a Discharge Payment under the CUSO RSA.

On March 17, 2015, we entered into a Fifth Amendment to the CUSO RSA with the CUSO (the "Fifth Amendment to CUSO RSA"). The Fifth Amendment to CUSO RSA provides that we were not required to comply with certain financial ratio covenants under the CUSO RSA that we otherwise would not have been in compliance with from June 30, 2013 through: (i) March 31, 2015

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related to our debt service ratio, and (ii) December 31, 2015 related to our current ratio. Additionally, the Fifth Amendment to CUSO RSA provides that for any fiscal quarter end in which the CUSO (or its owned or managed assets) are consolidated into our financial statements that the financial covenant and persistence percentage provisions and the corresponding compliance certificate requirements will be based on our relevant quarterly and annual reports that we file with the SEC, but excluding the effects of any such consolidation. Furthermore, any financial statements for periods ending prior to March 17, 2015 that we are required to deliver to the CUSO, but had not been delivered as of that date, were required to be delivered to the CUSO on or before May 31, 2015. In lieu of an increase in the required collateral under the CUSO RSA, we made a payment of $2,709 to the CUSO on March 19, 2015 pursuant to the Fifth Amendment to CUSO RSA, which payment was considered a Discharge Payment under the CUSO RSA.

On June 8, 2015, we entered into a Sixth Amendment to the CUSO RSA (the "Sixth Amendment to CUSO RSA") with the CUSO. The Sixth Amendment to CUSO RSA provides that:

- the period of time during which we are not required to comply with the debt service ratio covenant under the CUSO RSA is extended through March 31, 2016;
- the period of time during which we are not required to comply with the current ratio covenant under the CUSO RSA is extended through March 31, 2016;
- we are not required to comply with the average persistence percentage covenant under the CUSO RSA as of the end of each fiscal quarter ending March 31, 2015 through March 31, 2016;
- we make a payment of $6,544 to the CUSO, which payment is considered a Discharge Payment under the CUSO RSA;
- at our option, we may defer the payment of any amounts otherwise becoming due by us under the CUSO RSA between June 8, 2015 and December 31, 2015, which payments must be made by us on or before January 4, 2016; and
- the payments deferred by us will not bear interest, unless we do not pay such amounts by January 4, 2016, in which case any portion of any deferred payments remaining unpaid as of that date will accrue interest at the rate of 12.5% per annum, from the date such deferred payment would otherwise have been due absent the deferral provided in the Sixth Amendment to CUSO RSA.

We made the $6,544 Discharge Payment on June 10, 2015, which had the effect of reducing the amount of Regular Payments that we otherwise would have had to make in 2015 by approximately $2,000. The reason for the provision in the Sixth Amendment to CUSO RSA that permitted us to defer to 2016 the payment of any amounts otherwise becoming due between June 8, 2015 and December 31, 2015 is because without such deferral, we believed that we would have exceeded the limitation under the Financing Agreement on amounts that we could pay in 2015 under the CUSO RSA and the PEAKS Guarantee. We deferred the full amount of the payments due in June 2015 through December 2015 under the CUSO RSA, which totaled $6,092. Recoveries of charged-off loans received by the CUSO from June 2015 through December 2015 and due to us were $761 and were not paid to us. We utilized those recovery amounts to offset against amounts that we owed under the CUSO RSA in January 2016.

Projected CUSO RSA Payments. We believe that it is probable that we will make additional payments under the CUSO RSA in the future. We are entitled to all amounts that the CUSO recovers from loans in a particular loan pool made under the CUSO Program that have been charged-off, until all payments that we made under the CUSO RSA with respect to that loan pool have been repaid to us by the CUSO. Pursuant to the CUSO RSA, we have the right to offset amounts that we owe under the CUSO RSA by the amount of recoveries from charged-off loans made under the CUSO Program that are owed, but have not been paid to us.

Based on various assumptions, including the historical and projected performance and collections of the CUSO Student Loans, we believe that we will make payments under the CUSO RSA of approximately:

- $16,000 in 2016, which includes, pursuant to the Sixth Amendment to CUSO RSA, $6,092 of Regular Payments that were due from June 2015 through December 2015 that we deferred to January 2016, offset by $761 of recoveries from charged-off loans in 2015 owed to us and $1,000 of recoveries from charged-off private education loans estimated to be owed to us in 2016;
- $13,000 in 2017, which is net of $1,000 of recoveries from charged-off private education loans estimated to be owed to us in 2017;
- $13,400 in 2018, which is net of $1,000 of recoveries from charged-off private education loans estimated to be owed to us in 2018; and
- approximately $97,000 in the aggregate in 2019 and later years.

Our estimates of the future payment amounts under the CUSO RSA and the timing of those payments assume, among other factors, that we do not make any Discharge Payments in 2016 and future years, based on the uncertainty related to the amount of future operating cash flows that will be available to us to make Discharge Payments. If we do make Discharge Payments in any future years, the effect of those Discharge Payments will be to reduce the total amount of our projected future payments under the CUSO RSA.

The estimated amount of future payments under the CUSO RSA assumes that an offset that we made in 2013 of certain payment obligations under the CUSO RSA against the CUSO's obligations owed to us under the Revolving Note will not be determined to have been improper. See "*—PEAKS Program and CUSO RSA Payments in Certain Periods*" below for a further

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discussion of that offset. In the event that offset is determined to be improper, we may be required to pay the CUSO approximately $10,153, net of approximately $1,049 of recoveries from charged-off loans, which would be in addition to the estimated payment amounts set forth above.

The estimated amount and timing of future payments and recoveries with respect to the CUSO RSA discussed above are only estimates, are based on numerous assumptions and are subject to change. As with any estimate, as facts and circumstances change, the estimated amounts and timing could change. We made a number of assumptions in preparing the estimates, which assumptions may not be correct. The assumptions included, among other things, the following:

- the repayment performance of the private education loans made under the CUSO Program;
- the timing and rate at which those private education loans will be paid;
- the changes in the variable interest rates applicable to those private education loans;
- the amounts and timing of collections in the future on those private education loans that have been charged off; and
- our ability to utilize the available options for payment of our obligations under the CUSO RSA.

PEAKS Program and CUSO RSA Payments in Certain Periods. The following table sets forth the approximate aggregate amount of guarantee payments, Discharge Payments and Payments on Behalf of Borrowers that were made related to the PEAKS Program and CUSO RSA, in the periods indicated:

	Year Ended December 31,	
Type of Payment	**2015**	**2014**
Guarantee:		
PEAKS Program	$ 30,090	$ 159,255
CUSO RSA Regular Payments	3,840(1)	6,562(2)(3)
CUSO RSA Discharge Payments	9,253	2,577
Payments on Behalf of Borrowers	0	1,832
Total	$ 43,183	$ 170,226

(1) This amount is net of $521 of recoveries from charged-off loans owed to us that we offset against amounts owed by us under the CUSO RSA. In addition, we deferred payment of $6,092 of Regular Payments, that otherwise would have been due between June 8, 2015 and December 31, 2015, to January 2016. We also utilized the amount of the recoveries of charged-off loans received by the CUSO during that period that were not paid to us, which totaled $761, to offset against amounts that we owed under the CUSO RSA in January 2016.
(2) This amount is net of $466 of recoveries from charged-off loans owed to us that we offset against the amount we owed under the CUSO RSA.
(3) Of this amount, $4,556 was paid prior to the CUSO Consolidation.

Excluding the recoveries of charged-off loans received by the CUSO between June 2015 and December 2015, the CUSO did not remit to us, and we did not offset payments under the CUSO RSA for, the following amounts of recoveries from charged-off loans that were owed to us:

- $0 in the year ended December 31, 2015; and
- $475 in the year ended December 31, 2014.

The amounts of recoveries from charged-off loans that were owed to us by the CUSO, but not paid or offset, as of December 31, 2015 and 2014 were not recorded on our consolidated financial statements, since those amounts were intercompany transactions that were eliminated from our financial statements as a result of the CUSO Consolidation.

In the year ended December 31, 2015 and 2014, we did not offset any amounts owed by us under the CUSO RSA against amounts owed to us by the CUSO under the Revolving Note. In the first quarter of 2013, we notified the CUSO that we had determined that the CUSO was in default of its obligations to us under the agreement pursuant to which the Revolving Note was issued and, as a result of that default, all amounts under the Revolving Note were immediately due and payable. We also notified the CUSO that we would not make payments under the CUSO RSA until we received credit for the full amount due us under the Revolving Note, based on the provisions of the CUSO Program documents that allow us to set off amounts owed by us under the CUSO RSA against amounts owed to us by the CUSO under the Revolving Note. At that time, the outstanding amount of the Revolving Note due to us was approximately $8,200, representing principal and accrued interest.

In response to our notification, the CUSO denied that it was in default and refused our demand to immediately pay the Revolving Note in full. As a consequence, over the period from February 2013 through August 2013, we offset our then current payment obligations under the CUSO RSA and the amount of Discharge Payments we elected to make during that period against all of the CUSO's obligations owed to us under the Revolving Note (the "Offset").

We understand that the CUSO's position is that the Offset was improper, because it has not defaulted and, even if it had defaulted, the assets of the CUSO against which we could offset or exercise our other remedies were limited. We further understand the CUSO's position to be that, because the Offset was improper, we are in default under the CUSO RSA. In April 2013, the CUSO

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notified us that it had taken control of the restricted account containing the cash collateral that we deposited to secure our obligations under the CUSO RSA (the "Collateral"). To our knowledge, the CUSO has taken no further action related to the Collateral. We believe that our good faith exercise of our right of offset provided for in the CUSO Program documents does not constitute an event of default under the CUSO RSA, and that the CUSO's seizure of control of the restricted account containing the Collateral constitutes an additional default by the CUSO. We cannot assure you, however, that the Offset will ultimately be determined to have been proper. In the event of a default by us under the CUSO RSA related to the Offset, we may be required to pay to the CUSO approximately $10,153, net of approximately $1,049 of recoveries from charged-off loans that are owed, but have not been paid, to us. If, instead, the CUSO was to withdraw Collateral in that amount from the restricted bank account, we would be required to deposit that amount of cash in the account to maintain the required level of Collateral.

Litigation. We are subject to various litigation. We cannot assure you of the ultimate outcome of any litigation involving us. Although we believe that our estimates related to any litigation are reasonable, deviations from our estimates could produce a materially different result. Any litigation alleging violations of education or consumer protection laws and/or regulations, misrepresentation, fraud or deceptive practices may also subject our affected campuses to additional regulatory scrutiny. The following is a description of pending litigation that falls outside the scope of litigation incidental to the ordinary course of our business.

On December 22, 2008, we were served with a qui tam action that was filed on July 3, 2007 in the United States District Court for the Southern District of Indiana by a former employee ("relator") on behalf of herself and the federal government under the following caption: *United States of America ex rel. Debra Leveski v. ITT Educational Services, Inc.* (the "Leveski Litigation"). We were served with the Leveski Litigation after the U.S. Department of Justice declined to intervene in the litigation. On June 3, 2008, the relator filed an amended complaint in the Leveski Litigation. On September 23, 2009, the court dismissed the Leveski Litigation without prejudice and gave the relator an opportunity to replead her complaint. On October 8, 2009, the relator filed a second amended complaint. In the second amended complaint, the relator alleges that we violated the False Claims Act, 31 U.S.C. § 3729, *et seq*., and the HEA by compensating our sales representatives and financial aid administrators with commissions, bonuses or other incentive payments based directly or indirectly on success in securing enrollments or federal financial aid. The relator alleges that all of our revenue derived from the federal student financial aid programs from July 3, 2001 through July 3, 2007 was generated as a result of our violating the HEA. The relator seeks various forms of recovery on behalf of herself and the federal government, including:

- treble the amount of unspecified funds paid to us for federal student grants;
- treble the amount of unspecified default payments, special allowance payments and interest received by lenders with respect to federal student loans received by our students;
- all civil penalties allowed by law; and
- attorney's fees and costs.

A qui tam action is a civil lawsuit brought by one or more individuals (a qui tam "relator") on behalf of the federal or state government for an alleged submission to the government of a false claim for payment. A qui tam action is always filed under seal and remains under seal, until the government decides whether to intervene in the litigation. Whenever a relator files a qui tam action, the government typically initiates an investigation in order to determine whether to intervene in the litigation. If the government intervenes, it has primary control over the litigation. If the government declines to intervene, the relator may pursue the litigation on behalf of the government. If the government or the relator is successful in the litigation, the relator receives a portion of the government's recovery.

On August 8, 2011, the district court granted our motion to dismiss all of the relator's claims in the Leveski Litigation for lack of subject-matter jurisdiction and issued a judgment for us. On February 16, 2012, the relator in the Leveski Litigation filed a Notice of Appeal with the 7th Circuit Court of Appeals regarding the final judgment entered by the district court dismissing all claims against us. On March 26, 2012, the district court in the Leveski Litigation awarded us approximately $395 in sanctions against the relator's attorneys for filing a frivolous lawsuit. Relator's attorneys also appealed this award to the 7th Circuit Court of Appeals. On July 8, 2013, the 7th Circuit Court of Appeals reversed the district court's dismissal of the Leveski Litigation for lack of subject-matter jurisdiction and the award of sanctions against relator's attorneys. In addition, the 7th Circuit Court of Appeals remanded the Leveski Litigation back to the district court for further proceedings.

We have defended, and intend to continue to defend, ourselves vigorously against the allegations made in the complaint.

On March 11, 2013, a complaint in a securities class action lawsuit was filed against us, one of our current executive officers and one of our former executive officers in the United States District Court for the Southern District of New York under the following caption: *William Koetsch, Individually and on Behalf of All Others Similarly Situated v. ITT Educational Services, Inc., et al.* (the "Koetsch Litigation"). On April 17, 2013, a complaint in a securities class action lawsuit was filed against us, one of our current executive officers and one of our former executive officers in the United States District Court for the Southern District of New York under the following caption: *Massachusetts Laborers' Annuity Fund, Individually and on Behalf of All Others Similarly Situated v. ITT Educational Services, Inc., et al.* (the "MLAF Litigation"). On July 25, 2013, the court consolidated the Koetsch Litigation and MLAF Litigation under the following caption: *In re ITT Educational Services, Inc. Securities Litigation* (the "New

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York Securities Litigation"), and named the Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund as the lead plaintiffs. On October 7, 2013, an amended complaint was filed in the New York Securities Litigation, and on January 15, 2014, a second amended complaint was filed in the New York Securities Litigation. The second amended complaint alleges, among other things, that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 10b-5 promulgated thereunder by:

- our failure to properly account for the 2007 RSA, CUSO RSA and PEAKS Program;
- employing devices, schemes and artifices to defraud;
- making untrue statements of material facts, or omitting material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- making the above statements intentionally or with reckless disregard for the truth;
- engaging in acts, practices, and a course of business that operated as a fraud or deceit upon lead plaintiffs and others similarly situated in connection with their purchases of our common stock;
- deceiving the investing public, including lead plaintiffs and the purported class, regarding, among other things, our artificially inflated statements of financial strength and understated liabilities; and
- causing our common stock to trade at artificially inflated prices and causing the plaintiff and other putative class members to purchase our common stock at inflated prices.

The putative class period in this action is from April 24, 2008 through February 25, 2013. The plaintiffs seek, among other things, the designation of this action as a class action, an award of unspecified compensatory damages, interest, costs and expenses, including counsel fees and expert fees, and such equitable/injunctive and other relief as the court deems appropriate. On July 22, 2014, the district court denied most of our motion to dismiss all of the plaintiffs' claims for failure to state a claim for which relief can be granted. On August 5, 2014, we filed our answer to the second amended complaint denying all of the plaintiffs' claims. Plaintiffs filed their motion for class certification on March 27, 2015. On June 16, 2015, to facilitate the parties' efforts to resolve this action by mediation, the court entered a stipulation and order providing for a three-month stay of all proceedings. On September 14, 2015, the court extended the stay by an additional two months.

Following a mediation which began in the third quarter of 2015, the parties came to an agreement in principle to settle the New York Securities Litigation. On November 2, 2015, the parties in the New York Securities Litigation entered into a Stipulation and Agreement of Settlement (the "New York Settlement") to resolve the action in its entirety. Under the terms of the New York Settlement, we and/or our insurers would make a payment of $16,962 in exchange for the release of claims against the defendants and other released parties, by the plaintiffs and all settlement class members, and for the dismissal of the action with prejudice. On November 2, 2015, the plaintiffs in the New York Securities Litigation filed the New York Settlement and related exhibits with the court and moved, among other things, for the court to preliminarily approve the New York Settlement, to approve the contents and procedures for notice to potential settlement class members, to certify the New York Securities Litigation as a class action for settlement purposes only, and to schedule a hearing for the court to consider final approval of the New York Settlement. On November 23, 2015, the court entered an order preliminarily approving the New York Settlement and scheduled a hearing for March 8, 2016 to consider final approval of the New York Settlement. Prior to the March 8, 2016 hearing, potential settlement class members (all persons and entities who purchased or otherwise acquired our common stock between April 24, 2008 and February 25, 2013, both dates inclusive (with limited exclusions)) had an opportunity to exclude themselves from participating in the New York Settlement or to raise objections with the court regarding the New York Settlement or any part thereof. On March 8, 2016, the court granted final approval of the New York Settlement and entered an order dismissing the New York Securities Litigation with prejudice.

The New York Settlement contains no admission of liability, and all of the defendants in the New York Securities Litigation have expressly denied, and continue to deny, all allegations of wrongdoing or improper conduct. Our insurance carriers funded a combined $25,000 collectively towards the settlement payments for the New York Settlement and the Indiana Settlement (defined below). In the event that the approved New York Settlement does not become effective as a result of an appeal or otherwise, all of the defendants intend to continue to defend themselves vigorously against the allegations made in the second amended complaint.

On September 30, 2014, a complaint in a securities class action lawsuit was filed against us, one of our current executive officers and one of our former executive officers in the United States District Court for the Southern District of Indiana under the following caption: *David Banes, on Behalf of Himself and All Others Similarly Situated v. Kevin M. Modany, et al.* (the "Banes Litigation"). On October 3, 2014, October 9, 2014 and November 25, 2014, three similar complaints were filed against us, one of our current executive officers and one of our former executive officers in the United States District Court for the Southern District of Indiana under the following captions: *Babulal Tarapara, Individually and on Behalf of All Others Similarly Situated v. ITT Educational Services, Inc. et al.* (the "Tarapara Litigation"), *Kumud Jindal, Individually and on Behalf of All Others Similarly Situated v. Kevin Modany, et al.* (the "Jindal Litigation") and *Kristopher Hennen, Individually and on Behalf of All Others Similarly Situated v. ITT Educational Services, Inc. et al.* (the "Hennen Litigation"). On November 17, 2014, the Tarapara Litigation and the Jindal Litigation were consolidated into the Banes Litigation. On January 21, 2015, the Hennen Litigation was consolidated into that consolidated action (the "Indiana Securities Litigation"). On December 1, 2014, motions were filed in the Indiana Securities Litigation for the appointment of lead plaintiff and lead counsel. On March 16, 2015, the court appointed a lead plaintiff and lead counsel. Subsequently, the caption for the Indiana Securities Litigation was changed to the following: *In re ITT Educational Services, Inc. Securities Litigation (Indiana).*

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On May 26, 2015, an amended complaint was filed in the Indiana Securities Litigation. The amended complaint alleges, among other things, that the defendants violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder by knowingly or recklessly making false and/or misleading statements and failing to disclose material adverse facts about our business, operations, prospects and financial results. Plaintiffs assert that the defendants engaged in a fraudulent scheme and course of business and that alleged misstatements and/or omissions by the defendants caused members of the putative class to purchase our securities at artificially inflated prices. The amended complaint includes allegations relating to:

- the performance of the PEAKS Program and the CUSO Program;
- our guarantee obligations under the PEAKS Program and the CUSO Program;
- our accounting treatment of the PEAKS Program and the CUSO Program;
- consolidation of the PEAKS Trust in our consolidated financial statements;
- the impact of the PEAKS Program and the CUSO Program on our liquidity and overall financial condition;
- our compliance with Department of Education financial responsibility standards; and
- our internal controls over financial reporting.

The putative class period in the Indiana Securities Litigation is from February 26, 2013 through May 12, 2015. The plaintiffs in the Indiana Securities Litigation seek, among other things, the designation of the action as a proper class action, an award of unspecified compensatory damages against all defendants, interest, costs, expenses, counsel fees and expert fees, and such other relief as the court deems proper. On July 14, 2015, to facilitate the parties' efforts to resolve this action by mediation, the court granted a joint motion for a stay of proceedings until October 13, 2015. On October 13, 2015, the court extended the stay to October 27, 2015. On October 27, 2015, the court further extended the stay. On November 3, 2015, due to the filing of the Indiana Settlement (defined below), the stay was lifted.

Following a mediation that began in the third quarter of 2015, the parties came to an agreement in principle to settle the Indiana Securities Litigation. On November 2, 2015, the parties in the Indiana Securities Litigation entered into a Stipulation and Agreement of Settlement (the "Indiana Settlement") to resolve the action in its entirety. Under the terms of the Indiana Settlement, we and/or our insurers would make a payment of $12,538 in exchange for the release of claims against the defendants and other released parties, by the plaintiffs and all settlement class members, and for the dismissal of the action with prejudice. On November 2, 2015, the plaintiffs in the Indiana Securities Litigation filed the Indiana Settlement and related exhibits with the court and moved, among other things, for the court to preliminarily approve the Indiana Settlement, to approve the contents and procedures for notice to potential settlement class members, to certify the Indiana Securities Litigation as a class action for settlement purposes only, and to schedule a hearing for the court to consider final approval of the Indiana Settlement. On November 4, 2015, the court entered an order preliminarily approving the Indiana Settlement and scheduled a hearing for March 10, 2016 to consider final approval of the Indiana Settlement. Prior to the March 10, 2016 hearing, potential settlement class members (all persons and entities who purchased or otherwise acquired our common stock, purchased or otherwise acquired call options on our common stock, or wrote put options on our common stock, between February 26, 2013 and May 12, 2015, both dates inclusive (with limited exclusions)) had an opportunity to exclude themselves from participating in the Indiana Settlement or to raise objections with the court regarding the Indiana Settlement or any part thereof. On March 10, 2016, the court entered an order finding that the Indiana Settlement is fair and reasonable and was entered into in good faith, and the court stated that a separate order regarding the Indiana Settlement would follow.

The Indiana Settlement contains no admission of liability, and all of the defendants in the Indiana Securities Litigation have expressly denied, and continue to deny, all allegations of wrongdoing or improper conduct. Our insurance carriers funded a combined $25,000 collectively towards the settlement payments for the Indiana Settlement and the New York Settlement. In the event that the Indiana Settlement does not receive final approval by the court or otherwise does not become effective as a result of an appeal or otherwise, all of the defendants intend to continue to defend themselves vigorously against the allegations made in the amended complaint.

On May 8, 2013, a complaint in a shareholder derivative lawsuit was filed against two of our current executive officers, one of our former executive officers, all but two of our current Directors, and two former Directors in the United States District Court for the Southern District of New York under the following caption: *Sasha Wilfred, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al.* (the "Wilfred Litigation"). On May 27, 2014, a complaint in a similar shareholder derivative lawsuit was filed against two of our current executive officers, one of our former executive officers, all but two of our current Directors, and three former Directors in the United States District Court for the district of Delaware under the following caption: *Janice Nottenkamper, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v Kevin M. Modany, et al.* (the "Nottenkamper Litigation").

On August 6, 2013, the parties agreed to stay the Wilfred Litigation until the New York Securities Litigation was dismissed with prejudice or the defendants filed an answer in the New York Securities Litigation. On September 8, 2014, the district court approved the parties' agreement for an additional stay of the Wilfred Litigation, until the earlier of a final disposition of the New York Securities Litigation or 30 days after written notice terminating the stay was provided by any of the parties in the Wilfred Litigation to all other parties. On October 15, 2014, the Wilfred plaintiff terminated the stay. Following plaintiff's termination of the stipulated stay, an amended complaint was filed in the Wilfred Litigation on November 17, 2014. On January 5, 2015, the defendants moved to dismiss or stay the Wilfred Litigation.

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On April 29, 2015, the Nottenkamper Litigation was transferred to the United States District Court for the Southern District of New York. On July 2, 2015, the Wilfred plaintiff requested leave from the court to file a second amended complaint. By order dated July 28, 2015, the court granted plaintiff's request to file an amended complaint and denied the defendants' pending motion to dismiss the earlier complaint as moot. On July 28, 2015, the court also consolidated the Wilfred Litigation and the Nottenkamper Litigation, appointing plaintiff Sasha Wilfred as lead plaintiff in the consolidated action.

On August 21, 2015, lead plaintiff filed a consolidated amended complaint that alleges, among other things, that the defendants violated state law, including breaching their fiduciary duties to us, grossly mismanaging us, abusing their control of us, wasting our corporate assets and being unjustly enriched, by:

- causing or allowing us to disseminate to our shareholders materially misleading and inaccurate information relating to a series of risk-sharing agreements through SEC filings, press releases, conference calls, and other public statements and disclosures;
- willfully ignoring obvious and pervasive problems with our internal controls and practices and procedures, and failing to make a good faith effort to correct these problems or prevent their recurrence;
- violating and breaching fiduciary duties of care, loyalty, reasonable inquiry, oversight, good faith and supervision;
- causing or allowing us to misrepresent material facts regarding our financial position and business prospects; and
- abandoning their responsibilities and duties with regard to prudently managing our businesses in a manner imposed upon them by law.

The consolidated amended complaint also refers to certain issues and events that arose subsequent to the commencement of the Wilfred Litigation, including among other things, the agreements that we entered into with Mr. Modany and Mr. Fitzpatrick, dated August 4, 2014 and April 29, 2015, respectively, setting forth the terms of their resignations (the "Resignation Agreements"), the CFPB complaint against us, our submission of a letter of credit to the ED, our restatement of certain financial results, our receipt of a Wells Notice from the SEC, and the SEC complaint against us.

The consolidated amended complaint seeks:

- unspecified damages;
- restitution;
- disgorgement of all profits, benefits and other compensation obtained by the individual defendants;
- an order directing us to take all necessary actions to reform and improve our corporate governance and internal procedures; and
- costs and disbursements, including attorneys', accountants' and experts' fees, costs and expenses.

On September 16, 2015, plaintiff Janice Nottenkamper was appointed as a co-lead plaintiff in the Wilfred Litigation. On September 16, 2015, the court also entered a stipulation and order providing for a three-month stay of all proceedings to facilitate the parties' efforts to resolve this consolidated action by mediation. On December 11, 2015, the court extended the stay to January 27, 2016.

On December 23, 2014, a complaint in a shareholder derivative lawsuit was filed against two of our current executive officers, one of our former executive officers, all but four of our current Directors, and two former Directors in the United States District Court for the Southern District of Indiana under the following caption: *Michelle Lawrence, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al.* (the "Lawrence Litigation"). The complaint alleges, among other things, that the individual defendants breached their fiduciary duties to us, abused their control, grossly mismanaged us and were unjustly enriched by:

- participating in misrepresentation of our business operations;
- failing to correct our public statements;
- failing to oversee our business and internal controls;
- causing us to issue false and misleading statements of material fact in our consolidated financial statements in our quarterly reports;
- subjecting us to multiple federal securities fraud class action lawsuits;
- causing us to restate our consolidated financial statements in our quarterly reports; and
- causing us to receive a Wells Notice from the SEC.

The complaint seeks:

- unspecified damages;
- restitution;
- disgorgement of all profits, benefits and other compensation obtained by the individual defendants;
- an order directing us to take all necessary actions to reform and improve our corporate governance and internal procedure, including taking action to strengthen the Board's supervision of operations, procedures for greater shareholder input and for effective oversight of compliance; and
- costs and disbursements, including attorneys' and experts' fees, costs and expenses.

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On March 11, 2015, the district court approved the parties' agreement to stay the Lawrence Litigation, until the earlier of: the passage of 30 days after written notice of termination has been provided by any party, or the Indiana Securities Litigation is dismissed with prejudice or an answer in the Indiana Securities Litigation is filed.

On July 1, 2015, a complaint in a shareholder derivative lawsuit was filed against two of our current executive officers, one of our former executive officers, all but two of our current Directors, and two former Directors in the Marion Superior Court, Indianapolis, Indiana under the following caption: *William McKee, Derivatively on behalf of ITT Educational Services, Inc. v. Kevin Modany, et al.* (the "McKee Litigation"). The complaint alleges, among other things, that the individual defendants breached their fiduciary duties to us by:

- causing us to engage in unlawful conduct with respect to risky student loan financing programs;
- causing us to fail to disclose material information to shareholders regarding our business, financial condition, and accounting procedures;
- preparing and disseminating inaccurate press releases and SEC filings;
- failing to ensure the existence of appropriate and adequate internal financial controls;
- exposing us to substantial investigation costs, huge liability to stock purchasers, regulatory penalties, and the cost of defending the SEC proceeding and the securities litigations; and
- damaging our reputation and goodwill in the securities markets.

The complaint seeks:

- a declaratory judgment;
- restitution;
- equitable and/or injunctive relief;
- an order directing us to reform and improve corporate governance and internal procedures; and
- costs and disbursements, including attorneys', accountants' and experts' fees, costs and expenses.

On August 7, 2015, the court approved the parties' agreement to stay the McKee Litigation, until the earlier of: the passage of 30 days after written notice of termination has been provided by any party, or a settlement of the Indiana Securities Litigation is approved by the court in that action, or the Indiana Securities Litigation is dismissed with prejudice, or an answer in the Indiana Securities Litigation is filed.

On January 21, 2016, the parties in the Wilfred Litigation, Lawrence Litigation, and McKee Litigation all entered into a Stipulation and Agreement of Settlement (the "Derivative Settlement") to settle the three shareholder derivative actions discussed above: (1) the Wilfred Litigation, including the Nottenkamper Litigation consolidated thereunder; (2) the Lawrence Litigation; and (3) the McKee Litigation. The proposed Derivative Settlement, which remains subject to court approvals, is intended by the settling parties to fully, finally and forever resolve the Wilfred Litigation, the Lawrence Litigation, and the McKee Litigation and to result in the dismissal of those actions with prejudice. Under the terms of the proposed Derivative Settlement, we will implement certain agreed upon corporate governance reforms, to be administered by us and the Board of Directors if the Derivative Settlement is finally approved and becomes effective. Additionally, subject to court approval, we have agreed to pay up to $1,100 in attorneys' fees and expenses (the "Derivative Fee Award") to the plaintiffs' counsel. One of our insurers funded half of the amount of the Derivative Fee Award, on behalf of the individual defendants in the Wilfred Litigation, the Lawrence Litigation, and the McKee Litigation.

On January 22, 2016, the Derivative Settlement and related exhibits were filed in the Wilfred Litigation, and the plaintiffs in the Wilfred Litigation moved, among other things, for the court to preliminarily approve the Derivative Settlement, to approve the form and manner of notice to be provided to our shareholders, and to schedule a hearing for the court to consider final approval of the Derivative Settlement. Prior to final court approval, current shareholders will have the opportunity to raise objections, or to otherwise be heard, regarding the terms of the Derivative Settlement and the Derivative Fee Award. If the Derivative Settlement is finally approved by the court in the Wilfred Litigation, the plaintiffs in the Lawrence Litigation and the McKee Litigation will move their respective Indiana courts for the dismissal of their actions with prejudice. Dismissal of all of the Wilfred Litigation, the Lawrence Litigation, and the McKee Litigation with prejudice is a material condition of the proposed Derivative Settlement, without which the Derivative Settlement will not become effective. In the event that the Derivative Settlement is not approved by the court, or otherwise does not become effective, the settling parties will be restored to their respective positions in each action as of the date immediately preceding the date of the Derivative Settlement. On January 28, 2016, the court in the Lawrence Litigation entered an order continuing the stay of proceedings in that action unless and until the Derivative Settlement is canceled or terminated. On January 29, 2016, the court in the Wilfred Litigation entered an order preliminarily approving the Derivative Settlement. On February 2, 2016, the court in the McKee Litigation ordered that the McKee plaintiff file an update as to the status of the Derivative Settlement by June 29, 2016. The hearing in the Wilfred Litigation to consider final approval of the Derivative Settlement is scheduled for April 6, 2016.

The Derivative Settlement does not include any admission of the validity of any of the claims the plaintiffs have asserted in the Wilfred Litigation, the Lawrence Litigation, or the McKee Litigation, or of any liability with respect thereto. We have determined that the proposed Derivative Settlement is in our company's best interests, and it is intended to eliminate the uncertainty, distraction, disruption, burden, and expense of further litigation of the Wilfred Litigation, the Lawrence Litigation, and the McKee Litigation.

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On December 21, 2015, a complaint in a shareholder derivative lawsuit was filed against two of our current executive officers, one of our former executive officers, all but two of our current Directors, and three former Directors in the United States District Court for the Southern District of Indiana under the following caption: *Donnald Canfield, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al.* (the "Canfield Litigation"). The complaint alleges, among other things, that the individual defendants breached their fiduciary duties to us, and abused their control by:

- failing to properly oversee our business;
- allowing us to mischaracterize our financial position and business prospects;
- causing us to issue false and misleading statements of material fact in SEC filings regarding a series of risk-sharing agreements related to student loan programs;
- failing to take sufficient steps to reduce risks associated with student loan default rates;
- subjecting us to securities class action lawsuits, government investigations, government enforcement actions, and their associated costs; and
- damaging our reputation and goodwill.

The complaint also alleges that the defendants violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by misrepresenting or omitting material information in the Company's proxy statement filed with the SEC on March 13, 2012.

The complaint seeks:

- a declaratory judgment;
- unspecified compensatory and exemplary damages;
- restitution;
- equitable relief;
- an order directing us to reform and improve corporate governance and internal procedures; and
- costs and disbursements, including attorneys' and experts' fees, costs and expenses.

On January 22, 2016, the defendants in the Canfield Litigation filed a motion to stay the Canfield Litigation pending the approval of the Derivative Settlement for the settlement of the Wilfred Litigation, the Lawrence Litigation, and the McKee Litigation. If the stay motion is granted, the parties will report to the court in the Canfield Litigation following approval or disapproval of the Derivative Settlement by the court in the Wilfred Litigation. On February 23, 2016, the court entered an order that no responsive pleading will be due in the Canfield Litigation until after the court's ruling on the stay motion.

Although the Wilfred Litigation, Lawrence Litigation, McKee Litigation, and Canfield Litigation are each brought nominally on behalf of us, we expect to incur defense costs and other expenses in connection with those actions.

On May 18, 2012, we received a Civil Investigative Demand (the "Original CID") from the U.S. Consumer Financial Protection Bureau (the "CFPB"). In September 2013, the CFPB withdrew the Original CID, and we received a new Civil Investigative Demand (the "New CID") from the CFPB. Both the Original CID and the New CID provided that the purpose of the CFPB's investigation was, in part, "to determine whether for-profit post-secondary companies, student loan origination and servicing providers, or other unnamed persons have engaged or are engaging in unlawful acts or practices relating to the advertising, marketing, or origination of private student loans." Both the Original CID and the New CID contained broad requests for oral testimony, production of documents and written reports related to private education loans made to our students, internal financing provided to our students and certain other aspects of our business. We provided documentation and other information to the CFPB, while preserving our rights to object to its inquiry.

On February 26, 2014, the CFPB filed a complaint against us in the United States District Court for the Southern District of Indiana under the following caption: *Consumer Financial Protection Bureau v. ITT Educational Services, Inc.* (the "CFPB Litigation"). The complaint claimed, among other things, that we violated:

- Section 1036(a)(1) of the Consumer Financial Protection Act of 2010 (the "CFPA"), 12 U.S.C. § 5536(a)(1), which prohibits unfair, deceptive and abusive acts and practices, from July 21, 2011 through December 2011, by:
  - subjecting consumers to undue influence or coercing them into taking out private education loans through a variety of unfair acts and practices designed to interfere with the consumers' ability to make informed, uncoerced choices;
  - taking unreasonable advantage of consumers' inability to protect their interest in selecting or using the private education loans; and
  - taking unreasonable advantage of consumers' reasonable reliance on us to act in the consumers' interests; and
- the Truth in Lending Act, 15 U.S.C. §§ 1601 *et seq.*, and Regulation Z thereunder, 12 C.F.R. Part 1026, which require certain disclosures to be made in writing to consumers in connection with the extension of consumer credit, since March 2009, by failing to disclose a discount that constituted a finance charge.

We filed a motion to dismiss the CFPB Litigation on several grounds. On March 6, 2015, the court issued an order denying our motion in part and granting it in part, including by dismissing the CFPB's claim under the Truth in Lending Act. On April 8, 2015, we filed a notice of appeal to the United States Court for the Seventh Circuit from the order on the motion to dismiss. We have defended, and intend to continue to defend, ourselves vigorously against the remaining allegations made in the complaint.

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On February 27, 2014, the New Mexico Attorney General filed a complaint against us in the District Court of New Mexico under the following caption: *State of New Mexico, ex rel. Gary K King, Attorney General v. ITT Educational Services, Inc., et al.* (the "New Mexico Litigation"). On April 4, 2014, we removed the New Mexico Litigation to the U.S. District Court for the District of New Mexico. In April 2014, the Attorney General filed a motion to remand the New Mexico Litigation to the District Court of New Mexico. On June 30, 2015, the U.S. District Court remanded the New Mexico Litigation back to the state District Court. The complaint alleges, among other things, that we engaged in a pattern and practice of exploiting New Mexico consumers by using deceptive, unfair, unconscionable and unlawful business practices in the marketing, sale, provision and financing of education goods and services in violation of New Mexico's Unfair Practices Act. In particular, the complaint contains allegations that:

- we misrepresented matters related to our nursing education program, including, without limitation, its programmatic accreditation status, the transferability of credits earned in the program and the curriculum of the program;
- we misrepresented the terms of the financial aid available to students and the cost of our programs;
- we engaged in unfair or deceptive trade practices;
- we failed to issue refunds; and
- our form enrollment agreement contained unenforceable and unconscionable provisions.

The complaint seeks:

- an order declaring portions of our enrollment agreement illusory, unconscionable and unenforceable;
- preliminary and permanent injunctive relief;
- disgorgement of unjust enrichment amounts;
- unspecified civil penalty amounts;
- restitution; and
- reasonable costs, including investigative costs.

On July 30, 2015, we filed a motion to dismiss the New Mexico Litigation on several grounds and a motion to compel arbitration. On December 8, 2015, the court denied the motion to dismiss and the motion to compel arbitration. On December 11, 2015, we filed a notice of appeal challenging the denial of our motion to compel arbitration. That appeal is pending in the court of appeals. On January 6, 2016, the State District Court issued an order providing for a stay of the case pending resolution of our appeal. The Attorney General disputes that a stay is in effect and has filed a motion asking the State District Court to proceed with the nonarbitrable claims. We opposed the Attorney General's motion to proceed.

We have defended, and intend to continue to defend, ourselves vigorously against the allegations made in the complaint.

On December 17, 2013, a complaint was filed against us in a purported class action in the Superior Court of the State of California for the County of Los Angeles under the following caption: *La Sondra Gallien, an individual, James Rayonez, an individual, Giovanni Chilin, an individual, on behalf of themselves and on behalf of all persons similarly situated v. ITT Educational Services, Inc., et al.* (the "Gallien Litigation"). The plaintiffs filed an amended complaint on February 13, 2014. The amended complaint alleges, among other things, that under California law, we:

- failed to pay wages owed;
- failed to pay overtime compensation;
- failed to provide meal and rest periods;
- failed to provide itemized employee wage statements;
- engaged in unlawful business practices; and
- are liable for civil penalties under the California Private Attorney General Act.

The purported class includes recruiting representatives employed by us during the period of December 17, 2009 through December 17, 2013. The amended complaint seeks:

- compensatory damages, including lost wages and other losses;
- general damages;
- pay for missed meal and rest periods;
- restitution;
- liquidated damages;
- statutory penalties;
- interest;
- attorneys' fees, cost and expenses;
- civil and statutory penalties;
- injunctive relief; and

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- such other and further relief as the court may deem equitable and appropriate.

Following a mediation that began in the third quarter of 2015, the parties came to an agreement in principle to settle the Gallien Litigation on a class-wide basis for $400. On October 28, 2015, the parties executed a Stipulation of Class Action Settlement (the "Gallien Settlement") to document the terms and conditions of the settlement. In connection with the Gallien Settlement and subject to court approval, the settlement is based on claims made with a specific reversion of funds paid back to us, depending on the number of claims made by settlement class members for individual settlement payments. Under the terms specified in the Gallien

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Settlement, 55% of a net settlement amount of approximately $204 must be paid to settlement class members in the form of individual settlement payments. In the event the settlement is not approved by the court or otherwise does not become effective, we intend to continue to defend ourselves vigorously against the allegations made in the amended complaint.

On May 12, 2015, the SEC filed a civil enforcement action against us, our Chief Executive Officer, Kevin M. Modany, and our former Chief Financial Officer, Daniel M. Fitzpatrick, in the United States District Court for the Southern District of Indiana under the following caption: *United States Securities and Exchange Commission v. ITT Educational Services, Inc., Kevin M. Modany and Daniel M. Fitzpatrick* (the "SEC Litigation"). As we previously disclosed, we received several SEC subpoenas beginning on February 8, 2013. The SEC's subpoenas requested the production of documents and communications that, among other things, relate to our actions, disclosures, and accounting associated with the CUSO Program and the PEAKS Program. We provided the information requested, including testimony of senior employees. On August 7, 2014, we received a "Wells Notice" from the Staff of the SEC notifying us that the Staff had made a preliminary determination to recommend that the SEC file an enforcement action against us. According to the Staff, the enforcement action would allege violations of Sections 10(b), 13(a) and 13(b)(2) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13 and 13a-15 under the Exchange Act. Under the SEC's procedures, a recipient of a Wells Notice has an opportunity to respond in the form of a Wells submission that seeks to persuade the SEC that such an action should not be brought. We made submissions to the Staff in response to the Wells Notice we received that set forth why the factual record does not support the enforcement action recommended by the Staff and explained that any of our perceived shortcomings were acts taken in good faith. Our Chief Executive Officer and former Chief Financial Officer each made similar submissions.

The SEC Litigation relates to the matters addressed in the Wells Notice that we received, and the complaint alleges violations of Sections 10(b), 13(a) and 13(b)(2) of the Exchange Act; Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 under the Exchange Act; and Section 17(a) of the Securities Act. Among other assertions, the complaint alleges that we engaged in a fraudulent scheme and course of business and made various false and misleading statements to our investors relating to the CUSO Program and the PEAKS Program. The remedies sought by the SEC in the complaint include:

- a finding that each of the defendants committed the alleged violations;
- an injunction permanently restraining and enjoining each of the defendants from violating, directly or indirectly, the laws and rules alleged in the complaint;
- an order that Messrs. Modany and Fitzpatrick be permanently prohibited from acting as an officer or director of any public company;
- disgorgement of any and all ill-gotten gains, together with pre- and post-judgment interest, derived from the improper conduct alleged in the complaint;
- civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d) of the Exchange Act in an amount to be determined by the court, plus post-judgment interest;
- an order that Messrs. Modany and Fitzpatrick reimburse us for all bonuses, incentive-based and equity-based compensation, and/or profits realized from their sale of our stock pursuant to Section 304 of the Sarbanes-Oxley Act of 2002; and
- such other relief as the court may deem just or appropriate.

On July 17, 2015, we filed our answer in the SEC Litigation in which we denied all of the SEC's claims.

We intend to defend ourselves vigorously against the claims in the SEC Litigation. Nevertheless, we cannot predict the outcome of any legal action or whether the matter will result in any settlement. We cannot assure you that the ultimate outcome of the SEC Litigation or any settlement will not have a material adverse effect on our financial condition, results of operations and/or cash flows.

In September 2015, we received a CID from the U.S. Department of Justice ("DOJ"). The CID provides that the purpose of the investigation is to determine whether there is or has been a violation of the False Claims Act and whether we knowingly submitted false statements in violation of the ED's Program Participation Agreement regulations. The CID contained requests for production of documents and answers to interrogatories that we believe are principally related to our compliance with the ED's compensation regulations and was related to a sealed qui tam action. We believe that our practices with respect to compensation matters are in compliance with applicable laws and regulations, and we cooperated with the DOJ in responding to the CID. On January 15, 2016, the United States District Court for the Middle District of Florida issued an order unsealing the underlying qui tam case, revealing that the DOJ has declined to intervene in the qui tam action. Accordingly, the DOJ has closed its investigation. The court also ordered that the qui tam False Claims Act complaint, which was filed by a former disgruntled employee, be served on defendants ITT Educational Services, Inc. and ITT Technical Institute. The qui tam action was filed on April 8, 2015 in the United States District Court for the Middle District of Florida under the following caption: *United States of America ex rel. Rodney Lipscomb v. ITT Educational Services, Inc.* (the "Lipscomb Litigation"). The relator alleges in the complaint, among other things, that we received Title IV federal financial aid in violation of various Title IV condition of payment rules and regulations and thereby violated the False Claims Act, 31 U.S.C. §3729, et. seq., by:

- enrolling students who were unlikely to succeed;
- improperly pressuring students to enroll;
- misrepresenting our credit transfer policy to students;
- misrepresenting our curriculum and graduate employment opportunities to students;
- changing, refusing to explain, and misrepresenting students' financial obligations;
- offering improper promotions and compensation incentives to admissions representatives based on the number of students they enrolled; and

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- fabricating graduate placement rate reports.

The relator also alleges that we retaliated against him and violated the False Claims Act by terminating his employment after he allegedly reported illegal and unethical practices to our management.

The relator seeks various forms of recovery on behalf of himself and the federal government, including treble damages and civil penalties; the maximum amount pursuant to 31 U.S.C. §3730(d); the maximum amount pursuant to 31 U.S.C. §3730(h), including two times back pay; interest; expenses; attorney's fees; and costs. The complaint has not been served. We vehemently deny the allegations in the qui tam action and intend to vigorously defend ourself against these claims.

Kevin M. Modany and Daniel M. Fitzpatrick are named in the New York Securities Litigation, Indiana Securities Litigation, Wilfred, Lawrence Litigation, McKee Litigation, Canfield Litigation and SEC Litigation. John E. Dean is also named in the Wilfred Litigation, Lawrence Litigation, McKee Litigation, and Canfield Litigation.

There can be no assurance that the ultimate outcome of the Leveski Litigation, New York Securities Litigation, Indiana Securities Litigation, Wilfred Litigation, Lawrence Litigation, McKee Litigation, Canfield Litigation, CFPB Litigation, New Mexico Litigation, Gallien Litigation, SEC Litigation, Lipscomb Litigation or other actions (including other actions under federal or state securities laws) will not have a material adverse effect on our financial condition, results of operations or cash flows.

Certain of our current and former officers and Directors are or may become a party in the actions described above and/or are or may become subject to government investigations. Our By-laws and Restated Certificate of Incorporation obligate us to indemnify our officers and Directors to the fullest extent permitted by Delaware law, provided that their conduct complied with certain requirements. We are obligated to advance defense costs to our officers and Directors, subject to the individual's obligation to repay such amount if it is ultimately determined that the individual was not entitled to indemnification. In addition, our indemnity obligation can, under certain circumstances, include indemnifiable judgments, penalties, fines and amounts paid in settlement in connection with those actions and investigations.

Government Investigations. We are subject to investigations and claims of non-compliance with regulatory standards and other actions brought by regulatory agencies. The more significant pending investigations, claims and actions are described below. If the results of any investigations, claims and/or actions are unfavorable to us, we may be required to pay money damages or be subject to fines, penalties, injunctions, operational limitations, loss of eligibility to participate in federal or state financial aid programs, debarments, additional oversight and reporting, or other civil and criminal sanctions. Those sanctions could have a material adverse effect on our financial condition, results of operations and cash flows.

On October 30, 2012, we received a Civil Investigative Demand ("CID") from the Massachusetts Office of the Attorney General ("MAG"). The MAG's CID provides that the MAG is investigating allegations that we may have violated Massachusetts General Laws, Chapter 93A, Section 2(a) by "engaging in unfair or deceptive practices in connection with marketing and advertising job placement and student outcomes, the recruitment of students, and the financing of education." The MAG has since requested additional information from us, including through two follow up CIDs. The MAG's CID contains broad requests for production of documents related to our students in Massachusetts, including the financial aid available to those students, our recruitment of those students, the career services that we offer to those students, our marketing and advertising, the retention and graduation rates of those students and many other aspects of our business. We are cooperating with the MAG in its investigation, and we have provided documentation, communications and other information to the MAG in response to the CID.

On March 9, 2016, we received from the MAG, a statutory notice of intention to file suit. According to the statutory notice, the MAG has reason to believe that from 2010 through 2013, we violated the Massachusetts Consumer Protection Act, M.G.L. c.93A§2 by, among other things and without limitation:

- engaging in unfair and harassing sales tactics;
- making false and/or misleading representations to prospective students for our Computer Network Systems program concerning placement rates, salaries and the quality of the program and instruction; and
- unfairly steering Massachusetts student borrowers to expensive private loans.

We believe that our acts and practices relating to our students in Massachusetts are lawful. There can be no assurance, however, that the ultimate outcome of the MAG investigation, including related to its intention to file suit, will not have a material adverse effect on our financial condition, results of operations and/or cash flows.

In January, February, April and May 2014, and in February, March and June 2015 we received subpoenas and/or CIDs from the Attorneys General of Arkansas, Arizona, Colorado, Connecticut, District of Columbia, Hawaii, Idaho, Iowa, Kentucky, Maryland, Minnesota, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, Tennessee and Washington under the authority of each state's consumer protection statutes. The Attorney General of the Commonwealth of Kentucky has informed us that it will serve as the point of contact for the multistate group to respond to questions relating to the subpoenas and CIDs. The subpoenas and CIDs

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contain broad requests for information and the production of documents related to our students and practices, including marketing and advertising, recruitment, financial aid, academic advising, career services, admissions, programs, licensure exam pass rates, accreditation, student retention, graduation rates and job placement rates, as well as many other aspects of our business. We believe that several other companies in the proprietary postsecondary education sector have received similar subpoenas and CIDs. We are cooperating with the Attorneys General of the states involved. The ultimate outcome of the state Attorneys General investigation, however, could have a material adverse effect on our financial condition, results of operations and/or cash flows.

16. Risks and Uncertainties

Many of the amounts of assets, liabilities, revenue and expenses reported in our consolidated financial statements are based on estimates and assumptions that affect the amounts reported. We are subject to risks and uncertainties that could affect amounts reported in our consolidated financial statements in future periods. Our future performance, results of operations, financial condition, cash flows, liquidity, capital resources, ability to meet our obligations and ability to comply with covenants, metrics and regulatory requirements are subject to significant risks and uncertainties that could cause actual results to be materially different from our estimated results. Those significant risks and uncertainties include, but are not limited to, the following:

- The PEAKS Consolidation and other factors, among other things:
  - resulted in violations by us of covenants under the Amended Credit Agreement, for which we have obtained waivers and amendments relating to those violations;
  - have negatively impacted our compliance with:
    - the ED's financial responsibility measurements, primarily our institutions' composite score; and
    - our compliance with the financial requirements of certain state education and professional licensing authorities ("SAs"); and
  - have negatively impacted the financial metrics to which we are subject under the PEAKS Program and the CUSO RSA.

  See Note 12 – Debt and Note 15 – Commitments and Contingencies, for additional information.
- The CUSO Consolidation, which could negatively impact our compliance with:
  - covenants under the Financing Agreement;
  - the ED's financial responsibility measurements, primarily our institutions' composite score;
  - the financial requirements of certain SAs; and
  - the financial metrics to which we are subject under the PEAKS Program and the CUSO RSA.

  See Note 8 – Variable Interest Entities, for additional information.
- Our institutions' failure to submit their 2013 audited consolidated financial statements and 2013 Compliance Audits to the ED by the due date resulted in sanctions imposed by the ED on our institutions that include, among other things, our institutions having to submit a letter of credit, being placed on heightened cash monitoring ("HCM") and being provisionally certified. We caused the ED Letter of Credit to be issued on October 31, 2014, but it has subsequently been replaced by the ED Agreement. The term of the ED Agreement ends on November 4, 2019. We have implemented procedures to address HCM, which requirements are not expected to significantly impact the timing of our receipt of Title IV Program funds. See Note 12– Debt, for additional information.
- On October 19, 2015, we received a letter from the ED identifying additional procedures that we are required to implement as a result of the identification of certain past deficiencies. These additional procedures have resulted in the delay of our receipt of Title IV Program funds. While these additional procedures have affected the timing of our receipt of Title IV Program funds and have imposed an administrative burden on us, we do not expect them to have a significant negative effect on our overall cash flow or operations, but we cannot assure you that there will not be future delays in our institutions' receipt of Title IV Program funds. The letter also states that we are required to provide certain additional information and reporting to the ED on a regular basis. We have implemented, and are in the process of implementing, measures to comply with the ED's requirements. We have begun submitting the additional information to the ED, and intend to continue submitting information to the ED according to the schedule specified by the ED.
- As of December 31, 2015, $79,708 was held in an escrow account by the ED. The funds held are not available for use by us, and could be used by the ED if certain conditions are met. See Note 15 – Commitments and Contingencies for additional information.
- We are subject to various claims and contingencies, including those related to litigation, government investigations, business transactions, guarantee arrangements, tax matters and employee-related matters, among others. See Note 15 - Commitments and Contingencies, for a further discussion of certain litigation and government investigations to which we are subject.
- Although we have consolidated both the PEAKS Trust and the CUSO, and we no longer record a contingent liability related to those programs on our Consolidated Balance Sheets, our significant guarantee obligations under the PEAKS Guarantee

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and the CUSO RSA (collectively, the "RSAs") remain in effect. In 2015, we made payments of $30,090 under the PEAKS Guarantee, and $13,093, net of $521 of recoveries owed to us that we offset against amounts that we owed to the CUSO, related to the CUSO RSA. Based on various assumptions, including the historical and projected performance and collection of the PEAKS Trust Student Loans, we believe that we will make payments under the PEAKS Guarantee of approximately $11,700 in 2016 and approximately $100 in 2017. In addition, based upon various assumptions, including the historical and projected performance and collections of the private education loans under the CUSO Program, we believe that we will make payments under the CUSO RSA, net of recoveries, of approximately $16,000 in 2016 and $13,000 in 2017. See Note 12 – Debt and Note 15 – Commitments and Contingencies for a further discussion of the RSAs and estimated payment amounts.

- We had negative working capital as of December 31, 2015 and 2014, primarily due to the impact of the Consolidated VIEs.

Based on our current projections, we believe that cash generated from operations will be sufficient for us to satisfy our payment obligations under the RSAs, working capital, loan repayment and capital expenditure requirements over the 12-month period following the date that this Annual Report on Form 10-K was filed with the SEC. We also believe that any reduction in cash and cash equivalents that may result from their use to make payments under the RSAs or repay loans will not have a material adverse effect on our planned capital expenditures, ability to meet any applicable regulatory financial responsibility standards, ability to satisfy the financial covenants under the Financing Agreement or ability to conduct normal operations over the 12-month period following the date that this Annual Report on Form 10-K was filed with the SEC. Accordingly, our consolidated financial statements contained in this Annual Report on Form 10-K were prepared on the basis that we will continue to operate as a going concern. There can be no assurance, however, that the ultimate outcome of those events, whether individually or in the aggregate, will not have a material adverse effect on our financial condition, results of operations or cash flows.

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SCHEDULE II

ITT EDUCATIONAL SERVICES, INC.
VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2015
(Amounts in thousands)

Description	Balance at Beginning of Period	Charged To Expenses	Write-offs	Balance at End of Period
Allowance for Doubtful Accounts:				
Year Ended December 31, 2015	$ 2,351	$35,195	$(37,278)	$ 268
Year Ended December 31, 2014	$ 9,174	$63,928	$(70,751)	$ 2,351
Year Ended December 31, 2013	$ 15,663	$67,640	$(74,129)	$ 9,174

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ITT EDUCATIONAL SERVICES, INC.
QUARTERLY FINANCIAL RESULTS
FOR 2015 AND 2014
(Amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended				
	March 31	June 30	Sept 30	Dec 31	Year
2015 (1)					
Revenue	$229,975	$214,231	$203,178	$202,442	$849,826
Cost of educational services	103,553	101,865	93,274	91,918	390,610
Student services and administrative expenses	90,252	91,408	84,622	77,394	343,676
Goodwill and asset impairment	0	0	5,203	0	5,203
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	7,286	6,005	6,813	5,989	26,093
Loss related to loan program guarantees	0	0	0	0	0
Provision for private education loan losses	1,244	3,313	754	(228)	5,083
Operating income	27,640	11,640	12,512	27,369	79,161
Interest income	13	22	22	29	86
Interest (expense)	(10,388)	(9,991)	(9,709)	(9,759)	(39,847)
Income before provision for income taxes	17,265	1,671	2,825	17,639	39,400
Provision for income taxes	6,818	955	1,137	7,192	16,102
Net income	$ 10,447	$ 716	$ 1,688	$ 10,447	$ 23,298
Earnings per share:					
Basic	$ 0.44	$ 0.03	$ 0.07	$ 0.44	$ 0.99
Diluted	$ 0.44	$ 0.03	$ 0.07	$ 0.44	$ 0.97

	Three Months Ended				
	March 31	June 30	Sept 30	Dec 31	Year
2014 (2)					
Revenue	$237,923	$238,096	$242,561	$243,203	$961,783
Cost of educational services	120,115	116,276	117,539	106,852	460,782
Student services and administrative expenses	99,238	97,547	100,440	91,891	389,116
Goodwill and asset impairment	0	0	0	2,454	2,454
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	5,547	8,380	11,269	6,812	32,008
Loss related to loan program guarantees	0	0	2,019	0	2,019
Provision for private education loan losses	0	9,071	4,511	568	14,150
Operating income	13,023	6,822	6,783	34,626	61,254
Gain on consolidation of variable interest entities	0	0	16,631	0	16,631
Interest income	19	15	17	14	65
Interest (expense)	(11,812)	(7,211)	(9,292)	(9,493)	(37,808)
Income (loss) before provision for income taxes	1,230	(374)	14,139	25,147	40,142
Provision (benefit) for income taxes	471	(222)	6,017	10,556	16,822
Net income (loss)	$ 759	$ (152)	$ 8,122	$ 14,591	$ 23,320
Earnings (loss) per share:					
Basic	$ 0.03	$ (0.01)	$ 0.35	$ 0.62	$ 0.99
Diluted	$ 0.03	$ (0.01)	$ 0.34	$ 0.62	$ 0.98

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(1) The amounts shown for the fiscal quarters ended March 31, 2015, June 30, 2015 and September 30, 2015 are the restated amounts, as reported in the amended Quarterly Reports on Form 10-Q (i.e., Form 10-Q/As) for the fiscal quarters ended March 31, 2015, June 30, 2015 and September 30, 2015, as filed with the SEC.

(2) The amounts shown for the fiscal quarters ended March 31, 2014, June 30, 2014 and September 30, 2014 are the restated amounts, as reported in the amended Quarterly Reports on Form 10-Q (i.e., Form 10-Q/As) for the fiscal quarters ended March 31, 2014, June 30, 2014 and September 30, 2014, as filed with the SEC. The amounts shown for the fiscal year ended December 31, 2014 are the restated amounts, as reported in the amended Annual Report on Form 10-K (i.e., Form 10-K/A) for the fiscal year ended December 31, 2014, as filed with the SEC.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ITT Educational Services, Inc.

By: /s/ Kevin M. Modany
Kevin M. Modany
Chief Executive Officer

Dated: March 15, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevin M. Modany Kevin M. Modany	Chief Executive Officer (Principal Executive Officer)	March 15, 2016
/s/ Rocco F. Tarasi, III Rocco F. Tarasi, III	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 15, 2016
/s/ Angela K. Knowlton Angela K. Knowlton	Senior Vice President, Controller and Treasurer (Principal Accounting Officer)	March 15, 2016
/s/ C. David Brown C. David Brown	Director	March 15, 2016
/s/ Jerry M. Cohen Jerry M. Cohen	Director	March 15, 2016
/s/ John F. Cozzi John F. Cozzi	Director	March 15, 2016
/s/ John E. Dean John E. Dean	Executive Chairman and Director	March 15, 2016
/s/ Joanna T. Lau Joanna T. Lau	Director	March 15, 2016
/s/ Thomas I. Morgan Thomas I. Morgan	Director	March 15, 2016
/s/ Samuel L. Odle Samuel L. Odle	Director	March 15, 2016
/s/ Vin Weber Vin Weber	Director	March 15, 2016

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INDEX TO EXHIBITS

Exhibit No.		Description	Incorporated by Reference From			Filed Herewith
			Form	Exhibit	Filing Date	
3.1		Restated Certificate of Incorporation, as Amended to Date	10-Q*	3.1	7/29/05	
3.2		Restated By-Laws, as Amended to Date	8-K*	3.2	7/22/11	
10.1	**	1997 ITT Educational Services, Inc. Incentive Stock Plan	10-Q*	10.8	8/8/97	
10.2	**	First Amendment to the 1997 ITT Educational Services, Inc. Incentive Stock Plan	10-Q*	10.38	7/17/03	
10.3	**	Second Amendment to 1997 ITT Educational Services, Inc. Incentive Stock Plan	10-Q*	10.58	10/26/06	
10.4	**	1999 Outside Directors Stock Option Plan	S-8***	4.3	8/10/99	
10.5	**	First Amendment to the 1999 Outside Directors Stock Option Plan	10-Q*	10.37	7/17/03	
10.6	**	Second Amendment to the 1999 Outside Directors Stock Option Plan	10-Q*	10.42	4/27/04	
10.7	**	Third Amendment to the 1999 Outside Directors Stock Option Plan	8-K*	10.47	1/28/05	
10.8	**	2006 ITT Educational Services, Inc. Equity Compensation Plan	8-K*	10.55	5/10/06	
10.9	**	First Amendment to 2006 ITT Educational Services, Inc. Equity Compensation Plan	10-Q*	10.57	10/26/06	
10.10	**	Second Amendment to 2006 ITT Educational Services, Inc. Equity Compensation Plan	10-Q*	10.61	7/26/07	
10.11	**	Third Amendment to 2006 ITT Educational Services, Inc. Equity Compensation Plan	10-K*	10.32	2/18/11	
10.12	**	Fourth Amendment to 2006 ITT Educational Services, Inc. Equity Compensation Plan	10-K*	10.12	2/24/12	
10.13	**	ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan	8-K*	10.1	5/7/13	
10.14	**	First Amendment to ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan	10-Q*	10.10	4/29/15	

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10.15	**	Second Amendment to ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan	10-Q*	10.1	6/12/15
10.16	**	Form of Nonqualified Stock Option Award Agreement under the 2006 ITT Educational Services, Inc. Equity Compensation Plan (for use prior to November 24, 2010)	10-Q*	10.53	5/1/06
10.17	**	Form of Nonqualified Stock Option Award Agreement under the 2006 ITT Educational Services, Inc. Equity Compensation Plan (for use November 24, 2010 – January 23, 2012)	10-K*	10.35	2/18/11
10.18	**	Form of Nonqualified Stock Option Award Agreement under the 2006 ITT Educational Services, Inc. Equity Compensation Plan (for use after January 23, 2012)	10-K*	10.15	2/24/12
10.19	**	Form of Nonqualified Stock Option Award Agreement under the ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan	8-K*	10.2	5/7/13
10.20	**	Form of Restricted Stock Unit Award Agreement under the 2006 ITT Educational Services, Inc. Equity Compensation Plan (for use prior to January 17, 2011)	10-Q*	10.59	7/26/07
10.21	**	Form of Restricted Stock Unit Award Agreement under the 2006 ITT Educational Services, Inc. Equity Compensation Plan (for use January 17, 2011 – January 23, 2012)	10-K*	10.33	2/18/11
10.22	**	Form of Restricted Stock Unit Award Agreement under the 2006 ITT Educational Services, Inc. Equity Compensation Plan (for use after January 23, 2012)	10-K*	10.18	2/24/12
10.23	**	Form of Restricted Stock Unit Award Agreement under the ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan	8-K*	10.3	5/7/13

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10.24	**	Form of Amendment to Certain Restricted Stock Unit Award Agreements	10-K*	10.22	10/16/14	
10.25	**	Form of Restricted Stock Award Agreement under the 2006 ITT Educational Services, Inc. Equity Compensation Plan (for use after November 24, 2010)	10-K*	10.34	2/18/11	
10.26	**	Form of Restricted Stock Award Agreement under the ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan	8-K*	10.4	5/7/13	
10.27	**	Restated ESI 401(k) Plan	10-K*	10.20	2/24/12	
10.28	**	First Amendment of ESI 401(k) Plan	10-Q*	10.1	7/26/13	
10.29	**	Second Amendment of ESI 401(k) Plan	10-K*	10.27	10/16/14	
10.30	**	Third Amendment of ESI 401(k) Plan	10-Q*	10.11	4/29/15	
10.31	**	Fourth Amendment of ESI 401(k) Plan				X
10.32	**	ESI Excess Savings Plan – 2008 Restatement	10-K*	10.15	2/21/08	
10.33	**	Restated ESI Pension Plan	10-K*	10.22	2/24/12	
10.34	**	First Amendment of ESI Pension Plan	10-Q*	10.1	7/27/12	
10.35	**	ESI Excess Pension Plan – 2008 Restatement	10-K*	10.19	2/21/08	
10.36	**	First Amendment to ESI Excess Pension Plan – 2008 Restatement	10-Q*	10.23	7/24/08	
10.37	**	ESI Executive Deferred Bonus Compensation Plan – 2008 Restatement	10-K*	10.22	2/21/08	
10.38	**	ESI Non-Employee Directors Deferred Compensation Plan – 2008 Restatement	10-K*	10.21	2/21/08	
10.39	**	ITT Educational Services, Inc. Senior Executive Severance Plan	10-Q*	10.26	10/25/07	
10.40	**	First Amendment to the ITT Educational Services, Inc. Senior Executive Severance Plan	10-K*	10.28	2/24/12	
10.41	**	Summary of Certain Director and Executive Compensation				X
10.42		Trade Name and Service Mark License Agreement between ITT/ESI and ITT Sheraton Corporation	10-Q*	10.11	7/27/98	

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10.43	First Amendment to Trade Name and Service Mark License Agreement between ITT/ESI and ITT Sheraton Corporation	10-K*	10.18	2/19/99
10.44	Second Amendment to Trade Name and Service Mark License Agreement between ITT/ESI and ITT Manufacturing Enterprises, Inc. (assignee of ITT Sheraton Corporation)	10-Q*	10.24	10/31/00
10.45	Financing Agreement, dated as of December 4, 2014, by and among ITT Educational Services, Inc., the subsidiary guarantors party thereto, Cerberus Business Finance, LLC, as administrative agent and collateral agent, and the lenders party thereto	8-K*	10.1	12/5/14
10.46	Amendment No. 1 to Financing Agreement, dated as of December 23, 2014, by and among ITT Educational Services, Inc., the subsidiary guarantors party thereto, Cerberus Business Finance, LLC, as administrative agent and collateral agent, and the lenders party thereto	8-K*	10.2	3/18/15
10.47	Amendment No. 2 to Financing Agreement, dated as of March 17, 2015, by and among ITT Educational Services, Inc., the subsidiary guarantors party thereto, Cerberus Business Finance, LLC, as administrative agent and collateral agent, and the lenders party thereto	8-K*	10.1	3/18/15
10.48	Amendment No. 3 to Financing Agreement, dated as of September 18, 2015, by and among ITT Educational Services, Inc., the subsidiary guarantors party thereto, Cerberus Business Finance, LLC, as administrative agent and collateral agent, and the lenders party thereto	8-K*	10.1	9/21/15

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10.49	Amendment No. 4 to Financing Agreement, dated as of December 31, 2015, by and among ITT Educational Services, Inc., the subsidiary guarantors party thereto, Cerberus Business Finance, LLC, as administrative agent and collateral agent, and the lenders party thereto	8-K*	10.1	12/31/15
10.50	Limited Consent to Financing Agreement, dated as of May 26, 2015, by and among ITT Educational Services, Inc., the subsidiary guarantors party thereto, Cerberus Business Finance, LLC, as administrative agent and collateral agent, and the lenders party thereto	10-K*	10.46	5/29/15
10.51	Credit Agreement, dated as of March 21, 2012, among ITT Educational Services, Inc., the lenders party thereto, JPMorgan Chase Bank, N.A. as administrative agent, Bank of America, N.A., as syndication agent and Wells Fargo, N.A., as documentation agent	8-K*	10.1	3/27/12
10.52	First Amendment to Credit Agreement, dated as of March 31, 2014, by and among ITT Educational Services, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent	8-K*	10.1	4/4/14
10.53	Second Amendment to Credit Agreement, dated as of May 29, 2014, by and among ITT Educational Services, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent	8-K*	10.1	6/4/14
10.54	Third Amendment to Credit Agreement, Consent and Waiver, dated as of June 30, 2014, by and among ITT Educational Services, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent	8-K*	10.1	7/2/14

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10.55	Fourth Amendment to Credit Agreement, Consent and Waiver, dated as of July 30, 2014, by and among ITT Educational Services, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent	8-K*	10.1	8/1/14
10.56	Fifth Amendment to Credit Agreement and Consent, dated as of September 15, 2014, by and among ITT Educational Services, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent	8-K*	10.1	9/19/14
10.57	Consent to Credit Agreement, entered into as of October 15, 2014, by and among ITT Educational Services, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent	10-Q*	10.5	11/14/14
10.58	Consent to Credit Agreement, entered into as of November 14, 2014, by and among ITT Educational Services, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A. as administrative agent	10.Q*	10.3	11/19/14
10.59	Guarantee Agreement, dated as of January 20, 2010, between ITT Educational Services, Inc. and Deutsche Bank Trust Company Americas, as indenture trustee and collateral agent	10-K*	10.47	10/16/14
10.60	Amended and Restated Indenture and Credit Agreement, dated as of December 31, 2010, by and among PEAKS Trust 2009-1, Deutsche Bank Trust Company Americas, as indenture trustee and collateral agent, and Deutsche Bank National Trust Company, as lender trustee	10-K*	10.48	10/16/14
10.61	Subordinated Note Purchase Agreement, dated as of January 20, 2010, between ITT Educational Services, Inc. and PEAKS Trust 2009-1	10-K*	10.49	10/16/14

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10.62	Agreement for Servicing Private Student Loans, dated as of December 10, 2011, by and among PEAKS Trust 2009-1, Deutsche Bank Trust Company Americas, as indenture trustee and collateral agent, ITT Educational Services, Inc. and First Associates Loan Servicing, LLC	10-K*	10.50	10/16/14
10.63	Purchase Obligation Agreement, dated as of January 20, 2010, by and among ITT Educational Services, Inc., Deutsche Bank Trust Company Americas, as indenture trustee and collateral agent, and the senior creditors signatory thereto	10-K*	10.51	10/16/14
10.64	Letter Agreement, dated as of March 17, 2014, between ITT Educational Services, Inc., Deutsche Bank Trust Company Americas, as indenture trustee and collateral agent, and the holders of the senior debt signatory thereto	8-K*	10.1	3/21/14
10.65	Risk Sharing Agreement, dated as of February 20, 2009, between ITT Educational Services, Inc. and Student CU Connect CUSO, LLC, with the First Amendment, Second Amendment and Third Amendment thereto	10-K*	10.53	10/16/14
10.66	Fourth Amendment to Risk Sharing Agreement, dated as of November 6, 2014, by and between ITT Educational Services, Inc. and Student CU Connect CUSO, LLC	10-Q*	10.4	11/14/14
10.67	Fifth Amendment to Risk Sharing Agreement, dated as of March 17, 2015 by and between ITT Educational Services, Inc. and Student CU Connect CUSO, LLC	8-K*	10.3	3/18/15

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10.68		Sixth Amendment to Risk Sharing Agreement, dated as of June 8, 2015 by and between ITT Educational Services, Inc. and Student CU Connect, CUSO, LLC	10-Q*	10.2	6/12/15
10.69		Financing Program Agreement, dated as of February 20, 2009, between ITT Educational Services, Inc. and Student CU Connect CUSO, LLC, with the First Amendment, Second Amendment and Third Amendment thereto	10-K*	10.54	10/16/14
10.70		Loan and Security Agreement, dated as of May 18, 2009, between ITT Educational Services, Inc. and Student CU Connect CUSO, LLC, with the First Amendment, Second Amendment and Third Amendment thereto	10-K*	10.55	10/16/14
10.71		Agreement for Servicing Private Student Loans, dated as of May 18, 2012, by and between First Associates Loan Servicing, LLC and Student CU Connect CUSO, LLC	10-K*	10.56	10/16/14
10.72	**	Letter Agreement, dated August 4, 2014, by and between ITT Educational Services, Inc. and Kevin M. Modany	8-K*	10.1	8/5/14
10.73	**	Amendment to Letter Agreement, dated as of April 28, 2015, by and between ITT Educational Services, Inc. and Kevin M. Modany	8-K*	10.3	4/29/15
10.74	**	Second Amendment to Letter Agreement, dated as of May 26, 2015, by and between ITT Educational Services, Inc. and Kevin M. Modany	10-K*	10.69	5/29/15
10.75	**	Third Amendment to Letter Agreement, dated as of July 29, 2015, by and between ITT Educational Services, Inc. and Kevin M. Modany	8-K*	10.1	7/30/15
10.76	**	Letter Agreement, dated as of December 31, 2015, by and between ITT Educational Services, Inc. and Kevin M. Modany	8-K*	10.2	12/31/15

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10.77	**	Letter Agreement, dated August 4, 2014, by and between ITT Educational Services, Inc. and John E. Dean	8-K*	10.2	8/5/14	
10.78	**	Letter Agreement, dated as of April 29, 2015, by and between ITT Educational Services, Inc. and Daniel M. Fitzpatrick	8-K*	10.1	4/29/15	
10.79	**	Amendment to Equity Award Agreements, dated as of April 29, 2015, by and between ITT Educational Services, Inc. and Daniel M. Fitzpatrick	8-K*	10.2	4/29/15	
10.80	**	Consulting Agreement, dated as of September 3, 2015, by and between ITT Educational Services, Inc. and Daniel M. Fitzpatrick	8-K*	10.1	9/8/15	
10.81		Irrevocable Letter of Credit Payable to the U.S. Department of Education, dated October 31, 2014	8-K*	10.1	11/04/14	
10.82		Agreement, dated as of December 16, 2015, by and between ITT Educational Services, Inc. and the U.S. Department of Education	8-K*	10.1	12/22/15	
10.83		Pledge and Security Agreement for Guarantee of Deductible and/or Loss Limit Reimbursement Agreement, dated as of December 15, 2015, by and between ITT Educational Services, Inc. and Liberty Mutual Insurance Company	8-K*	10.1	12/29/15	
10.84		Stipulation and Agreement of Settlement, dated November 2, 2015 (entered by the parties in *In re ITT Educational Services, Inc. Securities Litigation*)				X
10.85		Stipulation and Agreement of Settlement, dated November 2, 2015 (entered by the parties in *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*)				X
10.86		Stipulation and Agreement of Settlement, dated January 21, 2016				X
21		Subsidiaries				X
23.1		Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm				X
23.2		Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm				X

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31.1	Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934	X
31.2	Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934	X
32.1	Chief Executive Officer's Certification Pursuant to 18 U.S.C. Section 1350	X
32.2	Chief Financial Officer's Certification Pursuant to 18 U.S.C. Section 1350	X
101	The following materials from ITT Educational Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Cash Flows; (v) Consolidated Statements of Shareholders' Equity; (vi) Notes to Consolidated Financial Statements; and (vii) Financial Statement Schedule II	X

* SEC File No. 001-13144
** The indicated exhibit is a management contract, compensatory plan or arrangement required to be filed by Item 601 of Regulation S-K.
*** Registration No. 333-84871

ED00015929
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Exhibit 10.31

FOURTH AMENDMENT OF ESI 401(k) PLAN

This Fourth Amendment of ESI 401(k) Plan (the "Plan") is adopted by ITT Educational Services, Inc. (the "Employer").

Background

A. Effective January 1, 2012, the Employer amended and completely restated the Plan.

B. The Plan was amended by First, Second and Third Amendments.

C. The Employer now wishes to amend the Plan further.

Amendment

Effective January 1, 2015, the Plan is amended as follows:

1. Section 2.51 of the Plan is amended to read as follows:

2.51 **"Retirement Contribution Account"** shall mean that portion of the Trust Fund that, with respect to any Member or Deferred Member is attributable to (i) any Retirement Contributions, (ii) any contributions and investment earnings thereon to the extent such amounts were attributable to company contributions other than matching contributions made on his or her behalf on or after October 1, 1996, and transferred to the Trust Fund from the ITT Plan pursuant to Section 14.4, and (iii) any investment earnings and gains or losses on any of the aforementioned amounts.

2. Section 9.2 of the Plan is amended to read as follows:

9.2 **Non-Hardship Withdrawal Prior to Age 59 ½.** A Member who has not yet reached age 59 ½ as of the date of his or her withdrawal request may elect, subject to Section 9.1, to withdraw from his or her Accounts in the following order:

(a) all or part of his or her After-Tax Investment Account;

(b) all or part of his or her Rollover Account:

(c) all or part of his or her ESOP Account;

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(d) all or part of his or her ITT Floor Contributions Account;

(e) all or part of his or her Company Matching Contribution Account attributable to vested amounts contributed to (1) the Pre-Distribution ITT Plan before 1990 or (2) the ITT Plan prior to October 1, 1996;

(f) all or part of his or her Retirement Contribution Account.

3. Section 9.8 of the Plan is amended to read as follows:

9.8 **Retirement Contribution Account.** A Member's Retirement Contribution Account is not available for distribution or withdrawal prior to a Member's Termination of Employment. Effective January 1, 2015, a Member's Retirement Contribution Account is available for distribution and withdrawal prior to a Member's Termination of Employment, as described in Section 9.2.

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This Fourth Amendment of ESI 401(k) Plan (2012 Restatement) is executed this 7th day of December, 2015.

ITT EDUCATIONAL SERVICES, INC.

By: /s/ Erica Bisch
(Signature)

Erica Bisch
(Printed)

Vice President, Human Resources
(Title)

ATTEST:

/s/ Jenny Yonce
(Signature)

Jenny Yonce
(Printed)

Mgr, Benefits & HRIS
(Title)

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Exhibit 10.41

Description of ITT Educational Services, Inc.'s Executive and Director Compensation

2016 Executive Salaries

On January 25, 2016, the Compensation Committee of our Board of Directors determined not to make any changes to the annual base salaries for any of the named executive officers, other than Mr. Tarasi. The named executive officers are those executive officers of ours who will be included as such in the Proxy Statement for our 2016 Annual Meeting of Shareholders. The Compensation Committee increased Mr. Tarasi's base salary as a result of the increased duties and responsibilities assumed by him in connection with his appointment as our Executive Vice President and Chief Financial Officer. The following table sets forth the 2016 base salary information for each of our named executive officers as of February 8, 2016.

Named Executive Officer	2016 Salary
Kevin M. Modany	$ 824,076
Daniel M. Fitzpatrick	N/A
Rocco F. Tarasi	$ 350,000
John E. Dean	$ 575,000(1)
Eugene W. Feichtner	$ 400,000
Ryan L. Roney	$ 360,000

(1) In March 2016, the Compensation Committee and Mr. Dean agreed to a reduction in Mr. Dean's base salary to $200,000.

2015 Short-Term Compensation and Bonus Payments

On January 25, 2016, the Compensation Committee reviewed the results of the eight 2015 management objectives (the "2015 Management Objectives") under the short-term compensation element of executive compensation previously established by the Compensation Committee. Based on its determination of the extent to which each of the 2015 Management Objectives was accomplished by our named executive officers in 2015, the Compensation Committee approved the payment of a short-term compensation amount in cash to each of our named executive officers, other than Mr. Dean, who was not a participant in the short-term compensation element, as follows:

Named Executive Officer	2015 Short-Term Compensation Amount
Kevin M. Modany	$ 515,048
Daniel M. Fitzpatrick	$ 112,348
Rocco F. Tarasi	$ 77,854
John E. Dean	N/A
Eugene W. Feichtner	$ 174,999
Ryan L. Roney	$ 146,250

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2016 Short-Term Compensation

On January 25, 2016, the Compensation Committee established a short-term compensation element for our executive officers (other than Mr. Dean) that will be payable in early 2017, if certain management objectives (the "2016 Management Objectives") are accomplished during 2016. The 2016 Management Objectives and their respective weightings are as follows:

	Management Objectives	Weight
1.	Resolve (through settlement or otherwise) outstanding legal and regulatory matters involving the company.	20%
2.	Increase the 2016 weighted average graduation rate for ITT Technical Institute (calculated utilizing a completion period equal to 1.5 times the anticipated program duration for a full-time student).	20%
3.	Improve the 2016 ITT Technical Institute quarterly student evaluation average score.	10%
4.	Improve the average NCLEX score of the 2016 graduates of the Breckenridge School of Nursing and Health Sciences nursing program.	10%
5.	Establish relationships with Corporate Partners to deliver customized corporate training and other educational services.	10%
6.	Design, develop and obtain the necessary regulatory authorization to offer an alternative delivery methodology for an accredited degree program.	10%
7.	Design, develop and implement a revised marketing and advertising campaign for ITT Technical Institute.	10%
8.	Obtain the requisite federal, state and accrediting commission authorizations for the ITT Technical Institutes to offer new diploma and/or degree programs.	5%
9.	Obtain the requisite federal, state and accrediting commission authorizations for the ITT Technical Institutes to open new campus locations.	5%

The determination of the extent to which the 2016 Management Objectives are accomplished by our executive officers will be made by the Compensation Committee in early 2017. The Committee intends to assign zero to five points to each 2016 Management Objective, based on the extent to which the Committee determines the objective was accomplished. The number of points assigned to each 2016 Management Objective will be multiplied by the weight associated with that 2016 Management Objective, resulting in a weighted number of points for that 2016 Management Objective. The weighted number of points for all of the 2016 Management Objectives will be added together, resulting in a total number of weighted points. The following table sets forth the maximum short-term compensation percentage that is associated with the total number of weighted points that are assigned to the 2016 Management Objectives by the Compensation Committee:

Total Weighted Points	Maximum Short-Term Compensation Percentage
4.76-5.00	200.0%
4.51-4.75	187.5%
4.26-4.50	175.0%
4.01-4.25	162.5%
3.76-4.00	150.0%
3.51-3.75	137.5%
3.26-3.50	125.0%
3.01-3.25	112.5%
2.76-3.00	100.0%
2.51-2.75	87.5%
2.26-2.50	75.0%
2.01-2.25	62.5%
1.76-2.00	50.0%
1.51-1.75	41.7%
1.26-1.50	33.3%
1.00-1.25	25.0%

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To determine the maximum short-term compensation amount that an executive officer may receive, the maximum short-term compensation percentage (determined as described above) will be multiplied by a standard short-term compensation percentage of annualized base salary as of December 31, 2016, ranging from 32% to 100%, with the percentage depending on the officer's position, and the result will be multiplied by the officer's annualized base salary. The following table sets forth the 2016 standard short-term compensation percentage of annualized base salary as of December 31, 2016 for each of the named executive officers who are current participants in the 2016 short-term compensation element:

Named Executive Officer	2016 Standard Short-Term Compensation Percentage of Annualized Base Salary
Kevin M. Modany	100%
Rocco F. Tarasi	65%
Eugene W. Feichtner	70%
Ryan L. Roney	65%

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An executive officer's actual short-term compensation payment, however, may be more or less than the officer's potential short-term compensation as calculated as described above. An executive officer's actual short-term compensation amount will be based on the Compensation Committee's discretionary assessment of the officer's individual contribution toward accomplishing each 2016 Management Objective. Any 2016 short-term compensation payment will be made in cash. The Compensation Committee may, in its sole discretion, modify the terms of the short-term compensation element at any time before it is paid.

2016 Executive Perquisites

On January 25, 2016, the Compensation Committee of our Board of Directors also approved the following executive perquisites in 2016 for our named executive officers (other than Mr. Dean and Mr. Fitzpatrick):

- for our Chief Executive Officer, the use of a company car;
- for our Chief Executive Officer, an allowance to be used for tax return preparation and financial planning of up to 2% of annualized 2016 base salary;
- for the other named executive officers, an allowance to be used for tax return preparation and financial planning of up to 1% of annualized 2016 base salary;
- for each of the named executive officers:
    - tickets to sporting, theater and other events, up to $25,000 for our Chief Executive Officer and up to $15,000 for the other named executive officers;
    - enhanced disability benefits; and
    - an annual physical examination; and

The aggregate incremental cost to us in 2016 for providing all of the 2016 perquisites described above is not expected to exceed $150,000.

2016 Director Compensation

The compensation for non-employee Directors on our Board of Directors in 2016 consists of:

- an annual retainer of $75,000 payable in one installment on the first business day of 2016;
- no separate meeting fees;
- a grant of phantom units on May 2, 2016, that:
    - will have a value of $100,000, plus the value associated with any fractional unit necessary to cause the grant to be for a whole number of units, pursuant to which the value is determined based on the closing market price of a share of our common stock on the effective date of the grant;
    - will vest on May 2, 2017; and
    - will be paid in cash in an amount equal to the number of phantom units held by the Director, multiplied by the closing market price of a share of our common stock on May 2, 2017.

We also reimburse Directors for reasonable, out-of-pocket travel expense related to attending our Board of Directors and its committee meetings and other business of the Board.

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Exhibit 10.84

EXECUTION COPY

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION	Civil Action No. 13-cv-1620-JPO ECF Case

STIPULATION AND AGREEMENT OF SETTLEMENT

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This Stipulation and Agreement of Settlement ("Settlement") is made and entered into by and among (i) Lead Plaintiffs, on behalf of themselves and each of the Class Members, by and through Lead Counsel; and (ii) Defendants, by and through their counsel.

This Settlement is intended by the Settling Parties to fully, finally and forever compromise, resolve, discharge and settle the Released Claims and result in the complete dismissal of this Action with prejudice, upon and subject to the approval of the Court and the terms and conditions herein, without any admission or concession as to the merits of any of the Settling Parties' claims or defenses.

WHEREAS:

A. All terms with initial capitalization shall have the meanings ascribed to them in Paragraph 1 below or as otherwise defined herein.

B. On March 11, 2013, plaintiff William Koetsch filed a class action complaint, Civil Action No. 13-cv-1620-JPO (Dkt. 1), against ITT Educational Services, Inc. ("ITT" or the "Company"), and two of its officers, Daniel M. Fitzpatrick and Kevin M. Modany (the "Individual Defendants"), in the United States District Court for the Southern District of New York (the "Court" or "District Court"), on behalf of a putative class comprising purchasers of the Company's common stock between April 22, 2010 and February 25, 2013, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission ("SEC"), 17 C.F.R. § 240.10b-5. The case was assigned to the Honorable J. Paul Oetken.

C. On April 17, 2013, plaintiff Massachusetts Laborers' Annuity Fund filed a substantially similar class action complaint against the same defendants in the same Court, with a proposed class period of April 24, 2008 to February 25, 2013. On July 25, 2013, the Court

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consolidated the two actions, appointed Plumbers and Pipefitters National Pension Fund ("PPNPF" or "Plumbers and Pipefitters") and Metropolitan Water Reclamation District Retirement Fund ("MWRDRF" or "Metropolitan Water") as Lead Plaintiffs, and approved Lead Plaintiffs' selection of Cohen Milstein Sellers & Toll PLLC as Lead Counsel in the consolidated action (the "Action"). (Dkt. 18).

D. On October 7, 2013, Lead Plaintiffs filed a Consolidated Amended Class Action Complaint. (Dkt. 29).

E. On November 26, 2013, pursuant to the Individual Practices of Judge Oetken, Defendants filed a letter articulating the bases for an anticipated motion to dismiss. (Dkt. 32).

F. On December 6, 2013, also pursuant to Judge Oetken's Individual Practices, Lead Plaintiffs sought, and were granted, leave to amend the Consolidated Amended Class Action Complaint in lieu of Defendants filing a motion to dismiss at that stage. (Dkt. 34).

G. On January 15, 2014, Lead Plaintiffs filed a Second Amended Consolidated Class Action Complaint (the "Complaint"). (Dkt. 37). The Complaint alleged: (1) that ITT and the Individual Defendants made material misrepresentations and omissions in violation of Section 10(b) and Rule 10b-5 of the Exchange Act; and (2) that the Individual Defendants are liable for ITT's primary violation of the Exchange Act as alleged "control persons" of the Company within the meaning of Section 20(a) of the Exchange Act.

H. On March 3, 2014, Defendants moved to dismiss the Complaint. (Dkt. 40).

I. On July 22, 2014, after the motion was fully briefed, the Court issued an opinion granting in part and denying in part Defendants' motion to dismiss. (Dkt. 48).

J. On August 5, 2014, Defendants answered the Complaint, denying all allegations of wrongdoing or liability therein. (Dkt. 50).

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K. On March 27, 2015, Lead Plaintiffs filed a motion for class certification ("Class Certification Motion"). (Dkt. 64).

L. On June 16, 2015, before Defendants' opposition to Lead Plaintiffs' Class Certification Motion was due to be filed, the Court entered a stipulation and order that stayed proceedings for three months to facilitate the parties' efforts to resolve the Action through mediation. (Dkt. 76).

M. On September 14, 2015, the Court extended the stay of proceedings for two months to allow the parties to continue their settlement discussions. (Dkt. 78).

N. There has been a significant amount of discovery in this Action, both on the merits and related to class certification. Defendants have produced over 350,000 documents, and over 1,400,000 pages of documents. Lead Plaintiffs have produced over 1,300 documents, and over 115,000 pages of documents. Additionally, Defendants took seven depositions, largely in connection with class certification, including the deposition of Lead Plaintiffs' economic expert on the issue of market efficiency, as well as the Rule 30(b)(6) depositions of Plumbers and Pipefitters and Metropolitan Water.

O. On August 12, 2015, Lead Plaintiffs, Lead Counsel, Defendants, ITT's insurers, and Defendants' Counsel participated in a mediation under the auspices of the Honorable Daniel Weinstein (Ret.) of JAMS. Pursuant to Judge Weinstein's instructions, the parties submitted detailed mediation statements in advance of the mediation session. As a result of the arm's-length negotiations at that mediation, the parties (including ITT's insurers) agreed in principle to settle the Action for $16.9625 million, subject to documentation and the approval of the Court.

P. Lead Counsel and Lead Plaintiffs have concluded, after due investigation and after carefully considering the relevant circumstances, including, without limitation, the claims asserted in the Action, the legal and factual defenses thereto, and the applicable law, that (i) it is

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in the best interests of the Class to enter into this Settlement in order to avoid the uncertainties of litigation and to ensure that the benefits reflected herein are obtained for the Class and (ii) the Settlement set forth herein is fair, reasonable and adequate and in the best interests of the Class Members.

Q. Defendants believe that they are not liable for the claims asserted against them in the Action and that they have good and meritorious defenses thereto. They have nevertheless agreed to enter into this Settlement to avoid further expense, inconvenience, and the distraction of burdensome and protracted litigation, and thereby to put to rest this controversy and avoid the risks inherent in litigation.

NOW THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and among the Settling Parties, through their respective counsel of record, that, subject to the approval of the District Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, the PSLRA and other conditions set forth herein, in consideration of the benefits flowing to the Settling Parties hereto, that the Action and all Released Claims as against the Released Parties shall be fully, finally and forever compromised, settled, released, discharged and dismissed with prejudice, upon and subject to the following terms and conditions:

DEFINITIONS

1. As used in this Settlement, the following terms shall have the meanings specified below. In the event of any inconsistency between any definition set forth below and any definition set forth in any document attached as an exhibit to this Settlement, the definition set forth below shall control.

(a) "Action" means the action pending in this Court under the caption *In re ITT Educational Services, Inc. Securities Litigation*, Case No. 13-cv-1620-JPO, including, without limitation, all cases consolidated under that caption.

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(b) "Authorized Claimant" means a Class Member that timely submits a valid Proof of Claim Form to the Claims Administrator in accordance with the requirements established by the Court, and that is approved by the Claims Administrator for payment from the Net Settlement Fund.

(c) "Claim" means a claim submitted by a Class Member to the Claims Administrator for payment pursuant to the Plan of Allocation.

(d) "Claims Administrator" means Epiq Systems, Inc.

(e) "Class Certification Motion" means Lead Plaintiffs' motion for class certification, filed on March 27, 2015, seeking certification of a class consisting of all purchasers of the common stock of ITT Educational Services, Inc. between April 24, 2008 and February 25, 2013.

(f) "Class" means, for purposes of this Settlement, and to be certified pursuant to Fed. R. Civ. P. 23, for purposes of effectuating this Settlement only, all persons and entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive. Excluded from the Class are: Defendants; members of the immediate family of any Defendant; any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest during the Class Period; the officers and directors of ITT during the Class Period; and legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person or entity. Any person or entity that timely and validly requests exclusion from the Class pursuant to and in accordance with the terms of the Preliminary Approval Order is also excluded from the Class.

(g) "Class Distribution Order" means an order entered by the Court authorizing and directing that the Net Settlement Fund be distributed, in whole or in part, to eligible Class Members.

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(h) "Class Member" means a person or entity that is a member of the Class.

(i) "Class Period" means the period from April 24, 2008 to February 25, 2013, both dates inclusive.

(j) "Defendants" means ITT Educational Services, Inc., Daniel M. Fitzpatrick, and Kevin M. Modany.

(k) "Defendants' Counsel" means the law firm of Gibson, Dunn & Crutcher, LLP.

(l) "Effective Date" means the first day on which the Settlement shall become effective as set forth in ¶ 43 below. Lead Counsel shall advise Defendants' Counsel and the Claims Administrator promptly after it has determined that it believes the Effective Date has occurred.

(m) "Escrow Account" means an escrow account established, maintained, and controlled by the Escrow Agent, subject to Lead Counsel's supervisory authority, into which Defendants shall deposit or cause to be deposited the Settlement Amount.

(n) "Escrow Agent" means Eagle Bancorp, Inc.

(o) "Final" means, with respect to any order of court, including, without limitation, the Judgment, that such order represents a final and binding determination of all issues within its scope and is not subject to further review on appeal or otherwise. Without limitation, an order becomes "Final" when (i) no appeal has been filed and the prescribed time for commencing any appeal has expired; or (ii) an appeal has been filed and either (a) the appeal has been dismissed and the prescribed time, if any, for commencing any further appeal has expired, or (b) the order has been affirmed in all material respects and the prescribed time, if any, for commencing any further appeal has expired. For purposes of this paragraph, an "appeal" includes appeals as of right, discretionary appeals, interlocutory appeals, proceedings involving writs of *certiorari* or *mandamus*, and any other proceedings of like kind. However, any appeal or proceeding seeking

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subsequent judicial review pertaining solely to a Class Distribution Order, a Plan of Allocation, or to the Court's award of Lead Counsel's fees and/or expenses shall not in any way delay or affect the time set forth above for the Judgment to become Final.

(p) "Final Approval Hearing" means the hearing set by the Court under Rule 23(e) of the Federal Rules of Civil Procedure to consider final approval of the Settlement, Lead Counsel's request for an award of attorneys' fees, and reimbursement of Litigation Expenses.

(q) "Judgment" means the order of final judgment to be entered by the Court which, subject to the approval of the Court, shall be substantially in the form attached hereto as Exhibit B.

(r) "Lead Counsel" means the law firm of Cohen Milstein Sellers & Toll PLLC.

(s) "Lead Plaintiffs" means Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund, collectively.

(t) "Litigation Expenses" means the reasonable costs and expenses incurred by Lead Counsel in connection with commencing and prosecuting the Action, for which Lead Counsel intends to apply to the Court for reimbursement from the Settlement Fund. Litigation Expenses may also include reimbursement of the reasonable costs and expenses (including lost wages) of Lead Plaintiffs in accordance with 15 U.S.C. § 78u-4(a)(4).

(u) "Net Settlement Fund" means the Settlement Fund less: (i) any Taxes and Tax Expenses; (ii) any Notice and Administration Costs; and (iii) any attorneys' fees and Litigation Expenses awarded by the District Court.

(v) "Notice" means the Notice of Pendency of Class Action and Proposed Settlement (substantially in the form attached hereto as Exhibit A-1), which is to be sent to members of the Class.

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(w) "Notice and Administration Costs" means the costs, fees and expenses that are reasonably incurred by the Claims Administrator in connection with (i) providing notice to the Class; and (ii) administering the claims process, including, without limitation, the actual costs of publication, printing and mailing the Notice, reimbursements to nominee owners for forwarding the Notice to their beneficial owners, the administrative expenses actually incurred and fees reasonably charged by the Claims Administrator in connection with identifying Class Members and providing notice and processing the submitted Claims, and the reasonable fees, if any, of the Escrow Agent. Prior to the Effective Date, the Escrow Agent, without further approval of Defendants or the Court, may pay from the Settlement Fund up to $150,000.00 in Notice and Administration Costs actually and reasonably incurred associated with the administration of the Settlement. Prior to the Effective Date, payment of any Notice and Administration Costs exceeding $150,000.00 shall require notice to and agreement from Defendants, through Defendants' Counsel. Subsequent to the Effective Date, without further approval by Defendants or the Court, the Settlement Fund may be used by Lead Counsel to pay reasonable and necessary Notice and Administration Costs in excess of $150,000.00. In the event that the Settlement is terminated pursuant to the terms of this stipulation, all Notice and Administration Costs properly paid or incurred, including any related fees, shall not be returned or repaid to Defendants.

(x) "Plan of Allocation" means the proposed plan of allocation of the Net Settlement Fund set forth in ¶ 22 below and in the Notice, or such other plan of allocation that the Court approves. The Plan of Allocation is not part of the Settlement, and Defendants and the Released Parties shall have no responsibility for the Plan of Allocation or its implementation, and no liability with respect thereto.

(y) "Preliminary Approval Order" means the order to be entered by the Court preliminarily approving the Settlement, and directing that notice be provided to the Class, which, subject to the approval of the Court, shall be substantially in the form attached hereto as Exhibit A.

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(z) "Proof of Claim Form" means the form provided to Class Members by the Claims Administrator for purposes of submitting a Claim, substantially in the form attached hereto as Exhibit A-3.

(aa) "Released Claims" means any and all actions, causes of action, claims (including "Unknown Claims," as defined in ¶ 1(kk) herein), duties, debts, demands, rights, disputes, suits, matters, damages, losses, obligations, proceedings, issues, judgments, and liabilities of every nature and description whatsoever (and including, but not limited to, any claims for damages, whether compensatory, consequential, special, punitive, exemplary or otherwise, and any fees, costs, expenses, or charges), whether known or unknown, suspected or unsuspected, fixed or contingent, foreseen or unforeseen, liquidated or unliquidated, accrued and unaccrued, matured or unmatured, at law or in equity, whether class, derivative, or individual in nature, whether or not concealed or hidden, which now exist, or heretofore have existed, or can, shall or may exist, whether arising under federal, state, common, statutory, administrative or foreign law, regulation, or at equity, that (a) Lead Plaintiffs or any Class Member has asserted in this Action, or could have asserted in this Action or in any other proceeding or forum that arise out of, relate to or are based upon, the allegations, claims, transactions, facts, matters, occurrences, events, failures, representations, statements, or omissions alleged, involved, set forth, or referred to in the Complaint; (b) would have been barred by *res judicata* or collateral estoppel had the Action been fully litigated to a final judgment; and (c) were, could have been, or in the future could be, asserted in any forum or proceeding or otherwise by any Class Member that relate to the purchase, sale, acquisition or holding of ITT common stock during the Class Period. Released Claims do not, however, include claims to enforce this Settlement, or claims in other actions that have already been filed as of the date of execution of this Settlement and that are not consolidated with this Action.

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(bb) "Released Party" and "Released Parties" means each Defendant and his, her or its respective past, present or future directors, officers, employees, parents, partners, members, principals, agents, owners, fiduciaries, shareholders, related or affiliated entities, subsidiaries, divisions, accountants, auditors, attorneys, associates, consultants, advisors, insurers, co-insurers, reinsurers, trustees, estates, beneficiaries, administrators, foundations, underwriters, banks or bankers, personal or legal representatives, divisions, joint ventures, spouses, domestic partners, family members, heirs, executors, or any other person or entity acting or purporting to act for or on behalf of any of the Defendants, and each of their respective predecessors, successors and assigns, and any trusts for which any of them are trustees, settlors, or beneficiaries.

(cc) "Settled Defendants' Claims" means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory, or common law, or any other law, rule, or regulation, including both known claims and Unknown Claims (as defined in ¶ 1(kk) herein), that have been or could have been asserted in the Action or any forum by Defendants or the Released Parties, against Lead Plaintiffs, any of the Class Members, or their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action. Settled Defendants' Claims do not, however, include claims to effectuate or to enforce this Settlement.

(dd) "Settlement" means this Stipulation and Agreement of Settlement and the settlement contained herein.

(ee) "Settlement Amount" means Sixteen Million, Nine Hundred Sixty-Two Thousand, and Five Hundred Dollars ($16,962,500.00).

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(ff) "Settlement Fund" means the Settlement Amount plus any interest earned thereon after it is deposited into the Escrow Account.

(gg) "Settling Parties" means Defendants and Lead Plaintiffs, on behalf of themselves and the Class.

(hh) "Summary Notice" means the Summary Notice of Pendency of Class Action and Proposed Settlement, which shall be substantially in the form attached hereto as Exhibit A-2, to be published as set forth in the Preliminary Approval Order.

(ii) "Taxes" means any taxes due and payable with respect to the income earned by the Settlement Fund, including any interest or penalties thereon.

(jj) "Tax Expenses" means any reasonable expenses and costs incurred in connection with the payment of Taxes or the preparation of tax returns, including, without limitation, reasonable expenses of tax attorneys and/or accountants and/or other advisors and reasonable expenses relating to the filing of or failure to file all necessary or advisable tax returns.

(kk) "Unknown Claims" means any and all Released Claims, of every nature and description, that Lead Plaintiffs and/or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known by him, her or it, might have affected his, her or its settlement with and release of the Released Parties, or might have affected his, her or its decision not to object to this Settlement or not to exclude himself, herself or itself from the Class or to release the Released Claims. With respect to any Settled Defendants' Claims, "Unknown Claims" means any and all Settled Defendants' Claims, of every nature and description, which Defendants and the other Released Parties do not know or suspect to exist in their favor at the time of the release of Lead Plaintiffs, the Class Members, and their attorneys, which, if known by them, might have affected their decisions with respect to the release of Settled Defendants' Claims or the Settlement.

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SETTLEMENT CONSIDERATION

2. ITT, on behalf of all Defendants, shall cause to be deposited Sixteen Million, Nine Hundred Sixty-Two Thousand, and Five Hundred Dollars ($16,962,500.00) into the Escrow Account by wire transfer or delivery of a check no later than fifteen (15) business days after the later of: (i) entry of a Preliminary Approval Order by the Court, or (ii) receipt by Defendants' Counsel from Lead Counsel of all necessary payment details to accomplish payment of the Settlement Amount by wire transfer or check, including payee name, payee mailing address, bank account number, name of bank, and bank address, a Sort Code or ABA Routing Number, the currency of the account receiving the funds, wire transfer instructions, the Tax Identification Number and an executed Form W-9. The Settlement Amount shall constitute the full and sole monetary contribution made by or on behalf of the Released Parties in connection with the resolution of the Action and the Settlement. If the Settlement Amount, or any portion thereof, is not deposited into the Escrow Account by the date provided for in this paragraph, the Settling Parties agree that Defendants will not be obligated to pay the Settlement Amount or any portion thereof and Lead Plaintiffs', Lead Counsel's, and any other parties' remedy against Defendants shall be to terminate the Settlement, in which case ¶ 44 below shall govern.

CAFA NOTICE

3. Pursuant to the Class Action Fairness Act ("CAFA"), 28 U.S.C. § 1715, no later than ten (10) days after the Settlement is filed with the Court, Defendants will serve proper notice of the proposed Settlement upon the appropriate representatives and, within three (3) business days thereafter, will provide written notification to Lead Counsel that they have done so. Defendants shall be responsible for all costs and expenses related to such notification.

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RELEASES

4. Upon the Effective Date, Lead Plaintiffs and each of the Class Members (on behalf of themselves and each of their respective present and former directors, officers, employees, parents, subsidiaries, related or affiliated entities, shareholders, members, divisions, partners, joint ventures, family members, spouses, domestic partners, heirs, principals, agents, owners, fiduciaries, personal or legal representatives, attorneys, auditors, accountants, advisors, banks or bankers, insurers, reinsurers, trustees, trusts, estates, executors, administrators, predecessors, successors, assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Class Member actually submits a Proof of Claim Form, seeks or obtains a distribution from the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's application for attorneys' fees and Litigation Expenses, shall be deemed to have and by operation of the Judgment shall have fully, finally and forever waived, released, relinquished, discharged and dismissed each and every Released Claim against each and every Released Party.

5. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs expressly waive, and each Class Member shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, to the fullest extent permitted by law, the provisions, rights and benefits of California Civil Code § 1542, and of any U.S. federal or state law, or principle of common law or the law of any foreign jurisdiction, that is similar, comparable, or equivalent to Section 1542 of the California Civil Code, which provides, in relevant part:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

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Lead Plaintiffs and other Class Members, or certain of them, may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiffs and the Class Members, and each of them, upon the Effective Date, by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, claims relating to conduct that is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs acknowledge, and Class Members by law and operation of the Judgment shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims was separately bargained for and was a material element of the Settlement.

6. Upon the Effective Date, Lead Plaintiffs and each of the Class Members (on behalf of themselves and each of their respective present and former directors, officers, employees, parents, subsidiaries, related or affiliated entities, shareholders, members, divisions, partners, joint ventures, family members, spouses, domestic partners, heirs, principals, agents, owners, fiduciaries, personal or legal representatives, attorneys, auditors, accountants, advisors, banks or bankers, insurers, reinsurers, trustees, trusts, estates, executors, administrators, predecessors, successors, assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Class Member actually submits a Proof of Claim Form, seeks or obtains a distribution from

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the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's application for attorneys' fees and Litigation Expenses, and in accordance with the terms of the proposed Judgment attached hereto as Exhibit B, shall have covenanted not to sue the Released Parties with respect to any Released Claims and are forever barred and enjoined from commencing, instituting, participating in, maintaining, or continuing to prosecute any action or proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting any Released Claim (including, without limitation, Unknown Claims), as well as any claims arising out of, relating to, or in connection with, the defense, settlement, or resolution of this Action against any Released Party.

7. Upon the Effective Date, each of the Released Parties, on behalf of themselves and each of their past or present subsidiaries, affiliates, parents, assigns, successors and predecessors, estates, heirs, executors, administrators, and the respective officers, directors, shareholders, agents, legal representatives, spouses and any persons or entities they represent, shall, with respect to each and every one of Settled Defendants' Claims, release and forever discharge each and every one of the Settled Defendants' Claims, and shall forever be enjoined from instituting, commencing, or prosecuting the Settled Defendants' Claims.

BAR ORDER

8. The proposed Judgment shall include, and the Settling Parties agree to the entry by the Court of an order providing for the bar order in ¶ 9 (the "Bar Order"), subject to the terms in ¶ 11 herein.

9. The Bar Order shall provide that, upon the Effective Date, except as provided in ¶ 11 below, any and all persons and entities are permanently barred and enjoined, to the fullest extent permitted by law, from commencing, prosecuting, or asserting any and all claims for

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contribution or indemnity (or any other claim when the alleged injury to that person or entity is their actual or threatened liability to the Class or a Class Member in the Action) based upon, relating to, arising out of, or in connection with the Released Claims, against each and every one of the Released Parties, whether arising under state, federal, common, statutory, administrative or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum; and, except as provided in ¶ 11 below, the Released Parties are permanently barred and enjoined, to the fullest extent permitted by law, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to the Released Party is their actual or threatened liability to the Class or a Class Member in the Action) based upon, relating to, or arising out of the Released Claims, against any person or entity, other than a person or entity whose liability to the Class has been extinguished pursuant to the Settlement and the Judgment, whether arising under state, federal, common, statutory, administrative, or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum. Nothing herein shall bar, release, or alter in any way, any obligations, rights or claims among or between the Released Parties.

10. The Judgment shall also contain a provision, substantially in the form set forth in Exhibit "B" hereto, requiring that any final verdict or judgment that may be obtained by or on behalf of the Class or a Class Member against any person or entity subject to the Bar Order as defined herein be reduced by the greater of: (i) an amount that corresponds to the percentage of responsibility of any of the Defendants for common damages; or (ii) the Settlement Amount.

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11. Notwithstanding the Bar Order in ¶ 9 above, nothing in this Settlement shall bar any action by any of the Settling Parties to enforce or effectuate the terms of this Settlement, the Preliminary Approval Order, or the Judgment.

USE AND TAX TREATMENT OF SETTLEMENT FUND

12. The Settlement Fund shall be held and invested in the Escrow Account as provided in ¶ 13 hereof. If the Settlement becomes Final, any interest earned on the Settlement Fund shall be for the benefit of the Class. If the Settlement does not become Final and the Settlement is terminated for any reason, within ten (10) days of termination, the Settlement Fund shall be returned pursuant to written instructions from Defendants' Counsel, together with any interest earned on the Settlement Fund, less any Notice and Administration Costs actually incurred.

13. The Escrow Agent shall invest any funds in excess of the $150,000.00 preliminarily allocated to Notice and Administration Costs, in United States Agency or Treasury Securities having maturities of 180 days or less, money market mutual funds comprised of investments secured by the full faith and credit of the United States government, or an interest-bearing account insured by the Federal Deposit Insurance Corporation ("FDIC"), and shall collect or reinvest all interest accrued thereon. Any funds held in escrow in an amount equal to or less than $150,000.00 may be held in an interest-bearing bank account insured by the FDIC. The Released Parties and Defendants' Counsel shall have no responsibility for, interest in, or liability with respect to the investment decisions of the Escrow Agent. The Settlement Fund and the Escrow Agent shall bear all risks related to investment of the Settlement Amount.

14. The Escrow Agent shall not disburse the Settlement Fund except as provided in this Settlement.

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15. Subject to the terms and conditions of this Settlement, the Settlement Fund shall be used to pay: (i) Taxes and Tax Expenses; (ii) Notice and Administration Costs; and (iii) any attorneys' fees and Litigation Expenses awarded by the Court. In no event shall the Released Parties bear any responsibility for any fees, costs or expenses beyond payment of the Settlement Amount.

16. After (i) the Judgment becomes Final, and (ii) entry by the Court of a Class Distribution Order approving distribution of the Net Settlement Fund to the Class, the Claims Administrator shall distribute the Net Settlement Fund to Authorized Claimants in accordance with the terms of such Class Distribution Order; provided, however, that any amounts in the Escrow Account necessary for payment of Taxes and Tax Expenses and/or Notice and Administration Costs shall remain in the Escrow Account for such purpose.

17. Except as provided herein, the Net Settlement Fund shall remain in the Escrow Account prior to the distribution. All funds held in the Escrow Account shall be deemed to be in the custody of the Court and shall remain subject to the jurisdiction of the Court until such time as the funds are distributed or returned pursuant to the terms of this Settlement.

18. The Settling Parties agree that the Settlement Fund is intended to be a "qualified settlement fund" within the meaning of Treasury Regulation § 1.468B-1 and that the Claims Administrator, as "administrator" of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall be solely responsible for filing or causing to be filed all informational and other tax returns as may be necessary or appropriate (including, without limitation, the returns described in Treasury Regulation § 1.468B-2(k)) for the Settlement Fund. Such returns shall be consistent with this paragraph and in all events shall reflect that all Taxes on the income earned on the Settlement Fund shall be paid out of the Settlement Fund as provided by ¶ 19 herein. The Claims Administrator shall also be solely responsible for causing

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payment to be made from the Settlement Fund of any Taxes and Tax Expenses owed with respect to the Settlement Fund, and is authorized to withdraw, without prior order of the Court, from the Settlement Fund such amounts as are necessary to pay Taxes and Tax Expenses. Defendants will provide to the Claims Administrator the statement described in Treasury Regulation § 1.468B-3(e). However, neither the Released Parties nor Defendants' Counsel shall have any liability or responsibility for the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. The Claims Administrator, as "administrator" of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall timely make such elections as are necessary or advisable to carry out this paragraph, including, as necessary, making a "relation-back election," as described in Treasury Regulation § 1.468B-1(j), to cause the Qualified Settlement Fund to come into existence at the earliest allowable date, and shall take or cause to be taken all actions as may be necessary or appropriate in connection therewith.

19. All Taxes (including any interest or penalties) and Tax Expenses shall be considered to be a cost of administration of the Settlement and shall be paid out of the Settlement Fund. The Released Parties shall not have any responsibility for, and no liability with respect to, payment of any such Taxes or Tax Expenses, and shall have no responsibility for, and no liability with respect to, the acts or omissions of the Claims Administrator, Lead Counsel or their agents, with regard to Taxes and Tax Expenses. The Settling Parties agree to cooperate with each other, and their tax attorneys and accountants, to the extent reasonably necessary to carry out the terms of this Settlement with regard to Taxes and Tax Expenses.

20. If all conditions of the Settlement are satisfied and the Judgment is entered and becomes Final, no portion of the Settlement Fund will be returned to Defendants, irrespective of the number of Claims filed, the collective amount of losses of Authorized Claimants, the

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percentage of recovery of losses, or the amounts to be paid to Authorized Claimants from the Net Settlement Fund. If any portion of the Net Settlement Fund remains following distribution pursuant to ¶ 29 and is of such an amount that in the discretion of the Claims Administrator it is not cost effective or efficient to redistribute to the Class, then such remaining funds, after payment of any further Notice and Administration Costs and Taxes and Tax Expenses, shall be donated to a nonsectarian charitable organization(s) certified as tax-exempt under United States Internal Revenue Code Section 501(c)(3), to be designated by Lead Counsel.

CLASS CERTIFICATION

21. Solely for purposes of the Settlement, the Settling Parties stipulate and agree to: (a) certification of the Action as a class action pursuant to Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the Class; (b) appointment of Lead Plaintiffs as class representatives; and (c) appointment of Lead Counsel as class counsel pursuant to Rule 23(g) of the Federal Rules of Civil Procedure.

PLAN OF ALLOCATION

22. The Net Settlement Fund shall be distributed to Authorized Claimants in accordance with a Plan of Allocation prepared by Lead Counsel, in conjunction with Lead Plaintiffs' damages expert, and set forth in Exhibit A-1. The Released Parties and Defendants' Counsel have had no role in the preparation of the Plan of Allocation.

23. The finality of the Settlement shall not be conditioned on any ruling by the District Court concerning the Plan of Allocation or any award of attorneys' fees or reimbursement of Litigation Expenses. Any order or proceeding relating to a request for approval of the Plan of Allocation, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate the Settlement or affect or delay the Effective Date or the effectiveness or finality of the Judgment and the release of the Released Claims.

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There shall be no distribution of any of the Settlement Fund to any Class Member until the Plan of Allocation is finally approved and such order of approval is affirmed on appeal and/or is no longer subject to review by appeal or *certiorari*, and the time for any petition for rehearing, appeal, or review, by *certiorari* or otherwise, has expired. Again, and for the avoidance of doubt, the Released Parties and Defendants' Counsel shall have no responsibility for, and no liability with respect to, the investment or distribution of the Settlement Fund.

24. The allocation of the Net Settlement Fund among Authorized Claimants is a matter separate and apart from the proposed Settlement between Defendants and Lead Plaintiffs, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement. The Plan of Allocation is not a necessary term of this Settlement, and it is not a condition of this Settlement that any particular plan of allocation be approved by the Court. None of the Settling Parties may cancel or terminate the Settlement based on this Court's or any appellate court's ruling with respect to the Plan of Allocation or any plan of allocation in this Action. The Released Parties shall have no responsibility for, and no liability with respect to, the allocation of the Net Settlement Fund, nor shall they object to the Plan of Allocation proposed by Lead Plaintiffs.

ATTORNEYS' FEES AND LITIGATION EXPENSES

25. Lead Counsel may apply to the Court for an award from the Settlement Fund of attorneys' fees not to exceed 28% of the Settlement Fund (*i.e.*, up to $4,749,500.00). Litigation Expenses may include reimbursement of the expenses of Lead Plaintiffs' counsel up to $750,000.00 and Lead Plaintiffs' expenses up to approximately $40,000.00 in accordance with 15 U.S.C. § 78u-4(a)(4). Attorneys' fees and Litigation Expenses are not the subject of any agreement between the Settling Parties other than what is set forth in this Settlement.

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26. The Released Parties will take no position on Lead Counsel's request for attorneys' fees or Litigation Expenses, and shall have no responsibility for, and no liability with respect to, the attorneys' fees or Litigation Expenses that the Court may award.

27. The procedure for and amounts of any award of attorneys' fees and Litigation Expenses, and the allowance or disallowance by the Court thereof, shall not be a condition of the Settlement. Lead Counsel shall request that its application for an award of attorneys' fees and Litigation Expenses be considered by the Court separately from the Court's consideration of the fairness and adequacy of the Settlement. Any order or proceedings relating to such request, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate the Settlement or affect the release of the Released Claims. The finality of the Settlement shall not be conditioned on any ruling by the Court concerning Lead Counsel's application for attorneys' fees and Litigation Expenses.

28. Within ten (10) days after both the Judgment and an order by the Court approving Lead Counsel's attorneys' fees and Litigation Expenses (the "Fee and Expense Order") become Final, any awarded attorneys' fees and Litigation Expenses shall be paid to Lead Counsel from the Escrow Account. Notwithstanding the foregoing, such attorneys' fees and Litigation Expenses awarded by the Court may be paid immediately following entry of the Judgment and the Fee and Expense Order notwithstanding the existence of or pendency of any appeal or collateral attack on the Settlement or any part thereof or the Fee and Expense Order. In the event that the Effective Date does not occur, or the Judgment or the Fee and Expense Order is reversed or modified by a Final, non-appealable order, or the Settlement is terminated or canceled for any reason, and in the event that attorneys' fees and Litigation Expenses have been paid out of the Escrow Account to any extent, then Lead Counsel shall be obligated and do hereby agree, within ten (10) days from receiving notice from Defendants' Counsel or from the Court, to refund to the

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Escrow Account such attorneys' fees and Litigation Expenses that have been paid, plus interest thereon at the same rate as would have been earned had those sums remained in the Escrow Account.

ADMINISTRATION OF THE SETTLEMENT

29. The Claims Administrator, subject to the supervision of Lead Counsel and the jurisdiction of the Court, shall administer and calculate the Claims submitted by Class Members, oversee distribution of the Net Settlement Fund to Authorized Claimants, and perform all claims administration procedures necessary or appropriate in connection therewith. The Claims Administrator shall receive and administer Claims in accordance with the Plan of Allocation approved by the Court. The proposed Plan of Allocation is set forth in the Notice attached hereto as Exhibit A-1.

30. The Released Parties shall have no liability, obligation or responsibility whatsoever to any person, including, but not limited to, Class Members, the Escrow Agent, or the Claims Administrator, in connection with the administration of the Settlement, the processing of claims, or the disbursement of the Net Settlement Fund.

31. Within ten (10) business days of the Court's Preliminary Approval Order, Defendants will use reasonable efforts to cause ITT's transfer agent to provide the Claims Administrator in a computer-readable format, the last known names and addresses of all of ITT's shareholders of record during the Class Period.

32. Lead Counsel shall cause the Claims Administrator to mail the Notice to those Class Members who may be identified through the records maintained by or on behalf of ITT, and to publish the Summary Notice, pursuant to the terms of the Preliminary Approval Order entered by the Court.

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33. Any Class Member who does not timely submit a valid Proof of Claim Form by the deadline set by the Court will not be entitled to receive any distribution from the Net Settlement Fund but will nevertheless be bound by all of the terms of the Settlement, including the terms of the Judgment to be entered in the Action and the releases provided for therein, and will be permanently barred and enjoined from bringing any action, claim or other proceeding of any kind against any Released Party concerning any Released Claim.

34. By submitting a Claim, a Class Member shall be deemed to have submitted to the jurisdiction of the Court with respect to the Claim, including, but not limited to, the releases and Bar Order provided for in the Judgment, and the Claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to their status as a Class Member and the validity and amount of their Claim. No discovery shall be allowed on the merits of this Action or this Settlement in connection with the processing of Proof of Claim Forms, nor shall any discovery be taken of the Released Parties in connection with such matters.

35. Lead Counsel will apply to the Court, with reasonable notice to Defendants, for a Class Distribution Order, *inter alia*: (i) approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the Claims submitted; (ii) approving payment of any outstanding Notice and Administration Costs from the Escrow Account; and (iii) if the Effective Date has occurred, directing payment of the Net Settlement Fund to Authorized Claimants.

36. Payment pursuant to the Class Distribution Order shall be final and conclusive against any and all Class Members. All Class Members who did not submit a Claim or whose Claim was not approved by the Court shall be barred from participating in distributions from the Net Settlement Fund, but shall be bound by all of the terms of this Settlement, including the

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terms of the Judgment and the releases provided for therein, and will be permanently barred and enjoined from bringing any action, claim or proceeding of any kind against any Released Party concerning any Released Claim.

37. All proceedings with respect to the administration, processing and determination of Claims and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of Claims, shall be subject to the jurisdiction of the Court.

OBJECTIONS AND REQUESTS FOR EXCLUSION

38. Any member of the Class may appear at the Final Approval Hearing and show cause why the proposed Settlement should or should not be approved as fair, reasonable, adequate and in the best interests of the Class, or why the Judgment should or should not be entered thereon, and/or to present opposition to the Plan of Allocation or to the application of Lead Counsel for attorneys' fees and reimbursement of Litigation Expenses. However, no Class Member or any other person or entity shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the terms of the Plan of Allocation or the application by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses, unless that Class Member (i) has served written objections, by hand or first-class mail, including the basis therefor, as well as copies of any papers and/or briefs in support of his, her or its position upon Lead Counsel and Defendants' Counsel for receipt no later than twenty-one (21) days prior to the Final Approval Hearing; and (ii) filed said objections, papers and briefs with the Clerk of the United States District Court for the Southern District of New York no later than twenty-one (21) days prior to the Final Approval Hearing. Any objection must include: (a) the full name, address, and phone number of the objecting Class Member; (b) a list and documentation of all of the Class

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Member's transactions in ITT common stock during the Class Period, such as brokerage confirmation receipts or other competent documentary evidence of such transactions, including the amount and date of each purchase (or acquisition) or sale and the price or other consideration paid and/or received (including all income received thereon); (c) a written statement of all grounds for the objection accompanied by any legal support for the objection; (d) copies of any papers, briefs or other documents upon which the objection is based; (e) a list of all persons who will be called to testify in support of the objection; (f) a statement of whether the objector intends to appear at the Final Approval Hearing; (g) a list of other cases in which the objector or the objector's counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years; and (h) the objector's signature, even if represented by counsel. If the objector intends to appear at the Final Approval Hearing through counsel, the objection must also state the identity of all attorneys who will appear on his, her or its behalf at the Final Approval Hearing. Any Class Member who does not make his, her or its objection in the manner provided for herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the Settlement, to the Judgment, to the Plan of Allocation or to the application by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses. The Notice shall also state the manner in which a notice of objection should be prepared, filed and delivered. By objecting to the Settlement, the Judgment, the Plan of Allocation and/or the application by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses, or otherwise requesting to be heard at the Final Approval Hearing, an objector shall be deemed to have submitted to the jurisdiction of the Court with respect to the person's or entity's objection or request to be heard and the subject matter of the Settlement, including, but not limited to, enforcement of the terms of the Settlement (including, but not limited to, the release of the Released Claims provided for in the Settlement and the Judgment).

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39. A person or entity requesting exclusion from the Class must timely provide the following information to the Claims Administrator: (i) name; (ii) address; (iii) telephone number; (iv) number of shares of ITT common stock purchased (or otherwise acquired) or sold; (v) prices or other consideration paid or received for such ITT common stock; (vi) the date of each purchase (or acquisition) or sale transaction; and (vii) a statement that the person or entity wishes to be excluded from the Class. Unless otherwise ordered by the Court, any Class Member who does not timely submit a written request for exclusion as provided by this section shall be bound by the Settlement. Lead Plaintiffs shall request that any requests for exclusion must be received by the Claims Administrator no later than twenty-one (21) days prior to the Final Approval Hearing.

40. The Claims Administrator shall scan and electronically send copies of all requests for exclusion in PDF format (or such other format as shall be agreed) to Defendants' Counsel and to Lead Counsel expeditiously (and not more than two (2) days) after the Claims Administrator receives such a request. Lead Counsel shall provide Defendants' Counsel, within two (2) days after the expiration of the request for exclusion deadline, copies of all requests for exclusion of any Class Members who will be identified to the Court as having validly and timely requested exclusion from the Class. Lead Counsel will submit to the Court a final list of all persons or entities who have requested exclusion from the Class, and shall certify that copies of all requests for exclusion received by the Claims Administrator have been provided to Defendants' Counsel, at least two (2) days before the Final Approval Hearing.

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PRELIMINARY APPROVAL OF THE SETTLEMENT

41. Promptly after execution of this Settlement, Lead Plaintiffs, by and through Lead Counsel, with Defendants' Counsel's consent, shall submit the Settlement together with its exhibits to the Court and shall move for entry of the Preliminary Approval Order, among other things, preliminarily approving the Settlement, approving the contents and method of distribution of the Notice and Summary Notice, approving the contents of the Proof of Claim Form, and setting a date for the Final Approval Hearing. To permit compliance with the settlement notice requirements of the Class Action Fairness Act, the Final Approval Hearing shall take place no earlier than 100 days after the Court enters the Preliminary Approval Order.

JUDGMENT APPROVING THE SETTLEMENT

42. Lead Plaintiffs, by and through Lead Counsel, with Defendants' Counsel's consent, shall request that the Court, if it approves the Settlement following the Final Approval Hearing, enter the Judgment. The Settlement is expressly conditioned upon, among other things, the entry of a Judgment substantially in the form attached hereto as Exhibit B and in all respects consistent with this Settlement.

EFFECTIVE DATE OF THE SETTLEMENT, AND TERMINATION

43. The Effective Date of the Settlement shall be the first date by which all of the following have occurred:

(a) The Court has entered the Preliminary Approval Order;

(b) ITT shall have caused the Settlement Amount to be deposited into the Escrow Account;

(c) Defendants have not exercised their option to terminate the Settlement pursuant to ¶ 45 herein;

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(d) The Court has approved the Settlement following notice to the Class and the Final Approval Hearing in accordance with Rule 23 of the Federal Rules of Civil Procedure, and has entered the Judgment; and

(e) The Judgment has become Final, as defined in ¶ 1(o) herein.

44. Defendants and Lead Plaintiffs each shall have the right to terminate the Settlement by providing written notice of their election to do so to the other within twenty (20) days of the date on which: (a) the Court refuses to approve this Stipulation and Agreement of Settlement, or the terms contained herein, in any material respect; (b) the Court declines to enter the Preliminary Approval Order in any material respect; (c) the Court refuses to grant final approval of this Settlement or any material part of it; (d) the Court declines to enter the Judgment in any material respect; (e) the Effective Date of the Settlement does not occur; or (f) the payment of the Settlement Amount is not satisfied in accordance with the terms herein. In addition, Defendants may also terminate the Settlement in accordance with ¶ 45. The foregoing list is not intended to limit or impair the Settling Parties' rights under the law of contracts of the State of New York with respect to any breach of this Settlement (except as provided in ¶ 2 hereof). In the event the Settlement is terminated, the provisions of ¶¶ 12, 13, 14, 17, 28, 30, 46, 47, 51, 53, 54, 63, 64, 65, 66, and 67 shall survive termination. If the Settlement does not become Final or is terminated for any reason, within ten (10) days of termination, the Settlement Fund shall be returned to Defendants pursuant to written instructions from Defendants' Counsel, together with any interest earned on the Settlement Fund, less any Notice and Administration Costs actually and reasonably incurred.

45. Defendants shall have the option to terminate the Settlement in the event that the aggregate number of total shares of ITT common stock purchased or acquired during the Class Period by persons or entities who would otherwise be entitled to participate in the Settlement as

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Class Members, but who timely and validly request exclusion in accordance with the terms of this Settlement, equals or exceeds the threshold (the "Opt-Out Threshold") as calculated pursuant to a separate agreement (the "Supplemental Agreement") executed between Lead Counsel and Defendants' Counsel, which is incorporated by reference into this Settlement. The Opt-Out Threshold may be disclosed *in camera* to the Court for purposes of approval of the Settlement, as may be required by the Court, but such disclosure shall be carried out to the fullest extent possible in accordance with the practices of the Court so as to maintain the confidentiality of the Opt-Out Threshold.

46. Except as otherwise provided herein, in the event the Settlement is terminated, the Settling Parties reserve their rights to proceed in all respects as if this Settlement had not been entered into and without any prejudice in any way from the negotiation, fact or terms of this Settlement. If the Settlement is terminated, the Settling Parties shall be restored to their respective positions in the Action as of June 16, 2015, the date this Action was stayed pending settlement discussions. Any order certifying a class in this Action for purposes of this Settlement prior to termination shall be null and void and a class shall not be considered certified for purposes of further litigation. Defendants will be provided a full opportunity to oppose Lead Plaintiffs' Class Certification Motion. The Settling Parties will in good faith propose a new case schedule for the completion of class certification briefing, discovery and other pretrial proceedings and for the trial of this Action.

NO ADMISSION OF WRONGDOING

47. Whether or not the Settlement is approved by the Court, and whether or not the Settlement is consummated, the fact and terms of this Settlement, including its exhibits, all negotiations, discussions, drafts and proceedings in connection with the Settlement, and any act performed or document signed in connection with the Settlement:

(a) shall not be offered or received against the Released Parties, Lead Plaintiffs or the other Class Members as evidence of, or be deemed to be evidence of, any presumption, concession or admission by any of the Released Parties or by Lead Plaintiffs or the other Class Members with respect to the truth of any fact alleged by Lead Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Action or in any litigation, or the deficiency of any defense that has been or could have been asserted in the Action or in any litigation, or of any liability, negligence, fault or wrongdoing of the Released Parties;

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(b) shall not be offered or received against the Released Parties as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Released Party, or against Lead Plaintiffs or any of the other Class Members as evidence of any infirmity in the claims of Lead Plaintiffs and the other Class Members;

(c) shall not be offered or received against the Released Parties, Lead Plaintiffs or the other Class Members as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the Released Parties, Lead Plaintiffs or the other Class Members, in any arbitration proceeding or other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Settlement; provided, however, that if this Settlement is approved by the Court, the Released Parties may refer to the Settlement and the Judgment in any action that may be brought against them to effectuate the liability protection granted them hereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law;

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(d) shall not be construed against the Released Parties, Defendants' Counsel, Lead Counsel or Lead Plaintiffs or the other Class Members as an admission or concession that the consideration to be paid hereunder represents the amount which could be or would have been recovered after trial or that any damages potentially recoverable under the Complaint would have exceeded or would have been less than the Settlement Amount; and

(e) shall not be construed as or received in evidence as an admission, concession or presumption against Lead Plaintiffs or the other Class Members or any of them that any of their claims are without merit;

(f) shall not be construed as or received in evidence as an admission, concession or presumption against the Released Parties that class certification is appropriate in this Action, except for purposes of this Settlement.

48. Defendants have denied, and continue to deny, each and every claim and contention alleged in the Complaint and affirm that they have acted properly and lawfully at all times. Further, Defendants have denied expressly, and continue to deny, all allegations of wrongdoing, fault, liability, or damage against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action and deny that they ever engaged in or committed any fraud, wrongdoing, improper conduct, violation of law, or breach of duty whatsoever. Defendants also have denied, and continue to deny, *inter alia*, that there were any materially false or misleading statements or material omissions in any of Defendants' public statements, including their filings with the SEC, and that Lead Plaintiffs or any Class Member has suffered damage or harm of any kind. Had the terms of this Settlement not been reached, Defendants would have continued to contest vigorously Lead Plaintiffs' allegations, and Defendants maintain that they had and have meritorious defenses to all claims alleged in the Action.

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MISCELLANEOUS PROVISIONS

49. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein.

50. The Settling Parties intend this Settlement to be a final and complete resolution of all disputes asserted or that could be asserted by Lead Plaintiffs or any other Class Members in the Action or with respect to all Released Claims. Except in the event of termination of this Settlement, Lead Plaintiffs and Defendants agree not to assert under Rule 11 of the Federal Rules of Civil Procedure or any similar law, rule or regulation, that the Action was brought or defended in bad faith or without a reasonable basis. The Settling Parties agree that the Settlement Amount and the other terms of the Settlement were negotiated at arm's length and in good faith by the Settling Parties and reflect a settlement that was reached voluntarily based upon adequate information and after consultation with their respective experienced legal counsel.

51. While maintaining their positions that the claims and defenses asserted in the Action are meritorious, Lead Plaintiffs and Lead Counsel, on the one hand, and Defendants and Defendants' Counsel, on the other, shall not make any public statements or statements to the media (whether or not for attribution) that disparage the other's business, conduct, or reputation or that of their counsel based on the subject matter of the Action.

52. This Settlement may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Settling Parties or their successors-in-interest. After prior notice to the Court, but without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any provisions of this Settlement.

53. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

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54. Neither the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the truth or validity of any Released Claim, any allegations or claims made in the Action, or of any purported wrongdoing or liability of any of the Released Parties; or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any liability, negligence, fault, omission, or wrongdoing as against any of the Released Parties in any civil, criminal or administrative proceeding in any court, any arbitration proceeding or any administrative agency or other tribunal, other than in such proceedings as may be necessary to consummate or enforce the Settlement or the Judgment.

55. The waiver by one party of any breach of this Settlement by any other party shall not be deemed a waiver of any other prior or subsequent breach of this Settlement. The provisions of this Settlement may not be waived except by a writing signed by the affected party, or counsel for that party.

56. This Settlement, including its exhibits and the Supplemental Agreement, which are material parts thereof, constitute the entire agreement among the Settling Parties, and no representations, warranties or inducements have been made to any party concerning this Settlement, its exhibits, or the Supplemental Agreement, other than the representations, warranties and covenants contained and memorialized in such documents. It is understood by the Settling Parties that, except for the matters expressly represented herein, the facts or law with respect to which this Settlement is entered into may turn out to be other than, or different from, the facts now known to each party or believed by such party to be true; each party therefore expressly assumes the risk of the facts or law turning out to be so different, and agrees that this Settlement shall be in all respects effective and not subject to termination by reason of any such different facts or law.

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57. This Settlement may be executed in one or more counterparts, including by signature transmitted via facsimile, or by a .pdf/.tif image of the signature transmitted via e-mail. All executed counterparts and each of them shall be deemed to be one and the same instrument.

58. Lead Plaintiffs agree that they will use their best efforts to obtain all necessary approvals of the Court required by this Settlement, and Defendants agree to provide such support as may be reasonably requested by Lead Plaintiffs or Lead Counsel.

59. Each signatory to this Settlement represents that he or she has authority to sign this Settlement on behalf of Lead Plaintiffs or Defendants, as the case may be, and that they have the authority to take appropriate action required or permitted to be taken pursuant to this Settlement to effectuate its terms. Lead Plaintiffs and Lead Counsel also represent and warrant that none of Lead Plaintiffs' claims or causes of action referred to herein, or that could have been alleged in the Action, has been assigned, encumbered, hypothecated, conveyed, transferred, or in any manner granted or given, in whole or in part, to any other person or entity.

60. This Settlement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto, including all Released Parties, and any corporation, partnership, or other entity into or with which any party hereto may merge, consolidate or reorganize.

61. Any notice required by this Settlement shall be submitted by overnight mail and e-mail to each of the signatories below.

62. The administration, consummation and enforcement of the Settlement shall be under the authority of the Court and the Settling Parties intend that the Court retain jurisdiction for the purpose of, *inter alia*, entering orders, providing for awards of attorneys' fees and Litigation Expenses, and enforcing the terms of the Settlement.

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63. The construction, interpretation, operation, effect and validity of this Settlement, and all documents necessary to effectuate it, shall be governed by the internal laws of the State of New York without regard to that State's choice-of-law principles, except to the extent that federal law requires that federal law govern.

64. To the extent there are disputes regarding the interpretation of any term of this Settlement, the Settling Parties will attempt to resolve any such dispute in good faith. If the Settling Parties fail to resolve the dispute, or in the event of a breach of the terms of the Settlement, any non-breaching Settling Party shall be entitled to bring an action seeking to enforce those provisions, and the exclusive forum for any such action shall be this Court. The prevailing Settling Party in any such action to enforce these provisions of the Settlement shall be entitled to recover their reasonable attorneys' fees and expenses incurred in connection with remedying the breach.

65. This Settlement shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations among the Settling Parties and all Settling Parties have contributed substantially and materially to the preparation of this Settlement.

66. Nothing in this Settlement, or the negotiations or proceedings relating to the Settlement, is intended to or shall be deemed to constitute a waiver of any applicable privilege or immunity, including, without limitation, the attorney-client privilege, the joint defense privilege, the accountants' privilege, or work product immunity; further, all information and documents transmitted between Lead Plaintiffs' Counsel and Defendants' Counsel in connection with this Settlement shall be kept confidential and shall be inadmissible in any proceeding in any U.S. federal or state court or other tribunal or otherwise, in accordance with Rule 408 of the Federal Rules of Evidence as if such Rule applied in all respects in any such proceeding or forum.

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67. Except where specifically noted, all time periods set forth in this Settlement will be computed in calendar days and pursuant to the terms of Rule 6(a) of the Federal Rules of Civil Procedure.

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IN WITNESS WHEREOF, the Settling Parties hereto have caused this Settlement to be executed, by their duly authorized attorneys, as of November 2, 2015.

COHEN MILSTEIN SELLERS & TOLL PLLC

/s/ Carol V. Gilden

Carol V. Gilden
190 South LaSalle Street
Suite 1705
Chicago, IL 60603
Tel.: (312) 357-0370
Fax: (312) 357-0369
cgilden@cohenmilstein.com

Kenneth M. Rehns
88 Pine Street, 14th Fl.
New York, New York 10005
Tel.: (212) 838-7797
Fax: (212) 838-7745
krehns@cohenmilstein.com

S. Douglas Bunch
Elizabeth Aniskevich
Times Wang
1100 New York Avenue, N.W.
Suite 500 West
Washington, D.C. 20005
Tel.: (202) 408-4600
Fax: (202) 408-4699
dbunch@cohenmilstein.com
eaniskevich@cohenmilstein.com
twang@cohenmilstein.com

Attorneys for Lead Plaintiffs and the Class

GIBSON, DUNN & CRUTCHER LLP

/s/ Jennifer L. Conn

Jennifer L. Conn
Brad Schoenfeldt
200 Park Avenue, 48th Floor
New York, NY 10166
Tel.: (212) 351-4000
Fax: (212) 351-4035
jconn@gibsondunn.com
bschoenfeldt@gibsondunn.com

Wayne W. Smith
3161 Michelson Drive
Irvine, CA 92612-4412
Tel.: (949) 451-3800
Fax: (949) 451-4220
wsmith@gibsondunn.com

Attorneys for Defendants

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EXHIBIT A

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION	Civil Action No. 13-cv-1620-JPO ECF Case

[PROPOSED] ORDER PRELIMINARILY APPROVING THE SETTLEMENT, APPROVING NOTICE TO THE CLASS AND SCHEDULING FINAL APPROVAL HEARING

WHEREAS, Lead Plaintiffs Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund ("Lead Plaintiffs"), on behalf of themselves and each of the Class Members, have applied to the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure for an order preliminarily approving the settlement contained in the Stipulation and Agreement of Settlement dated November 2, 2015 (the "Settlement") and for dismissal of the Action with prejudice upon the terms and conditions set forth in the Settlement;

WHEREAS, the Court is familiar with and has reviewed the record in the Action and has reviewed the Settlement, including the exhibits attached to the Settlement, and found good cause for entering the following Preliminary Approval Order:

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. This Preliminary Approval Order hereby incorporates by reference the definitions in the Settlement, and all capitalized terms used herein, unless otherwise defined, shall have the same meanings as set forth in the Settlement. As in the Settlement, unless otherwise specified, all time periods set forth in the Preliminary Approval Order will be computed in calendar days and pursuant to the terms of Rule 6(a) of the Federal Rules of Civil Procedure.

2. The Court preliminarily approves the Settlement, including all provisions therein and exhibits attached thereto, as fair, reasonable and adequate to the Class, pending the Final Approval Hearing.

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3. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court preliminarily certifies, for the purposes of effectuating this settlement only, a Class of all who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. ("ITT" or the "Company") (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive. Excluded from the Class are: Defendants; members of the immediate family of any Defendant; any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest during the Class Period; the officers and directors of ITT during the Class Period; and legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person or entity. Any person or entity that timely and validly requests exclusion from the Class pursuant to and in accordance with the terms of this Preliminary Approval Order is also excluded from the Class.

4. With respect to the Class, this Court preliminarily finds, for purposes of effectuating this settlement only, that the prerequisites for class certification under Rule 23 of the Federal Rules of Civil Procedure have been satisfied, in that: (a) the members of the Class are so numerous that joinder of all Class Members in the litigation is impracticable; (b) there are questions of law and fact common to the Class which predominate over any individual questions; (c) the claims of the Lead Plaintiffs are typical of the claims of the Class; (d) the Lead Plaintiffs and Lead Counsel have fairly and adequately represented and protected the interests of all of the Class Members; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering: (i) the interests of the members of the Class in individually controlling the prosecution of separate actions; (ii) the extent and nature of any litigation concerning the controversy already commenced by members of the Class; (iii) the desirability or undesirability of continuing the litigation of these claims in this particular forum; and (iv) the difficulties likely to be encountered in the management of the litigation.

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5. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes of this Settlement only, Lead Plaintiffs are preliminarily appointed as class representatives for the Class and Cohen Milstein Sellers & Toll PLLC, previously appointed Lead Counsel, is preliminarily appointed counsel for the Class.

6. The Court approves the form of Notice of Pendency of Class Action and Proposed Settlement (the "Notice") (annexed hereto as Exhibit A-1); the Summary Notice of Pendency of Class Action and Proposed Settlement ("Summary Notice") (annexed hereto as Exhibit A-2) (Exhibits A-1 and A-2 are together referred to as the "Notices"); and the Proof of Claim Form (annexed hereto as Exhibit A-3), and finds that the procedures established for publication, mailing and distribution of the Notices substantially in the manner and form set forth in Paragraph 7 of this Preliminary Approval Order meet the requirements of Rule 23 of the Federal Rules of Civil Procedure; Section 21D(a)(7) of the Securities Exchange Act of 1934 (the "Securities Exchange Act"), as amended by the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), 15 U.S.C. § 78u-4(a)(7); the Constitution of the United States (including the Due Process clause); and any other applicable law, and constitute the best notice practicable under the circumstances and shall constitute sufficient notice to all persons or entities entitled thereto.

7. The Court approves the appointment of Epiq Systems, Inc. as the Claims Administrator to supervise and administer the notice procedure, as well as the processing of claims as more fully set forth below:

a. No later than twenty-one (21) days after entry of the Preliminary Approval Order (the "Notice Date"), the Claims Administrator shall cause a copy of the Notice and

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Proof of Claim Form, annexed hereto as Exhibits A-1 and A-3, respectively, to be mailed by first-class mail, postage prepaid, to those members of the Class who may be identified through reasonable effort;

b. The Summary Notice annexed hereto as Exhibit A-2 shall be published once in the Wall Street Journal and on PR Newswire no later than the Notice Date; and

c. The Settlement, the Notice, the Summary Notice and the Proof of Claim Form shall also be placed on a website dedicated to administration of this Settlement on or before the Notice Date.

8. Nominees who purchased or acquired ITT common stock for beneficial owners who are Class Members are directed to: (a) request within fourteen (14) days of receipt of the Notice additional copies of the Notice and the Proof of Claim Form from the Claims Administrator for such beneficial owners; or (b) send a list of the names and addresses of such beneficial owners to the Claims Administrator within fourteen (14) days after receipt of the Notice. If a nominee elects to send the Notice and the Proof of Claim Form to beneficial owners, such nominee is directed to mail the Notice and the Proof of Claim Form within fourteen (14) days of receipt of the additional copies from the Claims Administrator, and upon such mailing, the nominee shall send a statement to the Claims Administrator confirming that the mailing was made as directed, and the nominee shall retain the list of names and addresses for use in connection with any possible future notice to the Class. Upon full compliance with this Preliminary Approval Order, including the timely mailing of the Notice to beneficial owners, such nominees may seek reimbursement of their reasonable expenses actually incurred in complying with this Preliminary Approval Order by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought and reflecting compliance with these instructions, including timely

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mailing of the Notice, if the nominee elected or elects to do so. Such properly documented expenses incurred by nominees in compliance with the terms of this Preliminary Approval Order shall be paid from the Settlement Fund.

9. No later than thirty-five (35) days prior to the Final Approval Hearing, Lead Counsel shall cause to be filed with the Clerk of this Court affidavits or declarations of the person or persons under whose general direction the mailing of the Notice and the publication of the Summary Notice shall have been made, showing that such mailing and publication have been made in accordance with this Preliminary Approval Order.

HEARING: RIGHT TO BE HEARD

10. The Court will hold a Final Approval Hearing under Rule 23(e) of the Federal Rules of Civil Procedure, on , 2016, at .M.,[1] in the United States District Court for the Southern District of New York, 40 Foley Square, Courtroom 706, New York, New York, for the following purposes: (i) to determine whether the Settlement should be finally approved as fair, reasonable, adequate and in the best interests of the Class; (ii) to determine whether the Judgment, in the form attached as Exhibit B to the Settlement, should be entered dismissing and releasing the Released Claims (as that term is defined in the Settlement) with prejudice; (iii) to determine, for purposes of the Settlement only, whether the Class should be finally certified; whether Lead Plaintiffs should be finally appointed as representatives for the Class; and whether Lead Counsel should be finally appointed as counsel for the Class; (iv) to rule upon the Plan of Allocation; (v) to rule upon Lead Counsel's application for an award of attorneys' fees and reimbursement of Lead Counsel's and Lead Plaintiffs' Litigation Expenses (hereinafter "Litigation Expenses"); and (vi) to consider any other matters that may properly be brought before the Court in connection with the Settlement.

[1] The parties have respectfully requested that the Court schedule the Final Approval Hearing no earlier than 100 days after entry of this Preliminary Approval Order, so that, among other things, they may comply with the provisions set forth in the Class Action Fairness Act, 28 U.S.C. § 1715(b).

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11. Papers in support of the Settlement, the Plan of Allocation and Lead Counsel's application for attorneys' fees and reimbursement of Litigation Expenses shall be filed no later than thirty-five (35) days prior to the Final Approval Hearing, and any papers in further support thereof shall be filed no later than seven (7) days before the Final Approval Hearing. If an objection is filed pursuant to Paragraph 12 below, any reply papers shall be filed no later than seven (7) days before the Final Approval Hearing.

12. Any member of the Class may appear at the Final Approval Hearing and show cause why the proposed Settlement should or should not be approved as fair, reasonable, adequate and in the best interests of the Class, or why the Judgment should or should not be entered thereon, and/or to present opposition to the Plan of Allocation or to the application of Lead Counsel for attorneys' fees and reimbursement of Litigation Expenses. However, no Class Member or any other person shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the terms of the Plan of Allocation or the application by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses, unless that Class Member (i) has served written objections, by hand or first-class mail, including the basis therefor, as well as copies of any papers and/or briefs in support of his, her or its position upon the following counsel for receipt no later than twenty-one (21) days prior to the Final Approval Hearing:

Lead Counsel for the Class

Cohen Milstein Sellers & Toll PLLC
Carol V. Gilden
190 South LaSalle Street
Suite 1705

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Chicago, IL 60603
Tel.: (312) 357-0370
Fax: (312) 357-0369
cgilden@cohenmilstein.com

Counsel for Defendants

Gibson, Dunn & Crutcher LLP
Jennifer L. Conn
200 Park Avenue, 48th Floor
New York, NY 10166
Tel.: (212) 351-4000
Fax: (212) 351-4035
jconn@gibsondunn.com

and (ii) filed said objections, papers and briefs with the Clerk of the United States District Court for the Southern District of New York no later than twenty-one (21) days prior to the Final Approval Hearing. Any objection must include: (a) the full name, address, and phone number of the objecting Class Member; (b) a list and documentation of all of the Class Member's transactions in ITT common stock during the Class Period, such as brokerage confirmation receipts or other competent documentary evidence of such transactions, including the amount and date of each purchase (or acquisition) or sale and the price or other consideration paid and/or received (including all income received thereon); (c) a written statement of all grounds for the objection accompanied by any legal support for the objection; (d) copies of any papers, briefs or other documents upon which the objection is based; (e) a list of all persons who will be called to testify in support of the objection; (f) a statement of whether the objector intends to appear at the Final Approval Hearing; (g) a list of other cases in which the objector or the objector's counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years; and (h) the objector's signature, even if represented by counsel. If the objector intends to appear at the Final Approval Hearing through counsel, the objection must also state the identity of all attorneys who will appear on his, her or its behalf at the Final Approval Hearing. Any Class Member who

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does not make his, her or its objection in the manner provided for herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the Settlement, to the Judgment, to the Plan of Allocation or to the application by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses. The Notice shall also state the manner in which a notice of objection should be prepared, filed and delivered. By objecting to the Settlement, the Judgment, the Plan of Allocation and/or the application by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses, or otherwise requesting to be heard at the Final Approval Hearing, an objector shall be deemed to have submitted to the jurisdiction of the Court with respect to the person's or entity's objection or request to be heard and the subject matter of the Settlement, including, but not limited to, enforcement of the terms of the Settlement (including, but not limited to, the release of the Released Claims provided for in the Settlement and the Judgment).

13. Any Class Member may hire their own attorney, at their own expense, to represent them in making written objections or in appearing at the Final Approval Hearing. If any Class Member chooses to hire an attorney at their own expense, that attorney must file a notice of appearance with the Court and serve it on Lead Counsel and Defendants' Counsel so that the notice is received fourteen (14) days prior to the Final Approval Hearing.

14. All Class Members shall be bound by all determinations and judgments in the Action concerning the Settlement, whether favorable or unfavorable to the Class. If the Settlement is approved, all Class Members will be bound by the Settlement, including, but not limited to, the release of the Released Claims provided for in the Settlement, and by any judgment or determination of the Court affecting Class Members, regardless of whether or not a Class Member submits a Proof of Claim Form.

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15. Any Class Member may enter an appearance in the Action, at his, her or its own expense, individually or through counsel of his, her or its own choice. If they do not enter an appearance, they will be represented by Lead Counsel.

16. The Court reserves the right to (a) adjourn or continue the Final Approval Hearing, without further notice to Class Members; and (b) approve the Settlement with modification and without further notice to Class Members. Lead Counsel shall cause any new date for the Final Approval Hearing to be posted on the website dedicated to the Settlement. The Court retains jurisdiction of this Action to consider all further applications arising out of or otherwise relating to the proposed Settlement; to allow, disallow or adjust on equitable grounds the claims of any member of the Class; and as otherwise warranted.

CLAIMS PROCESS

17. In order to be entitled to participate in the Settlement, a Class Member must complete and submit a Proof of Claim Form in accordance with the instructions contained therein. To be valid and accepted, Proof of Claim Forms submitted in connection with this Settlement must be postmarked no later than one hundred twenty (120) days from the date of this Order.

18. The Claims Administrator, subject to the supervision of Lead Counsel and the Court, will make administrative determinations concerning the acceptance and rejection of the Proof of Claim Forms submitted. By submitting a Proof of Claim Form, a Class Member shall be deemed to have submitted to the jurisdiction of the Court with respect to the claim submitted, and the claim will be subject to investigation and discovery, if any, under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to their status as a Class Member and the validity and amount of their claim.

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19. Any Class Member who does not timely submit a valid Proof of Claim Form shall not be eligible to share in the distribution of the Net Settlement Fund, but nonetheless will be bound by all of the terms of the Settlement, including the releases provided for therein, and shall be barred and enjoined from bringing any action, claim or other proceeding of any kind against any Released Party concerning any Released Claim, and shall be bound by any judgment or determination of the Court affecting the Class Members.

REQUEST FOR EXCLUSION FROM THE CLASS

20. Any requests for exclusion must be received no later than twenty-one (21) days prior to the Final Approval Hearing. Any Class Member who wishes to be excluded from the Class must provide their (i) name, (ii) address, (iii) telephone number, (iv) number of shares of ITT common stock purchased (or otherwise acquired) or sold, (v) prices or other consideration paid or received for such shares(s), (vi) the date of each purchase or sale transaction, and (vii) a statement that the Class Member wishes to be excluded from the Class. The request for exclusion must also be signed by the person or entity requesting exclusion. All Class Members who submit valid and timely requests for exclusion in the manner set forth in this paragraph shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Settlement or Judgment.

21. Any member of the Class who does not request exclusion from the Class in the manner stated in this Preliminary Approval Order shall be deemed to have waived his, her or its right to be excluded from the Class, and shall forever be barred from requesting exclusion from the Class in this or any other proceeding, and shall be bound by the Settlement and the Judgment, including, but not limited to, the release of the Released Claims provided for in the Settlement and the Judgment, if the Court approves the Settlement.

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22. The Released Parties shall have no responsibility or liability whatsoever with respect to the Plan of Allocation or Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses which, to the extent approved by the Court, shall be paid from the Settlement Fund. The Plan of Allocation and Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses will be considered separately from the fairness, reasonableness and adequacy of the Settlement. At or after the Final Approval Hearing, the Court will determine whether Lead Counsel's proposed Plan of Allocation should be approved, and the amount of attorneys' fees and Litigation Expenses to be awarded to Lead Counsel. Any appeal from any orders relating solely to the Plan of Allocation or solely to Lead Counsel's application for an award of attorneys' fees and Litigation Expenses (or both), or any reversal or modification thereof, shall not operate to terminate or cancel the Settlement, or affect or delay the finality of the Judgment approving the Settlement.

23. Unless the Settlement is terminated or not finally approved, only Class Members and Lead Counsel shall have any right to any portion of, or any rights in the distribution of, the Settlement Fund, unless otherwise ordered by the Court or otherwise provided in the Settlement.

24. All funds held in the Escrow Account shall be deemed and considered to be *in custodia legis* and shall remain subject to the jurisdiction of the Court until such time as such funds shall be distributed pursuant to the Settlement and/or further order of the Court.

25. As set forth in the Settlement, prior to the Effective Date, the Escrow Agent, without further approval of Defendants or the Court, may pay from the Settlement Fund up to $150,000.00 in Notice and Administration Costs actually and reasonably incurred associated with the administration of the Settlement. Prior to the Effective Date, payment of any Notice and Administration Costs exceeding $150,000.00 shall require notice to and agreement from

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Defendants, through Defendants' Counsel. Subsequent to the Effective Date, without further approval by Defendants or the Court, the Settlement Fund may be used by Lead Counsel to pay reasonable and necessary Notice and Administration Costs in excess of $150,000.00. In the event the Court does not approve the Settlement, the Settlement is terminated pursuant to its terms, or if the Settlement otherwise fails to become effective, neither Lead Plaintiffs nor Lead Counsel shall have any obligation to repay any such amounts actually and properly incurred or disbursed for such purposes. If the Settlement does not become Final or is terminated for any reason, within ten (10) days of termination, the Settlement Fund shall be returned to Defendants pursuant to written instructions from Defendants' Counsel, together with any interest earned on the Settlement Fund, less any Notice and Administration Costs actually and reasonably incurred.

26. Whether or not the Settlement is approved by the Court, the fact and terms of this Preliminary Approval Order and the Settlement, including its exhibits, all negotiations, discussions, drafts and proceedings in connection with the Settlement, and any act performed or document signed in connection with the Settlement:

a. shall not be offered or received against the Released Parties, Lead Plaintiffs or the other Class Members as evidence of, or be deemed to be evidence of, any presumption, concession or admission by any of the Released Parties or by Lead Plaintiffs or the other Class Members with respect to the truth of any fact alleged by Lead Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Action or in any litigation, or the deficiency of any defense that has been or could have been asserted in the Action or in any litigation, or of any liability, negligence, fault or wrongdoing of the Released Parties;

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b. shall not be offered or received against the Released Parties as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Released Party, or against Lead Plaintiffs or any of the other Class Members as evidence of any infirmity in the claims of Lead Plaintiffs and the other Class Members;

c. shall not be offered or received against the Released Parties, Lead Plaintiffs or the other Class Members as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the parties to this Settlement, in any arbitration proceeding or other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Settlement; provided, however, that if this Settlement is approved by the Court, the Released Parties may refer to the Settlement and the Judgment in any action that may be brought against them to effectuate the liability protection granted them hereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law;

d. shall not be construed against the Released Parties, Defendants' Counsel, Lead Counsel or Lead Plaintiffs or the other Class Members as an admission or concession that the consideration to be paid hereunder represents the amount

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which could be or would have been recovered after trial or that any damages potentially recoverable under the Complaint would have exceeded or would have been less than the Settlement Amount;

e. shall not be construed as or received in evidence as an admission, concession or presumption against Lead Plaintiffs or the other Class Members or any of them that any of their claims are without merit; and

f. shall not be construed as or received in evidence as an admission, concession or presumption against the Released Parties that class certification is appropriate in this Action, except for purposes of this Settlement.

27. Unless otherwise provided in the Settlement, there shall be no distribution of any of the Net Settlement Fund to any Class Member until a Plan of Allocation is finally approved and is affirmed on appeal or *certiorari* or is no longer subject to review by appeal or *certiorari* and the time for any petition for rehearing, appeal or review, whether by *certiorari* or otherwise, has expired.

28. The Court hereby orders a continuation of the stay of litigation in this Action first entered on June 16, 2015, and Lead Plaintiffs, all Class Members, and each of them, and anyone who acts or purports to act on their behalf, shall not institute or commence any action or litigation in any court, arbitration, or other tribunal which asserts any Released Claims.

29. In the event that the Settlement fails to become effective in accordance with its terms, or if the Judgment is not entered or is reversed, vacated or materially modified on appeal (and, in the event of material modification, if any party elects to terminate the Settlement), this Preliminary Approval Order (except Paragraphs 24-28) shall be null and void, the Settlement shall be deemed terminated, and the parties shall return to their positions as of June 16, 2015, the date this Action was stayed pending settlement discussions, without prejudice in any way, as provided for in the Settlement.

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30. The Court preliminarily finds that the Escrow Account is a "qualified settlement fund" pursuant to Internal Revenue Code Section 468B and the Treasury Regulations promulgated thereunder.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE J. PAUL OETKEN
UNITED STATES DISTRICT JUDGE

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EXHIBIT A-1

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION	Civil Action No. 13-cv-1620-JPO ECF Case

NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT

IF YOU PURCHASED OR ACQUIRED THE COMMON STOCK OF ITT EDUCATIONAL SERVICES, INC. BETWEEN APRIL 24, 2008 AND FEBRUARY 25, 2013, BOTH DATES INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

This Notice explains important rights you may have, including your possible receipt of cash from the Settlement. ***Your legal rights will be affected*** whether or not you act.

PLEASE READ THIS NOTICE CAREFULLY!

1. **Securities and Time Period**: ITT Educational Services, Inc. ("ITT" or the "Company") common stock (ticker symbol: ESI) purchased or acquired between April 24, 2008 and February 25, 2013, both dates inclusive.

2. **Description of the Action and the Class**: The Settlement[1] resolves class action litigation over whether ITT, and certain of ITT's executives, allegedly made or were otherwise liable for material misrepresentations and omissions concerning the Company's obligations under certain risk-sharing agreements it had entered into in connection with certain third-party private student loan programs for ITT students. The Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund were appointed by the Court to represent all Class Members and were designated as the Lead Plaintiffs and as class representatives for the case. Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein") was appointed by the Court to serve as Lead Counsel. The "Class" consists of:

> all persons or entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive. Excluded from the Class are: Defendants; members of the immediate family of any Defendant; any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest during the Class Period; the officers and directors of ITT during the Class Period; and legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person or entity.

---

[1] This Notice incorporates by reference the definitions in the Stipulation and Agreement of Settlement, dated November 2, 2015 (the "Settlement"), and all capitalized terms used, but not defined herein, shall have the same meanings as in the Settlement. A copy of the Settlement can be obtained at http://www.ITTSecurities Settlement.com.

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3. **Statement of Class's Recovery:** Subject to Court approval, and as described more fully in ¶¶ 17-19 below, Lead Plaintiffs, on behalf of themselves and the Class, have agreed to settle all Released Claims against the Defendants and other Released Parties in exchange for a settlement payment of $16,962,500.00 in cash (the "Settlement Amount") to be deposited into an interest-bearing escrow account (the "Settlement Fund") and certain other terms. The Settlement Fund less all Taxes, Tax Expenses, Notice and Administration Costs, and attorneys' fees and Litigation Expenses awarded to Lead Counsel (the "Net Settlement Fund") will be distributed to members of the Class in accordance with a plan of allocation (the "Plan of Allocation") that will be submitted to and approved by the Court. The proposed Plan of Allocation is included in this Notice, and may be modified by the Court without further notice.

4. **Statement of Estimated Average Amount of Recovery:** Your recovery will depend on the number of shares of ITT common stock that you purchased or acquired during the Class Period, the price(s) at which those shares were purchased or acquired, the timing of your purchases, and any sales. Depending on the number of eligible shares of common stock that participate in the Settlement, and when and at what price that common stock was purchased or acquired and sold, the estimated average recovery per share of ITT common stock will be approximately $0.47 before deduction of Court-approved fees and expenses and any other awards or payments.

5. **Statement of the Parties' Position on Damages:** The Defendants deny all claims of wrongdoing and affirm that they have acted properly and lawfully at all times. Defendants further deny that they are liable to the Lead Plaintiffs and/or the Class or that Lead Plaintiffs or other members of the Class suffered any injury. Moreover, the parties do not agree on the likelihood that Lead Plaintiffs and/or the Class would be able to prevail at trial or the amount of damages that potentially would be recoverable if Lead Plaintiffs and/or the Class were to prevail on any or all of their claims. The issues on which the parties disagree include, but are not limited to: (1) whether certain public statements made by Defendants were materially false or misleading; (2) whether the Defendants are liable under the federal securities laws for any statements or alleged omissions; and (3) whether all or part of the damages allegedly suffered by Lead Plaintiffs or members of the Class were caused by any alleged misstatements or omissions.

6. **Statement of Attorneys' Fees and Expenses Sought:** Lead Counsel has litigated this case on a contingent basis. They have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund. This is customary in this type of litigation. Prior to final distribution of the Net Settlement Fund, Lead Counsel will apply to the Court for an award of attorneys' fees from the Settlement Fund in an

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amount not to exceed 28% of the Settlement Fund (or $4,749,500.00), plus interest earned at the same rate and for the same period as earned by the Settlement Fund. In addition, Lead Counsel also will apply for the reimbursement of expenses paid or incurred in connection with the prosecution and resolution of the Action in an amount not to exceed $750,000.00 plus interest earned at the same rate and for the same period as earned by the Settlement Fund. In addition, Lead Counsel also may apply for reimbursement of the expenses of Lead Plaintiffs in accordance with 15 U.S.C. §78u-4(a)(4) not to exceed approximately $40,000.00. If the Court approves Lead Counsel's fee and expense application, the estimated average cost per share of common stock is $0.15.

7. **Identification of Attorneys' Representatives:** Lead Plaintiffs and the Class are being represented by Cohen Milstein Sellers & Toll PLLC. Any questions regarding the Settlement should be directed to Carol V. Gilden, 190 South LaSalle Street, Suite 1705, Chicago, IL 60603, cgilden@cohenmilstein.com.

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:

REMAIN A MEMBER OF THE CLASS AND FILE A PROOF OF CLAIM FORM.	This is the only way to receive a payment. If you wish to obtain a payment as a member of the Class, you will need to file a proof of claim form (the "Proof of Claim Form"), which is included with this Notice, postmarked no later than , 2016.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS *RECEIVED* NO LATER THAN , 2016.	If you exclude yourself from the Class, you will receive no payment pursuant to this Settlement. You may be able to seek recovery against the Defendants or other Released Parties through other litigation.
OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS *RECEIVED* NO LATER THAN , 2016.	Write to the Court and explain why you do not like the Settlement, the proposed Plan of Allocation, or the request for attorneys' fees and reimbursement of Litigation Expenses. You cannot object to the Settlement unless you are a member of the Class and do not validly exclude yourself.
GO TO THE HEARING ON , 2016 AT .M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN , 2016.	You may attend the hearing to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, or Lead Counsel's request for attorneys' fees and reimbursement of Litigation Expenses. You cannot object to the Settlement unless you are a member of the Class and do not validly exclude yourself.
DO NOTHING	Receive no payment, remain a Class Member, give up your rights to seek recovery against the Defendants and the other Released Parties through other litigation and be bound by the Judgment entered by the Court if it approves the Settlement, including the release of the Released Claims.

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WHY DID I GET THIS NOTICE?

8. This Notice is being sent to you pursuant to an order of the United States District Court for the Southern District of New York (the "Court" or "District Court") because you or someone in your family may have purchased or otherwise acquired ITT common stock as described above. The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options before the Court rules on the proposed Settlement of this case. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights.

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9. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. In a class action lawsuit, the Court selects one or more people, known as class representatives or lead plaintiffs, to sue on behalf of all people with similar claims, commonly known as the class or the class members. Once the class is certified, the Court must resolve all issues on behalf of the class members, except for any persons who choose to exclude themselves from the class. (For more information on excluding yourself from the Class, please read "What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?" located below.) In the Action, the Court has directed that Lead Plaintiffs and Lead Counsel have primary responsibility for prosecuting all claims against Defendants on behalf of investors who purchased or acquired ITT common stock during the Class Period.

10. The Court in charge of this case is the United States District Court for the Southern District of New York, and the case is known as *In re ITT Educational Services, Inc. Securities Litigation,* Civil Action No. 13-cv-1620-JPO (the "Action"). The Judge presiding over this case is the Honorable J. Paul Oetken, United States District Judge. The person who is suing is called the plaintiff, and those who are being sued are called defendants. In this case, the Lead Plaintiffs are Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund, and the Defendants are ITT Educational Services, Inc.; Kevin M. Modany, the Company's CEO during the Class Period; and Daniel M. Fitzpatrick, the Company's CFO during the Class Period. This Settlement is with all Defendants: ITT Educational Services, Inc., Kevin M. Modany, and Daniel M. Fitzpatrick.

11. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of this case, that it is a class action, how you might be affected, and how to exclude yourself from the Settlement if you wish to do so. It also is being sent to inform you of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness and adequacy of the proposed Settlement and the application by Lead Counsel for reimbursement of expenses incurred to date (the "Final Approval Hearing").

12. The Final Approval Hearing will be held on , 2016 at : .m., before the Honorable J. Paul Oetken at the United States District Court for the Southern District of New York, 40 Foley Square, Courtroom 706, New York, New York 10007, to determine:

(i) whether the proposed Settlement on the terms and conditions provided for in the Stipulation and Agreement of Settlement (the "Settlement") is fair, reasonable and adequate, and should be approved by the Court;

(ii) whether a judgment should be entered dismissing the Action with prejudice, and whether the release by the Class Members of the Released Claims should be ordered;

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(iii) whether, for purposes of the Settlement, the Class should be certified; whether Lead Plaintiffs should be finally appointed as class representatives for the Class; and whether Lead Counsel should be finally appointed as class counsel for the Class;

(iv) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court; and

(v) whether Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses should be approved by the Court.

13. This Notice does not express any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement. Any distribution will not be paid until after the completion of all claims processing. Please be patient.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

14. The complaint in this case asserts that in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), Defendants misled investors by allegedly misrepresenting the Company's obligations under certain risk-sharing agreements that the Company had entered into in connection with certain third-party, private student loan programs for ITT's students. Under those agreements, the Company would be liable to the third-parties if the Company's students were to default on their student loans received under those programs beyond a certain threshold. The Action alleged that the Company knowingly or recklessly understated, or otherwise misrepresented, the extent of those liabilities, and that when the market learned the true extent of those liabilities, investors were harmed. The Defendants have expressly denied, and continue to deny, all of the allegations of wrongdoing or liability against them in the Action.

15. On July 22, 2014, the Court issued a memorandum and order (the "Motion to Dismiss Order") granting in part and denying in part Defendants' motion to dismiss the complaint. In the Motion to Dismiss Order, the Court found that Lead Plaintiffs adequately alleged violations of the Exchange Act against the Defendants for the majority of the alleged false statements and that the case could proceed to discovery. The Court dismissed allegations that Defendants made misleading statements regarding the Company's ability to enter into additional risk-sharing agreements relating to private student loans.

16. Subsequently, the parties have been engaged in substantial fact discovery, including document production and depositions. Lead Plaintiffs have also filed a motion for class certification. While Lead Plaintiffs' motion for class certification was pending, the parties jointly informed the Court that they had agreed to attempt to resolve the claims through mediation and asked the Court to suspend proceedings in the case in anticipation of that mediation. The Court granted the parties' request, and following a formal mediation with a well-respected retired judge, the Settling Parties reached an agreement in principle to settle the Action for $16,962,500.00.

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WHAT ARE LEAD PLAINTIFFS' REASONS FOR THE SETTLEMENT?

17. Lead Plaintiffs and Lead Counsel believe that the claims asserted against the Defendants have merit. Lead Plaintiffs and Lead Counsel recognize, however, the expense and length of continued proceedings necessary to pursue their claims against the Defendants through continued discovery, trial and appeals, as well as the difficulties in establishing liability. Lead Plaintiffs and Lead Counsel have considered the uncertain outcome of trial and appellate risk in complex lawsuits like this one.

18. In light of the risks of continued litigation, Lead Plaintiffs and Lead Counsel believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class. Lead Plaintiffs and Lead Counsel also believe that the Settlement provides a substantial benefit now, namely Defendants' payment of $16,962,500.00 in cash (less the various deductions described in this Notice), as compared to the risk that the claims would produce a similar, smaller, or no recovery after summary judgment, trial and appeals, possibly years in the future.

19. The Defendants have expressly denied, and continue to deny, each and all of the claims alleged by Lead Plaintiffs in the Action and affirm that they have acted properly and lawfully at all times. Further, the Defendants have expressly denied, and continue to deny, all charges of wrongdoing, fault, liability, or damage against them arising out of any and all of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. Defendants maintain that they have strong and meritorious defenses to all of the claims alleged in this Action. The Defendants, however, also recognize the uncertainty and risks inherent in any litigation, especially in a complex case such as this. The Defendants have concluded that further conduct of the Action would be protracted and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Settlement.

WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

20. If there were no Settlement and Lead Plaintiffs failed to establish any essential legal or factual element of their claims against the Defendants, neither Lead Plaintiffs nor members of the Class would recover anything from the Defendants. Also, if the Defendants were successful in proving any of their defenses, the Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

21. If you are a member of the Class, you are subject to the Settlement unless you timely request to be excluded. The Class consists of: all persons and entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive; *except* those persons or entities that timely and validly request exclusion from the Class pursuant to and in accordance

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with the terms herein. Also excluded from the Class are: Defendants; members of the immediate family of any Defendant; any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest during the Class Period; the officers and directors of ITT during the Class Period; and legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person or entity.

22. RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU ARE ELIGIBLE TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MUST SUBMIT THE ENCLOSED PROOF OF CLAIM FORM POSTMARKED NO LATER THAN , 2016.

HOW MUCH WILL MY PAYMENT BE? WHEN WILL I RECEIVE IT?

I. THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

23. ITT, on behalf of all Defendants, have agreed to cause the Settlement Amount to be paid in cash no later than fifteen (15) business days after preliminary approval of the Settlement by the District Court. At this time, it is not possible to make any determination as to how much individual Class Members may receive from the Settlement.

24. The $16,962,500.00 Settlement Amount, and the interest earned thereon while it is held in escrow before distribution, is referred to as the "Settlement Fund." The Settlement Fund, less all Taxes, Tax Expenses, Notice and Administration Costs, and attorneys' fees and Litigation Expenses awarded to Lead Counsel (the "Net Settlement Fund"), shall be distributed based on the acceptable Proof of Claim Forms submitted by members of the Class ("Authorized Claimants"). The Net Settlement Fund will be distributed to Authorized Claimants who timely submit acceptable Proof of Claim Forms under the Plan of Allocation described below, or as otherwise ordered by the Court.

25. Your share of the Net Settlement Fund will depend on the number of shares (represented by valid and acceptable Proof of Claim Forms) that members of the Class submit to the Claims Administrator, relative to the Net Settlement Fund; how many shares you purchased or acquired and when you purchased or acquired them; whether you held or sold those shares; the date on which you sold those shares; and the price at which you sold them, among other factors. At this time, it is not possible to determine how much individual Class Members may receive from the Settlement.

26. A payment to any Authorized Claimant that would amount to less than $10.00 in total will not be included in the calculation of the Net Settlement Fund, and no payment to those members of the Class will be made.

27. For each Authorized Claimant, a "Recognized Loss" will be calculated. The calculation of a "Recognized Loss," as defined in ¶ 29 below, is not intended to be an estimate of, nor does it indicate, the amount that a Class Member might have been able to recover after a

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trial. Nor is the calculation of a Recognized Loss pursuant to the Plan of Allocation an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement, which depends on the total Recognized Losses of all Authorized Claimants. The Recognized Loss formula provides the basis for proportionately allocating the Net Settlement Fund to Authorized Claimants. That computation is only a method to weigh Class Members' claims against one another. Each Authorized Claimant will receive a *pro rata* share of the Net Settlement Fund based on his, her or its Claim.

II. CALCULATION OF RECOGNIZED LOSS OR GAIN AMOUNTS

28. The Plan of Allocation has been prepared by Lead Counsel's damages consultant. It reflects the allegations in the Complaint that Defendants allegedly made materially untrue and misleading statements and omissions resulting in violations of Sections 10(b) and 20(a) of the Exchange Act and that Lead Plaintiffs' damages were caused by disclosures relating to Defendants' allegedly misleading statements. The objective of the Plan of Allocation is to equitably distribute the Net Settlement Fund to Class Members who suffered economic losses as a result of the alleged violations of the federal securities laws, as opposed to losses caused by market or industry factors or factors unrelated to the alleged violations of law. As set forth in the Plan of Allocation, Lead Plaintiffs allege that on certain disclosure dates, ITT disclosed information that allegedly corrected previous alleged misrepresentations and omissions, causing a drop in ITT's stock price (net of factors unrelated to the alleged misrepresentations and omissions). An Authorized Claimant's Recognized Loss will be based upon the particular disclosure date(s) on which the Class Member held ITT stock for those shares purchased or acquired during the Class Period. The Recognized Loss formula is not intended to be an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formula is simply the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

29. Based on the foregoing, and for purposes of this Settlement only, the "Recognized Loss" for any share of ITT common stock purchased or acquired[1] during the Class Period will be calculated as follows:

PLAN OF ALLOCATION

A. For all shares of ITT common stock purchased or otherwise acquired for consideration between April 24, 2008 and February 25, 2013, both dates inclusive, the Recognized Loss is calculated as the lesser of the number of shares sold multiplied by:

   1. the recoverable damages set forth in Table A below; or

   2. the following calculation depending on the date of sale:

      a. if the shares are sold prior to February 25, 2013, the purchase/acquisition price per share less the sale price per share for those shares;

[1] All transactions are to be calculated at trade prices exclusive of commissions or fees.

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b. if the shares are sold between February 25, 2013 and May 24, 2013, both dates inclusive, the purchase/acquisition price per share less the PSLRA rolling average price on the date of sale as set forth in Table B below; or

c. if the shares are still held after May 24, 2013, the purchase/acquisition price per share less the PSLRA 90-day look back price of $16.18 per share.

TABLE A

		Date of Sale (inclusive)							
		On or Before 7/25/2012	7/26/2012 through 7/27/2012	7/30/2012	7/31/2012 through 10/24/2012	10/25/2012	10/26/2012 through 1/4/2013	1/7/2013 through 2/22/2013	2/25/2013 and After
Date of Purchase (inclusive)	4/24/2008 through 7/25/2012	$ 0.00	$ 6.59	$ 9.08	$ 10.32	$ 12.36	$ 14.48	$ 17.57	$ 19.91
	7/26/2012 through 7/27/2012		$ 0.00	$ 2.49	$ 3.73	$ 5.77	$ 7.89	$ 10.98	$ 13.32
	7/30/2012			$ 0.00	$ 1.24	$ 3.28	$ 5.40	$ 8.49	$ 10.83
	7/31/2012 through 10/24/2012				$ 0.00	$ 2.04	$ 4.16	$ 7.25	$ 9.59
	10/25/2012					$ 0.00	$ 2.12	$ 5.21	$ 7.55
	10/26/2012 through 1/4/2013						$ 0.00	$ 3.09	$ 5.43
	1/7/2013 through 2/22/2013							$ 0.00	$ 2.34
	2/25/2013								$ 0.00

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TABLE B

Date	PSLRA	Date	PSLRA	Date	PSLRA
2/25/13	$ 15.53	3/27/13	$ 13.26	4/29/13	$ 13.72
2/26/13	$ 15.04	3/28/13	$ 13.28	4/30/13	$ 13.82
2/27/13	$ 14.84	4/1/13	$ 13.26	5/1/13	$ 13.91
2/28/13	$ 14.58	4/2/13	$ 13.23	5/2/13	$ 13.99
3/1/13	$ 14.37	4/3/13	$ 13.21	5/3/13	$ 14.07
3/4/13	$ 14.04	4/4/13	$ 13.19	5/6/13	$ 14.14
3/5/13	$ 13.83	4/5/13	$ 13.16	5/7/13	$ 14.22
3/6/13	$ 13.68	4/8/13	$ 13.13	5/8/13	$ 14.31
3/7/13	$ 13.59	4/9/13	$ 13.11	5/9/13	$ 14.40
3/8/13	$ 13.49	4/10/13	$ 13.10	5/10/13	$ 14.52
3/11/13	$ 13.43	4/11/13	$ 13.12	5/13/13	$ 14.64
3/12/13	$ 13.41	4/12/13	$ 13.14	5/14/13	$ 14.83
3/13/13	$ 13.36	4/15/13	$ 13.13	5/15/13	$ 15.00
3/14/13	$ 13.32	4/16/13	$ 13.14	5/16/13	$ 15.17
3/15/13	$ 13.29	4/17/13	$ 13.15	5/17/13	$ 15.35
3/18/13	$ 13.27	4/18/13	$ 13.20	5/20/13	$ 15.54
3/19/13	$ 13.24	4/19/13	$ 13.24	5/21/13	$ 15.74
3/20/13	$ 13.22	4/22/13	$ 13.28	5/22/13	$ 15.90
3/21/13	$ 13.22	4/23/13	$ 13.32	5/23/13	$ 16.05
3/22/13	$ 13.21	4/24/13	$ 13.37	5/24/13	$ 16.18
3/25/13	$ 13.22	4/25/13	$ 13.52	[redacted]	
3/26/13	$ 13.23	4/26/13	$ 13.62		

30. All purchases/acquisitions and sales of ITT shares during the Class Period shall be matched on a first-in, first-out ("FIFO") basis. Sales of Class Members during the Class Period and the 90 days thereafter will be matched first against the first ITT shares purchased or acquired that have not already been matched to sales under FIFO, and then against subsequent purchases/acquisitions in chronological order, until the end of the Class Period. A purchase/acquisition or sale of ITT common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

31. The receipt or grant by gift, devise or inheritance of ITT common stock during the Class Period shall not be deemed to be a purchase or acquisition of ITT common stock for purposes of the calculation of an Authorized Claimant's Recognized Loss if the person from whom the ITT common stock was received did not themselves acquire the common stock during the Class Period, nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such shares unless specifically provided in the instrument or gift or assignment.

32. If any funds remain in the Net Settlement Fund by reason of uncashed distributions or otherwise, then after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund six (6) months after the initial distribution of such funds shall be redistributed to Class Members who have cashed their initial distributions in a manner consistent with the Plan of Allocation. The Claims Administrator shall, if feasible, continue to reallocate any further balance remaining in the Net Settlement Fund after the redistribution is completed among Class Members in the same manner and time frame as provided for above. If any portion of the Net Settlement Fund

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remains following the above-described distributions and is of such an amount that in the determination of the Claims Administrator is not cost-effective or efficient to redistribute to the Class, then such remaining funds, after payment of any further Notice and Administration Costs and Taxes and Tax Expenses, shall be donated to a nonsectarian charitable organization(s) certified as tax-exempt under United States Internal Revenue Code Section 501(c)(3), to be designated by Lead Counsel.

V. DISTRIBUTION OF THE NET SETTLEMENT FUND

33. The "Recognized Loss" will be used solely to calculate the relative amount of the Net Settlement Fund to be apportioned to each Authorized Claimant and does not reflect the actual amount an Authorized Claimant may expect to recover from the Net Settlement Fund. The combined Recognized Losses of all Authorized Claimants may be greater than the Net Settlement Fund. If this is the case, and subject to the $10.00 minimum payment requirement described in ¶ 26 above, each Authorized Claimant shall receive his, her or its *pro rata* share of the Net Settlement Fund, which shall be his, her or its Recognized Loss divided by the total of all Recognized Losses to be paid, multiplied by the total amount in the Net Settlement Fund.

34. Payment pursuant to the Plan of Allocation shall be conclusive against all Authorized Claimants. No person shall have any claim relating to the Plan of Allocation, or distributions made pursuant to the Plan of Allocation, or denials of any Proof of Claim in whole or in part, against Defendants or the other Released Parties (defined below). No person shall have any claim based on distributions made substantially in accordance with the Settlement, the Plan of Allocation, or further order(s) of the Court against Lead Counsel, Lead Plaintiff, Class Members, the Claims Administrator, Defendants, the Released Parties, or any person designated by Lead Counsel. All members of the Class who fail to timely submit an acceptable Proof of Claim Form by the deadline set by the Court, or such other deadline as may be ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments pursuant to the Settlement, but will in all other respects be subject to and bound by the terms of the Settlement, including the release of the Released Claims.

35. The Net Settlement Fund will not be distributed until the Court has approved a plan of allocation, and the time for any petition for rehearing, appeal or review, whether by *certiorari* or otherwise, has expired.

36. Approval of the Settlement is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlement, if approved.

37. Only those Class Members who purchased or otherwise acquired ITT common stock during the Class Period and were damaged as a result of such purchases or acquisitions will be eligible to share in the distribution of the Net Settlement Fund. Each person or entity wishing to participate in the distribution must timely submit a valid Proof of Claim Form establishing membership in the Class, and include all required documentation, before the deadline set forth herein.

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38. Unless the Court otherwise orders, any Class Member who fails to submit a Proof of Claim Form before the deadline shall be forever barred from receiving payments pursuant to the Settlement but will in all other respects remain a Class Member and be subject to the provisions of the Settlement, including the terms of any judgments entered and releases given. This means that each Class Member is bound by the release of claims (described in ¶¶ 42-46 below) regardless of whether or not such Class Member submits a Proof of Claim Form.

39. Persons and entities that are excluded from the Class by definition or that exclude themselves from the Class will not be eligible to receive a distribution from the Net Settlement Fund and should not submit Proof of Claim Forms.

40. The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the claim of any member of the Class.

41. The Plan of Allocation set forth herein is the proposed plan submitted by Lead Plaintiffs and Lead Counsel for the Court's approval. The Court may approve this plan as proposed or may modify it without further notice to the Class.

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

42. If the Settlement is approved, the Court will enter a judgment (the "Judgment"). The Judgment will dismiss with prejudice the claims in the Action and will provide that Lead Plaintiffs and all other Class Members, on behalf of themselves and any of their personal representatives, spouses, domestic partners, trustees, heirs, executors, administrators, successors, assigns (or any other person or entity who has the right, ability, standing, or capacity to assert on behalf of any Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)) shall be deemed to have – and by operation of the Judgment shall have – fully and finally released, dismissed and forever discharged the Released Claims against the Released Parties, and shall forever be enjoined from pursuing any or all Released Claims.

43. There is a risk that Lead Plaintiffs and Class Members may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of the Released Claims, but Lead Plaintiffs shall expressly fully, finally and forever settle and release – and each Class Member shall be deemed to have, and by operation of the Judgment shall have fully, finally and forever settled and released – any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Such claims are referred to as "Unknown Claims" and include any and all Released Claims, of every nature and description, that Lead Plaintiffs and/or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known by him, her or it, might have affected his, her or its settlement with and release of the Released Parties, or might have affected his, her or its decision not to object to this

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Settlement or not to exclude himself, herself or itself from the Class or to release the Released Claims. Lead Plaintiffs acknowledge, and Class Members by law and operation of the Judgment shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims was separately bargained for and was a material element of the Settlement.

44. The Judgment also will provide that the Defendants and each of the other Released Parties will be deemed to have released, dismissed and forever discharged Lead Plaintiff, each and all of the Class Members, and Lead Counsel from all claims (including, without limitation, "Unknown Claims") arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement or resolution of the Action or the Released Claims. Notwithstanding the above, nothing in this Judgment shall bar any action by any of the Settling Parties to enforce or effectuate the terms of the Settlement, the Preliminary Approval Order, or this Judgment.

45. "Released Claims" means any and all actions, causes of action, claims (including "Unknown Claims," as defined in the Settlement), duties, debts, demands, rights, disputes, suits, matters, damages, losses, obligations, proceedings, issues, judgments, and liabilities of every nature and description whatsoever (and including, but not limited to, any claims for damages, whether compensatory, consequential, special, punitive, exemplary or otherwise, and any fees, costs, expenses, or charges), whether known or unknown, suspected or unsuspected, fixed or contingent, foreseen or unforeseen, liquidated or unliquidated, accrued and unaccrued, matured or unmatured, at law or in equity, whether class, derivative, or individual in nature, whether or not concealed or hidden, which now exist, or heretofore have existed, or can, shall or may exist, whether arising under federal, state, common, statutory, administrative or foreign law, regulation, or at equity, that (a) Lead Plaintiffs or any Class Member has asserted in this Action, or could have asserted in this Action or in any other proceeding or forum that arise out of, relate to or are based upon, the allegations, claims, transactions, facts, matters, occurrences, events, failures, representations, statements, or omissions alleged, involved, set forth, or referred to in the Complaint; (b) would have been barred by res judicata or collateral estoppel had the Action been fully litigated to a final judgment; and (c) were, could have been, or in the future could be, asserted in any forum or proceeding or otherwise by any Class Member that relate to the purchase, sale, acquisition or holding of ITT common stock during the Class Period. Released Claims do not, however, include claims to enforce this Settlement, or claims in other actions that have already been filed as of the date of execution of the Settlement and that are not consolidated with this Action.

46. "Released Parties" means each Defendant and his, her or its respective past, present or future directors, officers, employees, parents, partners, members, principals, agents, owners, fiduciaries, shareholders, related or affiliated entities, subsidiaries, divisions, accountants, auditors, attorneys, associates, consultants, advisors, insurers, co-insurers, reinsurers, trustees, estates, beneficiaries, administrators, foundations, underwriters, banks or bankers, personal or legal representatives, divisions, joint ventures, spouses, domestic partners, family members, heirs, executors, or any other person or entity acting or purporting to act for or on behalf of any of the Defendants, and each of their respective predecessors, successors and assigns, and any trusts for which any of them are trustees, settlors, or beneficiaries.

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**WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING?
HOW WILL THE LAWYERS BE PAID?**

47. Lead Counsel has not received any payment for its services in pursuing claims against Defendants on behalf of the Class, nor has Lead Counsel been reimbursed for its out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel intends to apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not to exceed 28% of the Settlement Fund (or $4,749,500.00), plus interest at the same rate and for the same time period as earned by the Settlement Fund. At the same time, Lead Counsel also intends to apply for the reimbursement of certain expenses paid or incurred in connection with the prosecution and resolution of the Action in an amount not to exceed $750,000.00, plus interest at the same rate and for the same time period as earned by the Settlement Fund. In addition, Lead Counsel may also apply for reimbursements for, among other things, litigation-related expenses of Lead Plaintiffs in accordance with 15 U.S.C. § 78u-4(a)(4) not to exceed approximately $40,000. The sums approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for the payment of these sums.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

48. If you purchased or acquired ITT common stock as described above, and you are not excluded from the definition of the Class and you do not timely exclude yourself from the Class in the manner provided in this Notice, then you are a member of the Class and you will be bound by the proposed Settlement if the Court approves it, and by any judgment or determination of the Court affecting the Class. If you are a member of the Class, you must submit a Proof of Claim Form and supporting documentation to establish your entitlement to share in the Settlement. A Proof of Claim Form is included with this Notice, or you may go to the website maintained by the Claims Administrator for the Settlement to request that a Proof of Claim Form be mailed to you. The website is www.ITTSecuritiesSettlement.com. You may also request a Proof of Claim Form by calling toll-free (877) 271-1547 or emailing info@ITTSecuritiesSettlement.com. Copies of the Proof of Claim Form can also be downloaded from Lead Counsel's website at www.cohenmilstein.com. Those who exclude themselves from the Class, and those who do not submit timely and valid Proof of Claim Forms with adequate supporting documentation, will not be eligible to share in the Settlement. Please retain all records of your ownership of, or transactions in, ITT common stock during the Class Period, as they may be needed to document your claim. Do not submit original documentation with your Proof of Claim Form – submit copies only – because materials submitted will not be returned.

49. As a Class Member, you are represented by Lead Plaintiffs and Lead Counsel unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on the attorneys listed in the section below entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?"

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50. If you do not wish to remain a Class Member, you may exclude yourself from the Class by following the instructions in the section below entitled, "What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?"

51. If you wish to object to the Settlement or any of its terms, the proposed Plan of Allocation, or Lead Counsel's application for attorneys' fees and reimbursement of Litigation Expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in the section below entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?"

WHAT IF I DO NOT WANT TO BE A PART OF THE SETTLEMENT? HOW DO I EXCLUDE MYSELF?

52. Each Class Member will be bound by all determinations and judgments in this lawsuit, including those concerning the Settlement and the releases contained therein, whether favorable or unfavorable, unless such person or entity mails, by first class mail (or its equivalent outside the U.S.), or otherwise delivers a written request for exclusion from the Class, addressed to ITT Securities Settlement, PO Box 3058, Portland, OR, 97208-3058. The exclusion request must be received by no later than , 2016. Each request for exclusion must clearly indicate the name, address and telephone number of the person or entity seeking exclusion, that the sender requests to be excluded from the Class in *In re ITT Educational Services, Inc. Securities Litigation*, Case No. 13-cv-1620-JPO (S.D.N.Y.), and must be signed by such person or entity. Such persons or entities requesting exclusion are also required to provide the following information: (i) the quantity of ITT common stock purchased (or otherwise acquired) or sold between April 24, 2008 and February 25, 2013, both dates inclusive; (ii) the prices or other consideration paid or received for such common stock; and (iii) the dates of such transactions. Requests for exclusion will not be valid if they do not include the information set forth above and are not received within the time stated above, unless the Court otherwise determines.

Please keep a copy of everything you send by mail, in case it is lost during shipping.

53. If a person or entity requests to be excluded from the Class, that person or entity will not receive any benefit provided for in the Settlement.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT? DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?

54. **If you do not wish to object in person to the proposed Settlement and/or the application for attorneys' fees and reimbursement of Litigation Expenses, you do not need to attend the Final Approval Hearing. You can object to or participate in the Settlement without attending the Final Approval Hearing.**

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55. The Final Approval Hearing will be held on , 2016, at .m., before the Honorable J. Paul Oetken at the United States District Court for the Southern District of New York, 40 Foley Square, Courtroom 706, New York, New York 10007. The Court has the right to approve the Settlement, the Plan of Allocation or the request for attorneys' fees and reimbursement of Litigation Expenses at or after the Final Approval Hearing without further notice to the members of the Class.

56. Any Class Member who does not request exclusion in accordance with ¶ 52 above may object to the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses. Objections must be in writing. You must file any written objection, together with copies of all other supporting papers and briefs, with the Clerk's Office at the United States District Court for the Southern District of New York at the address set forth below on or before , 2016. You must also serve the papers on Lead Counsel for the Class and Defendants' Counsel at the addresses set forth below so that the papers are *received* on or before , 2016.

Clerk's Office	**Lead Counsel for the Class**	**Defendants' Counsel**
U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK 500 Pearl Street New York, New York 10007	COHEN MILSTEIN SELLERS & TOLL PLLC Carol V. Gilden 190 South LaSalle St., Suite 1705 Chicago, IL 60603	GIBSON, DUNN & CRUTCHER LLP Jennifer L. Conn 200 Park Avenue, 48th Floor New York, NY 10166

57. To object, you must send a letter, brief or other writing saying that you object to the Settlement in *In re ITT Educational Services, Inc. Securities Litigation,* Case No. 13-cv-1620-JPO, and explaining in detail the basis for your objection or objections. Be sure to include your name, address, telephone number, your signature, the quantity of ITT common stock that you purchased or acquired from April 24, 2008 through February 25, 2013, both dates inclusive, the dates of these purchases and sales, and copies of documents (such as brokerage statements) sufficient to show that you are a member of the Class. Persons or entities who intend to object to the Settlement, the Plan of Allocation and/or to Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses must include a list of cases in which you or your counsel have appeared as settlement objectors or counsel for objectors in the preceding five years.

58. You may not object to the Settlement, or any aspect of it, if you are not a member of the Class or if you excluded yourself from the Class.

59. If you wish to be heard orally at the Final Approval Hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses, and if you have filed and served a

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timely written objection as described above, you also must notify the above counsel on or before , 2016, concerning your intention to appear. Persons or entities who intend to object and desire to present evidence at the Final Approval Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

60. You may file a written objection without having to appear at the Final Approval Hearing. You may not appear at the Final Approval Hearing to present your objection, however, unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

61. You are not required to hire an attorney to represent you in making written objections or in appearing at the Final Approval Hearing. If you decide to hire an attorney at your own expense, he or she must file a notice of appearance with the Court and serve it on Lead Counsel so that the notice is received on or before , 2016.

62. If you object to the Settlement, the Plan of Allocation and/or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses, or otherwise request to be heard at the Final Approval Hearing in the manner stated above, you are submitting to the jurisdiction of the Court with respect to the subject matter of the Settlement, including, but not limited to, the release of the Released Claims contained in the Judgment. If the Court overrules your objection and approves the Settlement or the part of the Settlement to which you have objected, you only will potentially share in the Net Settlement Fund if you file a Proof of Claim Form in the manner stated in ¶ 48 above and the Claims Administrator approves your claim.

63. The Final Approval Hearing may be adjourned by the Court without further written notice to the Class. Any new date for the Final Approval Hearing will be posted on the settlement website at www.ITTSecuritiesSettlement.com. If you intend to attend the Final Approval Hearing, you should confirm the date and time with Lead Counsel.

Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and will be forever foreclosed from making any objection to the proposed Settlement or Lead Counsel's request for reimbursement of expenses. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?

64. If you purchased or otherwise acquired ITT common stock for the beneficial interest of a person or organization other than yourself, you must either (i) within fourteen (14) days after you receive this Notice, request from the Claims Administrator sufficient copies of the Notice and the Proof of Claim Form to forward to all such beneficial owners, and within fourteen (14) days of receipt of the copies of the Notice and the Proof of Claim Form forward them to all such beneficial owners; or (ii) within fourteen (14) days after you receive this Notice, provide a

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list of the names and addresses of all such beneficial owners (preferably in electronic format (*e.g.*, Excel .csv)) to ITT Securities Settlement, PO Box 3058, Portland, OR, 97208-3058, or by email to info@ITTSecuritiesSettlement.com. If you choose the second option, the Claims Administrator will send a copy of the Notice and the Proof of Claim Form to each beneficial owner whose name and address you provide. Upon full compliance with these directions, nominees may seek reimbursement of their reasonable expenses *actually* incurred by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice may also be obtained by calling the Claims Administrator at (877) 271-1547. Copies of this Notice may be downloaded from the settlement website, www.ITTSecuritiesSettlement.com, or from Lead Counsel's website, www.cohenmilstein.com.

CAN I SEE THE COURT FILE? WHO SHOULD I CONTACT IF I HAVE QUESTIONS?

65. This Notice contains only a summary of the terms of the proposed Settlement. More detailed information about the matters involved in the Action is available at www.ITTSecuritiesSettlement.com, including, among other documents, copies of the Settlement and the Complaint. All inquiries concerning this Notice should be directed to:

ITT Securities Settlement
PO Box 3058
Portland, OR 97208-3058
info@ITTSecuritiesSettlement.com

OR

COHEN MILSTEIN SELLERS & TOLL PLLC
Carol V. Gilden
190 South LaSalle Street, Suite 1705
Chicago, IL 60603
(312) 357-0370
cgilden@cohenmilstein.com

Lead Counsel

DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT REGARDING THIS NOTICE.

Dated: , 2015

By Order of the Court
United States District Court
for the Southern District of New York

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EXHIBIT A-2

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION	Civil Action No. 13-cv-1620-JPO ECF Case

SUMMARY NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT

EXHIBIT A-2

TO: ALL PERSONS AND ENTITIES WHO PURCHASED OR ACQUIRED COMMON STOCK OF ITT EDUCATIONAL SERVICES, INC. ("ITT" OR THE "COMPANY") (TICKER SYMBOL: ESI) BETWEEN APRIL 24, 2008 AND FEBRUARY 25, 2013, BOTH DATES INCLUSIVE (THE "CLASS PERIOD").

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS MAY BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED that a proposed Settlement has been reached in this Action.[1] A hearing will be held with respect to the Settlement on , 2016, at .M. before the Honorable J. Paul Oetken in the United States District Court for the Southern District of New York, 40 Foley Square, Courtroom 706, New York, New York.

The purpose of the hearing is to determine, among other things, whether the proposed Settlement of the securities class action claims asserted in this Action, pursuant to which ITT, on behalf of all Defendants, will cause to be deposited into a Settlement Fund the sum of sixteen million nine hundred sixty-two thousand five hundred dollars ($16,962,500.00) in exchange for the dismissal of the Action with prejudice and a release of claims against the Defendants and other Released Parties, should be approved by the Court as fair, reasonable, adequate and in the best interests of the Class. If you purchased or otherwise acquired ITT common stock (ticker symbol: ESI) during the Class Period, you may be entitled to share in the distribution of the Settlement Fund if you submit a Proof of Claim Form no later than , 2016, and if the information and documentation you provide in that Proof of Claim Form establishes that you are entitled to a recovery.

This Summary Notice provides only a summary of matters regarding the Action and the Settlement. A detailed notice (the "Notice") describing the Action, the proposed Settlement, and the rights of Class Members to appear in Court at the Final Approval Hearing, to request to be

[1] This Summary Notice incorporates by reference the definitions in the Stipulation and Agreement of Settlement, dated November 2, 2015 (the "Settlement"), and all capitalized terms used, but not defined herein, shall have the same meanings as in the Settlement. A copy of the Settlement can be obtained at http://www.ITTSecuritiesSettlement.com.

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excluded from the Class, and/or to object to the Settlement, the Plan of Allocation and/or the request by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses, has been mailed to persons or entities known to be potential Class Members. You may obtain a copy of that Notice, a Proof of Claim Form, or other information at www.ITTSecuritiesSettlement.com, or by writing to the following address or calling the following telephone number.

ITT Securities Settlement
PO Box 3058
Portland, OR 97208-3058
(877) 271-1547

If you are a Class Member, you have the right to object to the Settlement, the Plan of Allocation and/or the request by Lead Counsel for an award of attorneys' fees and Litigation Expenses, or otherwise request to be heard, by submitting a written objection in accordance with the procedures described in the Notice. The objection must be filed and served so that it is received no later than , 2016. You also have the right to exclude yourself from the Class by submitting a written request for exclusion from the Class in accordance with the procedures described in the Notice. The request for exclusion must be received no later than , 2016. If the Settlement is approved by the Court, you will be bound by the Settlement and the Court's Judgment, including the releases provided for in the Settlement and Judgment, unless you submit a request to be excluded.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. Inquiries, other than requests for the detailed Notice referenced above and a Proof of Claim Form, may be made to Lead Counsel for the Lead Plaintiffs:

COHEN MILSTEIN SELLERS & TOLL PLLC
Carol V. Gilden
190 South LaSalle Street, Suite 1705
Chicago, IL 60603
Tel: (312) 357-0370
Email: cgilden@cohenmilstein.com

Dated:

By Order of the Court,
United States District
Court for the Southern
District of New York

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EXHIBIT A-3

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MUST BE POSTMARKED NO LATER THAN xxxxxxx, 2016

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
In Re ITT Educational Services, Inc. Securities Litigation
Case No. 13-cv-1620-JPO

INSTRUCTIONS FOR COMPLETING PROOF OF CLAIM FORM

GENERAL RULES FOR RECOVERING

1. To recover as a Class Member based on your claims in the action entitled *In re ITT Educational Services, Inc. Securities Litigation*, Case No. 13-cv-1620-JPO (the "Action"),[1] you must complete and, on page [7] hereof, sign this Proof of Claim Form. If you fail to file a properly addressed (as set forth in paragraph 3 below) Proof of Claim Form, your Claim may be rejected and you may be precluded from any recovery from the Settlement Fund created in connection with the proposed Settlement of the Action.

2. Submission of this Proof of Claim Form, however, does not assure that you will share in the proceeds of the Settlement of the Action. Your recovery, if any, will be calculated as described in the Plan of Allocation in the Notice of Pendency of Class Action and Proposed Settlement ("Notice").

3. YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM FORM POSTMARKED ON OR BEFORE , 2016, ADDRESSED AS FOLLOWS:

ITT Securities Settlement
PO Box 3058
Portland, OR 97208-3058

4. If you are NOT a Class Member (as defined in the Notice), DO NOT submit a Proof of Claim Form.

5. If you are a Class Member and you did not timely and validly request exclusion from the proposed Settlement, you will still be bound by the terms of the Settlement and any judgment entered in the Action, including the releases provided therein, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM FORM.

IDENTIFICATION OF CLAIMANT

6. THIS PROOF OF CLAIM FORM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER(S), OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER(S), OF THE ITT COMMON STOCK (TICKER SYMBOL: ESI) UPON WHICH THESE CLAIMS ARE BASED.

7. Use Part I of this form entitled "Claimant Identification" to identify each beneficial purchaser.

8. All joint purchasers must sign this Proof of Claim Form. Executors, administrators, guardians, conservators, and trustees must complete and sign this Proof of Claim Form on behalf of Persons represented by them, and their authority must accompany this Claim and their titles or capacities must be stated. The last four digits of the Social Security (or taxpayer identification) number and telephone number of the beneficial owner(s) may be used in verifying the Claim. Failure to provide the foregoing information could delay verification of your Claim or result in rejection of the Claim.

IDENTIFICATION OF TRANSACTION(S)

9. THIS PROOF OF CLAIM FORM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER(S), OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER(S), OF THE ITT COMMON STOCK (TICKER SYMBOL: ESI) UPON WHICH THESE CLAIMS ARE BASED.

10. Use Part I of this form entitled "Claimant Identification" to identify each beneficial purchaser.

11. All joint purchasers must sign this Proof of Claim Form. Executors, administrators, guardians, conservators, and trustees must complete and sign this Proof of Claim Form on behalf of Persons represented by them, and their authority must accompany this Claim and their titles or capacities must be stated. The last four digits of the Social Security (or taxpayer identification) number and telephone number of the beneficial owner(s) may be used in verifying the Claim. Failure to provide the foregoing information could delay verification of your Claim or result in rejection of the Claim.

[1] This Proof of Claim Form incorporates by reference the definitions in the Stipulation and Agreement of Settlement dated November 2, 2015 ("Settlement"), and all capitalized terms used, but not defined herein, shall have the same meanings as in the Settlement. A copy of the Settlement can be obtained at http://www.ITTSecuritiesSettlement.com.

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MUST BE POSTMARKED NO LATER THAN xxxxxxx, 2016	UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK *In Re ITT Educational Services, Inc. Securities Litigation* Case No. 13-cv-1620-JPO	

PART I: CLAIMANT IDENTIFICATION

Claimant/Representative Contact Information:

The Claims Administrator will use the contact information for all correspondence relevant to this Claim (including the distribution (check), if the Claim is ultimately determined to be eligible for payment). If the contact information changes, then you must notify the Claims Administrator in writing at the above address.

Claimant's Name (as you would like it to appear on your check if eligible for payment)

Address Line 1 (Number and Street or P.O. Box)

Address Line 2 (if needed)

City | State or Province | Zip Code

Country name | Last 4 Digits of Social Security Number (for individuals) Or T.I.N. (for estates, trusts, corporations, etc.)

Representative's Name (if different from the Claimant's Name(s) listed above)

Telephone Number (Work) | Telephone Number (Home)

Email

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PART II: SCHEDULE OF TRANSACTIONS IN ITT COMMON STOCK

A. Holdings at Start of Class Period: List all shares of ITT Educational Services, Inc. (ticker symbol: ESI) held as of April 24, 2008.

Quantity of Shares Held

B. Purchases and Acquisitions: List all purchases and acquisitions of ITT common stock (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive. Be sure to attach documentation verifying your transactions.

Trade Date (List Chronologically) (Month/Day/Year)	Number of Shares	Price Per Share	Total Purchase Price

If you require additional space to list your transactions, use photocopies of this page and check this box. ☐

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C. Sales: List all sales of ITT common stock (ticker symbol: ESI) from April 24, 2008 until May 27, 2013. Be sure to attach documentation verifying your transactions.

Trade Date (List Chronologically) (Month/Day/Year)	Number of Shares	Price Per Share	Total Sales Proceeds

D. Unsold Holdings: List the number of shares of ITT common stock (ticker symbol: ESI) held as of May 28, 2013. Be sure to attach documentation verifying your holdings such as a current account statement.

Quantity of Shares Held

If you require additional space to list your transactions, use photocopies of this page and check this box. ☐

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YOU MUST READ THE RELEASE AND YOUR SIGNATURE ON PAGE [7] WILL CONSTITUTE YOUR ACKNOWLEDGMENT OF THE RELEASE.

PART III: SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (WE) SUBMIT THIS PROOF OF CLAIM FORM UNDER THE TERMS OF THE SETTLEMENT DESCRIBED IN THE NOTICE. I (WE) ALSO SUBMIT TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK WITH RESPECT TO MY (OUR) CLAIM AS A CLASS MEMBER AND FOR PURPOSES OF ENFORCING THE RELEASES SET FORTH IN THE SETTLEMENT AND REPEATED HEREIN. I (WE) FURTHER ACKNOWLEDGE THAT I AM (WE ARE) BOUND BY AND SUBJECT TO THE TERMS OF ANY JUDGMENT THAT MAY BE ENTERED IN THE ACTION. I (WE) AGREE TO FURNISH ADDITIONAL INFORMATION TO THE CLAIMS ADMINISTRATOR TO SUPPORT THIS CLAIM IF REQUESTED TO DO SO. I (WE) HAVE NOT SUBMITTED ANY OTHER CLAIM COVERING THE SAME PURCHASES OR SALES OF ITT COMMON STOCK AND KNOW OF NO OTHER PERSON HAVING DONE SO ON MY (OUR) BEHALF.

PART IV: RELEASE

1. **I (WE) HEREBY ACKNOWLEDGE FULL AND COMPLETE SATISFACTION OF, AND DO HEREBY FULLY, FINALLY, AND FOREVER WAIVE, RELEASE, RELINQUISH, DISCHARGE AND DISMISS FROM THE RELEASED CLAIMS EACH AND ALL OF THE "RELEASED PARTIES," DEFINED AS EACH DEFENDANT AND HIS, HER OR ITS RESPECTIVE PAST, PRESENT OR FUTURE DIRECTORS, OFFICERS, EMPLOYEES, PARENTS, PARTNERS, MEMBERS, PRINCIPALS, AGENTS, OWNERS, FIDUCIARIES, SHAREHOLDERS, RELATED OR AFFILIATED ENTITIES, SUBSIDIARIES, DIVISIONS, ACCOUNTANTS, AUDITORS, ATTORNEYS, ASSOCIATES, CONSULTANTS, ADVISORS, INSURERS, CO-INSURERS, REINSURERS, TRUSTEES, ESTATES, BENEFICIARIES, ADMINISTRATORS, FOUNDATIONS, UNDERWRITERS, BANKS OR BANKERS, PERSONAL OR LEGAL REPRESENTATIVES, DIVISIONS, JOINT VENTURES, SPOUSES, DOMESTIC PARTNERS, FAMILY MEMBERS, HEIRS, EXECUTORS, OR ANY OTHER PERSON OR ENTITY ACTING OR PURPORTING TO ACT FOR OR ON BEHALF OF ANY OF THE DEFENDANTS, AND EACH OF THEIR RESPECTIVE PREDECESSORS, SUCCESSORS AND ASSIGNS, AND ANY TRUSTS FOR WHICH ANY OF THEM ARE TRUSTEES, SETTLORS, OR BENEFICIARIES.**

2. **"RELEASED CLAIMS" MEANS ANY AND ALL ACTIONS, CAUSES OF ACTION, CLAIMS (INCLUDING "UNKNOWN CLAIMS," AS DEFINED BELOW), DUTIES, DEBTS, DEMANDS, RIGHTS, DISPUTES, SUITS, MATTERS, DAMAGES, LOSSES, OBLIGATIONS, PROCEEDINGS, ISSUES, JUDGMENTS, AND LIABILITIES OF EVERY NATURE AND DESCRIPTION WHATSOEVER (AND INCLUDING, BUT NOT LIMITED TO, ANY CLAIMS FOR DAMAGES, WHETHER COMPENSATORY, CONSEQUENTIAL, SPECIAL, PUNITIVE, EXEMPLARY OR OTHERWISE, AND ANY FEES, COSTS, EXPENSES, OR CHARGES), WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, FIXED OR CONTINGENT, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, ACCRUED AND UNACCRUED, MATURED OR UNMATURED, AT LAW OR IN EQUITY, WHETHER CLASS, DERIVATIVE, OR INDIVIDUAL IN NATURE, WHETHER OR NOT CONCEALED OR HIDDEN, WHICH NOW EXIST, OR HERETOFORE HAVE EXISTED, OR CAN, SHALL OR MAY EXIST, WHETHER ARISING UNDER FEDERAL, STATE, COMMON, STATUTORY, ADMINISTRATIVE OR FOREIGN LAW, REGULATION, OR AT EQUITY, THAT (A) LEAD PLAINTIFFS OR ANY CLASS MEMBER HAS ASSERTED IN THIS ACTION, OR COULD HAVE ASSERTED IN THIS ACTION OR IN ANY OTHER PROCEEDING OR FORUM THAT ARISE OUT OF, RELATE TO OR ARE BASED UPON, THE ALLEGATIONS, CLAIMS, TRANSACTIONS, FACTS, MATTERS, OCCURRENCES, EVENTS, FAILURES, REPRESENTATIONS, STATEMENTS, OR OMISSIONS ALLEGED, INVOLVED, SET FORTH, OR REFERRED TO IN THE COMPLAINT; (B) WOULD HAVE BEEN BARRED BY *RES JUDICATA* OR COLLATERAL ESTOPPEL HAD THE ACTION BEEN FULLY LITIGATED TO A FINAL JUDGMENT; AND (C) WERE, COULD HAVE BEEN, OR IN THE FUTURE COULD BE, ASSERTED IN ANY FORUM OR PROCEEDING OR OTHERWISE BY ANY CLASS MEMBER THAT RELATE TO THE PURCHASE, SALE, ACQUISITION OR HOLDING OF ITT COMMON STOCK DURING THE CLASS PERIOD. RELEASED CLAIMS DO NOT, HOWEVER, INCLUDE CLAIMS TO ENFORCE THIS SETTLEMENT, OR CLAIMS IN OTHER ACTIONS THAT HAVE ALREADY BEEN FILED AS OF THE DATE OF EXECUTION OF THIS SETTLEMENT AND THAT ARE NOT CONSOLIDATED WITH THIS ACTION.**

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3. **"UNKNOWN CLAIMS" MEANS ANY AND ALL RELEASED CLAIMS, OF EVERY NATURE AND DESCRIPTION, THAT LEAD PLAINTIFFS AND/OR ANY CLASS MEMBER DOES NOT KNOW OR SUSPECT TO EXIST IN HIS, HER OR ITS FAVOR AT THE TIME OF THE RELEASE OF THE RELEASED PARTIES, WHICH IF KNOWN BY HIM, HER OR IT, MIGHT HAVE AFFECTED HIS, HER OR ITS SETTLEMENT WITH AND RELEASE OF THE RELEASED PARTIES, OR MIGHT HAVE AFFECTED HIS, HER OR ITS DECISION NOT TO OBJECT TO THIS SETTLEMENT OR NOT TO EXCLUDE HIMSELF, HERSELF OR ITSELF FROM THE CLASS OR TO RELEASE THE RELEASED CLAIMS. WITH RESPECT TO ANY SETTLED DEFENDANTS' CLAIMS, "UNKNOWN CLAIMS" MEANS ANY AND ALL SETTLED DEFENDANTS' CLAIMS, OF EVERY NATURE AND DESCRIPTION, WHICH DEFENDANTS AND THE OTHER RELEASED PARTIES DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF THE RELEASE OF LEAD PLAINTIFFS, THE CLASS MEMBERS, AND THEIR ATTORNEYS, WHICH, IF KNOWN BY THEM, MIGHT HAVE AFFECTED THEIR DECISIONS WITH RESPECT TO THE RELEASE OF SETTLED DEFENDANTS' CLAIMS OR THE SETTLEMENT. WITH RESPECT TO ANY AND ALL RELEASED CLAIMS, THE SETTLING PARTIES STIPULATE AND AGREE THAT, UPON THE EFFECTIVE DATE, LEAD PLAINTIFFS EXPRESSLY WAIVE, AND EACH CLASS MEMBER SHALL BE DEEMED TO HAVE WAIVED, AND BY OPERATION OF THE JUDGMENT SHALL HAVE EXPRESSLY WAIVED, TO THE FULLEST EXTENT PERMITTED BY LAW, THE PROVISIONS, RIGHTS AND BENEFITS OF CALIFORNIA CIVIL CODE § 1542, AND OF ANY U.S. FEDERAL OR STATE LAW, OR PRINCIPLE OF COMMON LAW OR THE LAW OF ANY FOREIGN JURISDICTION, THAT IS SIMILAR, COMPARABLE, OR EQUIVALENT TO SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES, IN RELEVANT PART:**

   A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

   LEAD PLAINTIFFS AND OTHER CLASS MEMBERS, OR CERTAIN OF THEM, MAY HEREAFTER DISCOVER FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH HE, SHE OR IT NOW KNOWS OR BELIEVES TO BE TRUE WITH RESPECT TO THE SUBJECT MATTER OF THE RELEASED CLAIMS, BUT LEAD PLAINTIFFS AND THE CLASS MEMBERS, AND EACH OF THEM, UPON THE EFFECTIVE DATE, BY OPERATION OF THE JUDGMENT SHALL HAVE, FULLY, FINALLY, AND FOREVER SETTLED AND RELEASED ANY AND ALL RELEASED CLAIMS, KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, CONTINGENT OR NON-CONTINGENT, WHETHER OR NOT CONCEALED OR HIDDEN, THAT NOW EXIST OR HERETOFORE HAVE EXISTED, UPON ANY THEORY OF LAW OR EQUITY NOW EXISTING OR COMING INTO EXISTENCE IN THE FUTURE, INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATING TO CONDUCT THAT IS NEGLIGENT, RECKLESS, INTENTIONAL, WITH OR WITHOUT MALICE, OR A BREACH OF ANY DUTY, LAW OR RULE, WITHOUT REGARD TO THE SUBSEQUENT DISCOVERY OR EXISTENCE OF SUCH DIFFERENT OR ADDITIONAL FACTS.

4. **THIS RELEASE SHALL BE OF NO FORCE OR EFFECT UNLESS AND UNTIL THE COURT APPROVES THE SETTLEMENT AND THE SETTLEMENT BECOMES EFFECTIVE ON THE EFFECTIVE DATE (AS DEFINED IN THE SETTLEMENT).**

5. **I (WE) HEREBY WARRANT AND REPRESENT THAT I (WE) HAVE NOT ASSIGNED OR TRANSFERRED OR PURPORTED TO ASSIGN OR TRANSFER, VOLUNTARILY OR INVOLUNTARILY, ANY MATTER RELEASED PURSUANT TO THE SETTLEMENT OR ANY OTHER PART OR PORTION THEREOF.**

6. **I (WE) HEREBY WARRANT AND REPRESENT THAT I (WE) HAVE INCLUDED INFORMATION ABOUT ALL OF MY (OUR) PURCHASES AND SALES OF ITT COMMON STOCK DURING THE REQUIRED PERIODS AS SET FORTH ABOVE.**

7. **I (WE) HEREBY WARRANT AND REPRESENT THAT I AM (WE ARE) NOT EXCLUDED FROM THE CLASS AS DEFINED IN THE NOTICE.**

8. **I (WE) CERTIFY THAT I AM (WE ARE) NOT SUBJECT TO BACKUP WITHHOLDING UNDER THE PROVISIONS OF SECTION 3406(A)(1)(C) OF THE INTERNAL REVENUE CODE.**

NOTE: IF YOU HAVE BEEN NOTIFIED BY THE INTERNAL REVENUE SERVICE THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING, PLEASE STRIKE OUT THE LANGUAGE THAT YOU ARE NOT SUBJECT TO BACKUP WITHHOLDING IN THE CERTIFICATION ABOVE.

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I (WE) DECLARE THAT THE FOREGOING INFORMATION SUPPLIED BY THE UNDERSIGNED IS TRUE AND CORRECT.

Executed this _____ day of _____, in _____, _____
(Month/Year) (City) (State/Country)

Signature of Claimant	Signature of Joint Claimant, if any
Print Name of Claimant	Print Name of Joint Claimant, if any
Date	Date

If Claimant is other than an individual, or is not the person completing this form, the following also must be provided:

Signature of Person Completing Form	Date
Print Name of Person Completing Form	Capacity of Person(s) Signing, (e.g., Beneficial Purchaser, Executor or Administrator)

REMINDER CHECKLIST

☐ 1. Please be sure to sign this Proof of Claim Form.

☐ 2. Remember to attach **COPIES OF** documentation verifying your transactions listed above.

☐ 3. **DO NOT SEND ORIGINALS OF ANY DOCUMENTS VERIFYING YOUR TRANSACTIONS.**

☐ 4. Keep a copy of your Proof of Claim Form for your records.

☐ 5. If you move, please send your new address to the Claims Administrator at the address below:

ITT Securities Settlement
PO Box 3058
Portland, OR 97208-3058

☐ 6. **Do not use highlighter on the Proof of Claim Form or supporting documentation.**

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EXHIBIT B

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION	Civil Action No. 13-cv-1620-JPO ECF Case

[EXHIBIT B TO SETTLEMENT]

[PROPOSED] ORDER AND FINAL JUDGMENT

This matter came for hearing on (the "Final Approval Hearing"), on the application of Lead Plaintiffs and Defendants (defined below), to determine whether the terms and conditions of the Stipulation and Agreement of Settlement ("Settlement") filed with this Court on November 2, 2015 are fair, reasonable, adequate and in the best interest of the Class Members for the settlement of all claims asserted by Lead Plaintiffs, Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund, on behalf of themselves and the Class, against Defendants ITT Educational Services, Inc. ("ITT" or the "Company"), Daniel M. Fitzpatrick, and Kevin M. Modany, in the above-captioned Action, and should be approved; and whether Judgment should be entered dismissing the Action with prejudice and releasing the Class Members' Released Claims against all Released Parties.

The Court having considered all matters submitted to it at the Final Approval Hearing and otherwise;

NOW THEREFORE, IT IS HEREBY ORDERED:

1. This Judgment hereby incorporates by reference the definitions in the Settlement, and all capitalized terms, unless otherwise defined herein, shall have the same meanings as set forth in the Settlement.

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2. This Court has jurisdiction to enter this Judgment. The Court has jurisdiction over the subject matter of the Action and over all parties to the Action, including all Class Members.

3. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, this Court finally certifies this Action as a class action, for purposes of this Settlement only, with a Class defined as all persons and entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive. Excluded from the Class are: Defendants; members of the immediate family of any Defendant; any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest during the Class Period; the officers and directors of ITT during the Class Period; and legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person or entity. Also excluded from the Class are those persons that have requested exclusion from the Class as listed on Exhibit 1 hereto.

4. With respect to the Class, the Court finds and concludes that the requirements of Federal Rules of Civil Procedure 23(a) and 23(b)(3) are satisfied as: (a) the members of the Class are so numerous that joinder of all Class Members in the Action is impracticable; (b) there are questions of law and fact common to the Class that predominate over any individual questions; (c) the claims of the Lead Plaintiffs are typical of the claims of the Class; (d) the Lead Plaintiffs and their counsel have fairly and adequately represented and protected the interests of all the Class Members; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering: (i) the interests of the members of the Class in individually controlling the prosecution of separate actions, (ii) the extent and nature of

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any action concerning the controversy already commenced by members of the Class, (iii) the desirability or undesirability of continuing the litigation of these claims in this particular forum, and (iv) the difficulties likely to be encountered in the management of the litigation.

5. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes of this Settlement only, the Court hereby affirms its determinations in the Preliminary Approval Order and finally appoints Lead Plaintiffs as class representatives for the Class, and finally appoints Cohen Milstein Sellers & Toll PLLC as counsel for the Class.

6. Notice of the pendency of the Action as a class action and of the proposed Settlement was given to all Class Members who could be identified with reasonable effort and was in accordance with the terms of the Settlement and the Court's Preliminary Approval Order. The form and method of notifying the Class of the pendency of the Action as a class action and of the terms and conditions of the proposed Settlement met the requirements of due process; Rule 23 of the Federal Rules of Civil Procedure; Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7), as amended by the Private Securities Litigation Reform Act of 1995; the Constitution of the United States (including the Due Process clause); and any other applicable law, constituted the best notice practicable under the circumstances, and constituted due and sufficient notice to all persons and entities entitled thereto.

7. Pursuant to and in compliance with Rule 23 of the Federal Rules of Civil Procedure, the Court hereby finds that due and adequate notice of these proceedings was directed to all persons and entities who are Class Members, advising them of the Settlement, and of their right to object thereto, and a full and fair opportunity was accorded to all persons and entities who are Class Members to be heard with respect to the Settlement. Thus, it is hereby determined that all Class Members, other than those persons and entities that are listed on Exhibit 1 hereto, are bound by this Judgment.

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8. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, this Court finds that the Settlement is fair, reasonable and adequate, and in the best interests of the Class Members. This Court further finds that the Settlement is the result of arm's-length negotiations between experienced counsel representing the interests of the Settling Parties undertaken with the assistance of an experienced mediator. Accordingly, the Settlement is hereby approved in all respects and shall be consummated in accordance with the terms and provisions of the Stipulation and Agreement of Settlement, dated November 2, 2015 (the "Settlement").

9. The Court finds and concludes that the Settling Parties and their respective counsel have complied in all respects with the requirements of Rule 11 of the Federal Rules of Civil Procedure in connection with the commencement, maintenance, prosecution, defense and settlement of the Action.

10. The Action and all Released Claims are dismissed with prejudice. The Settling Parties are to bear their own costs, except for the payments expressly provided for in the Settlement.

11. Upon the Effective Date, Lead Plaintiffs and each of the Class Members (on behalf of themselves and each of their respective present and former directors, officers, employees, parents, subsidiaries, related or affiliated entities, shareholders, members, divisions, partners, joint ventures, family members, spouses, domestic partners, heirs, principals, agents, owners, fiduciaries, personal or legal representatives, attorneys, auditors, accountants, advisors, banks or bankers, insurers, reinsurers, trustees, trusts, estates, executors, administrators, predecessors, successors, assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Class Member actually submits a Proof of Claim Form, seeks or obtains a distribution from the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's application for attorneys' fees and Litigation Expenses, shall be deemed to have and

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by operation of the Judgment shall have fully, finally and forever waived, released, relinquished, discharged and dismissed each and every Released Claim against each and every Released Party.

12. Upon the Effective Date, Lead Plaintiffs and each of the Class Members (on behalf of themselves and each of their respective present and former directors, officers, employees, parents, subsidiaries, related or affiliated entities, shareholders, members, divisions, partners, joint ventures, family members, spouses, domestic partners, heirs, principals, agents, owners, fiduciaries, personal or legal representatives, attorneys, auditors, accountants, advisors, banks or bankers, insurers, reinsurers, trustees, trusts, estates, executors, administrators, predecessors, successors, assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Class Member actually submits a Proof of Claim, seeks or obtains a distribution from the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's application for attorneys' fees and Litigation Expenses, shall have covenanted not to sue the Released Parties with respect to any Released Claims and are forever barred and enjoined from commencing, instituting, participating in, maintaining, or continuing to prosecute any action or proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting any Released Claim (including, without limitation, Unknown Claims), as well as any claims arising out of, relating to, or in connection with, the defense, settlement, or resolution of this Action against any Released Party.

13. Upon the Effective Date, except as provided in ¶ 16 below, any and all persons and entities are permanently barred and enjoined, to the fullest extent permitted by law, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to that person or entity is their actual or threatened liability

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to the Class or a Class Member in the Action) based upon, relating to, arising out of, or in connection with the Released Claims, against each and every one of the Released Parties, whether arising under state, federal, common, statutory, administrative or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum; and, except as provided in ¶ 16 below, the Released Parties are permanently barred and enjoined, to the fullest extent permitted by law, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to the Released Party is their actual or threatened liability to the Class or a Class Member in the Action) based upon, relating to, or arising out of the Released Claims, against any person or entity, other than a person or entity whose liability to the Class has been extinguished pursuant to the Settlement and the Judgment, whether arising under state, federal, common, statutory, administrative, or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum. Nothing herein shall bar, release, or alter in any way, any obligations, rights or claims among or between the Released Parties.

14. Upon the Effective Date, any final verdict or judgment that may be obtained by or on behalf of the Class or a Class Member against any person or entity subject to the bar order described in ¶ 13 above shall be reduced by the greater of: (i) an amount that corresponds to the percentage of responsibility of any of the Defendants for common damages; or (ii) the Settlement Amount.

15. Upon the Effective Date, each of the Released Parties, on behalf of themselves and each of their past or present subsidiaries, affiliates, parents, assigns, successors and predecessors, estates, heirs, executors, administrators, and the respective officers, directors, shareholders, agents, legal representatives, spouses and any persons or entities they represent,

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shall, with respect to each and every one of Settled Defendants' Claims, release and forever discharge each and every one of the Settled Defendants' Claims, and shall forever be enjoined from instituting, commencing, or prosecuting the Settled Defendants' Claims.

16. Notwithstanding any of the releases or the bar order above, nothing in this Judgment shall bar any action by any of the Settling Parties to enforce or effectuate the terms of the Settlement, the Preliminary Approval Order, or this Judgment.

17. The fact and terms of the Settlement, including all exhibits thereto, this Judgment, all negotiations, discussions, drafts and proceedings in connection with the Settlement, and any act performed or document signed in connection with the Settlement:

a. shall not be offered or received against the Released Parties, Lead Plaintiffs or the other members of the Class as evidence of, or be deemed to be evidence of, any presumption, concession or admission by any of the Released Parties, or by Lead Plaintiffs or the other members of the Class with respect to, the truth of any fact alleged by Lead Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Action or in any litigation, or the deficiency of any defense that has been or could have been asserted in the Action or in any litigation, or of any liability, negligence, fault or wrongdoing of the Released Parties;

b. shall not be offered or received against the Released Parties as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Released Party, or against Lead Plaintiffs or any of the other members of the Class as evidence of any infirmity in the claims of Lead Plaintiffs and the other members of the Class;

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c. shall not be offered or received against the Released Parties, Lead Plaintiffs or the other members of the Class as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the Released Parties, Lead Plaintiffs or the other Class Members, in any arbitration proceeding or other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Settlement; provided, however, that the Released Parties may refer to the Settlement and the Judgment in any action that may be brought against them to effectuate the liability protection granted them hereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law;

d. shall not be construed against the Released Parties, Defendants' Counsel, Lead Counsel or Lead Plaintiffs or the other Class Members as an admission or concession that the consideration to be paid hereunder represents the amount which could be or would have been recovered after trial or that any damages potentially recoverable under the Complaint would have exceeded or would have been less than the Settlement Amount;

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e. shall not be construed as or received in evidence as an admission, concession or presumption against Lead Plaintiffs or the other Class Members or any of them that any of their claims are without merit; and

f. shall not be construed as or received in evidence as an admission, concession or presumption against the Released Parties that class certification is appropriate in this Action, except for purposes of this Settlement.

18. The Court reserves jurisdiction, without affecting in any way the finality of this Judgment, over: (a) implementation and enforcement of the Settlement; (b) the allowance, disallowance or adjustment of any Class Member's claim on equitable grounds and any award or distribution of the Settlement Fund; (c) disposition of the Settlement Fund; (d) enforcing and administering this Judgment, (e) enforcing and administering the Settlement, including any releases and bar orders executed in connection therewith; and (f) other matters related or ancillary to the foregoing.

19. A separate order shall be entered regarding Lead Counsel's application for an award of attorneys' fees and reimbursement of Lead Counsel's and Lead Plaintiffs' Litigation Expenses as allowed by the Court. Such order shall not disturb or affect any of the terms of this Judgment.

20. The Plan of Allocation submitted by Lead Counsel, as described in the Notice and in accordance with ¶ 1(x) of the Settlement, is hereby approved as fair, reasonable and adequate. Any order or proceeding relating to the Plan of Allocation, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate the Settlement or affect or delay the Effective Date or the effectiveness or finality of the Judgment and the release of the Released Claims.

21. In the event that the Settlement does not become effective in accordance with its terms or in the event that the Settlement Fund, or any portion thereof, is returned to the

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Defendants or any entity who paid such Settlement Amount on behalf of the Defendants, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Settlement, and shall be vacated to the extent provided by the Settlement and, in such event: (a) all Orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Settlement; and (b) the fact of the Settlement shall not be admissible in any trial of the Action and Lead Plaintiffs and Defendants reserve their rights to proceed in all respects as if this Settlement had not been entered into and without any prejudice in any way from the negotiation, fact or terms of this Settlement.

22. Without further Order of the Court, the parties may agree to reasonable extensions of time or other reasonable modifications necessary to carry out any of the provisions of the Settlement.

23. There is no just reason for delay in the entry of this Judgment and immediate entry by the Clerk of the Court is expressly directed.

IT IS SO ORDERED.

DATED: _____

_____

THE HONORABLE J. PAUL OETKEN
UNITED STATES DISTRICT JUDGE

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Exhibit 10.85

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)	CASE NO. 1:14-cv-01599-TWP-DML

STIPULATION AND AGREEMENT OF SETTLEMENT

This Stipulation and Agreement of Settlement dated as of November 2, 2015 (the "Stipulation"), is submitted in the above-captioned Action pending in the United States District Court for the Southern District of Indiana and is made and entered into by and among: (i) Lead Plaintiff Meitav Dash Mutual Fund Management Ltd. ("Meitav" or "Lead Plaintiff"), plaintiff Babulal Tarapara ("Tarapara"), plaintiff Kristopher Hennen ("Hennen"), plaintiff Cynthia Grebely ("Grebely"), and plaintiff Hoai T. Truong ("Truong") (collectively, "Plaintiffs"), on behalf of themselves and all other Members of the Settlement Class (as defined herein), by and through counsel of record in the Litigation (as defined herein); and Defendants (ii) ITT Educational Services, Inc. ("ITT" or the "Company"), and (iii) Kevin M. Modany ("Modany") and Daniel M. Fitzpatrick ("Fitzpatrick") (Modany and Fitzpatrick, collectively, the "Individual Defendants") ((ii) and (iii) are collectively the "Defendants"), by and through their counsel of record in the Litigation. Plaintiffs and Defendants together are the "Settling Parties." This Stipulation is intended by the Settling Parties to fully, finally, and forever resolve, discharge, and settle the Released Claims (as defined herein), and to dismiss this Action against the Defendants with prejudice, upon and subject to the approval of the Court and the terms and conditions set forth in this Stipulation, without any admission or concession as to the merits of any of the Settling Parties' claims or defenses. Throughout this Stipulation, all capitalized terms used, but not immediately defined, have the meanings given to them in Section IV.1, *infra*.

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I. THE LITIGATION

On September 30, 2014, this Action was filed as a putative class action on behalf of purchasers of ITT securities. (Dkt. No. 1). On November 17, 2014, the Court consolidated two related actions into this Action. (Dkt. No. 18). On January 21, 2015, the Court consolidated a third related action into this Action. (Dkt. No. 73). By Order dated March 16, 2015, Meitav was appointed as Lead Plaintiff for the putative class, Glancy Binkow & Goldberg LLP[1] was appointed as Lead Counsel, and Katz & Korin was appointed as Liaison Counsel in the consolidated Action. (Dkt. No. 75).

On May 26, 2015, Plaintiffs filed the Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws (the "Complaint") (Dkt. No. 87), alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and U.S. Securities and Exchange Commission ("SEC") Rule 10b-5 promulgated thereunder, against Defendants on behalf of themselves and all other similarly situated purchasers of the securities of ITT from February 26, 2013, through May 12, 2015, both dates inclusive (the "Class Period").

Subsequently, the parties agreed to conduct settlement negotiations in an attempt to resolve this Action without further litigation. On July 14, 2015, the Court granted a stay of all proceedings in this Action to facilitate the Parties' efforts to resolve this Action through mediation. (Dkt. No. 89).

In preparation for the mediation and to enable Plaintiffs to assess the reasonableness of any potential settlement, Defendants provided Plaintiffs with over 180,000 pages of documents not otherwise available to Plaintiffs by virtue of the discovery stay imposed by the Private Securities Litigation Reform Act, 15 U.S.C. § 78u-4(b)(3)(8).

On August 11 and 12, 2015, following the submission of detailed mediation statements, the Parties participated in a mediation session conducted by the Honorable Daniel Weinstein (Ret.) of JAMS. At the end of the two-day mediation, the parties agreed in principle to a basic framework for

1 During the course of the Litigation, Glancy Binkow & Goldberg LLP changed its name to Glancy Prongay & Murray LLP. (*See* Dkt. No. 85).

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the resolution of this Litigation through settlement, subject to documentation and the approval of the Court. Thereafter, following additional communications and arm's-length negotiations, the Parties agreed to the remaining terms for the settlement of this Litigation and proceeded to draft this Stipulation.

On October 9, 2015, the Parties jointly requested that the stay of this Action be extended until October 27, 2015 to allow for this Stipulation, and the terms of the Settlement embodied herein, to be finalized. (Dkt. No. 90). On October 26, 2015, the Parties jointly requested an additional two week extension of the stay of this Action, which the Court granted on October 27, 2015. (Dkt. No. 93).

II. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Each Defendant has expressly denied, and continues to deny, all allegations of wrongdoing, fault, liability, or damage to Plaintiffs and the Settlement Class, arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Complaint and affirm that they have acted properly and lawfully at all times. Defendants further deny that they ever engaged in or committed any fraud, any violation of law, any breach of duty, or any other wrongdoing or improper conduct whatsoever. Defendants maintain that they had and have meritorious defenses to all allegations in this Action and that had the terms of this Stipulation not been reached, Defendants would have continued to contest vigorously Plaintiffs' allegations. This Stipulation shall in no event be construed as, or deemed to be evidence of, an admission or concession by any Defendant with respect to any claim, or of any fault or liability or wrongdoing or damage whatsoever. Nor shall this Stipulation be construed as, or deemed to be evidence of, an admission or concession by any Defendant of any infirmity in the defenses that Defendants could have asserted in this Action or otherwise.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive and wish to avoid the expense, inconvenience, and distraction of burdensome and protracted litigation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation. Defendants have, therefore, determined that it is desirable and beneficial that the Litigation be settled in the manner and upon the terms and conditions set forth in this Stipulation.

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III. CLAIMS OF PLAINTIFFS AND BENEFITS OF SETTLEMENT

Plaintiffs believe that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, Plaintiffs and their counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial, post-trial motions and appeals. Plaintiffs and their counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Litigation, as well as the difficulties and delays inherent in such litigation. Plaintiffs and their counsel also are mindful of the inherent problems of proof under, and possible defenses to, the securities law violations asserted in this Litigation. Plaintiffs and their counsel believe that the Settlement set forth in the Stipulation confers substantial benefits upon the Settlement Class. Based on their evaluation, Plaintiffs and their counsel have determined that the Settlement set forth in the Stipulation is in the best interests of the Settlement Class.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among Plaintiffs (for themselves and all of the other Settlement Class Members) and Defendants, by and through their respective counsel or attorneys of record, that, subject to the approval of the Court, this Litigation and the Released Claims shall be finally and fully compromised, settled and released, and the Litigation shall be dismissed with prejudice, upon and subject to the terms and conditions of the Stipulation, as follows.

1. Definitions

As used in this Stipulation, and the exhibits annexed hereto, the following terms have the meanings specified below. In the event of any inconsistency between any definition set forth below and any definition set forth in any document attached as an exhibit to this Stipulation, the definition set forth below shall control.

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1.1. "Authorized Claimant" means any Member of the Settlement Class who, in accordance with the terms of this Stipulation, is entitled to a distribution from the Net Settlement Fund (as defined in ¶5.3 hereof) pursuant to any Plan of Allocation or any order of the Court.

1.2. "Claims Administrator" or "Settlement Administrator" means the firm of Angeion Group.

1.3. "Complaint" means the Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws filed by Plaintiffs on May 26, 2015.

1.4. "Court" means the United States District Court for the Southern District of Indiana.

1.5. "Defendants" means ITT, Modany, and Fitzpatrick.

1.6. "Defendants' Counsel" means Gibson, Dunn & Crutcher LLP and Ice Miller LLP.

1.7. "Effective Date" means the first date by which all of the events and conditions specified in ¶7.1 of this Stipulation have been met and have occurred. The Effective Date is in no way dependent on, or conditioned on, the approval of any other settlement and/or the resolution of any other action or litigation against Defendants.

1.8. "Escrow Account" means an escrow account established, maintained, and controlled by the Escrow Agent into which Defendants shall deposit, or cause to be deposited, the $12.5375 million ($12,537,500.00) in cash to establish the Settlement Fund.

1.9. "Escrow Agent" means Glancy Prongay & Murray LLP.

1.10. "Final" means, with respect to any Court order, including, without limitation, the Judgment, that such order represents a final and binding determination of all issues within its scope and is not subject to further review on appeal or otherwise. Without limitation, an order becomes "Final" when: (a) no appeal has been filed and the prescribed time for commencing any appeal has expired; or (b) an appeal has been filed and either (i) the appeal has been dismissed and the prescribed time, if any, for commencing any further appeal has expired, or (ii) the order has been affirmed in all material respects and the prescribed time, if any, for commencing any further appeal

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has expired. For purposes of this Paragraph, an "appeal" includes appeals as of right, discretionary appeals, interlocutory appeals, proceedings involving writs of *certiorari* or *mandamus*, and any other proceedings of like kind. Any appeal or other proceeding pertaining to any order adopting or approving a Plan of Allocation, or to any order issued in respect to an application for attorneys' fees and expenses, pursuant to ¶¶6.1 and 6.2, below, shall not in any way delay or preclude the Judgment from becoming Final.

1.11. "ITT Securities" means ITT common stock and any call options or put options on the same. With respect to put options, references to "purchases" of ITT Securities mean the writing of put options.

1.12. "Judgment" means the order of final judgment to be entered by the Court approving the Settlement which, subject to the approval of the Court, shall be substantially in the form attached as Exhibit B hereto.

1.13. "Lead Plaintiff" means Meitav.

1.14. "Litigation" or "Action" means the consolidated securities class action pending in this Court under the caption *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Case No. 1:14-cv-01599-TWP-DML, including, without limitation, all cases consolidated under that caption.

1.15. "Parties" means the Plaintiffs and the Defendants.

1.16. "Person(s)" means an individual, corporation, limited liability company, professional corporation, partnership, limited partnership, limited liability partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity together with their spouses, heirs, predecessors, successors, administrators, parents, subsidiaries, affiliates, representatives, or assignees of any of the foregoing, and any other representative or person or entity acting on behalf of, or claiming under, any of these persons and entities.

1.17. "Plaintiffs" means Meitav, Tarapara, Hennen, Grebely and Truong, both in their individual capacities and as representatives of the Settlement Class.

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1.18. "Plaintiffs' Counsel" means Lead Counsel (Glancy Prongay & Murray LLP) and Katz and Korin, P.C.

1.19. "Plan of Allocation" means a plan or formula of allocation of the Settlement Fund, to be approved by the Court, whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of or provision for expenses of notice and administration of the Settlement, Taxes and Tax Expenses (as defined in ¶2.15(c) hereof), and such attorneys' fees, costs, expenses, and interest and any award to the Plaintiffs as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation and the Defendants and any other Released Persons shall not have any responsibility or liability with respect thereto.

1.20. "Proof of Claim and Release" means the form to be sent to Settlement Class Members, in the form attached as Exhibit A-2 hereto, upon further order(s) of the Court, by which any Settlement Class Member may make claims against the Settlement Fund for damages allegedly incurred by reason of their investment(s) in ITT Securities.

1.21. "Released Claims" means any and all claims (including Unknown Claims), demands, debts, losses, damages, duties, rights, disputes, actions, causes of action, liabilities, obligations, judgments, suits, matters, controversies, proceedings, or issues, of any kind, nature, character, or description whatsoever (and including, but not limited to, any claims for damages, whether compensatory, consequential, special, punitive, exemplary, or otherwise, and any and all fees, costs, interest, expenses, or charges), whether known or unknown, contingent or absolute, suspected or unsuspected, foreseen or unforeseen, disclosed or undisclosed, concealed or hidden, apparent or not apparent, accrued or unaccrued, matured or unmatured, liquidated or not liquidated, asserted or unasserted, at law or in equity, that have been asserted, could have been asserted, or in the future could be asserted against Defendants or any of the Released Persons in this Litigation or in any other court, tribunal, forum or proceeding (including, but not limited to, any claims arising under U.S. federal, state or local law, foreign law, common law, statutory law, administrative law, rule, regulation, or at equity, relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws, or otherwise, and including all claims within the exclusive jurisdiction of the

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federal courts), whether individual, class, direct, derivative, representative, legal, equitable or any other type, or in any other capacity, (a) by reason of, arising out of, relating to, involving or in connection with, directly or indirectly, the allegations, claims, conduct, facts, events, practices, transactions, acts, occurrences, failures, statements, representations, alleged misrepresentations, alleged omissions, the documents publicly filed with the U.S. Securities and Exchange Commission by ITT and all disclosures or alleged non-disclosures made by Defendants in connection with any of the foregoing, or any other matter, thing or cause whatsoever, or any series thereof, that were, could have been or in the future might be alleged, claimed, asserted, embraced, involved, or set forth, referred to in or otherwise related to, directly or indirectly, the Litigation or subject matter of the Litigation; (b) would have been barred by *res judicata* or collateral estoppel had the Action been fully litigated to a final judgment; and (c) were, could have been, or in the future could be, asserted in any forum or proceeding or otherwise by any Settlement Class Member that relate to the purchase, sale, acquisition or holding of ITT Securities during the Settlement Class Period. The Released Claims shall not include claims to enforce the Settlement. For the avoidance of doubt, Released Claims does not include the claims alleged as of the date of this Settlement in the actions captioned: *Sasha Wilfred, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al.*, 1:13-cv-03110-JPO (S.D.N.Y.); *Janice Nottenkamper, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al.*, 1:15-cv-03390 (S.D.N.Y.); *Michelle Lawrence, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al.*, 1:14-cv-02106 (S.D. Ind.); *William McKee, Derivatively on behalf of ITT Educational Services, Inc. v. Kevin Modany, et al.*, 49D07-1507-PL-021891 (Marion Circuit Court, Indianapolis, Indiana); *United States Securities and Exchange Commission v. ITT Educational Services, Inc., Kevin M. Modany, and Daniel M. Fitzpatrick*, 1:15-cv-00758-JMS-MJD (S.D. Ind.); and *In re ITT Educational Services, Inc. Securities Litigation*, 1:13-cv-01620-JPO-JLC (S.D.N.Y.).

1.22. "Released Person(s)" means each and all Defendants, and/or any of their respective past, present or future, family members, spouses, domestic partners, parents, associates,

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affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, representatives, employees, attorneys, financial or investment advisors, consultants, underwriters, investment banks or bankers, commercial bankers, insurers, reinsurers, excess insurers, co-insurers, engineers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or partnerships, joint ventures, personal or legal representatives, administrators, or any other person or entity acting or purporting to act for or on behalf of any of the Defendants, and each of their respective predecessors, successors, and assigns, and any trust of which any Defendant is the settlor or which is for the benefit of any Defendant and/or member(s) of his family. For the avoidance of doubt, Released Persons does not include PricewaterhouseCoopers, LLP, which is also known as PwC LLP.

1.23. "Settlement" means the settlement of the Litigation as embodied in this Stipulation.

1.24. "Settlement Class" means, for purposes of this Settlement, and to be certified pursuant to Fed. R. Civ. P. 23 for purposes of effectuating this Settlement only, all persons and/or entities who purchased or otherwise acquired ITT common stock, purchased or otherwise acquired call options on ITT common stock, or wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive. Excluded from the Settlement Class are Defendants, the officers and directors of ITT during the Settlement Class Period, members of their immediate families, the legal representatives, heirs, successors or assigns of any of the foregoing and any entity in which a Defendant has or had a controlling interest during the Settlement Class Period. Any person or entity that timely and validly requests exclusion from the Settlement Class pursuant to and in accordance with the terms of the Notice Order (as defined in ¶3.1 hereof) is also excluded from the Settlement Class.

1.25. "Settlement Class Member" or "Member of the Settlement Class" means a Person who falls within the definition of the Settlement Class as set forth in ¶1.24 and who does not validly request exclusion from the Settlement Class in accordance with the procedures to be established by the Court in connection with the approval of this Stipulation and the Settlement.

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1.26. “Settlement Class Period” means the period commencing on February 26, 2013, through May 12, 2015, both dates inclusive.

1.27. “Settlement Fund” means $12.5375 million ($12,537,500.00) in cash, plus any interest earned thereon.

1.28. “Settling Parties” means, collectively, Defendants and Plaintiffs, on behalf of themselves and the Members of the Settlement Class.

1.29. “Unknown Claims” means any and all Released Claims, of every nature and description, which Plaintiffs or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this Settlement or not to exclude himself, herself or itself from the Settlement Class. Unknown Claims include those claims in which some or all of the facts comprising the claim may be suspected, or even undisclosed or hidden. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, the provisions, rights, and benefits of California Civil Code § 1542, which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any U.S. federal law or any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable or equivalent in effect to California Civil Code § 1542. Plaintiffs and other Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Plaintiffs and each Settlement Class

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Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have expressly, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Plaintiffs acknowledge, and the Settlement Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and was a material element of the Settlement.

2. The Settlement

A. Scope and Effect of the Settlement

2.1. The obligations incurred pursuant to this Stipulation shall be in full and final disposition of the Action and any and all Released Claims as against all Released Persons. The Settling Parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's-length and in good faith by the Settling Parties, and reflect a settlement reached voluntarily after consultation with experienced legal counsel and an experienced mediator.

2.2. Upon the Effective Date, Plaintiffs and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged each and every Released Claim against each of the Released Persons.

2.3. Upon the Effective Date, Plaintiffs and each of the Settlement Class Members shall have covenanted not to sue the Released Persons with respect to any Released Claims and will be forever barred and enjoined from commencing, instituting, participating in, maintaining, or continuing to prosecute any action or proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting any Released Claim (including, without limitation, Unknown Claims), as well as any claims arising out of, relating to, or in connection with, the defense, settlement, or resolution of this Action against any Released Persons.

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2.4. All Plaintiffs and Settlement Class Members shall be bound by the releases set forth in the Judgment whether or not they submit a Proof of Claim and Release, seek or obtain a distribution from the Settlement Fund, are entitled to receive a distribution under the Plan of Allocation approved by the Court, or have objected to the Settlement, the Plan of Allocation, or Lead Counsel's Fee and Expense Application (as defined in ¶6.1 hereof).

2.5. Upon the Effective Date, any and all Persons shall be permanently barred and enjoined, to the fullest extent permitted by law, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to that Person is their actual or threatened liability to the Settlement Class or a Settlement Class Member) based upon, relating to, arising out of, or in connection with the Released Claims and/or transactions in ITT Securities during the Settlement Class Period.

2.6. Upon the Effective Date, each of Defendants and/or the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Settlement Class Members, Plaintiffs, and Plaintiffs' Counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection with, the institution, prosecution, assertion, settlement, or resolution of the Litigation or the Released Claims.

2.7. Notwithstanding the above, nothing in this Stipulation shall bar any action or claims to enforce the terms of this Stipulation.

B. The Settlement Fund

2.8. In consideration of the full and final settlement of the Released Claims, ITT, on behalf of all Defendants, shall cause the principal amount of the Settlement Fund, $12.5375 million ($12,537,500.00) to be deposited into the Escrow Account by wire transfer or delivery of a check by no later than fifteen (15) business days after the later of: (i) the Court's entry of the Notice Order, preliminarily approving the Settlement, referenced in ¶3.1 below, or (ii) receipt by

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Defendants' Counsel from Plaintiffs' Counsel of all necessary payment details to accomplish payment of the Settlement Fund by wire transfer or check, including payee name, payee mailing address, bank account number, name of bank, and bank address, a Sort Code or ABA Routing Number, the currency of the account receiving the funds, wire transfer instructions, the Tax Identification Number, and an executed Form W-9.

2.9. The amount as specified in ¶2.8 of this Stipulation shall be the full and sole monetary contribution made by or on behalf of the Released Persons in connection with resolution of the Action and the Settlement, including with respect to the payment of notice and administration expenses, which shall be paid out of the Settlement Fund. Under no circumstances will Defendants, collectively or separately, or anyone on their behalves, be required to pay or cause to be paid any amount in addition to the principal amount of the Settlement Fund caused to be deposited with the Escrow Agent pursuant to ¶2.8 of this Stipulation and the Settlement set forth herein. If the Settlement Fund, or any portion thereof, is not deposited into the Escrow Account by the time specified in ¶2.8 hereof, the Parties agree that Defendants will not be obligated to pay the Settlement Fund or any portion thereof and Lead Plaintiff's, Plaintiffs', Plaintiffs' Counsel's, and any other parties' remedy against Defendants shall be to terminate the Settlement.

C. The Escrow Agent

2.10. The Escrow Agent shall invest the Settlement Fund, transferred pursuant to ¶2.8 herein, in instruments either fully insured or backed by the full faith and credit of the United States Government or an agency thereof and shall reinvest the proceeds of these instruments as they mature in similar instruments at their then-current market rates. Defendants and the other Released Persons shall not have any responsibility or liability whatsoever for investment decisions. All risks related to the investment of the Settlement Fund shall be borne by the Escrow Agent and the Settlement Fund, and not by any of the Defendants or other Released Persons who shall be held harmless for any losses arising from the investment or disbursement of the Settlement Fund.

2.11. The Escrow Agent shall permit Plaintiffs' Lead Counsel or the Claims Administrator to withdraw up to two hundred fifty thousand dollars ($250,000.00) from the

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Settlement Fund, upon funding of the Settlement Fund as set forth in ¶2.8, to be used to pay the reasonable costs of providing notice of the Settlement to the Settlement Class, as well as customary administration costs. Prior to the Effective Date, payment of any notice and administration costs exceeding $250,000.00 shall require written agreement from Defendants, through Defendants' Counsel. Subsequent to the Effective Date, without further approval by Defendants or the Court, the Settlement Fund may be used by Lead Counsel to pay notice and administration costs reasonably and actually incurred in excess of $250,000.00. Other than amounts disbursed for providing notice to the Settlement Class, customary administration costs, and Taxes and Tax Expenses (discussed in Section IV.2.D, *infra*), and the Fee and Expense Award (as defined in ¶6.1 hereof) (which shall be paid to Lead Counsel immediately following the Court's execution of an order awarding such fees and expenses), the Settlement Fund shall not be distributed until the Effective Date of the Settlement, as set forth in ¶7.1.

2.12. Subject to further order(s) and/or direction(s) as may be made by the Court, or as provided in this Stipulation, the Escrow Agent is authorized to execute such transactions as are consistent with the terms of this Stipulation.

2.13. All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to this Stipulation, or are returned to the Persons paying the same pursuant to this Stipulation in the event that this Settlement is not consummated or is terminated pursuant to the provisions of Section IV.2.E below, and/or upon further order(s) of the Court.

2.14. The Escrow Agent shall not be responsible for the payment of any sums due to Authorized Claimants or other Persons, except to the extent of maintaining account of and appropriately paying sums as required by this Stipulation, but only to the limited extent that such sums have been delivered into the Escrow Account as required by this Stipulation. The Escrow Agent shall be liable to the extent provided for under the laws of the State of Indiana.

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D. Taxes

2.15. (a) The Settling Parties and the Escrow Agent shall treat the Escrow Account as a "qualified settlement fund" for purposes of Section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The Escrow Agent shall timely make such elections as are necessary or advisable to carry out the provision of this ¶2.15, including, without limitation, the "relation-back election" described in Treas. Reg. §1.468B-1 back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Escrow Agent to prepare and deliver timely and properly the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

(b) The Escrow Agent shall be the Escrow Account's "administrator" as that term is used in Treas. Reg. §1.468B-2. As administrator, the Escrow Agent shall satisfy the administrative requirements imposed by Treas. Reg. §1.468B-2 by, *e.g.*, (i) obtaining a taxpayer identification number, (ii) satisfying any information reporting or withholding requirements imposed on distributions from the Settlement Fund, and (iii) timely and properly filing applicable federal, state or local tax returns necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns described in Treas. Reg. §§1.468B-2(k)) and paying any taxes reported thereon. Such returns (as well as the election described in this ¶2.15) shall be consistent with this ¶2.15 and in all events shall reflect that all Taxes, as defined in subsection (c) below, on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided in ¶2.15(c) hereof.

(c) All: (i) taxes (including any estimated taxes, interest, or penalties) arising with respect to the income earned by the Settlement Fund, including, without limitation, any taxes or tax detriments that may be imposed upon Defendants or Defendants' Counsel with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a "qualified settlement fund" for federal or state income tax purposes (collectively, "Taxes"); and (ii) expenses and costs incurred in connection with the operation and implementation

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of this ¶2.15, including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) the returns described in this ¶2.15 (collectively, "Tax Expenses"), shall be paid out of the Settlement Fund. Neither Defendants, Defendants' Counsel, nor other Released Persons shall have any liability or responsibility for the Taxes or the Tax Expenses, or the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. With funds from the Settlement Fund, the Escrow Agent shall indemnify and hold harmless Defendants, Defendants' Counsel, and other Released Persons for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement Fund and shall timely be paid by the Escrow Agent out of the Settlement Fund without prior order from the Court and the Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. §1.468B-2(1)(2)). Neither Defendants, Defendants' Counsel, Defendants' director and officer liability insurance carriers, nor any other Released Persons shall be responsible in any respect therefore, nor shall they have any liability therefore. The Settling Parties agree to cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this ¶2.15.

E. Termination of Settlement

2.16. In the event that the Stipulation is not approved or the Stipulation is terminated, canceled, or fails to become effective for any reason, the Settlement Fund (including accrued interest) less expenses paid, incurred or due and owing consistent with this Stipulation, including those incurred providing notice to the Settlement Class, locating Settlement Class Members, soliciting claims, assisting with the filing of claims administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms, escrow fees and costs if any and all Taxes and Tax Expenses, provided for herein, shall be refunded pursuant to written instructions from counsel to the Defendants (in accordance with ¶7.4 herein).

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3. Notice Order and Settlement Hearing

3.1. As soon as practicable after execution of this Stipulation, Lead Counsel (with Defendants' Counsel's consent) shall submit the Stipulation, together with its exhibits, to the Court and shall apply for entry of an order (the "Notice Order") attached hereto as Exhibit A, requesting, *inter alia*, the preliminary approval of the Settlement set forth in this Stipulation, approval of the contents and method of distribution for the mailing of a settlement notice (the "Notice") in the form attached as Exhibit A-1 hereto, approval of the contents of the Proof of Claim and Release in the form attached as Exhibit A-2 hereto, and approval of the contents and method of publication of a summary notice (the "Summary Notice") in the form attached as Exhibit A-3 hereto. The Notice shall include the general terms of the Settlement set forth in this Stipulation, the proposed Plan of Allocation, the general terms of the Fee and Expense Application, and the date of the Settlement Hearing (as defined below). Additionally, Defendants shall assist Lead Counsel and/or the Settlement Administrator in obtaining, from ITT's transfer agent, records of ownership as necessary to process and administer the Notice.

3.2. With its application for entry of the Notice Order, requesting preliminary approval of the Settlement, Lead Counsel shall request that the Court hold a hearing (the "Settlement Hearing") after Notice is given, at which time Lead Counsel shall request that the Court grant final approval of the Settlement of this Litigation as set forth herein. To permit compliance with the settlement notice requirements of the Class Action Fairness Act ("CAFA"), 28 U.S.C. § 1715, the Settlement Hearing shall take place no earlier than 100 days after the filing of this Stipulation.[2]

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2 The Settling Parties will request that the Court schedule the Settlement Hearing no earlier than 100 days after entry of the Notice Order, preliminarily approving the Settlement, so that, among other things, the Settling Parties may comply with the provisions of the Class Action Fairness Act.

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3.3. At the Settlement Hearing, the Settling Parties shall jointly request entry of a Judgment, in the form attached hereto as Exhibit B:

(a) finally approving the Settlement as fair, reasonable, and adequate, within the meaning of Rule 23 of the Federal Rules of Civil Procedure, and directing its consummation pursuant to its terms;

(b) directing that the Litigation be dismissed without costs and with prejudice, and releasing the Released Claims;

(c) permanently barring and enjoining the institution and prosecution, by Plaintiffs and the Settlement Class Members, of any other action or proceeding against the Released Persons in any court or forum, asserting any Released Claims; provided, however, that the Judgment shall not bar any action or claim to enforce the terms of the Settlement, as approved by the Court, or the Judgment;

(d) permanently barring and enjoining, to the fullest extent permitted by 15 U.S.C. § 78u-4(f)(7)(A) and any other applicable law or regulation, any and all Persons from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to that Person is their actual or threatened liability to the Settlement Class or a Settlement Class Member) based upon, relating to, arising out of, or in connection with the Released Claims and/or transactions in ITT Securities during the Settlement Class Period;

(e) reserving jurisdiction over the Litigation, including all future proceedings concerning the administration, consummation, and enforcement of this Stipulation;

(f) finding that the Complaint in the Litigation was filed on a good faith basis in accordance with the Private Securities Litigation Reform Act of 1995 and Rule 11 of the Federal Rules of Civil Procedure;

(g) finding, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, that there is no just reason for delaying and directing entry of a final judgment; and

(h) containing such other and further provisions consistent with the terms of this Stipulation and consistent with Exhibit B to which the Settling Parties expressly consent in writing.

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3.4. At or after the Settlement Hearing, Lead Counsel also will request that the Court approve the proposed Plan of Allocation and the Fee and Expense Application. Defendants do not and shall not take any position as to the proposed Plan of Allocation.

4. Releases and Bar Order

4.1. (a) Upon the Effective Date, Plaintiffs and each of the Settlement Class Members (on behalf of themselves and each of their respective present and former family members, spouses, domestic partners, parents, associates, affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, fiduciaries, employees, attorneys, accountants, consultants, underwriters, banks or bankers, insurers, reinsurers, excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or partnerships, joint ventures, personal or legal representatives, administrators, predecessors, successors, and assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Settlement Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Settlement Class Member actually submits a Proof of Claim and Release, seeks or obtains a distribution from the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's Fee and Expense Application, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever waived, released, relinquished, discharged, and dismissed all Released Claims against the Defendants and all other Released Persons.

(b) Upon the Effective Date, Plaintiffs and each of the Settlement Class Members (on behalf of themselves and each of their respective present and former family members, spouses, domestic partners, parents, associates, affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, fiduciaries, employees, attorneys, accountants, consultants, underwriters, banks or bankers, insurers, reinsurers, excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or partnerships, joint ventures, personal or legal representatives, administrators,

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predecessors, successors, and assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Settlement Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Settlement Class Member actually submits a Proof of Claim and Release, seeks or obtains a distribution from the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's Fee and Expense Application, shall have covenanted not to sue the Released Persons with respect to any Released Claims and shall be permanently barred and enjoined from instituting, commencing, participating in, maintaining, or continuing to prosecute any action or proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting any Released Claim (including, without limitation, Unknown Claims), as well as any claims arising out of, relating to, or in connection with, the defense, settlement, or resolution of this Action against any of the Released Persons.

4.2. Upon the Effective Date, each of Defendants and/or the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Settlement Class Members, Plaintiffs, and Plaintiffs' Counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection with, the institution, prosecution, assertion, settlement, or resolution of the Litigation or the Released Claims.

4.3. The proposed Judgment shall include, and the Settling Parties agree to the entry by the Court of an order providing for the bar order in ¶4.4 (the "Bar Order"), subject to the terms in ¶4.6 herein.

4.4. The Bar Order shall provide that, upon the Effective Date, except as provided in ¶4.6 below, any and all persons and entities are permanently barred and enjoined, to the fullest extent permitted by 15 U.S.C. § 78u-4(f)(7)(A) and any other applicable law or regulation, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to that person or entity is their actual or threatened liability to the

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Settlement Class or a Settlement Class Member) based upon, relating to, arising out of, or in connection with the Released Claims, against each and every one of the Released Persons, whether arising under state, federal, common, statutory, administrative or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum; and, except as provided in ¶4.6 below, the Released Persons are permanently barred and enjoined, to the fullest extent permitted by 15 U.S.C. § 78u-4(f)(7)(A) and any other applicable law or regulation, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to the Released Person is their actual or threatened liability to the Settlement Class or a Settlement Class Member) based upon, relating to, or arising out of the Released Claims, against any person or entity, other than a person or entity whose liability to the Settlement Class has been extinguished pursuant to the Settlement and the Judgment, whether arising under state, federal, common, statutory, administrative, or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum. Nothing herein shall bar, release, or alter in any way, any obligations, rights or claims among or between Released Persons.

4.5. The Judgment shall also contain a provision, substantially in the form set forth in Exhibit B hereto, requiring that any final verdict or judgment that may be obtained by or on behalf of the Settlement Class or a Settlement Class Member against any person or entity subject to the Bar Order as defined herein be reduced by the greater of: (i) an amount that corresponds to the percentage of responsibility of any of the Defendants for common damages; or (ii) $12,537,500.00.

4.6. Notwithstanding the foregoing releases and Bar Order, nothing in this Stipulation shall release any claims, or bar any action by any of the Settling Parties, to enforce or to effectuate this Stipulation, the releases and other terms and conditions of the Settlement, the Notice Order, or the Judgment.

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5. Administration and Calculation of Claims, Final Awards, and Supervision and Distribution of the Settlement Fund

5.1. The Claims Administrator, subject to the supervision of Lead Counsel, and such supervision and direction of the Court as may be necessary or as circumstances may require, shall administer and calculate the claims submitted by Settlement Class Members and shall oversee distribution of the Net Settlement Fund (defined below in ¶5.3 hereof)) to Authorized Claimants pursuant to the Plan of Allocation.

5.2. Within ten (10) business days after entry of the Notice Order, counsel for Defendants will use reasonable efforts to cause ITT's transfer agent to provide the Claims Administrator with a list of names and addresses of record holders of ITT Securities during the Class Period. This information shall be provided in an electronic format acceptable to the Claims Administrator. Defendants shall be responsible for any costs or expenses related to providing this information. Defendants and the other Released Persons shall not have any other role in, or any responsibility or liability to any Person for, the administration of the Settlement, nor shall any discovery be taken of Defendants in connection with such matters.

5.3. Upon the Effective Date and thereafter, the Settlement Fund shall be applied as follows:

(a) to pay Lead Counsel for Plaintiffs' attorneys' fees and expenses with interest thereon (the "Fee and Expense Award"), if and to the extent allowed by the Court;

(b) to pay any award of reimbursement of expenses to the Plaintiffs, if and to the extent allowed by the Court;

(c) to pay all the costs and expenses reasonably and actually incurred in connection with providing notice, locating Settlement Class Members, soliciting Settlement Class claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms, and paying escrow fees and costs, if any;

(d) to pay the Taxes and Tax Expenses described in ¶2.15 hereof; and

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(e) to distribute the balance of the Settlement Fund (the "Net Settlement Fund") to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation, or order of the Court.

5.4. Upon the Effective Date and thereafter, and in accordance with the terms of the Stipulation, the Plan of Allocation, or such further approval and further order(s) of the Court as may be necessary or as circumstances may require, the Net Settlement Fund shall be distributed to Authorized Claimants, subject to and in accordance with the following:

(a) Within one hundred-twenty (120) days after the Notice Order or such other time as may be set by the Court, each Person claiming to be an Authorized Claimant shall be required to submit to the Claims Administrator a completed Proof of Claim and Release form ("Proof of Claim"), substantially in the form of Exhibit A-2 attached hereto, signed under penalty of perjury, and supported by such documents as are specified in the Proof of Claim and as are reasonably available to such Person.

(b) Except as otherwise ordered by the Court, any and all Settlement Class Members who fail to timely submit a properly completed Proof of Claim within such period, or such other period as may be ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments pursuant to this Stipulation and the Settlement set forth therein, but shall nevertheless be barred and enjoined from bringing any action, claim or other proceeding of any kind against the Released Persons concerning the Released Claims and will in all respects be subject to and bound by the provisions of this Stipulation, the releases contained herein, the Judgment, and all proceedings, rulings, orders, and judgments in this Action, including without limitation, the release of the Released Claims and the dismissal with prejudice of this Action. Notwithstanding the foregoing, Lead Counsel shall have the discretion to accept late-submitted claims for processing by the Claims Administrator so long as distribution of the Net Settlement Fund is not materially delayed thereby.

(c) The Net Settlement Fund shall be distributed to Authorized Claimants substantially in accordance with the Plan of Allocation set forth in the Notice and approved by the Court. Any such Plan of Allocation is not a part of this Stipulation. No funds from the Net

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Settlement Fund shall be distributed to Authorized Claimants until the Effective Date. Defendants shall not have a reversionary interest in the Net Settlement Fund. If there is any balance remaining in the Net Settlement Fund after six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks, or otherwise), Lead Counsel shall, if feasible, reallocate such balance among Authorized Claimants in an equitable and economic fashion. Thereafter, any balance which still remains in the Net Settlement Fund shall be donated to one or more secular §501(c)(3) organization(s) selected by the Lead Counsel.

5.5. The Released Persons, Defendants' Counsel and Defendants' directors and officers liability insurance carriers shall have no responsibility for, interest in, or liability whatsoever with respect to any act, omission or determination of the Escrow Agent, Claims Administrator, Plaintiffs' counsel, including Lead Counsel, or designees of said persons regarding the investment or distribution of the Settlement Fund or Net Settlement Fund, the Plan of Allocation, the determination, administration, or calculation of claims, the payment or withholding of Taxes or Tax Expenses, or any losses incurred in connection with any such matters. Plaintiffs and each Settlement Class Member hereby fully, finally, and forever release, relinquish, and discharge the Released Persons and their counsel from any and all such liability.

5.6. No Person shall have any claim against Plaintiffs, Lead Counsel, the Claims Administrator, or their counsel based on the distributions made substantially in accordance with this Stipulation and the Settlement contained herein, the Plan of Allocation, or further order(s) of the Court. No Person shall have any claim against the Released Persons or their counsel arising from or relating to the management of, distributions from, or the disposition of the Settlement Fund or the Net Settlement Fund, and Plaintiffs and each Settlement Class Member hereby fully, finally, and forever release, relinquish, and discharge the Released Persons and their counsel from any and all such liability.

5.7. It is understood and agreed by the Settling Parties that any proposed Plan of Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an Authorized Claimant's claim set forth therein, is not a part of the Stipulation and is to be considered

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by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the Settlement set forth in the Stipulation, and any order or proceeding relating to the Plan of Allocation shall not operate to terminate or cancel the Stipulation or affect the finality of the Court's Judgment approving this Stipulation and the Settlement set forth herein, or any other orders entered pursuant to the Stipulation. The time to appeal from approval of the Settlement shall commence upon the Court's entry of the Judgment regardless of whether a Plan of Allocation has been submitted to the Court or has been approved.

5.8. All Persons who fall within the definition of Members of the Settlement Class shall be subject to and bound by the provisions of this Stipulation, the releases contained herein, and the Judgment with respect to all Released Claims, regardless of whether such Persons seek or obtain by any means, including, without limitation, by submitting a Proof of Claim or any similar document, any distribution from the Settlement Fund or the Net Settlement Fund.

6. Lead Counsel's Attorneys' Fees and Expenses

6.1. Lead Counsel may submit an application to the Court (the "Fee and Expense Application") for distributions to Plaintiffs' counsel from the Settlement Fund for: (a) an award of attorneys' fees of up to twenty-five percent (25%) of the Settlement Fund (i.e. up to $3,134,375); plus (b) the payment of reasonable expenses incurred in connection with prosecuting the Litigation (including, but not limited to the fees and expenses of experts and consultants), plus any interest on such attorneys' fees and expenses at the same rate and for the same periods as earned by the Settlement Fund (until paid) as may be awarded by the Court; plus (c) the payment to Plaintiffs for time and expense in litigation of this action (the "Fee and Expense Award"). Lead Counsel reserves the right to make additional applications to the Court for fees and expenses incurred based on unanticipated developments in the Litigation or in the administration of the Settlement.

6.2. The Fee and Expense Award, including the fees and expenses of experts and consultants as awarded by the Court shall be payable to Lead Counsel, from the Settlement Fund, immediately upon the entry of the Court's order awarding such fees and expenses, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral

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attack on the Settlement or any part thereof, subject to Lead Counsel's obligation to repay those amounts to the Settlement Fund, if and when, as a result of any appeal and/or further proceedings on remand, or successful collateral attack, the Fee and Expense Award is reduced or reversed or return of the Settlement Fund is required consistent with the provisions of ¶7.3 hereof. If, and when, as a result of any appeal and/or further proceedings on remand, or successful collateral attack, the Fee and Expense Award is overturned or reduced, or if the Settlement is terminated or is not approved by the Court, or if there is an appeal and any order approving the Settlement does not become Final and binding upon the Settlement Class, then, within ten (10) business days from receiving notice from Defendants' Counsel or from a court of appropriate jurisdiction, Lead Counsel shall refund to the Settlement Fund such fees and expenses previously paid to them from the Settlement Fund, plus interest thereon at the same rate as earned on the Settlement Fund, in an amount consistent with such reversal or modification. Lead Counsel may allocate awarded attorneys' fees among other plaintiffs' counsel in a manner in which, in Lead Counsel's good-faith judgment, reflects the contributions of such counsel to the initiation, prosecution, and resolution of the Litigation. Each such plaintiff's counsel's law firm receiving fees and expenses, as a condition of receiving such fees and expenses, on behalf of itself and each partner and/or shareholder of it, shall agree that the law firm and its partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing the provisions of this Paragraph.

6.3. The procedure for and the allowance or disallowance by the Court of any Fee and Expense Application by Lead Counsel to be paid out of the Settlement Fund, are not part of the Settlement set forth in this Stipulation, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the Settlement set forth in this Stipulation; and any order or proceeding relating to any Fee and Expense Application, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Stipulation or the Settlement.

6.4. Defendants and the other Released Persons and their counsel shall have no responsibility for, and no liability whatsoever with respect to, any payment from the Settlement Fund of any type or nature whatsoever, including attorneys' fees and expenses paid to any counsel for Plaintiffs or the Settlement Class.

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6.5. Defendants and the other Released Persons and their counsel shall have no responsibility for, and no liability whatsoever with respect to, the allocation among plaintiffs' counsel, and/or any other Person who may assert some claim thereto, of any Fee and Expense Award that the Court may make in the Litigation.

7. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination

7.1. The Effective Date of this Stipulation, and the Settlement incorporated herein, shall be conditioned on the occurrence of all of the following events:

(a) the Court has entered the Notice Order, preliminarily approving the Settlement, as required by ¶3.1 hereof;

(b) the Court has granted final approval of the Settlement as described herein, following notice to the Settlement Class and a Settlement Hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure, and has entered the Judgment, in all material respects in accordance with ¶3.3 and Exhibit B hereof;

(c) Defendants have not exercised their option to terminate the Settlement pursuant to ¶7.5 hereof; and,

(d) the Judgment has become Final, as defined in ¶1.10 hereof.

7.2. Upon the occurrence of all of the events referenced in ¶7.1 hereof, any and all remaining interest or right of Defendants in or to the Settlement Fund, if any, shall be absolutely and forever extinguished. If any of the conditions specified in ¶7.1 hereof are not met, then this Stipulation shall be canceled and terminated subject to ¶7.3 hereof, unless Plaintiffs' Lead Counsel and Defendants' Counsel all mutually agree in writing to proceed with the Settlement in accordance with ¶7.4.

7.3. Unless otherwise ordered by the Court, in the event the Effective Date does not occur or this Stipulation shall terminate, or be canceled, or otherwise fail to become effective for any reason, including, without limitation, in the event that the Settlement as described herein is not

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approved by the Court or the Judgment is reversed or vacated following any appeal taken there from, then:

(a) within fifteen (15) business days after written notification of such event is sent by Defendants' Counsel or Lead Counsel to the Escrow Agent, the Settlement Fund (including accrued interest), excluding only reasonable costs actually incurred in connection with providing notice to the Settlement Class that have either been properly disbursed or are due and owing pursuant to ¶2.11 (so long as supporting documentation for such costs is provided) and Taxes and Tax Expenses that have been paid or that have accrued and will be payable at some later date in accordance with ¶2.15 (so long as supporting documentation for such taxes is provided), will be refunded, reimbursed, and repaid by the Escrow Agent to Defendants, as directed in writing by Defendants' Counsel; if said amount or any portion thereof is not returned within such fifteen (15) day period, then interest shall accrue thereon at the same rate as earned by the Settlement Fund until the date that said amount is returned;

(b) at the request of Defendants' Counsel, the Escrow Agent or its designee shall apply for any Tax refund owed on the Settlement Fund and pay the proceeds to Defendants, as directed in writing by Defendants' Counsel, after deduction of any fees or expenses reasonably incurred in connection with such application(s) for refund pursuant to such written request;

(c) the Settling Parties shall be restored to their respective positions in the Litigation as of July 14, 2015, the date the Court granted a stay of this Action pending settlement discussions, with all of their respective claims and defenses preserved as they existed on that date, and the Settling Parties shall in good faith propose a new case schedule;

(d) any order certifying a class in this Action for purposes of this Settlement prior to termination shall be null and void and a class shall not be considered certified for purposes of further litigation;

(e) the terms and provisions of this Stipulation shall be null and void and shall have no further force and effect with respect to the Settling Parties (except for ¶¶1.1-1.29, 2.9, 2.10, 2.12-2.16, 5.5, 6.2, 6.4, 7.3, 7.4, 8.2, 8.5, 8.6, 8.7, 8.11, 8.16, 8.17, and 8.18 which shall survive

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termination), and neither the existence nor the terms of this Stipulation (nor any negotiations preceding this Stipulation nor any acts performed pursuant to, or in furtherance of, this Stipulation) shall be used in this Litigation or in any other proceeding for any purpose; and

(f) any judgment or order entered by the Court in accordance with the terms of this Stipulation shall be treated as vacated, *nunc pro tunc*.

7.4. If the Court does not enter the Judgment in all material respects in the form attached as Exhibit B hereto, or if the Court enters the Judgment and appellate review is sought and, on such review, the entry of the Judgment is finally vacated, modified, or reversed, then this Stipulation and the Settlement incorporated therein shall be cancelled and terminated, unless all parties who are adversely affected thereby, in their sole discretion within thirty (30) business days from the date of the mailing of such ruling to such parties, provide written notice to all other parties hereto of their intent to proceed with the Settlement under the terms of the Judgment as modified by the Court or on appeal. Such notice may be provided on behalf of Plaintiffs and the Settlement Class Members by Lead Counsel. No Settling Party shall have any obligation whatsoever to proceed under any terms other than substantially in the form provided and agreed to herein; provided, however, that no order of the Court concerning any Fee and Expense Application or Plan of Allocation, or any modification or reversal on appeal of such order, shall constitute grounds for cancellation or termination of this Stipulation by any Settling Party. Without limiting the foregoing, Defendants shall have, in their sole and absolute discretion, the option to terminate the Settlement in its entirety in the event that the Judgment, upon becoming Final, does not provide for the dismissal with prejudice of the Litigation against them or provide the releases or bar orders contained in Exhibit B.

7.5. If, prior to the Settlement Hearing, any Persons who otherwise would be Settlement Class Members have validly requested exclusion from the Settlement Class ("Requests for Exclusion") in accordance with the provisions of the Notice or Notice Order, and such Persons, in the aggregate, during the Settlement Class Period purchased or acquired ITT common stock or options on ITT common stock (and/or wrote put options on ITT common stock) equal to or more

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than a certain percentage of ITT Securities specified in a separate Supplemental Agreement to the Stipulation, then Defendants shall have, in their sole and absolute discretion, the option to terminate this Stipulation on behalf of all Settling Parties in accordance with the procedures set forth in the Supplemental Agreement. Lead Counsel shall, however, have an opportunity to seek retraction of any Request for Exclusion under the terms of the Supplemental Agreement. The Supplemental Agreement shall not be filed with the Court. If required by the Court, Plaintiffs and Defendants shall request that the Supplemental Agreement be filed under seal and/or any of its terms be disclosed only *in camera* to the Court for purposes of approving the Settlement, and that such disclosure shall be carried out to the fullest extent possible in accordance with the practices of the Court so as to preserve the confidentiality of the Supplemental Agreement, particularly the threshold percentage amount of ITT Securities specified in the Supplemental Agreement. The Claims Administrator shall promptly (and not more than three (3) business days after the Claims Administrator receives such a request) electronically provide copies of any or all Requests for Exclusion to Lead Counsel and to Defendants' Counsel. A listing of all persons who have validly requested exclusion from the Settlement Class shall be provided by Lead Counsel to Defendants' Counsel within five (5) business days following the deadline for requesting exclusion from the Settlement Class and to the Court no later than ten (10) days prior to the Settlement Hearing. The list of persons who have validly requested exclusion from the Settlement Class provided to the Court shall also include a certification that all Requests for Exclusion have been previously provided to Defendants' Counsel.

8. Miscellaneous Provisions

8.1. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein.

8.2. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

8.3. The Settling Parties: (a) acknowledge that it is their intent to consummate this Stipulation; and (b) agree, subject to their fiduciary and other legal obligations, to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of this Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of this Stipulation.

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8.4. The Settling Parties intend this Settlement to be a final and complete resolution of all disputes that have arisen, or could have arisen, between them, and all claims that have been asserted, or that could have been asserted, by Plaintiffs and the Settlement Class Members against the Defendants and other Released Persons with respect to the Released Claims. The Settlement compromises claims which are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or defense.

8.5. While Defendants deny that the claims advanced in the Litigation were meritorious, they will not assert in any public forum that the Litigation was not filed by Plaintiffs in good faith and/or is not being settled voluntarily after consultation with competent legal counsel. Plaintiffs will not assert in any public forum that Defendants' defenses were, or would be, made in bad faith or without reasonable bases, or that the Settlement is not in the best interests of the Settlement Class Members. The Judgment will contain a finding that, during the course of the Litigation, the parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11. The Settling Parties agree that the amount paid to the Settlement Fund and the other terms of the Settlement were negotiated at arm's length and in good faith by the Settling Parties and reflect a Settlement that was reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve their right to rebut, in a manner that such party determines to be appropriate, any contention made in any public forum that the Litigation was brought or defended in bad faith or without a reasonable basis.

8.6. While maintaining their positions that the claims and defenses asserted in the Action are meritorious, Plaintiffs and Plaintiffs' Counsel, on the one hand, and Defendants and Defendants' counsel, on the other, shall not make any public statements or statements to the media (whether or not for attribution) that disparage the other's business, conduct, or reputation or that of their counsel based on the subject matter of the Action.

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8.7. Whether or not the Settlement is approved by the Court, and whether or not the Settlement is consummated, none of this Stipulation, its Exhibits, the fact and terms of the Settlement contained herein, or any act performed or document executed pursuant to or in furtherance of this Stipulation or the Settlement: (a) is or may be deemed to be or may be used as an admission of, concession of, or evidence of, the truth or validity of any Released Claim, of any allegations or claims made in the Litigation, of any allegations or claims that could have been made in the Litigation, or of any allegation of wrongdoing, negligence, fault, or liability of Defendants or any other Released Persons; or (b) is or may be deemed to be or may be used as an admission of, concession of, or evidence of, the deficiency or infirmity of any defense that has been or could have been asserted in the Action or in any litigation; or (c) is or may be deemed to be or may be used as an admission of, or evidence of, any liability, negligence, fault, misrepresentation, omission, or wrongdoing as against any of Defendants or any Released Persons in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal; or (d) is or may be deemed to be or may be used as an admission of, or evidence that class certification is appropriate in this Action, except for purposes of this Settlement; or (e) is or may be deemed to be or may be used as an admission of, or evidence that the consideration to be paid under the Settlement represents the amount which could be or would have been recovered after trial in this Action; or (f) is or may be deemed to be or may be used as an admission of, or evidence that any damages potentially recoverable under the Complaint would have exceeded or would have been less than the Settlement Fund. Neither this Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of this Stipulation or the Settlement shall be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement; provided, however that if the Settlement is approved by the Court, the Released Persons may refer to or file the Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim under U.S. federal or state law or foreign law.

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8.8. The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest. Without further order of the Court, counsel for the Settling Parties may agree to reasonable extensions of time to carry out any provisions of this Stipulation.

8.9. The waiver by one party of any breach of this Stipulation by any other party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation. The provisions of this Stipulation may not be waived except by writing signed by the affected party, or counsel for that party.

8.10. This Stipulation, including its Exhibits and Supplemental Agreement which are material parts thereof, constitutes the entire agreement among the parties hereto and no representations, warranties, or inducements have been made to any party concerning the Stipulation other than the representations, warranties, and covenants contained and memorialized in such documents. It is understood by the Settling Parties that, except for the matters expressly represented herein, the facts or law with respect to which this Stipulation is entered into may turn out to be other than, or different from, the facts now known to each party or believed by such party to be true; each party therefore expressly assumes the risk of the facts or law turning out to be so different, and agrees that this Stipulation shall be in all respects effective and not subject to termination by reason of any such different facts or law. Except as otherwise provided herein, each party shall bear its own costs.

8.11. This Stipulation shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations among the Settling Parties and all Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

8.12. Lead Counsel, on behalf of the Settlement Class, is expressly authorized by Plaintiffs to take all appropriate action required or permitted to be taken by the Settlement Class pursuant to this Stipulation to effectuate its terms and also are expressly authorized to enter into any

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modifications or amendments to this Stipulation on behalf of the Settlement Class which they deem appropriate. Plaintiffs and Lead Counsel represent and warrant that none of Plaintiffs' claims or causes of action referred to herein, or that could have been alleged in the Litigation, has been assigned, encumbered, hypothecated, conveyed, transferred, or in any manner granted or given, in whole or in part, to any other Person.

8.13. Each counsel or other Person executing this Stipulation and any documents prepared in furtherance of the Stipulation on behalf of any party hereto, hereby warrants that such Person has the full authority to do so.

8.14. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of executed counterparts shall be filed with the Court.

8.15. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties hereto, including any corporation or other entity into or with which any Party merges, consolidates, or reorganizes.

8.16. The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of this Stipulation, and all Parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the settlement embodied in the Stipulation.

8.17. Nothing in this Stipulation, Settlement, or the negotiations or proceedings relating to the foregoing is intended to or shall be deemed to constitute a waiver of any applicable privilege or immunity, including, without limitation, the accountants' privilege, the attorney-client privilege, the joint defense privilege, or work product immunity; further, all communications, documents, and/or other statements between Plaintiffs' Counsel and Defendants' Counsel in connection with the mediation of this Litigation and relating to the drafting and execution of this Settlement shall be kept confidential and shall be inadmissible in any proceeding in any U.S. federal or state court or other tribunal or otherwise, in accordance with Rule 408 of the Federal Rules of Evidence as if such Rule applied in all respects in any such proceeding or forum.

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8.18. This Stipulation and the Settlement contemplated by it, and all disputes arising out of or relating to the Stipulation and Settlement shall be construed and enforced in accordance with, and governed by, the substantive laws and procedural rules of the State of Indiana without giving effect to Indiana's choice-of-law principles, except to the extent that federal law requires that federal law governs. Any dispute relating to this Stipulation shall be brought exclusively in the United States District Court for the Southern District of Indiana.

8.19. Any written notice required pursuant to or in connection with this Stipulation shall be delivered by e-mail to the Parties' counsel as designated and identified below and also by overnight mail addressed to a representative of Lead Counsel and/or Defendants' Counsel, which shall be Robert V. Prongay and Jennifer L. Conn at the addresses identified below, respectively, unless and until notification of a change in said representatives.

8.20. Except where specifically noted, all time periods set forth in this Settlement will be computed in calendar days and pursuant to the terms of Rule 6(a) of the Federal Rules of Civil Procedure.

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of November 2, 2015.

Dated: November 2, 2015

GLANCY PRONGAY & MURRAY LLP

By: /s/ Robert V. Prongay
Lionel Z. Glancy
Robert V. Prongay
Leanne H. Solish
1925 Century Park East, Suite 2100
Los Angeles, California 90067
Telephone: (310) 201-9150
Facsimile: (310) 201-9160

Lead Counsel for Lead Plaintiff and the Class

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KATZ & KORIN, PC
Offer Korin [Atty. No. 14014-49]
334 North Senate Avenue
Indianapolis, Indiana 46204-1708
Telephone: (317) 464-1100
Facsimile: (317) 464-1111

Liaison Counsel for Lead Plaintiff and the Class

Dated: November 2, 2015

GIBSON, DUNN & CRUTCHER LLP

By: /s/ Jennifer L. Conn
Jennifer L. Conn
200 Park Avenue
New York, New York 10166-0193
Telephone: (212) 351-4000
Facsimile: (212) 351-4035

Wayne W. Smith
3161 Michelson Drive
Irvine, California 92612-4412
Telephone: (949) 451-3800
Facsimile: (949) 451-4220

ICE MILLER LLP
Philip A. Whistler
Thomas E. Mixdorf
One American Square, Suite 2900
Indianapolis, Indiana 46282-0200
Telephone: (317) 236-2100
Facsimile: (317) 592-4790

Counsel for Defendants

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EXHIBIT A

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)	CASE NO. 1:14-cv-01599-TWP-DML **EXHIBIT A** **ORDER PRELIMINARILY APPROVING SETTLEMENT AND PROVIDING FOR NOTICE OF PROPOSED SETTLEMENT**

WHEREAS, a putative class action is pending before the Court entitled *In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)*, Civil Action No. 1:14-cv-01599-TWP-DML, United States District Court for the Southern District of Indiana (the "Litigation");

WHEREAS, the Court has received the Stipulation of Settlement dated as of November 2, 2015 (the "Stipulation")[1], which has been entered into by Plaintiffs, on behalf of themselves and all Members of the Settlement Class, and Defendants, and the Court has reviewed the Stipulation and the Exhibits annexed thereto;

WHEREAS, the Settling Parties having made application, pursuant to Federal Rule of Civil Procedure 23(e), for an order preliminarily approving the Settlement of this Litigation, in accordance with the Stipulation which sets forth the terms and conditions for a proposed Settlement of the Litigation and for dismissal of the Litigation with prejudice upon the terms and conditions set forth therein; and the Court having read and considered the Stipulation;

---

1 For purposes of this Order, the Court adopts all defined terms as set forth in the Stipulation, and the capitalized terms used herein shall have the same meaning as in the Stipulation.

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NOW, THEREFORE, IT IS HEREBY ORDERED:

1. The Court does hereby preliminarily approve the Stipulation and the Settlement set forth therein, including all provisions therein and exhibits attached thereto, subject to further consideration at the Settlement Hearing described below.

2. The Court finds that: (a) the Stipulation resulted from arm's-length negotiations; and (b) the Stipulation is sufficiently fair, reasonable and adequate as to the Settlement Class to warrant providing notice of the Settlement to Settlement Class Members and to warrant holding a Settlement Hearing under Rule 23(e) of the Federal Rules of Civil Procedure.

3. The Settlement Hearing shall be held before this Court on , 2016,[2] at : .m., in the Birch Bayh Federal Building & U.S. Courthouse, 46 East Ohio Street, Courtroom 344, Indianapolis, Indiana 46204, for the purpose of determining, among other things: (i) whether the proposed Settlement of the Litigation, on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate and in the best interests of the Settlement Class and should be finally approved by the Court; (ii) whether, for purposes of settlement only, the Settlement Class should be finally certified; whether Lead Plaintiff should be finally appointed as a representative for the Settlement Class; and whether Lead Counsel should be finally appointed as counsel for the Settlement Class; (iii) whether a Judgment, in the form attached as Exhibit B to the Stipulation should be entered herein, dismissing and releasing the Released Claims (as that term is defined in the Stipulation) with prejudice; (iv) whether the proposed Plan of Allocation should be approved; (v) whether to grant Lead Counsel's request of fees and expenses; (vi) whether the Court

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2 The Settling Parties have respectfully requested that the Court schedule the Settlement Hearing no earlier than 100 days after entry of this Order, preliminarily approving the Settlement, so that, among other things, they may comply with the notice provisions set forth in the Class Action Fairness Act, 28 U.S.C. § 1715(b).

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should grant Plaintiffs' reimbursement of their reasonable costs and expenses (including lost wages) directly related to their representation of the Settlement Class; and (vii) to consider any other matters that may properly be brought before the Court in connection with the Settlement.

4. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court preliminarily certifies, solely for the purposes of effectuating this Settlement, a Settlement Class consisting of all persons and/or entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. ("ITT" or the "Company") (ticker symbol: ESI), purchased or otherwise acquired call options on ITT common stock, or wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive (the "Settlement Class"). Excluded from the Settlement Class are Defendants, the officers and directors of ITT during the Settlement Class, members of their immediate families, and the legal representatives, heirs, successors or assigns of any of the foregoing and any entity in which a Defendant has or had a controlling interest during the Settlement Class Period. Also excluded from the Settlement Class is any person or entity that timely and validly requests exclusion from the Settlement Class, pursuant to and in accordance with the terms of this Order. There has been no prior notice to the Settlement Class of the certification of the Settlement Class in this Litigation or prior opportunity for any individual or entity to request to be excluded from being a Member of the Settlement Class.

5. With respect to the Settlement Class, the Court preliminarily finds, for purposes of effectuating this Settlement only, that the prerequisites for a class action under Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure have been satisfied in that: (a) the number of Settlement Class Members is so numerous that joinder of all members thereof is impracticable; (b) there are questions of law and fact common to the Settlement Class; (c) the claims of the Lead Plaintiff are typical of the claims of the Settlement Class it represents; (d) Lead Plaintiff and Lead

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Counsel have and will continue to fairly and adequately represent the interests of the Settlement Class; (e) the questions of law and fact common to the Settlement Class predominate over any questions affecting only individual Members of the Settlement Class; and (f) a class action is superior to other available methods for the fair and efficient adjudication of the controversy.

6. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes of this Settlement only, Lead Plaintiff, is preliminarily appointed as a class representative for the Settlement Class and Glancy Prongay & Murray LLP, previously appointed Lead Counsel, is preliminarily appointed as counsel for the Settlement Class.

7. The Court approves, as to form and content, the Notice of Proposed Settlement of Class Action, Motion for Attorneys' Fees and Settlement Hearing (the "Notice"), the Proof of Claim and Release form (the "Proof of Claim"), and the Summary Notice ("Summary Notice") annexed respectively as Exhibits A-1, A-2 and A-3 to the Stipulation, and finds that the mailing and distribution of the Notice and publishing of the Summary Notice substantially in the manner and form set forth in this Order meet the requirements of Federal Rule of Civil Procedure 23 and the due process requirements of Section 21D(a)(7) of the Securities Exchange Act of 1934, the Due Process clause of the U.S. Constitution, and any other applicable law, and is the best notice practicable under the circumstances and shall constitute due and sufficient notice to all Persons entitled thereto.

8. Upon the entry of this Order, pending final determination by the Court as to whether the Settlement, as set forth in the Stipulation, is fair, reasonable, and adequate, and should be finally approved, and whether the Judgment dismissing the Litigation with prejudice, as set forth in Exhibit B to the Stipulation, should be approved, the Court orders a continuation of the stay of litigation in this Action first entered on July 14, 2015, and neither Plaintiffs nor any Settlement Class Member, either directly, representatively, or in any other capacity, shall assert, commence, or prosecute

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against any of the Released Persons, any of the Released Claims in this Litigation, or in any other action or litigation in any court, arbitration or other tribunal, or in any other proceeding or forum. This injunction is necessary to protect and effectuate the Settlement, this Order, and the Court's flexibility and authority to effectuate the Settlement and to enter judgment when appropriate, and is ordered in aid of the Court's jurisdiction and to protect its judgments.

9. The Court appoints the firm Angeion Group (the "Claims Administrator") to supervise and administer the notice procedure, as well as the processing of claims as more fully set forth below:

a. Not later than twenty (20) business days after the date of this Order (the "Notice Date"), the Claims Administrator shall cause a copy of the Notice and the Proof of Claim, substantially in the forms annexed as Exhibits A-1 and A-2 to the Stipulation, respectively, to be mailed by first class mail to all of the potential Settlement Class Members who can be identified with reasonable effort;

b. Not later than ten (10) business days after the Notice Date, the Claims Administrator shall cause the Summary Notice, substantially in the form annexed as Exhibits A-3 to the Stipulation, to be published once in Investor's Business Daily, and on a different day shall cause the Summary Notice to be published once on *Business Wire*;

c. Not later than the Notice Date, the Claims Administrator shall cause copies of the Stipulation and its Exhibits, the Notice, the Summary Notice, and the Proof of Claim to be posted on the following website: www.ITTEducationSecuritiesLitigation-Indiana.com; and

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d. Not later than seventy (70) days after the date of this Order, Plaintiffs' Lead Counsel shall cause to be served on Defendants' Counsel and filed with the Court proof, by affidavit or declaration, of such mailing, publishing and posting.

10. Nominees who purchased or otherwise acquired ITT Securities between February 26, 2013 and May 12, 2015, both dates inclusive, shall send the Notice and the Proof of Claim to all beneficial owners of such ITT Securities within fourteen (14) days after receipt thereof, or send a list of the names and addresses of such beneficial owners to the Claims Administrator within fourteen (14) days of receipt thereof, in which event the Claims Administrator shall promptly mail the Notice and the Proof of Claim to such beneficial owners. Lead Counsel shall, if requested, reimburse banks, brokerage houses, or other nominees solely for their reasonable out-of-pocket expenses incurred in providing the Notice to beneficial owners who are potential Members of the Settlement Class out of the Settlement Fund, which expenses would not have been incurred except for the sending of such Notice, subject to further order of this Court with respect to any dispute concerning such compensation.

11. Any Person falling within the definition of the Settlement Class may, upon request, be excluded from the Settlement Class. Any such Person must submit to the Claims Administrator a request for exclusion ("Request for Exclusion"), to be received no later than twenty-eight (28) days prior to the Settlement Hearing. A Request for Exclusion must state: (a) the name, address, and telephone number of the Person requesting exclusion; (b) each of the Person's purchases and sales of ITT Securities made during the Settlement Class Period, including the dates of purchase or sale, the number of shares/options purchased and/or sold, and the price paid or received per share for each such purchase or sale; and (c) a statement that the Person wishes to be excluded from the Settlement Class. All Requests for Exclusion must also be signed by the Person requesting exclusion. All

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Persons who submit valid and timely Requests for Exclusion in the manner set forth in this Paragraph shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Settlement or the Judgment entered in this Litigation.

12. Any Person within the definition of the Settlement Class who does not timely and validly request exclusion from the Settlement Class shall be deemed to have waived his, her, or its right to be excluded from the Settlement Class and shall be bound by all determinations and judgments in the Litigation concerning the Settlement, whether favorable or unfavorable to the Settlement Class. All Members of the Settlement Class (all Persons who fall within the definition of the Settlement Class but do not submit a timely and valid Request for Exclusion in the manner stated in this Order) shall be bound by the Settlement and the Judgment, including, but not limited to, the release of the Released Claims provided for in the Settlement and the Judgment, if the Court approves the Settlement.

13. Settlement Class Members who wish to collect in the Settlement shall complete and submit Proof of Claim forms in accordance with the instructions contained therein. Unless the Court orders otherwise, all Proof of Claim forms must be postmarked no later than one hundred twenty (120) days from the date of this Order. Any Settlement Class Member who does not timely submit a Proof of Claim form within the time provided for shall be barred from sharing in the distribution of the proceeds of the Net Settlement Fund, unless otherwise ordered by the Court, but nonetheless will be bound by all of the terms of the Settlement, including the releases provided for therein, and shall be barred and enjoined from bringing any action, claim or other proceeding of any kind against any Released Person concerning any Released Claim, and shall be bound by any judgment or determination of the Court affecting the Settlement Class Members.

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14. The Claims Administrator, subject to the supervision of Lead Counsel and the Court, will make administrative determinations concerning the acceptance and rejection of the Proof of Claim forms submitted. By submitting a Proof of Claim Form, a Member of the Settlement Class shall be deemed to have submitted to the jurisdiction of the Court with respect to the claim submitted, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure.

15. Any Member of the Settlement Class may enter an appearance in the Litigation, at his, her or its own expense, individually or through counsel of his, her or its own choice. If they do not enter an appearance, Lead Counsel will represent them. If any Settlement Class Member chooses to hire an attorney at their own expense, that attorney must file a notice of appearance with the Court and serve it on Lead Counsel and Defendants' Counsel so that notice is received at least fourteen (14) days prior to the Settlement Hearing.

16. Any Member of the Settlement Class may appear at the Settlement Hearing and show cause, if he, she or it has any reason, why the proposed Settlement of the Litigation should or should not be approved as fair, reasonable and adequate, why a Judgment should or should not be entered thereon, why the Plan of Allocation should or should not be approved, why attorneys' fees and reimbursement of expenses should or should not be awarded to Lead Counsel, or why Plaintiffs should not be reimbursed their reasonable costs and expenses (including lost wages) directly related to their representation of the Settlement Class; provided, however, that no Settlement Class Member or any other Person shall be heard or entitled to contest the approval of the terms and conditions of the proposed Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the order approving the Plan of Allocation, or the attorneys' fees and expenses to be awarded to Lead Counsel, or Plaintiffs' reimbursement of costs and expenses (including lost wages) directly

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related to their representation of the Settlement Class, unless that Settlement Class Member has filed said objections, papers and briefs with the Clerk of the United States District Court for the Southern District of Indiana, no later than twenty-one (21) days prior to the Settlement Hearing and delivered copies of any such papers to counsel for the Settling Parties identified in the Notice, such that they are received on or before such date. Any objection must include: (a) the full name, address, and phone number of the objecting Settlement Class Member; (b) a list and documentation of all of the Settlement Class Member's transactions involving the ITT Securities included in the Settlement Class definition, including brokerage confirmation receipts or other competent documentary evidence of such transactions, including the amount and date of each purchase or sale and the price paid and/or received (including all income received thereon); (c) a written statement of all grounds for the objection accompanied by any legal support for the objection; (d) copies of any papers, briefs or other documents upon which the objection is based; (e) a list of all persons who will be called to testify in support of the objection; (f) a statement of whether the objector intends to appear at the Settlement Hearing; (g) a list of other cases in which the objector or the objector's counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years; and (h) the objector's signature, even if represented by counsel. Any Member of the Settlement Class who does not make his, her or its objection in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any such objection, unless otherwise ordered by the Court. By objecting to the Settlement, the Judgment, the Plan of Allocation, Lead Counsel's Fee and Expense Application, or otherwise requesting to be heard at the Settlement Hearing, an objector shall be deemed to have submitted to the jurisdiction of the Court with respect to that Person's objection or request to be heard and the subject matter of the Settlement, including, but not limited to, enforcement of the terms of the Settlement (including, but not limited to, the release of the Released Claims provided for in the Settlement and the Judgment).

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17. All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation or further order(s) of the Court.

18. All papers in support of the Settlement, the Plan of Allocation, and the Fee and Expense Application, shall be filed and served not later than thirty-five (35) days prior to the Settlement Hearing. Any papers in further support of the Settlement, the Plan of Allocation, and the Fee and Expense Application, shall be filed and served no later than ten (10) days prior to the Settlement Hearing. If an objection is filed pursuant to Paragraph 16 above, any reply papers shall be filed no later than seven (7) days before the Settlement Hearing.

19. Neither Defendants nor any of the Released Persons shall have any responsibility for or liability with respect to the Plan of Allocation, any application for attorneys' fees or expenses submitted by Lead Counsel, or any application for Plaintiffs' reimbursement of costs and expenses (including lost wages) directly related to their representation of the Settlement Class, and such matters will be considered separately from the fairness, reasonableness and adequacy of the Settlement.

20. At or after the Settlement Hearing, the Court shall determine whether the Plan of Allocation proposed by Lead Counsel and any application for attorneys' fees or expenses by Lead Counsel or Plaintiffs shall be approved. Any further orders or proceedings solely regarding the Plan of Allocation or any application for attorneys' fees or expenses by Lead Counsel or Plaintiffs, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate the Settlement or in any way disturb or affect or delay the Settlement or the Judgment and the release of the Released Claims.

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21. All reasonable expenses incurred in identifying and notifying Settlement Class Members, as well as administering the Settlement Fund, and paying Taxes and Tax expenses, shall be paid as set forth in the Stipulation. Unless otherwise provided in the Stipulation, there shall be no distribution of any portion of the Settlement Fund to any Settlement Class Member until a Plan of Allocation is finally approved and is affirmed on appeal or *certiorari* or is no longer subject to review by appeal of *certiorari* and the time for any petition for rehearing, appeal of review, whether by *certiorari* or otherwise, has expired. In the event the Settlement is not approved by the Court, or otherwise fails to become effective, neither the Plaintiffs nor Lead Counsel shall have any obligation to repay any amounts actually and properly disbursed from the Settlement Fund pursuant to this Paragraph. If the Settlement does not become Final or is terminated for any reason, within fifteen (15) business days of termination, the Settlement Fund shall be returned to Defendants pursuant to written instructions from Defendants' Counsel, together with any interest earned on the Settlement Fund, less any notice and administration costs actually incurred.

22. Defendants have denied, and continue to deny, any and all allegations of wrongdoing, fraud, fault, liability, or damage related to the claims asserted in the Action; affirm that they have acted properly and lawfully at all times; maintain that they had and have meritorious defenses to all claims alleged in the Action; and have represented that they entered into the Settlement solely in order to eliminate the burden, expense, and uncertainties of further litigation. Whether or not the Settlement is approved by the Court, none of this Order, the Stipulation, including its Exhibits, the fact and terms of the Settlement contained therein, or any act performed or document executed pursuant to or in furtherance thereof: (a) is or may be deemed to be or may be used as an admission

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of, concession of, or evidence of, the truth or validity of any Released Claim, of any allegations or claims made in the Litigation, of any allegations or claims that could have been made in the Litigation, or of any allegation of wrongdoing, negligence, fault, or liability of Defendants or any other Released Persons; or (b) is or may be deemed to be or may be used as an admission of, concession of, or evidence of, the deficiency or infirmity of any defense that has been or could have been asserted in the Action or in any litigation; or (c) is or may be deemed to be or may be used as an admission of, concession of, or evidence of, any liability, negligence, fault, misrepresentation, omission, or wrongdoing as against any of Defendants or any Released Persons in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal; or (d) is or may be deemed to be or may be used as an admission of, or evidence that class certification is appropriate in this Action, except for purposes of this Settlement; or (e) is or may be deemed to be or may be used as an admission of, or evidence that the consideration to be paid under the Settlement represents the amount which could be or would have been recovered after trial in this Action; or (f) is or may be deemed to be or may be used as an admission of, or evidence that any damages potentially recoverable under the Complaint would have exceeded or would have been less than the Settlement Fund. Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement shall be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement; provided, however that if the Settlement is approved by the Court, the Released Persons may refer to or file the Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim under U.S. federal or state law or foreign law.

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23. In the event that the Settlement does not become effective in accordance with the terms of the Stipulation or the Effective Date does not occur, or in the event that the Settlement Fund, or any portion thereof, is returned to the Defendants, then this Order shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated and, in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation. In such an event, the Settling Parties shall return to their positions as of July 14, 2015, the date this Action was stayed pending settlement discussions, without prejudice in any way.

24. Pending the Settlement Hearing, the Court stays all proceedings in the Litigation, other than proceedings necessary to carry out or enforce the terms and conditions of the Stipulation.

25. The Court reserves the right to adjourn the date of the Settlement Hearing without further notice to the Members of the Settlement Class, and retains jurisdiction to consider all further applications arising out of or connected with the Settlement. The Court may approve the Settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to the Settlement Class.

DATED:

THE HONORABLE TANYA WALTON PRATT
UNITED STATES DISTRICT JUDGE

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EXHIBIT A-1

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)	CASE NO. 1:14-cv-01599-TWP-DML **EXHIBIT A-1** **NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, MOTION FOR ATTORNEYS' FEES AND SETTLEMENT HEARING**

IF YOU PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF ITT EDUCATIONAL SERVICES, INC. ("ITT" OR THE "COMPANY") (TICKER SYMBOL: ESI; CUSIP: 45068B109), PURCHASED OR OTHERWISE ACQUIRED CALL OPTIONS ON ITT COMMON STOCK, OR WROTE PUT OPTIONS ON ITT COMMON STOCK, BETWEEN FEBRUARY 26, 2013 AND MAY 12, 2015, BOTH DATES INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Your legal rights are affected whether you act, or don't act.
Read this Notice carefully.[1]

Securities and Time Period: ITT Educational Services, Inc. ("ITT") common stock (ticker symbol: ESI; CUSIP: 45068B109) purchased or acquired, call options on ITT common stock purchased or acquired, and put options on ITT common stock written, between February 26, 2013 and May 12, 2015, both dates inclusive (the "Settlement Class Period").

1 This Notice summarizes and is qualified in its entirety by, and incorporates by reference, the Stipulation of Settlement dated November 2, 2015 (the "Stipulation"), which sets forth the terms of the Settlement. Please refer to the Stipulation for a complete description of the terms and provisions thereof. A copy of the Stipulation is available at www.ITTEducationSecuritiesLitigation-Indiana.com. All capitalized terms used, but not defined herein, shall have the same meanings as in the Stipulation.

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Settlement Fund: $12,537,500.00 in cash. Your recovery will depend on the number of ITT Securities you, and other Settlement Class Members who file claims, purchased, acquired and sold, options written, and the prices at which you, and the other Settlement Class Members who file claims, purchased and sold those ITT Securities. The estimated average recovery per share of common stock will be approximately $0.38 per share before deduction of Court-approved fees and expenses and costs of notice and claims administration. Historically, actual claims rates are less than 100%, which will result in a higher distribution per share.

Reasons for Settlement: The case has been litigated since September 2014. Plaintiffs and Plaintiffs' Lead Counsel believe that the Settlement provides the Settlement Class with a benefit now, instead of years of further uncertain litigation, including disposition of summary judgment motions, a contested trial and likely appeals, with the possibility of no recovery at all.

Plaintiffs allege that Defendants engaged in securities fraud by misrepresenting the liabilities relating to two risk-sharing agreements for private student loan programs for ITT students and the effect of these programs on ITT's liquidity and financial condition. Plaintiffs also allege misrepresentations and omissions, in documents filed with the U.S. Securities and Exchange Commission (the "SEC") and in public statements to investors, regarding ITT's accounting for its obligations under these risk-sharing agreements for private student loan programs.

The Defendants deny all claims of wrongdoing and affirm that they have acted properly and lawfully at all times. Defendants have expressly denied, and continue to deny, each and all of the allegations made and claims brought by Plaintiffs in this Action and deny that that they are liable to Plaintiffs or the Settlement Class. Defendants maintain that they have meritorious defenses to all of Plaintiffs' allegations and contend that many of the factual allegations made in this Action are materially inaccurate. Defendants also have denied, and continue to deny, among other things, the allegations that Plaintiffs or the Settlement Class have suffered any injury or damages or that the Settlement Class was harmed by the conduct alleged in the Complaint or otherwise.

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Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive and wish to avoid the expense, inconvenience, and distraction of burdensome and protracted litigation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation. Defendants have, therefore, determined that it is desirable and beneficial that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation. The Settlement shall in no event be construed as, or deemed to be evidence of, an admission or concession by any of the Defendants with respect to any claim of any fault or liability or wrongdoing or damage to the Settlement Class Members in this Litigation. Nor shall the Settlement in any event be construed as, or deemed to be evidence of, an admission or concession by any Defendant of any infirmity in the defenses that Defendants could have asserted in this Action or otherwise. Had the terms of the Settlement not been reached, Defendants would have continued to contest vigorously Plaintiffs' allegations.

If the Case Had Not Settled: The Settlement must be compared to the risk of no recovery after contested dispositive motions, trial, and likely appeals. A trial is a risky proposition. The claims in this Litigation involve numerous complex legal and factual issues, many of which would require expert testimony. If there were no Settlement and Plaintiffs failed to establish any essential legal or factual element of their claims against the Defendants, neither Plaintiffs nor the Settlement Class would recover anything from the Defendants. Also, if the Defendants were successful in proving any of their defenses, the Settlement Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

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The Settling Parties disagree on both liability and damages and do not agree on the average amount of damages per share, if any, that would be recoverable if Plaintiffs were to have prevailed on any or all of the claims alleged. Among the many key issues about which Plaintiffs and Defendants do not agree, include, without limitation: (1) whether Defendants violated the securities laws or otherwise engaged in any wrongdoing; (2) whether the misrepresentations and omissions alleged by Plaintiffs were material, false, misleading or otherwise actionable under the securities laws; and (3) the method for determining whether, and the extent to which, purchasers of ITT Securities suffered injury and damages that could be recovered at trial.

Attorneys' Fees and Expenses: Plaintiffs' Lead Counsel has not received any payment for its work or expenses incurred in investigating the facts, conducting this Litigation, and negotiating the Settlement on behalf of the Plaintiffs and the Settlement Class. Plaintiffs' Lead Counsel will ask the Court for attorneys' fees not to exceed $3,134,375 (or 25%) of the Settlement Fund and expenses not to exceed $175,000 to be paid from the Settlement Fund, plus interest on both amounts. The Lead Plaintiff and other named Plaintiffs will also request payment for their actual costs and expenses (including lost wages) directly related to their representation of the Settlement Class, not to exceed $27,500.

If the above amounts are requested and approved by the Court, the average cost per share of common stock will be approximately $0.10 per share, making the estimated recovery per share after attorneys' fees and expenses approximately $0.28.

Dismissal and Releases: If the proposed Settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice (the "Judgment"). The Judgment will dismiss the Released Claims with prejudice as to the Defendants and all other Released Persons. The Judgment will provide that all Settlement Class Members shall be deemed to have forever released,

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relinquished, dismissed and discharged all Released Claims against all Released Persons. Settlement Class Members will be permanently barred and enjoined from pursuing any or all Released Claims (including Unknown Claims) against any Released Person in this Action or in any other action or proceeding, in any forum. The definitions of Released Claims and Released Persons, and the terms of the releases which are part of the Settlement (the "Releases"), are set forth in the Stipulation as well as in the Proof of Claim form that is enclosed.

More Information: www.ITTEducationSecuritiesLitigation-Indiana.com

Claims Administrator:

ITT Educational Services, Inc. Securities Litigation
Claims Administrator
1801 Market Street, Suite 660
Philadelphia, PA 19103
1-877-235-9544
ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com

Lead Counsel:

Lionel Z. Glancy, Esq.
Glancy Prongay & Murray LLP
1925 Century Park East, Suite 2100
Los Angeles, California 90067
1-888-773-9224
settlements@glancylaw.com

- **Your legal rights are affected whether you act, or don't act. Read this Notice carefully.**

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

SUBMIT A CLAIM	This is the only way to receive a payment. If you wish to obtain a payment as a Member of the Settlement Class, you will need to file a Proof of Claim and Release form ("Proof of Claim").
OBJECT	You may write to the Court if you do not like this Settlement, the proposed Plan of Allocation, or Lead Counsel's Fee and Expense Application.
EXCLUDE YOURSELF	Receive no payment. This is the only option that allows you to participate in another lawsuit, or to otherwise seek recovery, against the Defendants relating to the claims being released in this Action.

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GO TO A HEARING	You may ask to speak in Court about the fairness of the Settlement.
DO NOTHING	Receive no payment. You will remain a Settlement Class Member, and if you take no action, you will give up your right to seek recovery against Defendants and all other Released Persons in connection with the claims being released by Plaintiffs and the Settlement Class in this Action.

- Unless you validly and timely request exclusion from the Settlement Class, or unless the Court rejects the proposed Settlement, you are bound by the Stipulation and its Releases of the Defendants and Released Persons, whether or not you submit a Proof of Claim.
- These rights and options — ***and the deadlines to exercise them*** — are explained in this Notice.

  Deadlines:

Submit Claim:	, 2016
File Objection:	, 2016
Request Exclusion	, 2016
Court Hearing on Fairness of Settlement:	, 2016

- This Notice does not express any opinion by the Court concerning the merits of any claim in the Action.
- The Court presiding over this case must decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

WHAT THIS NOTICE CONTAINS

BASIC INFORMATION

1. Why did I receive this notice package?
2. What is this lawsuit about?
3. Why is this a class action?
4. Why is there a Settlement?

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WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the Settlement?
6. Where are the exceptions to being included?
7. I'm still not sure if I'm included.

THE SETTLEMENT BENEFITS – WHAT YOU GET

8. What does the Settlement provide?
9. How much will my payment be?

HOW YOU GET A PAYMENT – SUBMITTING A CLAIM FORM

10. How can I obtain a payment?
11. When will I receive my payment?
12. What am I giving up to receive a payment?

EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT

13. How do I get out of the Class?
14. If I do not exclude myself, can I sue the Defendants for the same thing later?
15. If I exclude myself, can I receive money from the class action Settlement?

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in the case?
17. How will the lawyers be paid?

OBJECTING TO THE SETTLEMENT

18. How do I tell the Court that I do not like the Settlement?

THE COURT'S SETTLEMENT HEARING

19. When and where will the Court decide whether to approve the Settlement?
20. Do I have to come to the hearing?
21. May I speak at the hearing?

IF YOU DO NOTHING

22. What happens if I do nothing at all?

GETTING MORE INFORMATION

23. Are there more details about the Settlement?

UNDERSTANDING YOUR PAYMENT

BASIC INFORMATION

1. Why Did I Receive This Notice Package?

You or someone related to you may have purchased or acquired ITT Educational Services, Inc. ("ITT") common stock (ticker symbol: ESI) or call options on ITT common stock, or may have written put options on ITT common stock (stock and options collectively, "ITT Securities"), between February 26, 2013 and May 12, 2015, both dates inclusive.

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This Notice was sent because you have a right to know about a proposed Settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments to those persons or entities who timely submit claims in the manner described below.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this case is the United States District Court for the Southern District of Indiana, and the case is known as *In re ITT Educational Services, Inc. Securities Litigation (Indiana),* Civil Action No. 1:14-cv-01599-TWP-DML (the "Action"). The Judge presiding over this Action is the Honorable Tonya Walton Pratt. Lead Plaintiff Meitav Dash Mutual Fund Management Ltd. ("Lead Plaintiff") and Lead Counsel (Glancy Prongay & Murray LLP) have been preliminarily appointed by the Court to represent the interests of the Settlement Class in this Action. Lead Plaintiff and other named Plaintiffs who have been involved in the Litigation (Plaintiff Babulal Tarapara, Plaintiff Kristopher Hennen, Plaintiff Cynthia Grebely, and Plaintiff Hoai T. Truong) are collectively called the "Plaintiffs," and the Company and persons that Plaintiffs have sued are collectively called the "Defendants." Here, the Defendants are ITT; Kevin M. Modany, the Company's CEO during the Settlement Class Period; and Daniel M. Fitzpatrick, the Company's CFO during the Settlement Class Period. The Settling Parties include the Plaintiffs, on behalf of themselves and the Settlement Class, and all of the Defendants.

2. What Is This Lawsuit About?

This Litigation alleges violations of the federal securities laws (specifically, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934) against Defendants.

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ITT is a Delaware corporation that trades on the New York Stock Exchange (the "NYSE") under the ticker symbol "ESI", with its principal executive offices located at 13000 North Meridian Street, Carmel, Indiana, 46032. The Company is a for-profit education company which provides educational services to students with a focus on providing technology-oriented undergraduate and graduate degree programs through its ITT Technical Institutes and Daniel Webster College.

Plaintiffs allege that, during the Settlement Class Period, ITT's stock price was artificially inflated as a result of a series of untrue or materially misleading misrepresentations and omissions concerning risk-sharing agreements relating to certain third-party, private student loan programs which provided loans to ITT's students. Defendants deny that they made any such misleading statements or omissions, deny that ITT's stock price was artificially inflated as a result of any statements or omissions, and further deny any and all allegations of wrongdoing.

3. Why Is This A Class Action?

Class actions are generally used in lawsuits that affect a large number of individuals; in effect, the class action operates to consolidate into a single action all of the claims of individuals allegedly harmed by the same conduct or course of conduct, thus alleviating the need for members of the class to file their own individual lawsuits to recover for the harm alleged. Once a class is certified, the Court is empowered to resolve all issues on behalf of members of the class, except for those members of the class, if any, who specifically choose to exclude themselves from the Class.

As part of the Settlement approval process, Plaintiffs will ask the Court to certify a Settlement Class for settlement purposes only. The proposed Settlement Class will consist of all persons and entities who purchased or otherwise acquired ITT common stock or call options on ITT common stock, or who wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive. Excluded from the Settlement Class are Defendants, the

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officers and directors of ITT during the Settlement Class Period, members of their immediate families, the legal representatives, heirs, successors or assigns of any of the foregoing and any entity in which a Defendant has or had a controlling interest during the Settlement Class Period.

All who fit within the definition of the Settlement Class are Members of the Settlement Class, except those Persons who timely file a Request for Exclusion that is received by the firm Angeion Group by , 2016, twenty-eight (28) days prior to the Settlement Hearing. All Persons who do not timely exclude themselves from the Settlement Class will be bound by the proposed Settlement and its accompanying Releases.

4. Why Is There a Settlement?

The Court did not decide in favor of Plaintiffs or Defendants. Instead, both sides agreed to a Settlement. This permits them to avoid the cost and uncertainty of a trial, and permits eligible Settlement Class Members, who submit valid Proof of Claim forms, to receive compensation. While Lead Plaintiff and Lead Counsel believe that the claims asserted against the Defendants have merit, they recognize the expense and length of continued proceedings necessary to pursue their claims against Defendants through trial and appeals, as well as the difficulties in establishing liability and the uncertain outcome of trial and appellate risk in complex lawsuits like this one. Accordingly, Lead Plaintiff and Lead Counsel believe the Settlement is best for all Settlement Class Members.

Defendants have expressly denied, and continue to deny, each and all of the claims alleged by Plaintiffs in this Action and affirm that they have acted properly and lawfully at all times. Nonetheless, Defendants have concluded that further defense of the Litigation would be protracted and expensive and wish to avoid the expense, inconvenience, and distraction of burdensome and protracted litigation. Defendants also have taken into account the uncertainty and risks inherent in

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any litigation, especially in complex cases such as this Litigation. Defendants have, therefore, determined that it is desirable and beneficial that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

WHO IS IN THE SETTLEMENT

To see if you will receive money from this Settlement, you first have to determine if you are a Settlement Class Member.

5. How Do I Know if I Am Part of the Settlement?

The Settlement Class includes **all persons and entities who purchased or otherwise acquired ITT common stock, who purchased or otherwise acquired call options on ITT common stock, or who wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive.**

6. What Are the Exceptions to Being Included?

You are not a Settlement Class Member if you are a Defendant, were an officer or director of ITT during the Settlement Class Period, are a member of the immediate families of or are the legal representative, heir, successor, or assign of any of the foregoing. You also are not a Settlement Class Member if you are an entity in which a Defendant has or had a controlling interest during the Settlement Class Period.

7. I'm Still Not Sure if I Am Included.

If you are still not sure whether you are included, you can ask for free help. You can call Lionel Z. Glancy of Glancy Prongay & Murray LLP at 1-888-773-9224 for more information. Or you can fill out and return the claim form described in Question 10 to see if you qualify.

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THE SETTLEMENT BENEFITS — WHAT YOU GET

8. What Does the Settlement Provide?

The Settlement will result in a Settlement Fund of $12.5375 million ($12,537,500.00) in cash. The balance of this Settlement Fund, after payment of Court-approved attorneys' fees and litigation expenses, Taxes and Tax Expenses, and the costs of claims administration, including the cost of printing and mailing this Notice and the cost of publishing the Summary Notice (the "Net Settlement Fund"), will be divided among all eligible Settlement Class Members who send in valid Proof of Claim forms.

9. How Much Will My Payment Be?

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Settlement Class Members send in, the number of ITT Securities that you purchased, acquired, or sold during the relevant period, and the timing of your purchases, acquisitions, and sales. You will not receive a payment, however, if your proportionate share of the Net Settlement Fund is less than $20.00.

You can calculate your claim ("Recognized Claim") in accordance with the formula shown below in the Plan of Allocation. After all Settlement Class Members have sent in their Proof of Claim forms, the payment you receive will reflect your Recognized Claim in relation to the Recognized Claims of all persons submitting Proof of Claim forms. The Recognized Claim is not the amount of the payment that you can expect, but is used to determine how the Net Settlement Fund is allocated among all persons submitting claims.

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HOW YOU OBTAIN A PAYMENT — SUBMITTING A PROOF OF CLAIM FORM

10. How Will I Obtain a Payment?

To qualify for payment, you must be an eligible Settlement Class Member, send in a valid Proof of Claim form, and properly document your claim as requested in the Proof of Claim form. A Proof of Claim form is enclosed with this Notice. You may also get a Proof of Claim form on the internet at www.ITTEducationSecuritiesLitigation-Indiana.com. Read the instructions carefully, fill out the Proof of Claim form, include the documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later than , 2016.

11. When Will I Receive My Payment?

The Court will hold a Settlement Hearing on , 2016, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. Even if no appeals are filed, it will take several months for the Claims Administrator to process all of the Proof of Claim forms and to determine the ultimate distribution amounts.

12. What Am I Giving Up to Receive a Payment?

Unless your Request for Exclusion from the Settlement Class is received by the deadline of [28 days prior to the Settlement Hearing] , 2016, you are a Member of the Settlement Class and will be bound by the Releases of claims against the Defendants and other Released Persons. That means that you cannot sue, continue to sue, or be part of any other lawsuit or other proceeding against the Defendants or any other Released Persons about the Released Claims in this case. It also means that all of the Court's Orders, including the proposed Judgment which will dismiss with prejudice the claims in this Action, will apply to you and legally bind you, and you will release your claims in this case against the Defendants and the other Released Persons. The

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terms of the Releases, which specifically include the release of Unknown Claims against the Defendants and all other Released Persons, are set forth in the Stipulation and are summarized in the Proof of Claim form that is enclosed.

EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT

If you do not want a payment from the class action Settlement, but you want to keep the right to sue or to continue to sue the Defendants on your own for the Released Claims in the class action, then you must take steps to get out of the Settlement Class. This is called excluding yourself or is sometimes referred to as opting out of the Settlement Class.

13. How Do I Get Out of the Settlement Class?

To exclude yourself from the Settlement Class, you must send a letter by first class mail (or its equivalent outside the U.S.) stating that you want to be excluded from Settlement Class in *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Civil Action No. 1:14-cv-01599-TWP-DML. You must include your name, address, telephone number, your signature, and the number of shares of ITT common stock and/or options that you purchased or acquired between February 26, 2013 and May 12, 2015, both dates inclusive, the number of shares of ITT common stock and/or options that you sold during this time period, if any, and the dates of such purchases, acquisitions, and/or sales, and a statement that you wish to be excluded from the Settlement Class. You must mail your exclusion request, such that it is received by no later than , 2016, to:

ITT Educational Services, Inc. Securities Litigation
Claims Administrator
1801 Market Street, Suite 660
Philadelphia, PA 19103

Please keep a copy of everything you send by mail, in case it is lost during shipping.

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You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any Settlement payment, and you cannot object to the class action Settlement. If you exclude yourself, you may have the right to pursue litigation on your own.

14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?

No. Unless you timely and validly exclude yourself from the Settlement Class, you give up any right to sue the Defendants and the Released Persons for the Released Claims in the Settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the deadline by which your Request for Exclusion must be received is [28 days prior to the Settlement Hearing] , 201 .

15. If I Exclude Myself, Can I Receive Money from the Class Action Settlement?

No. If you exclude yourself, do not send in a Proof of Claim form. You will not receive any benefit provided for in the Settlement.

THE LAWYERS REPRESENTING YOU

16. Do I Have a Lawyer in This Case?

The Court appointed the law firm of Glancy Prongay & Murray LLP to represent you and other Settlement Class Members. These lawyers are called Plaintiffs' Lead Counsel. You will not be personally liable for the fees and expenses incurred by these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense. If you choose to retain your own counsel, at your own expense, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on Lead Counsel and Defendants' Counsel, at the addresses listed in this Notice, so that notice is received at least fourteen (14) days prior to the Settlement Hearing.

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17. How Will the Lawyers Be Paid?

Plaintiffs' Counsel will ask the Court for attorneys' fees of up to twenty-five percent (25%) of the Settlement Fund and for expenses up to $175,000 in connection with the Litigation. The Plaintiffs will also request payment of their actual costs and expenses (including lost wages) directly related to their representation of the Settlement Class, not to exceed $27,500. Such sums as may be approved by the Court will be paid from the Settlement Fund. Settlement Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Plaintiffs' Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. Since the case began in September 2014, Plaintiffs' Lead Counsel has conducted all of the investigation and other efforts necessary to prepare the case for motion practice, for discovery, and for trial, and has consulted experts regarding damages and accounting issues. To date, Plaintiffs' Lead Counsel has not been paid for its services in conducting this litigation on behalf of the Plaintiffs and the Settlement Class, nor for their expenses. Plaintiffs' Lead Counsel has expended to date more than 4400 hours of attorney and paralegal time in prosecuting the Settlement Class's claims. The fee requested will compensate Plaintiffs' Lead Counsel for their work in achieving the Settlement Fund.

Plaintiffs' Lead Counsel shall file a formal motion with the District Court for final approval of the Settlement, the Plan of Allocation, and any requests for attorneys' fees and reimbursement of expenses not later than thirty-five (35) days prior to the Settlement Hearing. That motion will argue that the requested fees are well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court determines what counsel should receive from the Settlement Fund for fees and expenses, and may award less than this amount.

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OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

18. How Do I Tell the Court that I Do Not Like the Settlement?

If you are a Settlement Class Member, you can object to the Settlement if you do not like any part of it, including the Plan of Allocation and any requests for attorneys' fees and reimbursement of expenses. You can state the reasons why you think the Court should not approve the Settlement or any part of it, and the Court will consider your views. To object, you must send a letter or other written statement saying that you object to the Settlement in *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Civil Action No. 1:14-cv-01599-TWP-DML, and explaining in detail the basis for your objection and any legal support. Be sure to include your (i) full name, (ii) address, (iii) telephone number, (iv) your signature,(v) the number of shares of ITT common stock and/or options you purchased, acquired, and/or sold between February 26, 2013 and May 12, 2015, both dates inclusive; (vi) the number of shares of ITT common stock and/or options that you sold during this time period, if any; (vii) the dates of such purchases, acquisitions, and/or sales; (viii) the prices paid and/or received in those transactions (including all income received thereon); and (ix) copies of documents (such as brokerage statements) sufficient to show that you are a Member of the Settlement Class. You also need to include with your objection any documents on which the objection is based; a list of all persons, if any, who will be called to testify in support of the objection; a statement as to whether you intend to appear at the Settlement Hearing; and a list of other cases in which you or your counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years.

You may not object to the Settlement, or any aspect of it, if you do not qualify as a Member of the Settlement Class or if you excluded yourself from the Settlement Class. If you object to the

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Settlement, or any aspect of it, or otherwise request to be heard at the Settlement Hearing, you are submitting to the jurisdiction of the Court with respect to the subject matter of the Settlement, including, but not limited to, the release of the Released Claims contained in the Judgment, if approved by the Court.

The motions in support of the Settlement, the Plan of Allocation, and the requests for attorneys' fees and reimbursement of litigation expenses, will be filed no later than [35 days prior to the Settlement Hearing] , 2016, and they will be available from Plaintiffs' Lead Counsel, the Claims Administrator, or the Court: their contact information is listed in Section 23, below. Any objection must be mailed or delivered such that it is received by each of the following no later than [21 days prior to the Settlement Hearing], , 2016:

Court:

Clerk of the Court
U.S. District Court
Clerk's Office, Room 105
46 East Ohio Street
Indianapolis, IN 46204

Lead Counsel Designee:

Lionel Z. Glancy, Esq.
Glancy Prongay & Murray LLP
1925 Century Park East, Suite 2100
Los Angeles, California 90067
settlements@glancylaw.com

Defendants' Counsel Designee:

Jennifer L. Conn, Esq.
Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166-0193

THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to grant final approval of the Settlement. You may attend and you may ask to speak, but neither is required.

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19. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a Settlement Hearing at : .m., on , 2016, before the Honorable Tonya Walton Pratt, at the Birch Bayh Federal Building & U.S. Courthouse, 46 East Ohio Street, Courtroom 344, Indianapolis, Indiana 46204. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate and in the best interests of the Settlement Class, and whether the Settlement should be finally approved by the Court. If there are objections, the Court will consider them.

Other matters that the Court will determine at the Settlement Hearing include: (i) whether, for purposes of settlement only, the Settlement Class should be finally certified; whether Lead Plaintiff should be finally appointed as a representative for the Settlement Class; and whether Lead Counsel should be finally appointed as counsel for the Settlement Class; (ii) whether a Judgment, in the form attached as Exhibit B to the Stipulation, should be entered, dismissing and releasing the Released Claims with prejudice; (iv) whether the proposed Plan of Allocation is fair, reasonable, and adequate and should be approved; (v) whether to grant Lead Counsel's request of fees and expenses; (vi) whether the Court should grant Plaintiffs' reimbursement of their reasonable costs and expenses (including lost wages) directly related to their representation of the Settlement Class.

The Court may decide these issues at the Settlement Hearing or take them under consideration for a later decision. Additionally, the Settlement Hearing may be adjourned by the Court without further written notice to the Settlement Class. Any new date for the Settlement Hearing will be posted on the settlement website at www.ITTEducationSecuritiesLitigation-Indiana.com. If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

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20. Do I Have to Come to the Hearing?

No. Plaintiffs' Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not 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 is not necessary.

21. May I Speak at the Hearing?

You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter or other written statement saying that it is your intention to appear in *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Civil Action No. 1:14-cv-01599-TWP-DML, and explaining in detail the basis for your desire to speak at the Settlement Hearing. Be sure to include your full name, address, telephone number, your signature, the number of shares of ITT common stock and/or options you purchased, acquired, and/or sold between February 26, 2013 and May 12, 2015, both dates inclusive, the dates of those transactions and the prices paid and/or received, and copies of documents (such as brokerage statements) sufficient to show that you are a Member of the Settlement Class. Your notice of intention to appear must be received no later than [21 days prior to the Settlement Hearing], , 2016, by the Clerk of the Court, Lead Counsel Designee, and Defendants' Counsel Designee, at the three addresses listed in Question 18.

IF YOU DO NOTHING

22. What Happens if I Do Nothing at All?

If you do nothing, all of your claims against the Defendants and Released Persons will be released, but you will not receive any money from this Settlement and will in all other respects remain a Settlement Class Member and be subject to the provisions of the Settlement. It is necessary to submit a Proof of Claim and Release form to receive money from the Settlement.

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GETTING MORE INFORMATION

23. Are There More Details About the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation and Agreement of Settlement dated as of November 2, 2015 (the "Stipulation"). You can obtain a copy of the Stipulation or more information about the Settlement by contacting Plaintiffs' Lead Counsel:

Lionel Z. Glancy, Esq.
Glancy Prongay & Murray LLP
1925 Century Park East, Suite 2100
Los Angeles, California 90067
settlements@glancylaw.com
1-888-773-9224

or the Claims Administrator:

ITT Educational Services, Inc. Securities Litigation
Claims Administrator
1801 Market Street, Suite 660
Philadelphia, PA 19103
ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com
1-877-235-9544

or by visiting www.ITTEducationSecuritiesLitigation-Indiana.com

You can also obtain a copy from the Clerk's office during regular business hours:

Clerk of the Court
U.S. District Court
Clerk's Office, Room 105
46 East Ohio Street
Indianapolis, IN 46204

UNDERSTANDING YOUR PAYMENT

The Net Settlement Fund shall be distributed to Settlement Class Members who submit acceptable Proof of Claim forms ("Authorized Claimants") in the following manner:

a. The Claims Administrator shall determine each Authorized Claimant's share of the Net Settlement Fund based upon the recognized loss formula (the "Recognized Loss") described below. The Recognized Loss formula is intended to equitably apportion the Net Settlement Fund

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among Settlement Class Members. The Recognized Loss formula is not an estimate of what a Settlement Class Member would have recovered after trial; nor is it the amount that the Authorized Claimant will be paid pursuant to the Settlement.

b. A Settlement Class Member's actual share of the Net Settlement Fund will be determined by the ratio of the Settlement Class Member's Recognized Loss divided by the aggregate of the Recognized Loss of all Settlement Class Members.

c. The Proposed Plan of Allocation or Recognized Loss formula is as follows:

For shares of common stock purchased or otherwise acquired between February 26, 2013 and May 11, 2015:

A. For shares held at the end of trading on August 7, 2015, the Recognized Loss shall be that number of shares multiplied by the lesser of:

(1) the applicable purchase date artificial inflation per share figure, as found in Table A; or

(2) the difference between the purchase price per share and $3.91.[2]

B. For shares sold between February 26, 2013 and May 11, 2015, the Recognized Loss shall be that number of shares multiplied by the lesser of:

(1) the applicable purchase date artificial inflation per share figure less the applicable sales date artificial inflation per share figure, as found in Table A; or

(2) the difference between the purchase price per share and the sales price per share.

C. For shares sold between May 12, 2015 and August 7, 2015, the Recognized Loss shall be the lesser of:

(1) the applicable purchase date artificial inflation per share figure, as found in Table A; or

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2 Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." The mean (average) closing price of ITT common stock during the 90-day period beginning on May 12, 2015 and ending on August 7, 2015 was $3.91 per share.

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(2) the difference between the purchase price per share and the sales price per share; or

(3) the difference between the purchase price per share and the average closing price between May 12, 2015 and the date of sale, as found in Table B.[3]

For shares of common stock purchased or otherwise acquired on May 12, 2015:

A. For shares held at the end of trading on August 7, 2015, the Recognized Loss shall be that number of shares multiplied by the lesser of:

(1) $1.70 per share; or

(2) the difference between the purchase price per share and $3.91.[4]

B. For shares sold between May 12, 2015 and August 7, 2015, the Recognized Loss shall be the lesser of:

(1) $1.70 per share; or

(2) the difference between the purchase price per share and the sales price per share; or

(3) the difference between the purchase price per share and the average closing price between May 12, 2015 and the date of sale, as found in Table B.[5]

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3 Pursuant to Section 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff's damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security."

4 Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." The mean (average) closing price of ITT common stock during the 90-day period beginning on May 12, 2015 and ending on August 7, 2015 was $3.91 per share.

5 Pursuant to Section 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff's damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security."

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For ITT Call and Put Options that expired after January 30, 2014:

ITT Call Options

(i) The Recognized Claim for each call option on ITT common stock purchased or otherwise acquired during the Class Period shall be the difference between: (a) the amount paid per call option and: (b) the sale price received per option contract received if the call option was subsequently sold (if the option expired worthless while still owned by the Authorized Claimant, the sales price shall be deemed to be Zero ($0.00));

(ii) Shares of ITT common stock acquired during the Class Period through the exercise of a call option shall be treated as a purchase on the date of exercise for the exercise price plus the cost of the call option, and any Recognized Claim arising from such transaction shall be computed as provided for other purchases of ITT common stock as set forth herein;

(iii) No Recognized Claim shall be calculated based upon the sale or writing of any call option that was subsequently repurchased.

ITT Put Options

(i) The Recognized Claim for each put option on ITT common stock sold or written during the Class Period, shall be the difference between: (a) the amount received per put option and (b) the purchase price paid per put option if the put option was subsequently repurchased at any time (including after the Class Period). For put options sold or written during the Class Period that expired worthless and unexercised, the Authorized Claimant's Recognized Claim shall be Zero ($0.00);

(ii) For ITT put options that were sold or written during the Class Period, that were "put" to the Authorized Claimant (i.e. exercised) at any time, the Authorized Claimant's Recognized Claim shall be calculated as a purchase of ITT common stock, and as if the sale of the put option were instead a purchase of ITT common stock on the date of the sale or writing of the put option, and the "purchase price paid" shall be the strike price of the put option less the proceeds received from the sale of the put option;

(iii) No Recognized Claim shall be calculated based upon the sale of any put option that was previously purchased.

Table A

Purchase or Sale Date Range	Artificial Inflation Per Share
02/26/2013 - 01/29/2014	$ 16.09
01/30/2014 - 05/21/2014	$ 8.70
05/22/2014 – 09/18/2014	$ 5.50
09/19/2014 – 04/29/2015	$ 2.93
04/30/2015	$ 2.23
05/01/2015 – 05/11/2015	$ 1.70
05/12/2015	$ 0.00

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Table B

Date of Sale	Average Closing Price Between 05/12/2015 and Date of Sale	Date of Sale	Average Closing Price Between 05/12/2015 and Date of Sale
5/12/2015	$ 2.27	6/25/2015	$ 3.71
5/13/2015	$ 2.24	6/26/2015	$ 3.73
5/14/2015	$ 2.28	6/29/2015	$ 3.74
5/15/2015	$ 2.41	6/30/2015	$ 3.75
5/18/2015	$ 2.43	7/1/2015	$ 3.76
5/19/2015	$ 2.44	7/2/2015	$ 3.77
5/20/2015	$ 2.42	7/6/2015	$ 3.78
5/21/2015	$ 2.42	7/7/2015	$ 3.78
5/22/2015	$ 2.43	7/8/2015	$ 3.78
5/26/2015	$ 2.43	7/9/2015	$ 3.78
5/27/2015	$ 2.45	7/10/2015	$ 3.78
5/28/2015	$ 2.45	7/13/2015	$ 3.78
5/29/2015	$ 2.59	7/14/2015	$ 3.78
6/1/2015	$ 2.80	7/15/2015	$ 3.79
6/2/2015	$ 2.93	7/16/2015	$ 3.81
6/3/2015	$ 3.00	7/17/2015	$ 3.82
6/4/2015	$ 3.06	7/20/2015	$ 3.84
6/5/2015	$ 3.11	7/21/2015	$ 3.85
6/8/2015	$ 3.12	7/22/2015	$ 3.88
6/9/2015	$ 3.15	7/23/2015	$ 3.90
6/10/2015	$ 3.17	7/24/2015	$ 3.92
6/11/2015	$ 3.22	7/27/2015	$ 3.94
6/12/2015	$ 3.28	7/28/2015	$ 3.96
6/15/2015	$ 3.34	7/29/2015	$ 3.99
6/16/2015	$ 3.40	7/30/2015	$ 3.99
6/17/2015	$ 3.46	7/31/2015	$ 3.98
6/18/2015	$ 3.52	8/3/2015	$ 3.97
6/19/2015	$ 3.57	8/4/2015	$ 3.95
6/22/2015	$ 3.60	8/5/2015	$ 3.94
6/23/2015	$ 3.64	8/6/2015	$ 3.92
6/24/2015	$ 3.68	8/7/2015	$ 3.91

d. A purchase or sale of ITT common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

e. The receipt or grant by gift, devise or operation of law of shares of ITT common stock during the Settlement Class Period shall not be deemed a purchase or sale of ITT common

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stock shares for the calculation of an Authorized Claimant's Recognized Loss, nor shall it be deemed an assignment of any claim relating to the purchase of such securities. The grantor of the gift or devise, who purchased ITT common stock during the Settlement Class Period, shall retain the right to file a claim in this Litigation unless that right to file a claim was specifically transferred in the instrument of gift or assignment.

f. The receipt of ITT common stock during the Settlement Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of ITT common stock.

g. Any gains on sales of ITT common stock shall be offset against losses in calculating the Recognized Loss. To the extent a Claimant had an overall gain from transactions in ITT common stock during the Settlement Class Period, the value of the Recognized Loss will be zero.

h. The total recovery payable to Authorized Claimants from transactions in call or put options shall not exceed five percent (5%) of the Net Settlement Fund.

i. For Settlement Class Members who made multiple purchases or sales during the Settlement Class Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the FIFO method, sales of ITT Securities during the Settlement Class Period will be matched, in chronological order, against ITT Securities purchased during the Settlement Class Period.

j. No Authorized Claimant whose proportionate share of the Net Settlement Fund is less than $20.00 shall receive a distribution from the Net Settlement Fund. Rather, that Claimant's proportionate share of the Net Settlement Fund shall be redistributed among all remaining Authorized Claimants.

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k. Settlement Class Members whose Request for Exclusion is not received by the deadline and do not submit an acceptable Proof of Claim by the deadline for submitting claims will not share in the recovery, but nevertheless will be bound by the Settlement and the Order and Final Judgment of the Court releasing claims against Defendants and other Released Persons and dismissing this Litigation.

l. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

SPECIAL NOTICE TO NOMINEES

The Court has ordered that if you held any ITT Securities purchased or acquired between February 28, 2013 and May 12, 2015, both dates inclusive, as nominee for a beneficial owner, then, within fourteen (14) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim form by first class mail to all such beneficial owners; or (2) provide a list of the names and addresses of all such beneficial owners (preferably in the format of an electronic spreadsheet) to the Claims Administrator:

ITT Educational Services, Inc. Securities Litigation
Claims Administrator
1801 Market Street, Suite 660
Philadelphia, PA 19103
ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com

If you choose to mail the Notice and Proof of Claim form yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the Notice mailing yourself or elect to have the Notice mailing performed for you, you may obtain reimbursement for administrative costs

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reasonably and actually incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

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EXHIBIT A-2

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)	CASE NO. 1:14-cv-01599-TWP-DML **EXHIBIT A-2** **PROOF OF CLAIM AND RELEASE**

PROOF OF CLAIM AND RELEASE

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GENERAL INSTRUCTIONS

1. To be eligible to recover as a member of the Settlement Class[1] based on your claims in the action entitled *In re ITT Educational Services, Inc. Securities Litigation (Indiana), Case No. 1:14-cv-01599-TWP-DML*, you must complete and, on page hereof, sign this Proof of Claim and Release. Even if you do not fill out this Proof of Claim and Release, if you do not timely exclude yourself from the Settlement Class, any and all claims you may have against the Defendants and other Released Persons in this Action are released to the full extent defined below. If you fail to file a properly addressed (as set forth in paragraph 3 below) Proof of Claim and Release, your claim may be rejected and you may be precluded from any recovery from the Net Settlement Fund created in connection with the proposed Settlement of the Action.

2. Submission of this Proof of Claim and Release, however, does not assure that you will share in the proceeds of the Settlement in this Action.

3. YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM AND RELEASE POSTMARKED ON OR BEFORE , 2016, ADDRESSED AS FOLLOWS:

ITT Educational Services, Inc. Securities Litigation
Claims Administrator
1801 Market Street, Suite 660
Philadelphia, PA 19103

4. If you are NOT a member of the Settlement Class, as defined in the Notice of Proposed Settlement of Class Action, Motion for Attorneys' Fees and Expenses and Settlement Fairness Hearing (the "Notice"), DO NOT submit a Proof of Claim and Release form.

---

1 All capitalized terms used, but not defined herein, shall have the same meanings as in the Stipulation of Settlement dated November 2, 2015 (the "Stipulation"). A copy of the Stipulation is available at www.ITTEducationSecuritiesLitigation-Indiana.com.

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5. If you are a member of the Settlement Class, you are bound by the terms of any judgment entered in the Action, including the releases included in the Stipulation of Settlement, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM AND RELEASE FORM.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DISTRICT
In re ITT Educational Service, Inc. Securities Litigation (Indiana)
1:14-cv-01599-TWP-DML
PROOF OF CLAIM AND RELEASE
Must Be Postmarked No Later Than:
, 2016

Please Type or Print in Blue or Black Ink

PART I: CLAIMANT IDENTIFICATION

Last Name M.I. First Name

Last Name (Co-Beneficial Owner) M.I. First Name (Co-Beneficial Owner)

[ ] IRA [ ] Joint Tenancy [ ] Employee [ ] Individual [ ] Other: _____ (specify)

Company Name (Beneficial Owner – If Claimant is not an Individual) or Custodian Name if an IRA

Trustee/Asset Manager/Nominee/Record Owner's Name (If Different from Beneficial Owner Above)

Account #/Fund# (Not Necessary for Individual Filers)

Social Security Number or Tax Payer Identification Number

Telephone Number (Primary Daytime) Telephone Number (Alternate)

Email Address

Street Address

City State Zip Code

Foreign Province Foreign Country

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PART II: SCHEDULE OF TRANSACTIONS IN ITT EDUCATIONAL SERVICES INC. ("ITT) COMMON STOCK (TICKER SYMBOL: ESI; CUSIP: 45068B109)

A. Number of shares of ITT common stock held at the close of trading on February 25, 2013 . . Proof Enclosed? ☐ Y ☐ N

B. Purchases or acquisitions of ITT common stock between February 26, 2013 and August 7, 2015, both dates inclusive:

Trade Date(s) of Shares (List Chronologically) MM/DD/YYYY	Number of Shares of Stock Purchased or Acquired	Purchase Price Per Share of Common Stock	Total Purchase Price (Excluding Commissions, Taxes, and Fees) *Please round off to the nearest whole dollar*	Is Purchase the Result of a Call Option?	Proof Enclosed?
1.			$ .00	☐ Y ☐ N	☐ Y ☐ N
2.			$ .00	☐ Y ☐ N	☐ Y ☐ N
3.			$ .00	☐ Y ☐ N	☐ Y ☐ N
4.			$ .00	☐ Y ☐ N	☐ Y ☐ N

IMPORTANT: (i) If any purchase listed covered a "short sale", please mark Yes: ☐ Y

C. Sales of ITT common stock between February 26, 2013 and August 7, 2015, both dates inclusive:

Trade Date(s) of Shares (List Chronologically) MM/DD/YYYY	Number of Shares of Stock Sold	Sale Price Per Share of Common Stock	Total Sales Price (Excluding Commissions, Taxes, and Fees) *Please round off to the nearest whole dollar*	Is Sale the Result of a Put Option?	Proof Enclosed?
1.			$ .00	☐ Y ☐ N	☐ Y ☐ N
2.			$ .00	☐ Y ☐ N	☐ Y ☐ N
3.			$ .00	☐ Y ☐ N	☐ Y ☐ N
4.			$ .00	☐ Y ☐ N	☐ Y ☐ N

D. Number of shares of ITT common stock held at the close of trading on August 7, 2015: . . Proof Enclosed? ☐ Y ☐ N

E. Number of shares of ITT common stock held at the close of trading on May 12, 2015: . Proof Enclosed? ☐ Y ☐ N

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOU MUST READ AND SIGN THE RELEASE ON PAGE . FAILURE TO SIGN THE RELEASE MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM.

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PART III: SCHEDULE OF TRANSACTIONS IN CALL OPTIONS ON ITT EDUCATIONAL SERVICES INC. ("ITT") COMMON STOCK (TICKER SYMBOL: ESI; CUSIP: 45068B109)

A. **Beginning Position:** At the close of trading on February 25, 2013, I owned the following call options on ITT common stock (must be documented):

Date(s) of Purchase or Acquisition (List Chronologically) MM/DD/YYYY	Number of Contracts	Expiration Month and Year & Strike Price of Options (i.e. March 2013/$20)	Purchase Price Per Contract	Amount Paid (Including Commissions, Taxes, and Fees)	Insert an "E" if Exercised, an "S" if sold, or an "X" if Expired.	Exercise or Sale Date (MM/DD/YYYY)	Sale Price Per Contract, if Sold	Amount Received (Net of Commissions, Taxes, and Fees), If Sold	Proof Enclosed?
1.				$				$	☐ Y ☐ N
2.				$				$	☐ Y ☐ N
3.				$				$	☐ Y ☐ N
4.				$				$	☐ Y ☐ N

B. **Purchases:** Purchases or acquisitions of call options on ITT common stock between February 26, 2013 and August 7, 2015, both dates inclusive:

Date(s) of Purchase or Acquisition (List Chronologically) MM/DD/YYYY	Number of Contracts	Expiration Month and Year & Strike Price of Options (i.e. May 2014/$20)	Purchase Price Per Contract	Amount Paid (Including Commissions, Taxes, and Fees)	Insert an "E" if Exercised, an "S" if sold, or an "X" if Expired.	Exercise or Sale Date (MM/DD/YYYY)	Sale Price Per Contract, if Sold	Amount Received (Net of Commissions, Taxes, and Fees), If Sold	Proof Enclosed?
1.				$				$	☐ Y ☐ N
2.				$				$	☐ Y ☐ N
3.				$				$	☐ Y ☐ N
4.				$				$	☐ Y ☐ N

C. *If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.*

YOU MUST READ AND SIGN THE RELEASE ON PAGE . FAILURE TO SIGN THE RELEASE MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM

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PART IV: SCHEDULE OF TRANSACTIONS IN PUT OPTIONS ON ITT EDUCATIONAL SERVICES INC. ("ITT") COMMON STOCK (TICKER SYMBOL: ESI; CUSIP: 45068B109)

A. **Beginning Position:** At the close of trading on February 25, 2013, I was obligated on the following put options on ITT common stock (must be documented):

Date(s) of Writing (Sale) (List Chronologically) MM/DD/YYYY	Number of Contracts	Expiration Month and Year & Strike Price of Options (i.e. March 2013/$20)	Sale Price Per Contract	Amount Received (Net of Commissions, Taxes, and Fees)	Insert an "A" if Assigned, and "R" if repurchased, or an "X" if Expired	Assign or Repurchase Date (MM/DD/YYYY)	Price Paid Per Contract	Aggregate Cost (Including Commissions, Taxes, and Fees)	Proof Enclosed?
1.				$				$	☐ Y ☐ N
2.				$				$	☐ Y ☐ N
3.				$				$	☐ Y ☐ N
4.				$				$	☐ Y ☐ N

B. **Sales (Writing) of Put Options and Covering Transactions (Repurchases):** Sales (writing) of put options on ITT common stock and subsequent repurchases of ITT common stock on those put options between February 26, 2013 and August 7, 2015, both dates inclusive:

Date(s) of Writing (Sale) (List Chronologically) MM/DD/YYYY	Number of Contracts	Expiration Month and Year & Strike Price of Options (i.e. May 2014/$20)	Sale Price Per Contract	Amount Received (Net of Commissions, Taxes, and Fees)	Insert an "A" if Assigned, and "R" if repurchased, or an "X" if Expired	Assign or Repurchase Date (MM/DD/YYYY)	Price Paid Per Contract	Aggregate Cost (Including Commissions, Taxes, and Fees)	Proof Enclosed?
1.				$				$	☐ Y ☐ N
2.				$				$	☐ Y ☐ N
3.				$				$	☐ Y ☐ N
4.				$				$	☐ Y ☐ N

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOU MUST READ AND SIGN THE RELEASE ON PAGE . FAILURE TO SIGN THE RELEASE MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM

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PART V: SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (We) submit this Proof of Claim and Release form under the terms of the Stipulation of Settlement described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for the Southern District of Indiana with respect to my (our) claim as a Settlement Class Member and for purposes of enforcing the release set forth herein. I (We) further acknowledge that I am (we are) bound by and subject to the terms of any judgment that may be entered in the Action. I (We) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so. I (We) have not submitted any other claim covering the same purchases, acquisitions, or sales of ITT common stock and any call options or put options on ITT common stock during the Settlement Class Period and know of no other person having done so on my (our) behalf.

PART VI: RELEASE

I (WE) HEREBY ACKNOWLEDGE FULL AND COMPLETE SATISFACTION OF, AND DO HEREBY FULLY, FINALLY, AND FOREVER WAIVE, RELEASE, RELINQUISH, DISCHARGE AND DISMISS FROM THE "RELEASED CLAIMS" EACH AND ALL OF THE "RELEASED PERSONS."

"Released Person(s)" means each and all Defendants, and/or any of their respective past, present or future, family members, spouses, domestic partners, parents, associates, affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, representatives, employees, attorneys, financial or investment advisors, consultants, underwriters, investment banks or bankers, commercial bankers, insurers, reinsurers, excess insurers, co-insurers, engineers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or partnerships, joint ventures, personal or legal representatives,

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administrators, or any other person or entity acting or purporting to act for or on behalf of any of the Defendants, and each of their respective predecessors, successors, and assigns, and any trust of which any Defendant is the settlor or which is for the benefit of any Defendant and/or member(s) of his family. For the avoidance of doubt, Released Persons does not include PricewaterhouseCoopers, LLP, which is also known as PwC LLP.

"Released Claims" means any and all claims (including Unknown Claims), demands, debts, losses, damages, duties, rights, disputes, actions, causes of action, liabilities, obligations, judgments, suits, matters, controversies, proceedings, or issues, of any kind, nature, character, or description whatsoever (and including, but not limited to, any claims for damages, whether compensatory, consequential, special, punitive, exemplary, or otherwise, and any and all fees, costs, interest, expenses, or charges), whether known or unknown, contingent or absolute, suspected or unsuspected, foreseen or unforeseen, disclosed or undisclosed, concealed or hidden, apparent or not apparent, accrued or unaccrued, matured or unmatured, liquidated or not liquidated, asserted or unasserted, at law or in equity, that have been asserted, could have been asserted, or in the future could be asserted against Defendants or any of the Released Persons in this Litigation or in any other court, tribunal, forum or proceeding (including, but not limited to, any claims arising under U.S. federal, state or local law, foreign law, common law, statutory law, administrative law, rule, regulation, or at equity, relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws, or otherwise, and including all claims within the exclusive jurisdiction of the federal courts), whether individual, class, direct, derivative, representative, legal, equitable or any other type, or in any other capacity, (a) by reason of, arising out of, relating to, involving or in connection with, directly or indirectly, the allegations, claims, conduct, facts, events, practices, transactions, acts, occurrences, failures, statements, representations, alleged misrepresentations,

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alleged omissions, the documents publicly filed with the U.S. Securities and Exchange Commission by ITT and all disclosures or alleged non-disclosures made by Defendants in connection with any of the foregoing, or any other matter, thing or cause whatsoever, or any series thereof, that were, could have been or in the future might be alleged, claimed, asserted, embraced, involved, or set forth, referred to in or otherwise related to, directly or indirectly, the Litigation or subject matter of the Litigation; (b) would have been barred by *res judicata* or collateral estoppel had the Action been fully litigated to a final judgment; and (c) were, could have been, or in the future could be, asserted in any forum or proceeding or otherwise by any Settlement Class Member that relate to the purchase, sale, acquisition or holding of ITT Securities during the Settlement Class Period. The Released Claims shall not include claims to enforce the Settlement. For the avoidance of doubt, Released Claims does not include the claims alleged as of the date of this Settlement in the actions captioned: *Sasha Wilfred, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al.*, 1:13-cv-03110-JPO (S.D.N.Y.); *Janice Nottenkamper, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al*., 1:15-cv-03390 (S.D.N.Y.); *Michelle Lawrence, Derivatively on Behalf of Nominal Defendant ITT Educational Services, Inc. v. Kevin M. Modany, et al*., 1:14-cv-02106 (S.D. Ind.); *William McKee, Derivatively on behalf of ITT Educational Services, Inc. v. Kevin Modany, et al.*, 49D07-1507-PL-021891 (Marion Circuit Court, Indianapolis, Indiana); *United States Securities and Exchange Commission v. ITT Educational Services, Inc., Kevin M. Modany, and Daniel M. Fitzpatrick*, 1:15-cv-00758-JMS-MJD (S.D. Ind.); and *In re ITT Educational Services, Inc. Securities Litigation,* 1:13-cv-01620-JPO-JLC (S.D.N.Y.).

"Unknown Claims" means any and all Released Claims, of every nature and description, which Plaintiffs or any Settlement Class Member does not know or suspect to exist in his, her or its

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favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this Settlement or not to exclude himself, herself or itself from the Settlement Class. Unknown Claims include those claims in which some or all of the facts comprising the claim may be suspected, or even undisclosed or hidden. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, the provisions, rights, and benefits of California Civil Code § 1542, which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any U.S. federal law or any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable or equivalent in effect to California Civil Code § 1542. Plaintiffs and other Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Plaintiffs and each Settlement Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have expressly, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to

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the subsequent discovery or existence of such different or additional facts. Plaintiffs acknowledge, and the Settlement Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and was a material element of the Settlement.

PART VII: CERTIFICATION

I (WE) DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE UNITED STATES OF AMERICA THAT ALL OF THE FOREGOING INFORMATION SUPPLIED ON THIS PROOF OF CLAIM AND RELEASE FORM BY THE UNDERSIGNED IS TRUE AND CORRECT.

Executed this __ day of _____ in _____
(Month/Year) (City/State/Country)

_____	_____
(Sign your name here)	(Sign your name here)
_____	_____
(Type or print your name here)	(Type or print your name here)
_____	_____
(Capacity of person(s) signing, *e.g.*, Beneficial Purchaser, Executor, or Administrator)	(Capacity of person(s) signing, *e.g.*, Beneficial Purchaser, Executor, or Administrator)

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ACCURATE CLAIMS PROCESSING TAKES A

SIGNIFICANT AMOUNT OF TIME.

THANK YOU FOR YOUR PATIENCE.

Reminder Checklist:

1. Please sign the claim form at Paragraph VII above.
2. Remember to attach supporting documentation, if available.
3. Do not send original stock certificates.
4. Keep a copy of your claim form for your records.
5. The Claims Administrator will acknowledge receipt of your Proof of Claim Form and Release within 60 days. Your claim is not deemed filed until you receive an acknowledgment postcard or e-mail. If you do not receive a written acknowledgment within 60 days, please email the Claims Administrator at ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com.
6. If you move, please send us your new address.

ITT Educational Services, Inc. Securities Litigation
Claims Administrator
1801 Market Street, Suite 660
Philadelphia, PA 19103
ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com

7. Please write legibly in blue or black ink. Do not use highlighter on the Proof of Claim Form and Release or supporting documentation.

THIS PROOF OF CLAIM MUST BE POSTMARKED NO LATER THAN , 2016 AND MUST BE MAILED TO:

ITT Educational Services, Inc. Securities Litigation
Claims Administrator
1801 Market Street, Suite 660
Philadelphia, PA 19103

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EXHIBIT A-3

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)	CASE NO. 1:14-cv-01599-TWP-DML **EXHIBIT A-3** **SUMMARY NOTICE**

TO: ALL PERSONS OR ENTITIES WHO PURCHASED OR ACQUIRED THE COMMON STOCK OF ITT EDUCATIONAL SERVICES, INC. ("ITT") (TICKER SYMBOL: ESI), WHO PURCHASED OR ACQUIRED CALL OPTIONS ON ITT COMMON STOCK, OR WHO WROTE PUT OPTIONS ON ITT COMMON STOCK, BETWEEN FEBRUARY 26, 2013 AND MAY 12, 2015, BOTH DATES INCLUSIVE.

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS MAY BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED that a proposed Settlement has been reached in this Action, which has been preliminarily certified as a class action for the purposes of settlement only.[1] Pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of Indiana, a hearing will be held on , 2016, at : .m., before The Honorable Tanya Walton Pratt, at the Birch Bayh Federal Building & U.S. Courthouse, 46 East Ohio Street, Courtroom 344, Indianapolis, Indiana 46204, for the purpose of determining, among other things: (1) whether the proposed Settlement of the securities class action claims asserted in this Litigation, pursuant to which ITT, on behalf of all Defendants, will cause to be deposited into a Settlement Fund the sum of $12.5375 million in cash, should be approved by the Court as fair, reasonable, and adequate and in the best interests of the Settlement Class; (2) whether to certify the Settlement Class for purposes of settlement; (3) whether this Litigation should be

[1] This Summary Notice incorporates by reference the definitions in the Stipulation and Agreement of Settlement, dated November 2, 2015 (the "Stipulation"), and all capitalized terms used, but not defined herein, shall have the same meanings as in the Stipulation.

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dismissed with prejudice pursuant to the terms and conditions set forth in the Stipulation, including, but not limited to, the release of claims against the Defendants and other Released Persons; (4) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate and therefore should be approved; (5) whether the application of Lead Counsel for the payment of attorneys' fees and expenses incurred in connection with this Litigation should be approved; and (6) whether the Court should grant the application of Plaintiffs for reimbursement of their reasonable costs and expenses (including lost wages) directly related to their representation of the Settlement Class.

If you purchased or otherwise acquired ITT common stock, purchased or otherwise acquired call options on ITT common stock, or wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive, your rights may be affected by this Settlement. This Summary Notice provides only a summary of matters, and a detailed Notice of Proposed Settlement of Class Action, Motion for Attorneys' Fees and Settlement Hearing (the "Notice") describing the Action, the proposed Settlement, and the rights of Settlement Class Members has been mailed to persons or entities known to be potential Settlement Class Members. If you have not received the Notice or a copy of the Proof of Claim and Release form, you may obtain copies by writing to ITT Educational Services, Inc. Securities Litigation, Claims Administrator, 1801 Market Street, Suite 660, Philadelphia, PA 19103, or you can download a copy at www.ITTEducationSecuritiesLitigation-Indiana.com.

If you are a Settlement Class Member, you have the right to appear in Court at the Settlement Hearing to object to the Settlement, the Plan of Allocation, Lead Counsel's application for an award of attorneys' fees and expenses, and/or the application by Plaintiffs for any costs or expenses. You must submit a written objection in accordance with the procedures described in the Notice, which must be filed and served so that it is received no later than , 2016. You also have the right to exclude yourself from the Settlement Class by submitting a written request for exclusion from the Settlement Class in accordance with the procedures described in the Notice. The request for exclusion must be received no later than , 2016. If the Settlement is approved by the

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Court, you will be bound by the Settlement and the Court's Judgment, including the releases provided for in the Settlement and the Judgment, unless you submit a request to be excluded. To object, to otherwise request to be heard, or to exclude yourself from the Settlement Class, submit a written objection to be received by no later than , 2016, or a request for exclusion to be received by no later than , 2016, in accordance with the procedures described in the Notice.

If you are a Settlement Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release form postmarked no later than , 2016, establishing that you are entitled to recovery.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. If you have any questions about the Settlement, you may contact Lead Counsel at the address listed below:

Lionel Z. Glancy, Esq.
Glancy Prongay & Murray LLP
1925 Century Park East, Suite 2100
Los Angeles, California 90067
settlements@glancylaw.com
1-888-773-9224

or go to the following website: www.ITTEducationSecuritiesLitigation-Indiana.com

DATED:

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EXHIBIT B

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)	CASE NO. 1:14-cv-01599-TWP-DML **EXHIBIT B** **FINAL JUDGMENT AND ORDER OF DISMISSAL WITH PREJUDICE**

WHEREAS, a class action is pending before the Court entitled *In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA)*, Civil Action No. 1:14-cv-01599-TWP-DML, United States District Court for the Southern District of Indiana (the "Litigation");

WHEREAS, the Court has received the Stipulation and Agreement of Settlement dated as of November 2, 2015 (the "Stipulation"), which has been entered into by Plaintiffs (on behalf of themselves and the Settlement Class) and Defendants, and the Court has reviewed the Stipulation and the Exhibits annexed thereto;

WHEREAS, pursuant to Federal Rule of Civil Procedure 23(e), this Court preliminarily approved the Settlement of this Litigation, as set forth in the Stipulation, in an Order dated , 201 , (the "Notice Order");

WHEREAS, on application of the Settling Parties, this matter came before the Court for hearing on (the "Settlement Hearing"), to determine whether the terms and conditions of the Settlement are fair, reasonable, adequate and in the best interests of the Settlement Class, and should be finally approved; and whether Judgment should be entered pursuant to the terms of the Settlement, among other things, releasing all Released Claims against all Released Persons and dismissing the Litigation with prejudice; and

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WHEREAS, due and adequate notice having been given of the Settlement as required in the Notice Order, and the Court having considered all papers filed and proceedings held herein, including all matters submitted to it at the Settlement Hearing, and otherwise being fully informed in the premises and good cause appearing therefore,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all capitalized terms used herein shall have the same meanings set forth in the Stipulation.

2. This Court has jurisdiction over the subject matter of the Litigation and over all Parties to the Litigation, including all Members of the Settlement Class who did not timely file a Request for Exclusion from the Settlement Class by the , 201 , deadline pursuant to the Notice Order.

3. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, for purposes of this Settlement only, the Court finally certifies this Action as a class action, with a Settlement Class defined as all persons and/or entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. ("ITT" or the "Company") (ticker symbol: ESI), purchased or otherwise acquired call options on ITT common stock, or wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive. Excluded from the Settlement Class are Defendants, the officers and directors of ITT during the Settlement Class Period, members of their immediate families, the legal representatives, heirs, successors or assigns of any of the foregoing and any entity in which a Defendant has or had a controlling interest during the Settlement Class Period. Also excluded from the Settlement Class is any person or entity that timely and validly requested exclusion from the Settlement Class, pursuant to and in accordance with the terms of the Notice Order, and as listed on Schedule 1 hereto.

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4. With respect to the Settlement Class, for purposes of this Settlement only, the Court finds and concludes that the prerequisites for a class action under Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure have been satisfied in that: (a) the number of Settlement Class Members is so numerous that joinder of all members thereof is impracticable; (b) there are questions of law and fact common to the Settlement Class; (c) the claims of the Lead Plaintiff and Court- appointed class representative, Meitav Dash Mutual Fund Management Ltd., are typical of the claims of the Settlement Class it represents; (d) Lead Plaintiff, as the class representative, has and will continue to fairly and adequately represent the interests of the Settlement Class; (e) the questions of law and fact common to the Members of the Settlement Class predominate over any questions affecting only individual Members of the Settlement Class; and (f) a class action is superior to other available methods for the fair and efficient adjudication of the controversy.

5. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes of this Settlement only, the Court hereby affirms its determinations in the Notice Order and finally appoints Lead Plaintiff as a class representative for the Settlement Class, and finally appoints Lead Counsel, Glancy Prongay & Murray LLP, as class counsel for the Settlement Class.

6. Notice of the pendency of the Action as a class action and of the proposed Settlement was given to Settlement Class Members in accordance with the terms of the Settlement and the Court's Notice Order. The distribution of the Notice and the publication of the Summary Notice, as provided for in the Notice Order, constituted the best notice practicable under the circumstances, including individual notice to all Members of the Settlement Class who could be identified through reasonable effort. In addition to providing the best notice practicable under the circumstances to all

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Persons entitled to such notice, the form and method of notifying the Settlement Class of the pendency of the Action as a class action and of the terms and conditions of the proposed Settlement met the requirements of due process and fully satisfied the requirements of Federal Rule of Civil Procedure 23, Section 21D(a)(7) of the Securities Exchange Act of 1934, the requirements of Due Process under the U.S. Constitution, and any other applicable law.

7. Pursuant to and in compliance with Rule 23 of the Federal Rules of Civil Procedure, the Court hereby finds that due and adequate notice of these proceedings, including the Settlement Hearing, was directed to all persons and entities who are Settlement Class Members, advising them of the Settlement, and of their right to object thereto, and a full and fair opportunity was accorded to all Settlement Class Members to be heard with respect to the Settlement. Thus, it is hereby determined that all Settlement Class Members, other than those persons and entities that are listed on Schedule 1 hereto, who have timely excluded themselves from the Settlement Class, are bound by this Judgment.

8. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, this Court hereby approves the Settlement set forth in the Stipulation and finds that said Settlement is, in all respects, fair, reasonable and adequate to, and is in the best interests of the Plaintiffs, the Settlement Class, and each of the Settlement Class Members. This Court further finds the Settlement set forth in the Stipulation is the result of arm's-length negotiations, undertaken with the assistance of an experienced mediator, between experienced counsel representing the interests of the Plaintiffs, the Settlement Class Members, and the Defendants. Accordingly, the Settlement embodied in the Stipulation is hereby approved in all respects and shall be consummated in accordance with its terms and provisions. The Settling Parties are hereby directed to perform the terms of the Stipulation.

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9. Except as to any individual claim of those persons or entities (identified in Schedule 1 attached hereto), whose timely request for exclusion from the Settlement Class was received before the , 201 deadline, the Litigation and all claims contained therein, including all of the Released Claims, are dismissed with prejudice as against each and all of the Released Persons. The Settling Parties are to bear their own costs, except as otherwise provided in the Stipulation.

10. Upon the Effective Date, the Plaintiffs and each of the Settlement Class Members (on behalf of themselves and each of their respective present and former family members, spouses, domestic partners, parents, associates, affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, fiduciaries, employees, attorneys, accountants, consultants, underwriters, banks or bankers, insurers, reinsurers, excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or partnerships, joint ventures, personal or legal representatives, administrators, predecessors, successors, and assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Settlement Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Settlement Class Member actually submits a Proof of Claim and Release, seeks or obtains a distribution from the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's Fee and Expense Application, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever waived, released, relinquished, discharged, and dismissed all Released Claims against the Defendants and all other Released Persons.

11. Upon the Effective Date, Plaintiffs and each of the Settlement Class Members (on behalf of themselves and each of their respective present and former family members, spouses,

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domestic partners, parents, associates, affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, fiduciaries, employees, attorneys, accountants, consultants, underwriters, banks or bankers, insurers, reinsurers, excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or partnerships, joint ventures, personal or legal representatives, administrators, predecessors, successors, and assigns, and any other person or entity who has the right, ability, standing, or capacity to assert, prosecute, or maintain on behalf of any Settlement Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)), regardless of whether that Settlement Class Member actually submits a Proof of Claim and Release, seeks or obtains a distribution from the Net Settlement Fund, is entitled to receive a distribution under the Plan of Allocation approved by the Court, or has objected to the Settlement, the Plan of Allocation, or Lead Counsel's Fee and Expense Application, shall have covenanted not to sue the Released Persons with respect to any Released Claims and shall be permanently barred and enjoined from instituting, commencing, participating in, maintaining, or continuing to prosecute any action or proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting any Released Claim (including, without limitation, Unknown Claims), as well as any claims arising out of, relating to, or in connection with, the defense, settlement, or resolution of this Action against any of the Released Persons.

12. Upon the Effective Date hereof, each of the Released Persons shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged Plaintiffs, each and all of the Settlement Class Members, and Lead Counsel from all claims (including Unknown Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Litigation or the Released Claims.

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13. Upon the Effective Date, except as provided in ¶15 below, any and all persons and entities are permanently barred and enjoined, to the fullest extent permitted by 15 U.S.C. § 78u-4(f)(7)(A) and any other applicable law or regulation, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to that person or entity is their actual or threatened liability to the Settlement Class or a Settlement Class Member) based upon, relating to, arising out of, or in connection with the Released Claims, against each and every one of the Released Persons, whether arising under state, federal, common, statutory, administrative or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum; and, except as provided in ¶15 below, the Released Persons are permanently barred and enjoined, to the fullest extent permitted by 15 U.S.C. § 78u-4(f)(7)(A) and any other applicable law or regulation, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to the Released Person is their actual or threatened liability to the Settlement Class or a Settlement Class Member) based upon, relating to, or arising out of the Released Claims, against any person or entity, other than a person or entity whose liability to the Settlement Class has been extinguished pursuant to the Settlement and the Judgment, whether arising under state, federal, common, statutory, administrative, or foreign law, regulation, or at equity, as claims, cross-claims, counterclaims, or third-party claims, in this Action or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum. Nothing herein shall bar, release, or alter in any way, any obligations, rights or claims among or between Released Persons.

14. Upon the Effective Date, any final verdict or judgment that may be obtained by or on behalf of the Settlement Class or a Settlement Class Member against any person or entity subject to the Bar Order described in ¶13 above shall be reduced by the greater of: (i) an amount that corresponds to the percentage of responsibility of any of the Defendants for common damages; or (ii) $12,537,500.00.

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15. Notwithstanding any of the releases or the Bar Order above, nothing in this Judgment shall release any claims, or bar any action by any of the Settling Parties, to enforce or to effectuate the Stipulation, the releases and other terms and conditions of the Settlement, the Notice Order, or this Judgment.

16. The Plan of Allocation submitted by Lead Counsel, as described in the Notice and in accordance with ¶1.19 of the Stipulation, is hereby approved as fair, reasonable and adequate. Any further orders or proceedings solely regarding the Plan of Allocation, or any appeal from any order relating thereto or reversal or modification thereof, shall be considered separate and apart from this Judgment and shall not operate to terminate the Settlement or in any way disturb or affect this Judgment and the release of the Released Claims.

17. None of the Stipulation, its Exhibits, the fact and terms of the Settlement contained therein, or any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed to be or may be used as an admission of, concession of, or evidence of, the truth or validity of any Released Claim, of any allegations or claims made in the Litigation, of any allegations or claims that could have been made in the Litigation, or of any of any allegation of wrongdoing, negligence, fault, or liability of the Defendants or any other Released Persons; or (b) is or may be deemed to be or may be used as an admission of, concession of, or evidence of, the deficiency or infirmity of any defense that has been or could have been asserted in the Action or in any litigation; or (c) is or may be deemed to be or may be used as an admission of, or evidence of, any liability, negligence, fault, misrepresentation, omission, or wrongdoing as against

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any of the Defendants or any Released Persons in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal; (d) is or may be deemed to be or may be used as an admission of, or evidence that class certification is appropriate in this Action, except for purposes of the Settlement; or (e) is or may be deemed to be or may be used as an admission of, or evidence that the consideration to be paid under the Settlement represents the amount which could be or would have been recovered after trial in this Action; or (f) is or may be deemed to be or may be used as an admission of, or evidence that any damages potentially recoverable under the Complaint would have exceeded or would have been less than the Settlement Fund. Neither the Stipulation nor the fact or terms of the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Settlement, shall be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement. The Released Persons nevertheless may refer to or file the Stipulation and/or this Judgment in any other action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar, or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim under U.S. federal or state law or foreign law.

18. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing jurisdiction over: (a) implementation of this Settlement and any award or distribution of the Settlement Fund, including interest earned thereon; (b) disposition of the Settlement Fund; (c) hearing and determining applications for attorneys' fees and expenses in the Litigation; and (d) all Settling Parties hereto for the purpose of construing, enforcing and administering the Stipulation of Settlement.

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19. The Court finds that during the course of the Litigation, the Settling Parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11.

20. In the event that the Settlement does not become effective in accordance with the terms of the Stipulation or the Effective Date does not occur, or in the event that the Settlement Fund, or any portion thereof, is returned to the Defendants, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated to the extent provided by the Stipulation and, in such event, (a) all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation; and (b) the fact of the Settlement shall not be admissible in any trial of the Action and Lead Plaintiff and Defendants reserve their rights to proceed in all respects as if the Settlement had not been entered into and without any prejudice in any way from the negotiation, fact or terms of the Settlement.

21. The Court hereby **GRANTS** Lead Counsel attorneys' fees of % of the Settlement Fund and expenses in an amount of $, together with the interest earned thereon for the same time period and at the same rate as that earned on the Settlement Fund until paid. The Court finds that the amount of fees awarded is fair and reasonable in light of the time and labor required, the novelty and difficulty of the case, the skill required to prosecute the case, the experience and ability of the attorneys, awards in similar cases, the contingent nature of the representation and the result obtained for the Settlement Class. Said fees shall be allocated among any other plaintiffs' counsel in a manner which, in Lead Counsel's good-faith judgment, reflects each counsel's contribution to the institution, prosecution, and resolution of the Litigation. The Court hereby **GRANTS** Lead Plaintiff Meitav Dash Mutual Fund Management Ltd. its reasonable

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costs and expenses (including lost wages) directly related to its representation of the Settlement Class in the amount of $. The Court hereby **GRANTS** Plaintiff Babulal Tarapara his reasonable costs and expenses (including lost wages) directly related to his representation of the Settlement Class in the amount of $. The Court hereby **GRANTS** Plaintiff Kristopher Hennen his reasonable costs and expenses (including lost wages) directly related to his representation of the Settlement Class in the amount of $. The Court hereby **GRANTS** Plaintiff Cynthia Grebely her reasonable costs and expenses (including lost wages) directly related to her representation of the Settlement Class in the amount of $. The Court hereby **GRANTS** Plaintiff Hoai T. Truong her reasonable costs and expenses (including lost wages) directly related to her representation of the Settlement Class in the amount of $.

22. The awarded attorneys' fees and expenses, and interest earned thereon, shall be paid to Plaintiffs' Lead Counsel from the Settlement Fund immediately after the date this Order is executed subject to the terms, conditions, and obligations of the Stipulation and in particular ¶6.2 thereof, which terms, conditions, and obligations are incorporated herein.

DATED:

THE HONORABLE TANYA WALTON PRATT
UNITED STATES DISTRICT JUDGE

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SCHEDULE 1

List of Persons Excluded from the Class in

In re ITT EDUCATIONAL SERVICES, INC. SECURITIES LITIGATION (INDIANA),
Civil Action No. 1:14-cv-01599-TWP-DML

The following Persons, and only the following Persons, properly excluded themselves from the Settlement Class by the , 201 , deadline pursuant to the Court's Order dated , 201 :

IN RESPONSE TO THE NOTICE OF

PROPOSED SETTLEMENT OF CLASS ACTION

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Exhibit 10.86

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SASHA WILFRED, derivatively on behalf of ITT EDUCATIONAL SERVICES, INC., Plaintiff, v. KEVIN M. MODANY, JOHN F. COZZI, THOMAS I. MORGAN, JOHN E. DEAN, JAMES D. FOWLER, JR., JOANNA T. LAU, VIN WEBER, SAMUEL L. ODLE, JOHN A. YENA, DANIEL M. FITZPATRICK, Defendants, and ITT EDUCATIONAL SERVICES, INC., Nominal Defendant.	Civil Action No. 13-CV-3110 (JPO)

STIPULATION AND AGREEMENT OF SETTLEMENT

This Stipulation and Agreement of Settlement (the "Stipulation"), dated January 21, 2016, is made and entered into by and among the following Settling Parties (as defined herein), each by and through their respective counsel: (i) plaintiffs to the above-captioned consolidated shareholder derivative action (the "New York Action"), Sasha Wilfred ("Wilfred") and Janice Nottenkamper ("Nottenkamper") (collectively, the "New York Plaintiffs"), derivatively on behalf of ITT Educational Services, Inc. ("ITT" or the "Company"); (ii) Michelle Lawrence ("Lawrence" or the "Indiana Federal Plaintiff"), the plaintiff to the shareholder derivative action pending in the U.S. District Court for the Southern District of Indiana (the "Indiana Federal Court") captioned *Lawrence v. Modany, et al.*, Case No. 14-cv-2106 (the "Indiana Federal Action"), derivatively on behalf of ITT; (iii) William McKee ("McKee" or the "Indiana State Plaintiff"), the plaintiff to the shareholder derivative action pending in the Marion County Superior Court, County of Marion, Indiana (the "Indiana State Court") captioned *McKee v.*

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Modany, et al., Cause No. 49D07-1507-PL-021891 (the "Indiana State Action"), derivatively on behalf of ITT;[1] (iv) nominal defendant ITT; and (v) defendants Kevin M. Modany ("Modany"), Daniel M. Fitzpatrick ("Fitzpatrick"), John F. Cozzi, John E. Dean, James D. Fowler, Jr., Joanna T. Lau, Thomas I. Morgan, Samuel L. Odle, Vin Weber, John A. Yena, and Lloyd G. Waterhouse, all of whom are current or former members of ITT's Board of Directors (the "Board") and/or senior officers of ITT (collectively the "Individual Defendants" and, together with ITT, "Defendants"). This Stipulation, subject to the approval of the U.S. District Court for the Southern District of New York (the "Court"), is intended by the Settling Parties to fully, finally, and forever compromise, resolve, discharge, and settle the Released Claims (as defined herein) and to result in the complete dismissal of the Actions with prejudice, upon the terms and subject to the conditions set forth herein, and without any admission or concession as to the merits of any of the Settling Parties' claims or defenses.

I. INTRODUCTION

A. Factual Background

ITT, a Delaware corporation, is a for-profit provider of technology-oriented undergraduate and graduate degree programs. In the years 2007, 2009, and 2010, ITT entered into a series of risk-sharing agreements ("RSAs") with third-party lenders to increase the availability of private student loans to ITT's students. Under those RSAs, the Company could face financial liabilities if its students were to default on their student loans beyond certain thresholds. Among other things, Plaintiffs have alleged in the Actions that ITT failed to properly account for its obligations under the RSAs, overstated its financial results, failed to maintain adequate internal controls over financial reporting, and failed to disclose the extent of the risks

[1] Lawrence and McKee are collectively referred to herein as the "Indiana Plaintiffs," and the Indiana Federal Action and the Indiana State Action are collectively referred to herein as the "Indiana Actions." The New York Plaintiffs and the Indiana Plaintiffs are collectively referred to herein as "Plaintiffs," and the New York Action and the Indiana Actions are collectively referred to herein as the "Actions."

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that ITT faced under the RSAs. Plaintiffs have alleged that, beginning in April 2008, various public statements made by ITT and certain of its executive officers, both in U.S. Securities and Exchange Commission ("SEC") filings and otherwise, were false and misleading.

The Actions include allegations relating to disclosures and events beginning with the Company's entrance into an RSA with Sallie Mae in 2007 and continue through at least May 2015. The most recent of these events include the following: on January 4, 2013, ITT announced that it had settled an action brought by Sallie Mae arising out of ITT's obligations under the 2007 RSA. On February 22, 2013, it was announced that ITT had received a subpoena from the SEC seeking production of documents relating to the RSAs that ITT had entered into in 2009 and 2010. On February 26, 2014, it was announced that the U.S. Consumer Financial Protection Bureau had filed a lawsuit against ITT. On September 19, 2014, the Company announced that it had received a Wells Notice from the SEC, that the Department of Education ("DOE") had placed ITT on heightened cash monitoring status, and that the DOE had required the Company to post a letter of credit. On October 16, 2014, ITT filed with the SEC certain restated financial results. On May 12, 2015, the SEC filed an action in the Indiana Federal Court against ITT and defendants Modany and Fitzpatrick relating to the Company's RSAs and accounting and disclosure issues.

B. Procedural Background

1. The New York Action

On May 8, 2013, plaintiff Wilfred initiated the New York Action by filing a shareholder derivative action in this Court on behalf of ITT, captioned *Wilfred v. Modany, et al.*, Case No. 13-cv-3110-JPO (the "*Wilfred* Action"). Plaintiff Wilfred asserted claims against certain of the Individual Defendants for breach of fiduciary duty, unjust enrichment, abuse of control, and gross mismanagement. On August 6, 2013, Wilfred and the Defendants agreed to stay the *Wilfred* Action pending further developments in the related federal securities class action captioned *In re ITT Educational Services, Inc. Securities Litigation*, Case No. 13-cv-1620-JPO-JLC, also pending in this Court (the "New York Securities Action").[2]

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2 On November 2, 2015, the parties in the New York Securities Action entered into a Stipulation and Agreement of Settlement to resolve the New York Securities Action in its entirety. That settlement was preliminarily approved by this Court on November 23, 2015, and a final settlement hearing is scheduled in the New York Securities Action for March 8, 2016.

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On May 27, 2014, plaintiff Nottenkamper filed a shareholder derivative action against the Individual Defendants on behalf of ITT in the U.S. District Court for the District of Delaware (the "Delaware Court"), captioned *Nottenkamper v. Modany, et al*., Case No. 14-cv-00672-GMS (the "*Nottenkamper* Action"). The *Nottenkamper* Action in the Delaware Court was substantially similar to the *Wilfred* Action and raised substantially similar claims.

On September 8, 2014, the Court approved an agreement between Wilfred and the Defendants providing for the continued stay of the *Wilfred* Action. On October 15, 2014, Wilfred provided notice of voluntary termination of the stay of the *Wilfred* Action.

On November 14, 2014, plaintiff Nottenkamper filed an amended complaint in the *Nottenkamper* Action. On November 24, 2014, plaintiff Wilfred filed an amended complaint in the *Wilfred* Action.

On January 5, 2015, Defendants moved to dismiss or stay the *Wilfred* Action. On January 13, 2015, Defendants filed a motion to dismiss the *Nottenkamper* Action, as well as a separate motion to stay the *Nottenkamper* Action or to transfer the *Nottenkamper* Action from the Delaware Court to this Court.

On April 29, 2015, the *Nottenkamper* Action was transferred from the Delaware Court to this Court, Case No. 15-cv-3390, and on May 6, 2015, Nottenkamper moved to consolidate the *Nottenkamper* Action and the *Wilfred* Action. On June 2, 2015, Nottenkamper's motion was denied without prejudice.

On July 2, 2015, Wilfred requested leave to file a second amended complaint in the *Wilfred* Action, which was granted on July 28, 2015. Additionally, this Court consolidated the *Wilfred* Action and the *Nottenkamper* Action, thus forming the New York Action, and appointed

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Wilfred as Lead Plaintiff and Wilfred's attorneys, the Lifshitz Law Firm (the "Lifshitz Firm"), as Lead Counsel in the consolidated New York Action. This Court also denied as moot the pending motions to dismiss that had been fully briefed by the parties in both the *Wilfred* Action and the *Nottenkamper* Action.

On August 11, 2015, Nottenkamper moved for reconsideration of this Court's July 28, 2015 Order. On August 21, 2015, Wilfred filed a consolidated complaint in the New York Action. In connection with efforts to explore the resolution of the New York Action, Defendants produced discovery to Wilfred.

On September 16, 2015, this Court entered an order granting Nottenkamper's motion for reconsideration, thereby appointing Wilfred and Nottenkamper as Co-Lead Plaintiffs in the New York Action and appointing the Lifshitz Firm and Nottenkamper's counsel, The Weiser Law Firm, P.C. (the "Weiser Firm"), as Co-Lead Counsel in the New York Action. That same day, this Court also entered a stipulation and order temporarily staying all proceedings in the New York Action to facilitate the parties' efforts to explore a resolution of the New York Action through settlement. Soon thereafter, Defendants produced the same discovery to Nottenkamper that had been previously provided to Wilfred.

2. The Indiana Federal Action

On December 23, 2014, plaintiff Lawrence filed the Indiana Federal Action against certain of the Individual Defendants on behalf of ITT in the Indiana Federal Court, making allegations similar to those made in the related securities class action also pending before the Indiana Federal Court, captioned *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Case No. 14-cv-01599-TWP-DML (the "Indiana Securities Action").[3] The claims made in the Indiana Federal Action, alleging breach of fiduciary duty, gross mismanagement, abuse of control, corporate waste, and unjust enrichment, also are substantially similar to those

3 On November 2, 2015, the parties in the Indiana Securities Action entered into a Stipulation and Agreement of Settlement to resolve the Indiana Securities Action in its entirety. That settlement was preliminarily approved by the Indiana Federal Court on November 4, 2015, and a final settlement hearing is scheduled in the Indiana Securities Action for March 10, 2016.

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made in the consolidated complaint in the New York Action. On March 11, 2015, the Indiana Federal Court approved an agreement between Lawrence and the Defendants to stay the Indiana Federal Action pending further developments in the Indiana Securities Action, and pursuant to which Defendants agreed to provide Lawrence with all discovery produced by the defendants in the Indiana Securities Action, as well as all discovery produced to any other plaintiff in any other derivative action brought on ITT's behalf arising from similar facts as the Indiana Federal Action. Pursuant to that agreement, Defendants produced discovery to Lawrence in August 2015.

3. The Indiana State Action

On July 1, 2015, plaintiff McKee filed the Indiana State Action on behalf of ITT in the Indiana State Court, asserting claims against certain of the Individual Defendants for breach of fiduciary duty in connection with substantially similar facts, events, and circumstances as those alleged in the original and consolidated complaints in the New York Action. On August 6, 2015, the parties to the Indiana State Action entered into an agreement to stay the Indiana State Action pending further developments in the closely-related Indiana Securities Action. The Indiana State Court entered the parties' requested order on August 7, 2015, pursuant to which Defendants agreed to provide McKee with all discovery produced by the defendants in the Indiana Securities Action, as well as all discovery produced to any other plaintiff in any other derivative action brought on ITT's behalf arising from similar facts as the Indiana State Action. Pursuant to that agreement, Defendants produced discovery to McKee in August 2015.

4. Settlement Negotiations

Beginning in August 2015, counsel for the Settling Parties engaged in extensive efforts to reach a "global resolution" of the Actions. On September 10, 2015, the Settling Parties participated in an in-person, full-day mediation (the "Mediation") in San Francisco, California with the Honorable Daniel Weinstein (Ret.) of JAMS ("Judge Weinstein" or the "Mediator"), an experienced and distinguished mediator.

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Although a settlement was not reached during the Mediation, considerable progress was made, and after further extensive discussions over the next month with substantial assistance from the Mediator, the Settling Parties reached an agreement-in-principle to resolve the Actions, subject to approval by the Board and the Settling Parties' agreement on documentation. As a condition of the settlement reflected in this Stipulation (the "Settlement"), ITT will agree to institute and maintain certain corporate governance reforms, the terms of which are fully set forth in Exhibit A. After reaching agreement on these substantive corporate governance terms, with the Mediator's substantial assistance, the Settling Parties negotiated at arm's length the attorneys' fees and reimbursement of expenses to be paid to Plaintiffs' Counsel (as defined herein), in light of the substantial benefits which have been or will be conferred upon the Company as a result of the settlement of the Actions. Following extensive discussions, the Settling Parties agreed to a "Mediator's proposal" made by Judge Weinstein with respect to the attorneys' fees and reimbursement of expenses to be paid to Plaintiffs' Counsel, subject to the approval of the Court.

II. PLAINTIFFS' COUNSELS' INVESTIGATION AND RESEARCH, PLAINTIFFS' CLAIMS, AND THE BENEFIT OF SETTLEMENT

Plaintiffs' Counsel conducted an investigation relating to the claims and the underlying events alleged in the respective Actions to which their clients are parties, including, but not limited to: (1) reviewing and analyzing the Company's public filings with the SEC, press releases, announcements, transcripts of investor conference calls, and news articles; (2) reviewing and analyzing the investigations by the SEC and allegations contained in the SEC complaint; (3) reviewing and analyzing the allegations contained in Sallie Mae's complaint against ITT; (4) reviewing and analyzing the allegations contained in the New York Securities Action and the Indiana Securities Action; (5) researching, drafting, and filing shareholder derivative complaints, including amended and consolidated complaints by the New York Plaintiffs; (6) reviewing in excess of 181,000 pages of internal corporate documents produced to Plaintiffs by ITT in connection with settlement negotiations; (7) researching the applicable law

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with respect to the claims asserted (or which could be asserted) in the Actions and the potential defenses thereto; (8) researching corporate governance issues; (9) the preparation and submission of detailed settlement demands and mediation statements in connection with the Mediation; (10) attending the in-person, full-day Mediation in San Francisco, California; and (11) engaging in extensive settlement discussions with the Mediator and counsel for the Defendants.

Plaintiffs' Counsel believe that the claims asserted in the Actions have merit and that their investigation supports the claims asserted. Without conceding the merit of any of Defendants' defenses or the lack of merit of any of their own allegations, and in light of the benefits of the Settlement as well as to avoid the potentially protracted time, expense, and uncertainty associated with continued litigation, including potential trials and appeals, Plaintiffs have concluded that it is desirable that the Actions be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Plaintiffs and Plaintiffs' Counsel recognize the significant risk, expense, and length of continued proceedings necessary to prosecute the Actions against the Individual Defendants through trials and possible appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially complex litigation such as the Actions, as well as the difficulties and delays inherent in such litigation. Based on their evaluation, and in light of the significant benefits conferred upon the Company and its shareholders as a result of the Settlement, Plaintiffs and Plaintiffs' Counsel have determined that the Settlement is in the best interests of Plaintiffs, ITT, and Current ITT Stockholders (as defined herein), and have agreed to settle the Actions upon the terms and subject to the conditions set forth herein. Further, ITT has determined that the Settlement is in the best interests of ITT and Current ITT Stockholders.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

The Individual Defendants have denied, and continue to deny, each and every claim and contention alleged by Plaintiffs in the Actions and affirm that they have acted properly, lawfully, and in full accord with their fiduciary duties, at all times. Further, the Individual Defendants

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have denied expressly, and continue to deny, all allegations of wrongdoing, fault, liability, or damage against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Actions and deny that they have ever committed or attempted to commit any violations of law, any breach of fiduciary duty owed to ITT or its shareholders, or any wrongdoing whatsoever. Had the terms of this Stipulation not been reached, the Individual Defendants would have continued to contest vigorously Plaintiffs' allegations, and the Individual Defendants maintain that they had and have meritorious defenses to all claims alleged in the Actions. Without admitting the validity of any of the claims that Plaintiffs have asserted in the Actions, or any liability with respect thereto, Defendants have concluded that it is desirable that the claims be settled on the terms and subject to the conditions set forth herein. Defendants are entering into this Settlement because it will eliminate the uncertainty, distraction, disruption, burden, and expense of further litigation of the Actions. Neither this Stipulation, nor any of its terms or provisions, nor any act performed or document executed pursuant to or in furtherance of the Settlement: (a) is, may be construed as, or may be used as an admission of, or evidence of, the truth or validity of any of the Released Claims, of any claims or allegations made in the Actions, or of any purported acts or omissions by the Defendants; (b) is, may be construed as, or may be used as an admission of, or evidence of, any fault, omission, negligence, or wrongdoing by the Defendants, or any concession of liability whatsoever; or (c) is, may be construed as, or may be used as an admission of, or evidence of, a concession by any Defendant of any infirmity in the defenses that Defendants asserted or could have asserted in these Actions or otherwise.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

Plaintiffs (for themselves and derivatively on behalf of ITT), the Individual Defendants, and nominal defendant ITT, by and through their respective counsel or attorneys of record, hereby stipulate and agree that, subject to approval by the Court, in consideration of the benefits flowing to the Settling Parties hereto, the Actions and all of the Released Claims shall be fully,

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finally, and forever compromised, settled, released, discharged and dismissed with prejudice, upon the terms and subject to the conditions set forth herein as follows:

1. Definitions

As used in this Stipulation, the following terms have the meanings specified below. In the event of any inconsistency between any definition set forth below and any definition set forth in any document attached as an exhibit to this Stipulation, the definition set forth below shall control.

1.1 "Board" means the ITT Board of Directors.

1.2 "Court" refers to the U.S. District Court for the Southern District of New York.

1.3 "New York Action" refers to the above-captioned shareholder derivative action, *Wilfred v. Modany, et al.*, Case No. 13-cv-3110-JPO, including, without limitation, all cases consolidated under that caption.

1.4 "Current ITT Stockholders" means, for purposes of this Stipulation, any Persons (defined below) who owned ITT common stock as of the date of this Stipulation and who continue to hold their ITT common stock as of the date of the Settlement Hearing, excluding the Individual Defendants, the officers and directors of ITT, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which Individual Defendants have or had a controlling interest.

1.5 "Defendants" means, collectively, the Individual Defendants and nominal defendant ITT.

1.6 "Defendants' Counsel" means: (i) Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166; (ii) Allegaert Berger & Vogel LLP, 111 Broadway, 20th Floor, New York, New York 10006; and (iii) Ice Miller LLP, One American Square, Suite 2900, Indianapolis, Indiana 46282.

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1.7 "Indiana Federal Court" refers to the U.S. District Court for the Southern District of Indiana.

1.8 "Indiana Federal Action" means the shareholder derivative action pending in the Indiana Federal Court captioned *Lawrence v. Modany, et al.*, Case No. 14-cv-2106.

1.9 "Indiana State Court" refers to the Marion County Superior Court, County of Marion, Indiana.

1.10 "Indiana State Action" means the shareholder derivative action in the Indiana State Court, captioned *McKee v. Modany, et al.*, Cause No. 49D07-1507-PL-021891.

1.11 "Effective Date" means the first date by which all of the events and conditions specified in 6.1 herein have been met and have occurred.

1.12 "Fee Award" means the sum to be paid to Plaintiffs' Counsel for their attorneys' fees and expenses, as detailed in ¶¶5.1-5.2 of this Stipulation, subject to approval by the Court.

1.13 "Final" means the time when an order or judgment that has not been reversed, vacated, or modified in any way is no longer subject to appellate review, either because of disposition on appeal and conclusion of the appellate process (including potential writ proceedings) or because of passage, without action, of time for seeking appellate or writ review. More specifically, it is that situation when (1) either no appeal or petition for review by writ has been filed and the

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time has passed for any notice of appeal or writ petition to be timely filed in an Action; or (2) an appeal has been filed and the court of appeals has either affirmed the order or judgment or dismissed that appeal and the time for any reconsideration or further appellate review has passed; or (3) a higher court has granted further appellate review and that court has either affirmed the underlying order or judgment or affirmed the court of appeals' decision affirming the order or judgment or dismissing the appeal or writ proceeding. Any appeal or proceeding seeking judicial review pertaining solely to the Fee Award shall not in any way delay or affect the time set forth above for the Judgment to become Final.

1.14 "Judgment" means the final order and judgment to be rendered by the Court, substantially in the form attached hereto as Exhibit E.

1.15 "ITT" or the "Company" means nominal defendant ITT Educational Services, Inc. and includes all of its subsidiaries, predecessors, successors, affiliates, officers, directors, employees, and agents.

1.16 "Individual Defendants" means collectively: Kevin M. Modany, Daniel M. Fitzpatrick, John F. Cozzi, John E. Dean, James D. Fowler, Jr., Joanna T. Lau, Thomas I. Morgan, Samuel L. Odle, Vin Weber, John A. Yena, and Lloyd G. Waterhouse.

1.17 "Judge Weinstein" or the "Mediator" means the Hon. Daniel Weinstein (Ret.).

1.18 "Notice to Current ITT Stockholders" or "Notice" means the Notice to Current ITT Stockholders, substantially in the form of Exhibit B attached hereto.

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1.19 "Settling Parties" means, collectively, each of the Plaintiffs (on behalf of themselves and derivatively on behalf of ITT), each of the Individual Defendants, and nominal defendant ITT.

1.20 "Person(s)" means an individual, corporation, limited liability company, professional corporation, partnership, limited partnership, limited liability partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity, and their spouses, heirs, predecessors, successors, administrators, parents, subsidiaries, affiliates, representatives, or assignees.

1.21 "Preliminary Approval Order" means the Order to be entered by the Court, substantially in the form of Exhibit D attached hereto, including, *inter alia*, preliminarily approving the terms and conditions of the Settlement as set forth in this Stipulation, directing that notice be provided to Current ITT Stockholders, and scheduling a Settlement Hearing to consider whether the Settlement and Fee Award should be finally approved.

1.22 "Related Persons" means each and all of a Person's past, present, or future family members, spouses, domestic partners, parents, associates, affiliates, divisions, subsidiaries, officers, directors, stockholders, owners, members, representatives, employees, attorneys, financial or investment advisors, consultants, underwriters, investment banks or bankers, commercial bankers, insurers, reinsurers, excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates, beneficiaries, distributees, foundations, general or limited partners or

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partnerships, joint ventures, personal or legal representatives, administrators, or any other person or entity acting or purporting to act for or on behalf of any Person, and each of their respective predecessors, successors, and assigns.

1.23 "Released Claims" means, collectively, all claims (including Unknown Claims), demands, debts, losses, damages, duties, rights, disputes, actions, causes of action, liabilities, obligations, judgments, suits, matters, controversies, proceedings, or issues, of any kind, nature, character, or description whatsoever (and including, but not limited to, any claims for damages, whether compensatory, consequential, special, punitive, exemplary, or otherwise, and any and all fees, costs, interest, expenses, or charges), whether known or unknown, contingent or absolute, suspected or unsuspected, foreseen or unforeseen, disclosed or undisclosed, concealed or hidden, apparent or not apparent, accrued or unaccrued, matured or unmatured, liquidated or not liquidated, asserted or unasserted, at law or in equity, that have been asserted, could have been asserted, or in the future could be asserted by Plaintiffs, ITT, and/or any ITT shareholder derivatively on behalf of ITT against any Released Persons in the Actions or in any other court, tribunal, forum or proceeding (including, but not limited to, any claims arising under U.S. federal, state or local law, foreign law, common law, statutory law, administrative law, rule, regulation, or at equity), relating to alleged fraud, breach of any duty (including, but not limited to, breaches of fiduciary duties, breaches of the duty of care, or breaches of the duty of loyalty), negligence or gross negligence, mismanagement or gross mismanagement, corporate waste, abuse of control, unjust enrichment, disgorgement, recoupment, contribution or indemnification,

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violations of the federal securities laws, or otherwise, whether individual, class, direct, derivative, representative, legal, equitable or any other type, or in any other capacity, that are based upon, arising from, or related to: (i) the claims, facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act, or any other circumstances, which were alleged or referred to in the Actions; (ii) any of the Company's public disclosures or filings with the SEC up to the Effective Date of the Settlement; (iii) any compensation, pay, bonus, severance, or benefits received by any Released Person, as relating to or in connection with any allegations made in the Actions; and/or (iv) the settlement of the Actions and the reasonable attorneys' fees, costs, and expenses incurred in defense thereof. Released Claims shall not include claims to enforce the Settlement, or any indemnification, advancement or insurance claims that any Released Person may have, including, but not limited to, any rights any Released Person has or may have related to any pending or threatened civil or government proceedings. Released Claims also does not include the New York Securities Action or the Indiana Securities Action, which are the subject of separate settlement agreements.

1.24 "Defendants' Released Claims" means any and all claims, debts, rights, or causes of action or liabilities, including Unknown Claims, that could be asserted in any forum by the Released Persons against Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ITT that arise out of or relate in any way to the institution, prosecution, or settlement of the Actions. Defendants' Released Claims shall not include any indemnification, advancement or insurance claims that any Released Person has or may have, including, but not limited to, any rights any Released Person has or may have related to any pending or threatened civil or government proceedings.

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1.25 "Released Person(s)" means, collectively, each and all of the Defendants and their Related Persons.

1.26 "Plaintiffs" means, collectively, Sasha Wilfred, Janice Nottenkamper, Michelle Lawrence, and William McKee.

1.27 "Plaintiffs' Counsel" means: (i) The Weiser Law Firm, P.C., 22 Cassatt Ave, Berwyn, Pennsylvania 19312; (ii) Law Offices of Curtis V. Trinko, LLP, 16 West 46th Street, 7th Floor, New York, New York 10036; (iii) Ryan & Maniskas, LLP, 995 Old Eagle School Road, Suite 311, Wayne, Pennsylvania 19087; (iv) Lifshitz Law Firm, 821 Franklin Ave., Suite 209, Garden City, New York 11530; (v) Schubert Jonckheer & Kolbe LLP, Three Embarcadero Center, Suite 1650, San Francisco, California 94111; (vi) The Brown Law Firm, P.C., 127A Cove Road, Oyster Bay Cove, New York 11771; (vii) Price Waicukauski & Riley, LLC, Hammond Block Building, 301 Massachusetts Avenue, Indianapolis, Indiana 46204; and (viii) Cohen & Malad LLP, One Indiana Square, Suite 1400, Indianapolis, Indiana 46204.

1.28 "Actions" means: (i) the New York Action; (ii) the Indiana Federal Action; and (iii) the Indiana State Action.

1.29 "Settlement" means the settlement of the Actions as documented in this Stipulation.

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1.30 "Settlement Hearing" means a hearing by the Court to review the adequacy, fairness, and reasonableness of the Settlement set forth in this Stipulation and to determine: (i) whether to enter the Judgment; and (ii) all other matters properly before the Court.

1.31 "Stipulation" means this Stipulation and Agreement of Settlement, dated January 21, 2016.

1.32 "Summary Notice" means the Summary Notice of Pendency and Proposed Settlement of Stockholder Derivative Litigation, substantially in the form of Exhibit C attached hereto.

1.33 "Unknown Claims" means any and all claims that were alleged or could have been alleged in the Actions by the Plaintiffs, ITT or any ITT stockholder derivatively on behalf of ITT, which any Current ITT Stockholder, ITT, or any ITT stockholder derivatively on behalf of ITT does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, including claims which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Plaintiffs and ITT shall expressly waive, and each of ITT's stockholders shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of California Civil Code § 1542, which provides:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

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Plaintiffs and ITT shall expressly waive, and each of ITT's stockholders shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any U.S. federal law or any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable or equivalent in effect to California Civil Code § 1542. The Settling Parties acknowledge that they may discover facts in addition to or different from those now known or believed to be true by them with respect to the Released Claims, but it is the intention of the Settling Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all of the Released Claims known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. Plaintiffs and ITT acknowledge, and ITT's stockholders shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and was a material element of the Settlement. With respect to Defendants' Released Claims, "Unknown Claims" means any and all Defendants' Released Claims, of every nature and description, which the Released Persons do not know or suspect to exist in their favor at the time of the release of Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ITT which, if known by them, might have affected their decisions with respect to the release of Defendants' Released Claims or the Settlement.

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2. Terms of the Settlement

2.1 The benefits of the Settlement consist of corporate governance reforms (the "Reforms"), the terms of which are fully set forth in Exhibit A attached hereto. Since the New York Action was initiated, ITT has implemented a number of improvements to its corporate governance practices, business operations, and system of internal controls. The New York Action, and other actions and regulatory proceedings involving private education loans received by ITT's students, among other factors, significantly contributed to ITT's evaluation of, and implementation of, certain changes to the Company's structure, policies, and procedures to protect the Company from the risk of future losses, damages, litigation, and regulatory proceedings. ITT acknowledges that the pendency and settlement of the Actions is a substantial factor in the Company's decision to adopt and/or enact changes, modifications, and enhancements to previously-instituted remedial measures as well as the other Reforms set forth in Exhibit A. The Settling Parties agree that the Reforms will provide substantial benefits to ITT and Current ITT Stockholders. ITT always has been, and continues to be, committed to the implementation, enhancement and enforcement of rigorous corporate governance measures. The fact that ITT has implemented, or has agreed to implement, changes, modifications, or enhancements to its corporate governance policies and practices shall not be construed as an admission that any such enhanced policies or practices are legally required, or to the extent such policies or practices were not in place in the past, constituted a failure of compliance, a breach of any duty, or any other wrongdoing.

2.2 Within ninety (90) calendar days following the Effective Date, ITT shall take all necessary steps to adopt and implement the Reforms, to the extent that such Reforms have not already been adopted and implemented. Except where specified otherwise, the Reforms shall be maintained for a period of no less than three (3) years from the date of implementation, subject to the terms and conditions set forth in Exhibit A attached hereto.

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3. Procedure for Implementing the Settlement

3.1 Within three (3) business days after the execution of this Stipulation, the New York Plaintiffs shall submit this Stipulation, together with its exhibits, to the Court and apply for entry of the Preliminary Approval Order, substantially in the form of Exhibit D attached hereto, requesting, *inter alia*: (i) preliminary approval of the Settlement set forth in this Stipulation; (ii) approval of the method of providing notice of the proposed Settlement to Current ITT Stockholders; (iii) approval of the form of Notice attached hereto as Exhibit B and the Summary Notice attached hereto as Exhibit C; and (iv) a date for the Settlement Hearing.

3.2 Within five (5) business days after the filing of this Stipulation with the Court, each of the Indiana Plaintiffs shall notify their respective Indiana court of the pendency of the Settlement, attaching a courtesy copy of this Stipulation and its exhibits and informing their respective Indiana court that: (i) the Indiana Plaintiffs are parties to the Settlement, which if finally approved, would result in the Indiana Plaintiffs moving for the dismissals of the Indiana Actions with prejudice; and (ii) this Stipulation, a motion for preliminary approval of the Settlement, and proposed notices to Current ITT Stockholders have been filed with the Court in the New York Action. Upon the notification of the pendency of the Settlement to the Indiana Federal Court, the Indiana Federal Plaintiff shall request that the current stay of proceedings in the Indiana Federal Action, first entered on March 11, 2015, be continued, unless and until this Stipulation is in any way canceled or terminated. Upon the notification of the pendency of the Settlement to the Indiana State Court, the Indiana State Plaintiff shall request that the current stay of proceedings in the Indiana State Action, first entered on August 7, 2015, be continued, unless and until this Stipulation is in any way canceled or terminated. Defendants agree to cooperate with the Indiana Plaintiffs to accomplish the terms set forth herein.

3.3 Within five (5) business days after the Court's entry of the Preliminary Approval Order, each of the Indiana Plaintiffs shall notify their respective Indiana court of the issuance of the Preliminary Approval Order by this Court, attaching a courtesy copy of the Preliminary Approval Order.

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3.4 Within ten (10) business days of the Court's entry of the Preliminary Approval Order, ITT shall: (i) cause a copy of the Notice to be filed with the SEC via a Current Report on Form 8-K; (ii) cause the Summary Notice to be published once in *Investor's Business Daily*; and (iii) post a link to the Stipulation and the Notice on the investor relations portion of ITT's website, which posting shall be maintained through the date of the Settlement Hearing. All costs of such notice and the filing, publishing and posting set forth above shall be paid by ITT. The Settling Parties believe the content of the Notice, the Summary Notice, and the manner of the notice procedures set forth in this paragraph, constitutes adequate and reasonable notice to Current ITT Stockholders pursuant to applicable law and due process.

3.5 Plaintiffs' Counsel shall request that the Court hold the Settlement Hearing at least forty-five (45) calendar days after the notice described in ¶3.4 above is given to Current ITT Stockholders to approve the Settlement and the Fee Award.

3.6 Pending the Court's determination as to final approval of the Settlement, the Plaintiffs and Plaintiffs' Counsel, and all other Persons, including, but not limited to, any Current ITT Stockholders, whether acting directly, representatively, or derivatively on behalf of ITT, or in any other capacity, are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claims against any of the Released Persons, in any court or tribunal.

3.7 Within five (5) business days after the date that the Court enters the Judgment finally approving the Settlement, each of the Indiana Plaintiffs shall notify their respective Indiana court that the Court entered the Judgment, attaching a courtesy copy of the Judgment and informing their respective Indiana court that within five (5) business days after the date that the Judgment finally approving the Settlement becomes "Final," as defined in ¶1.13 herein, the Indiana Plaintiffs will file the necessary documents to move for voluntary dismissal of the respective Indiana Actions with prejudice, in accordance with local rules. The Indiana Federal

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Plaintiff shall request that the current stay of proceedings in the Indiana Federal Action, first entered on March 11, 2015, be continued, unless and until this Stipulation is in any way canceled or terminated. The Indiana State Plaintiff shall request that the current stay of proceedings in the Indiana State Action, first entered on August 7, 2015, be continued, unless and until this Stipulation is in any way canceled or terminated. Defendants agree to cooperate with the Indiana Plaintiffs to accomplish the terms set forth herein.

3.8 Within five (5) business days after the date that the Judgment finally approving the Settlement becomes "Final," as defined in ¶1.13 herein, each of the Indiana Plaintiffs shall file the necessary documents in their respective Indiana Action to move for a voluntary dismissal of that action with prejudice, in accordance with local rules. The Indiana Plaintiffs agree to use their reasonable best efforts to file with the respective Indiana court any motion, notice, or other document requested by that Indiana court to secure dismissal with prejudice of the Indiana Actions. Plaintiffs and Defendants agree to cooperate to secure the dismissal with prejudice of the Indiana Actions, as dismissal of both Indiana Actions with prejudice is a material condition of this Settlement, without which the Effective Date set forth in ¶6.1 cannot occur.

4. Releases

4.1 Upon the Effective Date, ITT, Plaintiffs (acting on their own behalf and derivatively on behalf of ITT), and each of ITT's stockholders (solely in their capacity as ITT stockholders) shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged the Released Claims (including Unknown Claims) against the Released Persons and any and all claims arising out of, relating to, or in connection with, the defense, settlement or resolution of the Actions against the Released Persons. ITT, Plaintiffs (acting on their own behalf and derivatively on behalf of ITT) and each of ITT's stockholders (solely in their capacity as ITT stockholders) shall be deemed to have, and by operation of the Judgment shall have, covenanted not to sue any Released Person with respect to any Released Claims, and shall be permanently barred and enjoined from instituting,

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commencing or prosecuting the Released Claims against the Released Persons except to enforce the releases and other terms and conditions contained in this Stipulation and/or the Judgment entered pursuant thereto.

4.2 Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ITT from any and all Defendants' Released Claims; provided, however, that nothing herein is intended to release any indemnification, advancement or insurance claims that any Released Person has or may have under any insurance policy, contract, bylaw or charter provision, or under Delaware law, including, but not limited to, any rights any Released Person has or may have related to any pending or threatened civil or government proceedings.

4.3 Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

5. Plaintiffs' Counsel's Attorneys' Fees and Expenses

5.1 In recognition of the substantial benefits provided to ITT and Current ITT Stockholders as a result of the settlement of the Actions, ITT has agreed to pay or cause to be paid to Plaintiffs' Counsel an award of attorneys' fees and expenses in the total amount of $1.1 million ($1,100,000.00) (the "Fee Award"), subject to approval by the Court. As discussed above, as part of the mediation process, the Settling Parties agreed to a "Mediator's proposal" by Judge Weinstein for the amount of the Fee Award, subject to the approval of the Court. The Settling Parties mutually agree that the Fee Award is fair and reasonable in light of the substantial benefits conferred upon ITT and Current ITT Stockholders by this Stipulation.

5.2 The Fee Award shall be transferred to an interest-bearing escrow account (the "Escrow Account") held by the Weiser Firm, as receiving agent for all Plaintiffs' Counsel, within twenty (20) business days after entry of the Preliminary Approval Order. Plaintiffs'

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Counsel shall provide Defendants' Counsel, within ten (10) business days after entry of the Preliminary Approval Order, all necessary payment details to accomplish payment of the Fee Award to the Escrow Account by wire transfer, including bank account number, name of bank, bank address, a Sort Code or ABA Routing Number, wire transfer instructions, the Tax Identification Number, and an executed Form W-9. Defendants and Defendants' Counsel shall have no responsibility for, nor bear any risk or liability with respect to, the Escrow Account, its operation, and any taxes or expenses incurred in connection with the Escrow Account. Plaintiffs' Counsel shall be solely responsible for any administrative costs associated with the Escrow Account as well as the filing of all informational and other tax returns with the Internal Revenue Service, or any other state or local taxing authority, as may be necessary or appropriate.

5.3 The Fee Award shall remain in the Escrow Account until the entry of the Judgment by the Court finally approving the Settlement, at which time the Fee Award shall be immediately releasable to Plaintiffs' Counsel. Should the Court order the payment of attorneys' fees and expenses to Plaintiffs' Counsel in an amount less than the agreed Fee Award prior to, or at the time of, entry of the Judgment, then only the Court-approved amount, plus interest earned thereon, shall be released to Plaintiffs' Counsel. Any amounts remaining in the Escrow Account, including any interest earned thereon, shall be returned to ITT within fifteen (15) business days of entry of the Judgment.

5.4 Payment of the Fee Award in the amount approved by the Court shall constitute final and complete payment for Plaintiffs' Counsel's attorneys' fees and expenses that have been incurred or will be incurred in connection with the filing and prosecution of the Actions and the resolution of the claims alleged therein. The Weiser Firm shall be solely responsible for the distribution of the Fee Award to Plaintiffs' Counsel, in accordance with the confidential

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arbitration ruling regarding the allocation of the Fee Award issued by the Mediator on December 17, 2015 (the "Arbitration Ruling"). The Weiser Firm shall distribute the Fee Award to Plaintiffs' Counsel in accordance with the Arbitration Ruling within five (5) business days after entry of the Judgment by the Court, finally approving the Settlement. Defendants and Defendants' Counsel shall have no responsibility for the allocation or distribution of the Fee Award amongst Plaintiffs' Counsel. Defendants, including ITT, shall have no obligation to make any payment to any Plaintiffs' Counsel other than the payment to the Escrow Account provided in ¶5.2 herein.

5.5 If for any reason any condition in ¶6.1 is not met and the Effective Date of the Stipulation does not occur, if the Stipulation is in any way canceled or terminated, if the Judgment is not entered, or in the event of any failure to obtain final approval of the full amount of the Fee Award, or upon any appeal and/or further proceedings on remand, or successful collateral attack, which results in the Judgment or the Fee Award being overturned or substantially modified, each of Plaintiffs' Counsel and their successors shall be obligated to repay to ITT, within fifteen (15) business days, the amount of the Fee Award, or part thereof, paid by or on behalf of Defendants, which they received. Each of Plaintiffs' Counsel that receives any portion of the Fee Award is subject to the Court's jurisdiction for the purposes of enforcing this paragraph or the provisions related to the Fee Award.

5.6 Except as otherwise provided herein, each of the Settling Parties shall bear his, her, or its own costs and attorneys' fees.

5.7 In light of the substantial benefits they have helped to create for all Current ITT Stockholders, any or all of the Plaintiffs may apply for Court-approved service awards in the amount of $1,500.00 each (the "Service Awards"). Each Service Award to each of the Plaintiffs,

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to the extent that it is applied for and approved in whole or part, shall be funded from the portion of the Fee Award distributed to that Plaintiff's counsel in accordance with the Arbitration Ruling, to the extent that the Fee Award is approved in whole or in part. Defendants shall take no position on the Service Awards and shall have no obligation to pay them.

6. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination

6.1 The Effective Date of the Stipulation shall be conditioned on the occurrence of all of the following events:

(i) the Court's entry of the Judgment;

(ii) the payment of the Fee Award in accordance with ¶¶5.1-5.2 hereof;

(iii) the Judgment has become Final;

(iv) the Indiana Federal Action has been dismissed with prejudice and that dismissal order has become Final; and

(v) the Indiana State Action has been dismissed with prejudice and that dismissal order has become Final.

6.2 If any of the conditions specified in ¶6.1 are not met, then the Stipulation shall be canceled and terminated subject to ¶6.4, and the Settling Parties shall be restored to their respective positions in the Actions as of the date immediately preceding the date of this Stipulation, unless Plaintiffs' Counsel and Defendants' Counsel mutually agree in writing to proceed with the Stipulation.

6.3 Each of the Settling Parties shall have the right to terminate the Settlement by providing written notice of their election to do so to all other Settling Parties within twenty (20) calendar days of the date on which: (i) the Court refuses to approve this Stipulation, or the terms contained herein, in any material respect; (ii) the Preliminary Approval Order is not entered in

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substantially the form attached as Exhibit D hereto; (iii) the Judgment is not entered in substantially the form attached as Exhibit E hereto; (iv) the Judgment is reversed or substantially modified on appeal, reconsideration, or otherwise; (v) the Indiana Actions are not dismissed with prejudice or those dismissal orders do not become Final; or (vi) the Effective Date of the Settlement cannot otherwise occur; except that such termination shall not be effective unless and until the terminating Settling Party has, within twenty (20) calendar days of the date on which notice of the termination event has been provided to all other Settling Parties, attempted in good faith to confer with the other Settling Parties and/or to participate in a mediation session with Judge Weinstein and the other Settling Parties to attempt to remedy the issue. Any order or proceeding relating to the Fee Award, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to cancel the Stipulation, allow for the termination of the Settlement, or affect or delay the finality of the Judgment approving the Settlement.

6.4 In the event that the Stipulation is not approved by the Court, or the Settlement is terminated for any reason, including pursuant to ¶6.3 above, the Settling Parties shall be restored to their respective positions as of the date of this Stipulation, and all negotiations, proceedings, documents prepared and statements made in connection herewith shall be without prejudice to the Settling Parties, shall not be deemed or construed to be an admission by any of the Settling Parties of any act, matter, or proposition, and shall not be used in any manner for any purpose in any subsequent proceeding in the Actions or in any other action or proceeding. In such event, the terms and provisions of the Stipulation, with the exception of ¶¶1.1-1.33, 6.2, 8.3, 8.4, 8.5, 8.7, 8.9, 8.11, 8.12, 8.13, 8.14, 8.15, 8.17, and 8.18 herein, shall have no further force and effect with respect to the Settling Parties and shall not be used in the Actions or in any other proceeding for any purpose, and any judgment or orders entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*.

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7. Bankruptcy

7.1 In the event any proceedings by or on behalf of ITT, whether voluntary or involuntary, are initiated under any chapter of the United States Bankruptcy Code, including any act of receivership, asset seizure, or similar federal or state law action ("Bankruptcy Proceedings"), the Settling Parties agree to use their reasonable best efforts to obtain all necessary orders, consents, releases, and approvals for effectuation of this Stipulation in a timely and expeditious manner.

7.2 In the event of any Bankruptcy Proceedings by or on behalf of ITT, the Settling Parties agree that all dates and deadlines set forth herein will be extended for such periods of time as are necessary to obtain necessary orders, consents, releases and approvals from the Bankruptcy Court to carry out the terms and conditions of the Stipulation.

8. Miscellaneous Provisions

8.1 The Settling Parties: (i) acknowledge that it is their intent to consummate this Stipulation; and (ii) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

8.2 The Settling Parties agree that the terms of the Settlement were negotiated in good faith and at arm's length by the Settling Parties, and reflect a settlement that was reached voluntarily based upon adequate information and after consultation with competent legal counsel. Except in the event of termination of the Settlement, the Settling Parties agree not to assert under Rule 11 of the Federal Rules of Civil Procedure or any similar law, rule or

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regulation, that the Action was brought or defended in bad faith or without a reasonable basis. The Settling Parties also will request that the Judgment will contain a finding that during the course of the Actions, the Settling Parties and their respective counsel at all times complied with the requirements of Fed. R. Civ. P. 11 and all other similar rules of professional conduct.

8.3 While maintaining their positions that the claims and defenses asserted in the Actions are meritorious, Plaintiffs and Plaintiffs' Counsel, on the one hand, and Defendants and Defendants' Counsel, on the other, shall not make any public statements or statements to the media (whether or not for attribution) that disparage the other's business, conduct, or reputation, or that of their counsel, based on the subject matter of the Actions. Notwithstanding the foregoing, each of the Settling Parties reserves their right to rebut, in a manner that such party determines to be reasonable and appropriate, any contention made in any public forum that the Actions were brought or defended in bad faith or without a reasonable basis.

8.4 Whether or not the Settlement is approved by the Court, and whether or not the Settlement is consummated, the fact and terms of this Stipulation, including any exhibits attached hereto, all proceedings in connection with the Settlement, and any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement:

(a) shall not be offered, received, or used in any way against the Settling Parties as evidence of, or be deemed to be evidence of, a presumption, concession, or admission by any of the Settling Parties with respect to the truth of any fact alleged by Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Actions or in any litigation, or the deficiency or infirmity of any defense that has been or could have been asserted in the Actions or in any litigation, or of any fault, wrongdoing, negligence, or liability of any of the Released Persons;

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(b) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any fault, misrepresentation or omission with respect to any statement or written document approved, issued, or made by any Released Person, or against Plaintiffs as evidence of any infirmity in their claims;

(c) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any liability, fault, negligence, omission or wrongdoing, or in any way referred to for any other reason as against the Released Persons, in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal. Neither this Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of this Stipulation, or the Settlement, shall be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement; provided, however, that the Released Persons may refer to the Settlement, and file the Stipulation and/or the Judgment, in any action that may be brought against them to effectuate the liability protections granted them hereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, full faith and credit, release, standing, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law.

8.5 The exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

8.6 The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all the Settling Parties or their respective successors-in-interest. After prior notice to the Court, but without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any provisions of this Stipulation.

8.7 This Stipulation and the exhibits attached hereto represent the complete and final resolution of all disputes among the Settling Parties with respect to the Actions, constitute the entire agreement among the Settling Parties, and supersede any and all prior negotiations, discussions, agreements, or undertakings, whether oral or written, with respect to such matters.

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8.8 The waiver by one party of any breach of the Settlement by any other party shall not be deemed a waiver of any other prior or subsequent breach of the Settlement. The provisions of the Settlement may not be waived except by a writing signed by the affected party, or counsel for that party.

8.9 The headings in the Stipulation and its exhibits are used for the purpose of convenience only and are not meant to have legal effect.

8.10 The Stipulation and the Settlement shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties and the Released Persons. The Settling Parties agree that this Stipulation will run to their respective successors-in-interest, and they further agree that any planned, proposed or actual sale, merger or change-in-control of ITT shall not void this Stipulation, and that in the event of a planned, proposed or actual sale, merger or change-in-control of ITT they will continue to seek final approval of this Stipulation expeditiously, including, but not limited to, the Settlement terms reflected in this Stipulation and the Fee Award.

8.11 The Stipulation and the exhibits attached hereto shall be considered to have been negotiated, executed, and delivered, and to be wholly performed, in the State of New York and the rights and obligations of the Settling Parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of New York without giving effect to that State's choice of law principles. No representations, warranties, or inducements have been made to any party concerning the Stipulation or its exhibits other than the representations, warranties, and covenants contained and memorialized in such documents.

8.12 This Stipulation shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations among the Settling Parties and all Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

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8.13 All agreements made and orders entered during the course of the Actions relating to the confidentiality of information and documents shall survive this Stipulation.

8.14 Nothing in this Stipulation, or the negotiations or proceedings relating to the Settlement, is intended to or shall be deemed to constitute a waiver of any applicable privilege or immunity, including, without limitation, the attorney-client privilege, the joint defense privilege, the accountants' privilege, or work product immunity; further, all information and documents transmitted between Plaintiffs' Counsel and Defendants' Counsel in connection with the Settlement shall be kept confidential and shall be inadmissible in any proceeding in any U.S. federal or state court or other tribunal or otherwise, in accordance with Rule 408 of the Federal Rules of Evidence as if such Rule applied in all respects in any such proceeding or forum.

8.15 The Settling Parties intend that the Court retain jurisdiction for the purpose of effectuating and enforcing the terms of the Settlement.

8.16 Each counsel or other Person executing the Stipulation or its exhibits on behalf of any of the Settling Parties hereby warrants that such Person has the full authority to do so. The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties and their Related Persons.

8.17 Any notice required by this Stipulation shall be submitted by overnight mail and e-mail to each of the signatories below.

8.18 The Stipulation may be executed in one or more counterparts, including by signature transmitted via facsimile, or by a .pdf/.tif image of the signature transmitted via e-mail. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of original executed counterparts shall be filed with the Court.

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IN WITNESS WHEREOF, the Settling Parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of January 21, 2016.

Dated: January 21, 2016

THE WEISER LAW FIRM, P.C.

/s/ Brett D. Stecker

ROBERT B. WEISER
RW@weiserlawfirm.com
BRETT D. STECKER
BDS@weiserlawfirm.com
JAMES A. FICARO
JMF@weiserlawfirm.com
22 Cassatt Avenue, First Floor
Berwyn, PA 19312
Telephone: (610) 225-2677

Dated: January 21, 2016

LIFSHITZ LAW FIRM

/s/ Joshua M. Lifshitz

JOSHUA M. LIFSHITZ
JML@jlclasslaw.com
821 Franklin Ave.
Suite 209
Garden City, NY 11530
Telephone: (516) 493-9780

Co-Lead Counsel for Plaintiffs in the New York Action

LAW OFFICES OF CURTIS V. TRINKO, LLP
CURTIS V. TRINKO
ctrinko@trinko.com
16 West 46th Street, 7th Floor
New York, NY 10036
Telephone: (212) 490-9550

RYAN & MANISKAS, LLP
KATHERINE M. RYAN
kryan@rmclasslaw.com
RICHARD A. MANISKAS
rmaniskas@rmclasslaw.com
995 Old Eagle School Road, Suite 311
Wayne, PA 19087
Telephone: (484) 588-5516

Additional counsel for plaintiff Nottenkamper

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Dated: January 21, 2016

THE BROWN LAW FIRM, P.C.

/s/ Timothy W. Brown

TIMOTHY W. BROWN
TBrown@thebrownlawfirm.net
127A Cove Road
Oyster Bay Cove, NY 11771
Telephone: (516) 922-5427

Counsel for plaintiff Lawrence

PRICE WAICUKAUSKI & RILEY, LLC

BRAD A. CATLIN
BCatlin@price-law.com
Hammond Block Building
301 Massachusetts Avenue
Indianapolis, IN 46204
Telephone: (317) 633-8787

Liaison Counsel for plaintiff Lawrence

Dated: January 21, 2016

SCHUBERT JONCKHEER & KOLBE LLP

/s/ Dustin Schubert

ROBERT SCHUBERT
RSchubert@schubertlawfirm.com
WILLEM JONCKHEER
WJonckheer@schubertlawfirm.com
DUSTIN SCHUBERT
DSchubert@schubertlawfirm.com
Three Embarcadero Center, Suite 1650
San Francisco, CA 94111
Telephone: (415) 788-4220

COHEN & MALAD LLP

One Indiana Square, Suite 1400
Indianapolis, IN 46204

Counsel for plaintiff McKee

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Dated: January 21, 2016

GIBSON, DUNN & CRUTCHER LLP

/s/ Jennifer L. Conn

JENNIFER L. CONN
JConn@gibsondunn.com
BRAD SCHOENFELDT
BSchoenfeldt@gibsondunn.com
200 Park Avenue
New York, NY 10166-0193
Telephone: (212) 351-4000

WAYNE W. SMITH (*pro hac vice*)
WSmith@gibsondunn.com
3161 Michelson Drive
Irvine, CA 92612-4412
Telephone: (949) 451-3800

Counsel for the Individual Defendants

Dated: January 21, 2016

ALLEGAERT BERGER & VOGEL LLP

/s/ Christopher Allegaert

CHRISTOPHER ALLEGAERT
CAllegaert@abv.com
RICHARD CRISONA
RCrisona@abv.com
111 Broadway, 20th Floor
New York, NY 10006
Telephone: (212) 571-0550

Counsel for ITT Educational Services, Inc.

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EXHIBIT A

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Proposed Therapeutics for Derivative Settlement[1]

1. IMPROVEMENTS ALREADY MADE BY ITT

ITT always has been and continues to be committed to the implementation, enhancement and enforcement of rigorous corporate governance measures. Since the Wilfred Action was filed in May 2013, ITT has implemented a number of improvements to its corporate governance practices, business operations, and system of internal controls. The Wilfred Action, and other actions and regulatory proceedings involving private education loans received by ITT's students, among other factors, significantly contributed to ITT's evaluation of, and implementation of, certain changes to the Company's structure, policies, and procedures to protect the Company from the risk of future losses, damages, litigation, and regulatory proceedings. ITT further acknowledges that the pendency of the Wilfred Action, and similar shareholder derivative actions, is a substantial factor in the changes, modifications, and enhancements that the Company now makes to previously-instituted remedial measures, which will materially benefit ITT and ITT's shareholders. The fact that ITT has implemented, or has agreed to implement, changes, modifications, or enhancements to its corporate governance policies and practices should not be construed as an admission that any such enhanced policies or practices are legally required, or to the extent such policies or practices were not in place in the past, constituted a failure of compliance, a breach of any duty, or any other wrongdoing.

2. DIRECTOR INDEPENDENCE

ITT will agree to adopt a requirement that a two-thirds majority (i.e. at least 6 of 9 members) of ITT's Board will consist of Independent Directors.

3. LIMITED DIRECTOR ENGAGEMENTS OUTSIDE OF ITT

ITT shall revise its Corporate Governance Guidelines to require that ITT's Directors not serve on more than four other public companies' boards of directors (other than affiliates of such other public companies).

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1 Where not otherwise specified, the Company will agree to implement any change for a period of at least 3 years. None of the proposed changes will be implemented without full consideration by the Board and the Board's approval. Additionally, the Board, by at least a 3/4 vote of the independent directors, may amend any one or more of these reforms if the Board determines in a good faith exercise of its business judgment that a policy, procedure or control is deemed inconsistent with the best interests of the Company and its shareholders due to changed circumstances, or conflicts with any law, regulation, or rule to which ITT is subject. Furthermore, ITT shall not be required to implement or maintain any change if ITT ceases to be a public company that is required to file reports with the U.S. Securities and Exchange Commission (the "SEC").

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4. MEETINGS IN EXECUTIVE SESSION

ITT shall require that the Independent Directors on the Board meet in executive session at each regularly scheduled meeting of the Board, outside the presence of any director who serves as an officer of ITT.

5. NEW INDEPENDENT BOARD MEMBERS

ITT has added two new Independent Directors since the date the Wilfred Action was filed, including a retired senior partner from Deloitte with broad expertise in finance and accounting, who is serving as the Chair of the Audit Committee.

6. IDENTIFICATION OF NEW DIRECTORS

The Board's Nominating and Governance Committee shall seek shareholder input to identify potential candidates for Director positions. The Nominating and Governance Committee shall contact each individual or entity holding 10% or more of ITT's common stock (as determined based on Schedule 13D and 13G filings with the SEC) for the purpose of requesting that such shareholders provide the name or names of candidates for ITT's Board. Following an initial background and suitability review of names submitted by shareholders, the Nominating and Corporate Governance Committee shall conduct a thorough review of each candidate for potential recommendation to the Board. The Nominating and Corporate Governance Committee shall be under no obligation to recommend shareholder-identified candidates to the Board, and in the exercise of its business judgment and subject to its fiduciary duties, may identify, review and recommend any other candidates for the Board's consideration.

7. DIRECTOR SUCCESSION PLAN

a. ITT shall require that the Board develop and implement a Director succession plan.

b. Directors shall be required to have a thorough understanding of the characteristics necessary to effectively oversee management's execution of a long-term strategy that optimizes operating performance, profitability, and shareholder value creation. The director succession planning process shall:

i. Become a routine topic of discussion by the Board.

ii. Encompass how expected future Board retirements or the occurrence of unexpected director turnover as a result of death, disability or untimely departure is addressed in a timely manner.

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iii. Encompass how director turnover either through transitioning off the Board or as a result of rotating committee assignments and leadership is addressed in a timely manner.

8. DIRECTOR ATTENDANCE AT ANNUAL SHAREHOLDER MEETINGS

Absent extraordinary circumstances, each member of the Board shall be required to attend each annual shareholder meeting in person.

9. DIRECTOR EDUCATION

a. ITT shall require each member of the Board to complete annually six hours of continuing education programs designed for directors of publicly traded companies. Such training shall include topics such as compliance with GAAP, SOX, corporate governance, assessment of risk, compliance, and reporting requirements for publicly traded companies.

b. The Company's Director Orientation and Continuing Education program shall be supplemented to include presentations from appropriate Company personnel regarding (i) state and federal laws governing for-profit educational institutions; (ii) state and federal student loan programs; and (iii) key accounting and financial reporting issues implicated by the Company's business.

10. AUDIT COMMITTEE IMPROVEMENTS

a. At least quarterly, ITT management will be required to provide the Audit Committee with a written report describing:

i. a breakdown by category of all sources of the Company's tuition revenue;

ii. the nature and performance of any existing or proposed Risk-Sharing Agreement, Variable Interest Entity, or other student loan financing program or vehicle in which the Company is involved;

iii. student loan repayment and default rates, and how such rates are calculated;

iv. actual or potential risk exposure related to student loan default rates.

b. ITT will require that the Audit Committee receive annually a report listing all trades in ITT securities engaged in by Section 16 officers.

c. ITT management will be required to provide the Audit Committee with:

i. periodic summaries of findings from completed internal audits and, as appropriate, the status of major audits in process; and

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ii. progress reports on the completion of the current year's internal audit plan, including explanations for any significant deviations.

d. The Audit Committee charter will be amended, to provide that:

i. The Audit Committee shall review all disclosures in Form 10-Qs and Form 10-Ks filed with the SEC related to the performance of student loan programs.

ii. At least annually, the Audit Committee shall meet with the Company's independent auditor to review the Company's policies as they relate to accounting for student loan performance.

iii. The Chairperson of the Audit Committee shall meet with the independent auditor at least four times annually.

iv. The Audit Committee shall review and approve the annual budget for the Compliance/Internal Audit division of the Company.

v. The Audit Committee shall review the replacement, reassignment, or dismissal of ITT's Chief Compliance and Risk Officer.

vi. The Chief Compliance and Risk Officer will meet at least quarterly with the Audit Committee to discuss relevant compliance and risk issues.

vii. The Audit Committee shall meet in executive session for at least a portion of each of its meetings.

11. COMPENSATION COMMITTEE IMPROVEMENTS

a. The Compensation Committee charter will be amended, to provide that, in determining, setting, or approving annual short-term compensation arrangements, the Compensation Committee shall take into account the particular executive's performance as it relates to both legal compliance and compliance with the Company's internal policies and procedures. This shall not affect payments or benefits that are required to be paid pursuant to the Company's plans, policies, or agreements.

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b. The Compensation Committee charter will be amended, to provide that, in determining, setting, or approving termination benefits and/or separation pay to executive officers, the Compensation Committee shall take into consideration the circumstances surrounding the particular executive officer's departure and the executive's performance as it relates to both legal compliance and compliance with the Company's internal policies and procedures. This shall not affect payments or benefits that are required to be paid pursuant to the Company's plans, policies, or agreements.

12. CHIEF COMPLIANCE AND RISK OFFICER

a. ITT will agree to formalize the responsibilities of ITT's Chief Compliance Officer to include risk management functions, with a new title of Chief Compliance and Risk Officer. The Chief Compliance and Risk Officer will report directly to ITT's Chief Administrative and Legal Officer and also will have direct communications with ITT's Audit Committee.

b. The responsibilities of the Chief Compliance and Risk Officer will include overseeing and managing ITT's Ethics and Compliance Program, ensuring ITT's compliance with legal and regulatory requirements, and developing and implementing programs to prevent illegal, unethical, or improper conduct. The Chief Compliance and Risk Officer also will be responsible for identifying and monitoring material risks relating to ITT's compliance with applicable laws and regulations and for overseeing ITT's Enterprise Risk Management Program.

c. The Chief Compliance and Risk Officer will keep ITT's senior management and Audit Committee informed regarding the progress and results of compliance and risk assessment efforts.

d. The Chief Compliance and Risk Officer will meet at least monthly with ITT's CEO to discuss relevant compliance and risk issues, including matters set forth in the Item 1A "Risk Factors" section of ITT's annual Form 10-K.

e. The Chief Compliance and Risk Officer will meet at least quarterly with ITT's CFO to discuss relevant compliance and risk issues, including matters set forth in the Item 1A "Risk Factors" section of ITT's annual Form 10-K.

f. The Chief Compliance and Risk Officer shall review all disclosures set forth in the Item 1A "Risk Factors" section of ITT's annual Form 10-K.

g. The Chief Compliance and Risk Officer will meet at least quarterly with ITT's Audit Committee to discuss relevant compliance and risk issues.

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h. The Chief Compliance and Risk Officer shall be invited to present a report to the full Board at least annually.

i. The Chief Compliance and Risk Officer (or his or her designee in extraordinary circumstances) shall participate in all meetings of the Disclosure Committee.

j. ITT will agree to keep the Chief Compliance and Risk Officer position in place for at least 3 years.

13. CHIEF ACCOUNTING OFFICER

a. ITT has identified its Controller and Treasurer as the Company's Chief Accounting Officer, separating the roles of the Chief Accounting Officer and the Chief Financial Officer. ITT's current Chief Accounting Officer is responsible for management of the Company's general accounting and treasury functions. Among other duties, the current Chief Accounting Officer's responsibilities include directing and reviewing various accounting analyses and the preparation of annual, quarterly, and monthly financial statements for the Company.

b. ITT will agree to keep the role of Chief Accounting Officer separate from the role of Chief Financial Officer for at least 3 years.

14. VICE PRESIDENT OF FINANCIAL REPORTING

a. ITT created a new executive position of Vice President of Financial Reporting. The Vice President of Financial Reporting is responsible for the preparation and distribution of internal and external financial reports. Among other duties, the Vice President of Financial Reporting is responsible for directing the review and publication process for the Company's financial statements, directing the annual audit process, and coordinating communications between the Company and its independent auditor.

b. ITT will agree to keep the new Vice President of Financial Reporting position in place for at least 3 years.

15. INSIDER TRADING POLICY

ITT maintains an insider trading policy that presently is not available to the public. ITT will agree to disclose publicly on its website the company's insider trading policy.

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16. CLAWBACK AND RECOUPMENT POLICY

a. ITT will adopt a Clawback and Recoupment Policy, to be administered by the Board.

b. The Clawback and Recoupment Policy shall state that in the event of a restatement of the Company's financial results, the Board will review the facts and circumstances that led to the restatement, and consider the accountability of any executive officer whose acts or omissions were responsible in whole or in part for the events that led to the restatement and whether such acts or omissions constituted misconduct.

c. If, following the Board's review of the facts and circumstances, the Board determines that there has been misconduct by an executive officer that resulted in ITT being required to prepare the accounting restatement, then the Board shall require that executive officer to reimburse ITT for:

i. any bonus or other short-term cash compensation or equity-based compensation received by that person from ITT during the 12-month period following the filing of the false financial statement;

ii. any profits realized by that person from the sale of ITT securities during the 12-month period following the filing of the false financial statement.

d. The Clawback and Recoupment policy to be adopted by the Board will not purport to limit the Sarbanes-Oxley Act in any way.

17. WHISTLEBLOWER PROGRAM/ETHICS HOTLINE

a. ITT will maintain a "whistleblower" policy, for the reporting of instances of fraud and other violations of law or corporate policy, in the company's Code of Business Conduct and Ethics for at least five years.

b. ITT will maintain its Employee Ethics Alert Line, a confidential ethics hotline operated by a qualified third-party vendor, for at least five years. Information relating to the Employee Ethics Alert Line will be communicated to employees via a number of awareness distribution methods, including ITT's employee web portal and poster displays in areas such as employee break rooms.

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EXHIBIT B

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SASHA WILFRED, derivatively on behalf of ITT EDUCATIONAL SERVICES, INC., Plaintiff, v. KEVIN M. MODANY, JOHN F. COZZI, THOMAS I. MORGAN, JOHN E. DEAN, JAMES D. FOWLER, JR., JOANNA T. LAU, VIN WEBER, SAMUEL L. ODLE, JOHN A. YENA, DANIEL M. FITZPATRICK, Defendants, and ITT EDUCATIONAL SERVICES, INC., Nominal Defendant.	Civil Action No. 13-CV-3110 (JPO)

NOTICE TO CURRENT ITT STOCKHOLDERS

TO: ALL OWNERS OF ITT EDUCATIONAL SERVICES, INC. ("ITT") COMMON STOCK (TICKER SYMBOL: ESI) AS OF JANUARY 21, 2016, WHO CONTINUE TO OWN SUCH SHARES ("CURRENT ITT STOCKHOLDERS").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF STOCKHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR RIGHTS MAY BE AFFECTED BY LEGAL PROCEEDINGS IN THIS ACTION.

IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF THE ACTION, STOCKHOLDERS OF ITT WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE SETTLED CLAIMS. THIS ACTION IS NOT A "CLASS ACTION." THUS, THERE IS NO COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

THE COURT HAS MADE NO FINDINGS OR DETERMINATIONS RESPECTING THE MERITS OF THE ACTION. THE RECITATION OF THE BACKGROUND AND CIRCUMSTANCES OF THE SETTLEMENT CONTAINED HEREIN DOES NOT CONSTITUTE THE FINDINGS OF THE COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT BY COUNSEL FOR THE PARTIES.

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YOU ARE HEREBY NOTIFIED, pursuant to Federal Rule of Civil Procedure 23.1 and an Order from the Honorable J. Paul Oetken of the U.S. District Court for the Southern District of New York (the "Court"), that a proposed settlement agreement has been reached among Plaintiffs,[1] on behalf of themselves and derivatively on behalf of ITT Educational Services, Inc. ("ITT" or the "Company"), the Individual Defendants, and ITT in connection with the above-captioned consolidated stockholder derivative action entitled *Wilfred v. Modany, et al.*, Lead Case No. 13-cv-3310-JPO (the "New York Action"), and substantially similar derivative actions pending in the United States District Court for the Southern District of Indiana and the Marion County Superior Court, Marion County, Indiana, captioned *Lawrence v. Modany, et al.*, Case No. 14-cv-2106, and *McKee v. Modany, et al.*, Cause No. 49D07-1507-PL-021891, respectively (the "Indiana Actions") (collectively, with the New York Action, the "Actions").

Plaintiffs filed the Actions derivatively on behalf of ITT to remedy the alleged harm caused to the Company by the Individual Defendants' alleged breach of their fiduciary duties and other alleged misconduct. The proposed Settlement, if approved by the Court, would fully, finally and forever resolve the Actions on the terms set forth in the Stipulation and summarized in this Notice, including the dismissal of the Actions with prejudice.

As explained below, a Settlement Hearing shall be held before the Court on , 2016 at .m., before the Honorable J. Paul Oetken, at

1 For purposes of this Notice, the Court incorporates by reference the definitions in the Settling Parties' Stipulation of Settlement, fully executed as of January 21, 2016 (the "Stipulation"), and all capitalized terms used herein, unless otherwise defined, shall have the same meanings as set forth in the Stipulation. A copy of the Stipulation may be inspected at the Clerk of the Court's Office for the U.S. District Court for the Southern District of New York, Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, New York, NY 10007-1312 or by visiting ITT's website at www.ittesi.com.

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the United States District Court for the Southern District of New York, Thurgood Marshall United States Courthouse, 40 Foley Square, Courtroom 706, New York, NY 10007, to determine whether, *inter alia*, the proposed Settlement is fair, reasonable, and adequate, and should be finally approved by the Court and whether Plaintiffs' Counsels' Fee Award, including any Service Awards, should be finally approved. You have the right to object to the Settlement and the Fee Award in the manner provided herein. If you fail to object in the manner provided herein ***at least fourteen (14) days prior to the Settlement Hearing***, you will be deemed to have waived your objections and will be forever bound by the Judgment to be entered and the releases to be given, unless otherwise ordered by the Court.

This Notice is not intended to be and should not be construed as an expression of any opinion by the Court with respect to the merits of the claims made in the Actions, but is merely to advise you of the proposed Settlement and of your rights as a Current ITT Stockholder.

I. BACKGROUND

A. Factual Background of the Actions

ITT, a Delaware corporation, is a for-profit provider of technology-oriented undergraduate and graduate degree programs. In the years 2007, 2009, and 2010, ITT entered into a series of risk-sharing agreements ("RSAs") with third-party lenders to increase the availability of private student loans to ITT's students. Under those RSAs, the Company could face financial liabilities if its students were to default on their student loans beyond certain thresholds. Among other things, Plaintiffs have alleged in the Actions that ITT failed to properly account for its obligations under the RSAs, overstated its financial results, failed to maintain adequate internal controls over financial reporting, and failed to disclose the extent of the risks that ITT faced under the RSAs. Plaintiffs have alleged that, beginning in April 2008, various public statements made by ITT and certain of its executive officers, both in U.S. Securities and Exchange Commission ("SEC") filings and otherwise, were false and misleading.

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The Actions include allegations relating to disclosures and events beginning with the Company's entrance into an RSA with Sallie Mae in 2007 and continue through at least May 2015. The most recent of these events include the following: on January 4, 2013, ITT announced that it had settled an action brought by Sallie Mae arising out of ITT's obligations under the 2007 RSA. On February 22, 2013, it was announced that ITT had received a subpoena from the SEC seeking production of documents relating to the RSAs that ITT had entered into in 2009 and 2010. On February 26, 2014, it was announced that the U.S. Consumer Financial Protection Bureau filed a lawsuit against ITT. On September 19, 2014, the Company announced that it had received a Wells Notice from the SEC, that the Department of Education ("DOE") had placed ITT on heightened cash monitoring status, and that the DOE had required the Company to post a letter of credit. On October 16, 2014, ITT filed with the SEC certain restated financial results. On May 12, 2015, the SEC filed an action in the U.S. District Court for the Southern District of Indiana against ITT and defendants Modany and Fitzpatrick relating to the Company's RSAs and accounting and disclosure issues.

B. The New York Action

On May 8, 2013, plaintiff Wilfred initiated the New York Action by filing a shareholder derivative action in this Court on behalf of ITT, captioned *Wilfred v. Modany, et al.*, Case No. 13-cv-3110-JPO (the "*Wilfred* Action"). Plaintiff Wilfred asserted claims against certain of the Individual Defendants for breach of fiduciary duty, unjust enrichment, abuse of control, and gross mismanagement. On August 6, 2013, Wilfred and the Defendants agreed to stay the *Wilfred* Action pending further developments in the related federal securities class action captioned *In re ITT Educational Services, Inc. Securities Litigation*, Case No. 13-cv-1620-JPO-JLC, also pending in this Court (the "New York Securities Action").[2]

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2 On November 2, 2015, the parties in the New York Securities Action entered into a Stipulation and Agreement of Settlement to resolve the New York Securities Action in its entirety. That settlement was preliminarily approved by this Court on November 23, 2015, and a final settlement hearing is scheduled in the New York Securities Action for March 8, 2016.

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On May 27, 2014, plaintiff Nottenkamper filed a shareholder derivative action against the Individual Defendants on behalf of ITT in the U.S. District Court for the District of Delaware (the "Delaware Court"), captioned *Nottenkamper v. Modany, et al*., Case No. 14-cv-00672-GMS (the "*Nottenkamper* Action"). The *Nottenkamper* Action in the Delaware Court was substantially similar to the *Wilfred* Action and raised substantially similar claims.

On September 8, 2014, the Court approved an agreement between Wilfred and the Defendants providing for the continued stay of the *Wilfred* Action. On October 15, 2014, Wilfred subsequently provided notice of voluntary termination of the stay of the *Wilfred* Action.

On November 14, 2014, plaintiff Nottenkamper filed an amended complaint in the *Nottenkamper* Action. On November 24, 2014, plaintiff Wilfred filed an amended complaint in the *Wilfred* Action.

On January 5, 2015, Defendants moved to dismiss or stay the *Wilfred* Action. On January 13, 2015, Defendants filed a motion to dismiss the *Nottenkamper* Action, as well as a separate motion to stay the *Nottenkamper* Action or to transfer the *Nottenkamper* Action from the Delaware Court to this Court.

On April 29, 2015, the *Nottenkamper* Action was transferred from the Delaware Court to this Court, Case No. 15-cv-3390, and on May 6, 2015, Nottenkamper moved to consolidate the *Nottenkamper* Action and the *Wilfred* Action. On June 2, 2015, Nottenkamper's motion was denied without prejudice.

On July 2, 2015, Wilfred requested leave to file a second amended complaint in the *Wilfred* Action, which was granted on July 28, 2015. Additionally, this Court consolidated the *Wilfred* Action and the *Nottenkamper* Action, thus forming the New York Action, and appointed Wilfred as Lead Plaintiff and Wilfred's attorneys, the Lifshitz Law Firm (the "Lifshitz Firm") as Lead Counsel in the consolidated New York Action. This Court also denied as moot the pending motions to dismiss that had been fully briefed by the parties in both the *Wilfred* Action and the *Nottenkamper* Action.

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On August 11, 2015, Nottenkamper moved for reconsideration of this Court's July 28, 2015 Order. On August 21, 2015, Wilfred filed a consolidated complaint in the New York Action. In connection with efforts to explore the resolution of the New York Action, Defendants produced discovery to Wilfred.

On September 16, 2015, this Court entered an order granting Nottenkamper's motion for reconsideration, thereby appointing Wilfred and Nottenkamper as Co-Lead Plaintiffs in the New York Action and appointing the Lifshitz Firm and Nottenkamper's counsel, The Weiser Law Firm, P.C. (the "Weiser Firm"), as Co-Lead Counsel in the New York Action. That same day, this Court also entered a stipulation and order temporarily staying all proceedings in the New York Action to facilitate the parties' efforts to explore a resolution of the New York Action through settlement. Defendants thereafter produced the same discovery to Nottenkamper that had been previously provided to Wilfred.

C. The Indiana Federal Action

On December 23, 2014, plaintiff Lawrence filed the Indiana Federal Action against certain of the Individual Defendants on behalf of ITT in the Indiana Federal Court, making allegations similar to those made in the related securities class action also pending before the Indiana Federal Court, captioned *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, No. 14-cv-01599-TWP-DML (the "Indiana Securities Action").[3] The claims made in the Indiana Federal Action, alleging breach of fiduciary duty, gross mismanagement, abuse of control, corporate waste, and unjust enrichment, also are substantially similar to those made in the consolidated complaint in New York Action. On March 11, 2015, the Indiana Federal Court approved an agreement between Lawrence and the Defendants to stay the Indiana Federal Action pending further developments in the Indiana Securities Action, and pursuant to which Defendants agreed to provide Lawrence with all discovery produced by the defendants in the

3 On November 2, 2015, the parties in the Indiana Securities Action entered into a Stipulation and Agreement of Settlement to resolve the Indiana Securities Action in its entirety. That settlement was preliminarily approved by the Indiana Federal Court on November 4, 2015, and a final settlement hearing is scheduled in the Indiana Securities Action for March 10, 2016.

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Indiana Securities Action, as well as all discovery produced to any other plaintiff in any other derivative action brought on ITT's behalf arising from similar facts as the Indiana Federal Action. Pursuant to that agreement, Defendants produced discovery to Lawrence in August 2015.

D. The Indiana State Action

On July 1, 2015, plaintiff McKee filed the Indiana State Action on behalf of ITT in the Indiana State Court, asserting claims against certain of the Individual Defendants for breach of fiduciary duty in connection with substantially similar facts, events, and circumstances as those alleged in the original and consolidated complaints in the New York Action. On August 6, 2015, the parties to the Indiana State Action entered into an agreement to stay the Indiana State Action pending further developments in the closely-related Indiana Securities Action. The Indiana State Court entered the parties' requested order on August 7, 2015, pursuant to which Defendants agreed to provide McKee with all discovery produced by the defendants in the Indiana Securities Action, as well as all discovery produced to any other plaintiff in any other derivative action brought on ITT's behalf arising from similar facts as the Indiana State Action. Pursuant to that agreement, Defendants produced discovery to McKee in August 2015.

E. Settlement Negotiations

Beginning in August 2015, counsel for the Settling Parties engaged in extensive efforts to reach a "global resolution" of the Actions. On September 10, 2015, the Settling Parties participated in an in-person, full-day mediation (the "Mediation") in San Francisco, California with the Honorable Daniel Weinstein (Ret.) of JAMS ("Judge Weinstein" or the "Mediator"), an experienced and distinguished mediator.

Although a settlement was not reached during the Mediation, considerable progress was made, and after further extensive discussions over the next month and with substantial assistance from the Mediator, the Settling Parties reached an agreement-in-principle to resolve the Actions, subject to approval by the Board and the Settling Parties' agreement on documentation. As a condition of the Settlement reflected in the Stipulation, ITT will agree to institute and maintain

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certain corporate governance reforms, the terms of which are fully set forth in Exhibit A to the Stipulation. After reaching agreement on these substantive corporate governance terms, with the Mediator's substantial assistance, the Settling Parties negotiated at arm's length the attorneys' fees and reimbursement of expenses to be paid to Plaintiffs' Counsel, in light of the substantial benefits which have been or will be conferred upon the Company as a result of the settlement of the Actions. Following extensive discussions, the Settling Parties agreed to a "Mediator's proposal" made by Judge Weinstein with respect to the attorneys' fees and reimbursement of expenses to be paid to Plaintiffs' Counsel, subject to the approval of the Court.

II. PLAINTIFFS' COUNSELS' INVESTIGATION AND RESEARCH, PLAINTIFFS' CLAIMS, AND THE BENEFITS OF SETTLEMENT

Plaintiffs' Counsel conducted an investigation relating to the claims and the underlying events alleged in the respective Actions to which their clients are parties, including, but not limited to: (1) reviewing and analyzing the Company's public filings with the SEC, press releases, announcements, transcripts of investor conference calls, and news articles; (2) reviewing and analyzing the investigations by the SEC and allegations contained in the SEC complaint; (3) reviewing and analyzing the allegations contained in Sallie Mae's complaint against ITT; (4) the allegations contained in the New York Securities Action and the Indiana Securities Action; (5) researching, drafting, and filing shareholder derivative complaints, including amended and consolidated complaints by the New York Plaintiffs; (6) reviewing in excess of 181,000 pages of internal corporate documents produced to Plaintiffs by ITT in connection with settlement negotiations; (7) researching the applicable law with respect to the claims asserted (or which could be asserted) in the Actions and the potential defenses thereto; (8) researching corporate governance issues; (9) the preparation and submission of detailed settlement demands and mediation statements in connection with the Mediation; (10) attending the in-person, full-day Mediation in San Francisco, California; and (11) engaging in extensive settlement discussions with the Mediator and counsel for the Defendants.

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Plaintiffs' Counsel believe that the claims asserted in the Actions have merit and that their investigation supports the claims asserted. Without conceding the merit of any of Defendants' defenses or the lack of merit of any of their own allegations, and in light of the benefits of the Settlement as well as to avoid the potentially protracted time, expense, and uncertainty associated with continued litigation, including potential trials and appeals, Plaintiffs have concluded that it is desirable that the Actions be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Plaintiffs and Plaintiffs' Counsel recognize the significant risk, expense, and length of continued proceedings necessary to prosecute the Actions against the Individual Defendants through trials and possible appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially complex litigation such as the Actions, as well as the difficulties and delays inherent in such litigation. Based on their evaluation, and in light of the significant benefits conferred upon the Company and its shareholders as a result of the Settlement, Plaintiffs and Plaintiffs' Counsel have determined that the Settlement is in the best interests of Plaintiffs, ITT, and Current ITT Stockholders, and have agreed to settle the Actions upon the terms and subject to the conditions set forth in the Stipulation. Further, ITT has determined that the Settlement is in the best interests of ITT and Current ITT Stockholders.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

The Individual Defendants have denied, and continue to deny, each and every claim and contention alleged by Plaintiffs in the Actions and affirm that they have acted properly, lawfully, and in full accord with their fiduciary duties, at all times. Further, the Individual Defendants

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have denied expressly, and continue to deny, all allegations of wrongdoing, fault, liability, or damage against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Actions and deny that they have ever committed or attempted to commit any violations of law, any breach of fiduciary duty owed to ITT or its shareholders, or any wrongdoing whatsoever. Had the terms of this Stipulation not been reached, the Individual Defendants would have continued to contest vigorously Plaintiffs' allegations, and the Individual Defendants maintain that they had and have meritorious defenses to all claims alleged in the Actions. Without admitting the validity of any of the claims the Plaintiffs have asserted in the Actions, or any liability with respect thereto, Defendants have concluded that it is desirable that the claims be settled on the terms and subject to the conditions set forth in the Stipulation. Defendants are entering into this Settlement because it will eliminate the uncertainty, distraction, disruption, burden, and expense of further litigation of the Actions.

Neither the Stipulation, nor any of its terms or provisions, nor any act performed or document executed pursuant to or in furtherance of the Settlement: (a) is, or may be construed as, or may be used as an admission of, or evidence of, the truth or validity of any of the Released Claims, of any claims or allegations made in the Actions, or of any purported acts or omissions by the Defendants; (b) is, may be construed as, or may be used as an admission of, or evidence of any fault, omission, negligence, or wrongdoing by the Defendants, or any concession of liability whatsoever; or (c) is, may be construed as, or may be used as an admission of, or evidence of, a concession by any Defendant of any infirmity in the defenses that Defendants asserted or could have asserted in these Actions or otherwise.

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IV. THE SETTLEMENT HEARING

The Settlement Hearing will be held before the Honorable J. Paul Oetken on , 2016 at : .m. in Courtroom 706 of the Thurgood Marshall U.S. Courthouse, 40 Foley Square, New York, NY 10007 to determine: (i) whether the proposed Settlement, upon the terms set forth in the Stipulation, should be finally approved in all respects as fair, reasonable, and adequate; (ii) whether the Judgment approving the Settlement, substantially in the form of Exhibit E attached to the Stipulation, should be entered, dismissing the New York Action with prejudice and releasing and enjoining the prosecution of any and all Released Claims; and (iii) whether Plaintiffs' Counsels' Fee Award, including any Service Awards, should be finally approved. At the Settlement Hearing, the Court may hear or consider such other matters as the Court may deem necessary and appropriate. The Court may adjourn the date of the Settlement Hearing without further notice to Current ITT Stockholders, and the Settlement Hearing may be continued by the Court at the Settlement Hearing, or at any adjourned session thereof, without further notice.

V. THE SETTLEMENT

The terms and conditions of the proposed Settlement are set forth fully in the Stipulation described above. The following is only a summary of its terms.

The benefits of the Settlement consist of corporate governance reforms (the "Reforms"), the terms of which are fully set forth in Exhibit A attached to the Stipulation. Since the New York Action was initiated, ITT has implemented a number of improvements to its corporate governance practices, business operations, and system of internal controls. The New York Action, and other actions and regulatory proceedings involving private education loans received by ITT's students, among other factors, significantly contributed to ITT's evaluation of, and implementation of, certain changes to the Company's structure, policies, and procedures to

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protect the Company from the risk of future losses, damages, litigation, and regulatory proceedings. ITT acknowledges that the pendency and settlement of the Actions is a substantial factor in the Company's decision to adopt and/or enact changes, modifications, and enhancements to previously-instituted remedial measures as well as the other Reforms set forth in Exhibit A to the Stipulation. The Settling Parties agree that the Reforms will provide substantial benefits to ITT and Current ITT Stockholders.[4] Within ninety (90) calendar days following the Effective Date, ITT shall take all necessary steps to adopt and implement the Reforms, to the extent that such Reforms have not already been adopted and implemented. Except where specified otherwise, the Reforms shall be maintained for a period of no less than three (3) years from the date of implementation, subject to the terms and conditions set forth in Exhibit A to the Stipulation.

VI. DISMISSAL AND RELEASES

In connection with the Court's approval of the Settlement, the Settling Parties will jointly request entry of the Judgment by the Court, dismissing with prejudice all claims that Plaintiffs have alleged in the Actions and any other Released Claims.

Upon the Effective Date, ITT, Plaintiffs (acting on their own behalf and derivatively on behalf of ITT), and each of ITT's stockholders (solely in their capacity as ITT stockholders) shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Released Claims (including Unknown Claims) against

4 ITT always has been, and continues to be, committed to the implementation, enhancement and enforcement of rigorous corporate governance measures. The fact that ITT has implemented, or has agreed to implement, changes, modifications, or enhancements to its corporate governance policies and practices shall not be construed as an admission that any such enhanced policies or practices are legally required, or to the extent such policies or practices were not in place in the past, constituted a failure of compliance, a breach of any duty, or any other wrongdoing.

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the Released Persons and any and all claims arising out of, relating to, or in connection with, the defense, settlement or resolution of the Actions against the Released Persons. ITT, Plaintiffs (acting on their own behalf and derivatively on behalf of ITT) and each of ITT's stockholders (solely in their capacity as ITT stockholders) shall be deemed to have, and by operation of the Judgment shall have, covenanted not to sue any Released Person with respect to such Released Claims, and shall be permanently barred and enjoined from instituting, commencing or prosecuting the Released Claims against the Released Persons except to enforce the releases and other terms and conditions contained in the Stipulation and/or the Judgment entered pursuant thereto.

Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged each and all of Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ITT from any and all Defendants' Released Claims; provided, however, that nothing herein is intended to release any indemnification, advancement or insurance claims that any Released Person has or may have under any insurance policy, contract, bylaw or charter provision, or under Delaware law, including but not limited to any rights any Released Person has or may have related to any pending or threatened civil or government proceedings.

VII. ATTORNEYS' FEES AND EXPENSES

In recognition of the substantial benefits provided to ITT and Current ITT Stockholders as a result of the settlement of the Actions, ITT has agreed to pay or cause to be paid to Plaintiffs' Counsel an award of attorneys' fees and expenses in the total amount of $1.1 million ($1,100,000.00) (the "Fee Award"), subject to approval by the Court. As discussed above, as part of the mediation process, the Settling Parties agreed to a "Mediator's proposal" by Judge

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Weinstein for the amount of the Fee Award, subject to the approval of the Court. The Settling Parties mutually agree that the Fee Award is fair and reasonable in light of the substantial benefits conferred upon ITT and Current ITT Stockholders by the Stipulation. Each Service Award to each of the Plaintiffs, to the extent that it is applied for and approved in whole or part, shall be funded from the portion of the Fee Award distributed to that Plaintiff's counsel. Defendants shall have no responsibility for the allocation or distribution of the Fee Award amongst Plaintiffs' Counsel, and Defendants shall take no position on the Service Awards and shall have no obligation to pay them.

VIII. THE RIGHT TO OBJECT AND/OR BE HEARD AT THE SETTLEMENT HEARING

Any Current ITT Stockholder may object and/or appear and show cause, if he, she, or it has any concern, why the Settlement should not be approved as fair, reasonable, and adequate, why Judgment should not be entered thereon, or why the Fee Award, including any Service Awards, should not be finally approved; provided, however, unless otherwise ordered by the Court, that no Current ITT Stockholder shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered approving the Settlement, or the Fee Award, unless that Stockholder has, ***at least fourteen (14) days prior to the Settlement Hearing***: (1) filed with the Clerk of the Court a written objection to the Settlement setting forth: (a) the nature of the objection; (b) proof of ownership of ITT common stock through the date of the Settlement Hearing, including the number of shares of ITT common stock and the date of purchase; (c) any and all documentation or evidence in support of such objection; and (d) the identities of any cases, by name, court, and docket number, in which the Stockholder or his, her, or its attorney has objected to a settlement in the last three years; (2) if a Current ITT Stockholder intends to appear and requests to be heard at the Settlement Hearing,

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such Stockholder must have, in addition to the requirements of (1) above, filed with the Clerk of the Court: (a) a written notice of such Stockholder's intention to appear at the Settlement Hearing; (b) a statement that indicates the basis for such appearance; (c) the identities of any witnesses the Stockholder intends to call at the Settlement Hearing and a statement as to the subjects of their testimony; and (d) any and all evidence that would be presented at the Settlement Hearing. If a Current ITT Stockholder files a written objection and/or written notice of intent to appear, such Stockholder must also simultaneously serve copies of such notice, proof, statement, and documentation, together with copies of any other papers or briefs such Stockholder files with the Court (either by hand delivery or by first class mail) upon each of the following:

Brett D. Stecker
THE WEISER LAW FIRM, P.C.
22 Cassatt Ave, Suite 100
Berwyn, PA 19312

Joshua M. Lifshitz
LIFSHITZ LAW FIRM
821 Franklin Avenue, Suite 209
Garden City, NY 11530
Telephone: (516) 493-9780

Co-Lead Counsel for Plaintiffs in the New York Action

Jennifer L. Conn
GIBSON, DUNN & CRUTCHER LLP
200 Park Avenue
New York, NY 10166-0193

Counsel for the Individual Defendants

Christopher Allegaert
ALLEGAERT BERGER & VOGEL LLP
111 Broadway, 20th Floor
New York, NY 10006

Counsel for ITT

Any Current ITT Stockholder who does not make his, her, or its objection in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement and the Fee Award, including any Service Awards, as set forth in the Stipulation, unless otherwise ordered by the Court, but shall be forever bound by the Judgment to be entered, the dismissal of the New York Action with prejudice, and any and all of the releases set forth in the Stipulation.

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IX. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation, which requires, among other things: (1) entry of the requested Judgment by the Court; (2) the Judgment has become Final; and (3) the Indiana Actions have been dismissed with prejudice and the dismissal orders have become Final. If, for any reason, any one of the conditions described in the Stipulation is not met and/or the entry of the Judgment does not occur, the Stipulation might be terminated and, if terminated, will become null and void; and the Settling Parties to the Stipulation will be restored to their respective positions as of the date immediately preceding the date of the Stipulation.

X. EXAMINATION OF PAPERS AND INQUIRIES

This Notice contains only a summary of the terms of the Settlement. For a more detailed statement of the matters involved in the Action, reference is made to the Stipulation, which may be inspected at the Clerk of the Court's Office, U.S. District Court for the Southern District of New York, Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, New York, NY 10007-1312, during business hours of each business day or by visiting ITT's website at www.ittesi.com.

Any other inquiries regarding the Settlement or the Actions should be addressed in writing to the following:

Brett D. Stecker
THE WEISER LAW FIRM, P.C.
22 Cassatt Ave
Berwyn, PA 19312
Telephone: (610) 225-2677
Facsimile: (610) 225-2678

Joshua M. Lifshitz
LIFSHITZ LAW FIRM
821 Franklin Avenue, Suite 209
Garden City, NY 11530
Telephone: (516) 493-9780

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CL_Review002117

Co-Lead Counsel for Plaintiffs in the New York Action

PLEASE DO NOT TELEPHONE THE COURT OR ITT

REGARDING THIS NOTICE.

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EXHIBIT C

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SASHA WILFRED, derivatively on behalf of ITT EDUCATIONAL SERVICES, INC., Plaintiff, v. KEVIN M. MODANY, JOHN F. COZZI, THOMAS I. MORGAN, JOHN E. DEAN, JAMES D. FOWLER, JR., JOANNA T. LAU, VIN WEBER, SAMUEL L. ODLE, JOHN A. YENA, DANIEL M. FITZPATRICK, Defendants, and ITT EDUCATIONAL SERVICES, INC., Nominal Defendant.	Civil Action No. 13-CV-3110 (JPO)

SUMMARY NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF STOCKHOLDER DERIVATIVE LITIGATION

TO: ALL RECORD AND BENEFICIAL OWNERS OF ITT EDUCATIONAL SERVICES, INC. COMMON STOCK (TICKER SYBMOL: ESI) AS OF JANUARY 21, 2016, WHO CONTINUE TO OWN SUCH SHARES ("CURRENT ITT STOCKHOLDERS")

THIS NOTICE IS GIVEN pursuant to an order of the United States District Court for the Southern District of New York (the "Court"), to inform you of a proposed stipulated settlement (the "Settlement") in the above-captioned derivative action (the "New York Action") and substantially similar derivative actions pending in the United States District Court for the Southern District of Indiana and the Marion County Superior Court, Marion County, Indiana, captioned *Lawrence v. Modany, et al.*, Case No. 14-cv-2106, and *McKee v. Modany, et al.*, Cause No. 49D07-1507-PL-021891, respectively (the "Indiana Actions") (collectively, with the New York Action, the "Actions"). The Actions involve claims, brought derivatively on behalf of ITT Educational Services, Inc. ("ITT"), against certain of its current and former directors and officers alleging breaches of fiduciary duty and other claims, primarily in connection with certain risk-sharing agreements entered into between ITT and third-party lenders.

YOU ARE HEREBY NOTIFIED THAT a hearing (the "Settlement Hearing") will be held on , 2016, at : .m., before the Honorable J. Paul Oetken, at the United States District Court for the Southern District of New York, Thurgood Marshall United States Courthouse, 40 Foley Square, Courtroom 706, New York, NY 10007, for the purpose of determining whether the Settlement should be approved as fair, reasonable, and adequate and

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whether an award of attorneys' fees and reimbursement of expenses for Plaintiffs' counsel (the "Fee Award") should be approved. ***Because this is a stockholder derivative action brought for the benefit of ITT, no individual Current ITT Stockholder has the right to receive any individual compensation as a result of the Settlement.*** In accordance with the terms of the Settlement, and in consideration for certain releases, ITT has agreed to implement certain corporate governance reforms, to be administered by ITT and the ITT Board of Directors.

IF YOU ARE AN OWNER OF ITT COMMON STOCK, YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT. This notice contains only a summary of the Actions and the terms of the Settlement. If you are a Current ITT Stockholder, you may obtain a copy of a detailed Notice to Current ITT Stockholders (the "Notice") describing the Actions, the proposed Settlement, and the rights of Current ITT Stockholders with regard to the Settlement, as well as a copy of the Stipulation of Settlement, by visiting the website www.ittesi.com. Should you have any other questions regarding the proposed Settlement of the Actions, please contact counsel for the Plaintiffs in the New York Action:

Brett D. Stecker
THE WEISER LAW FIRM, P.C.
22 Cassatt Ave, Suite 100
Berwyn, PA 19312
Telephone: (610) 225-2677

Joshua M. Lifshitz
LIFSHITZ LAW FIRM
821 Franklin Avenue, Suite 209
Garden City, NY 11530
Telephone: (516) 493-9780

Any Current ITT Stockholder may object and/or appear and show cause, if he, she or it has any concern, why the Settlement should not be finally approved as fair, reasonable, and adequate, why Judgment should not be entered thereon, or why the Fee Award, including any service awards for Plaintiffs, should not be finally approved; provided, however, that no Current ITT Stockholder shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered approving the Settlement, or the Fee Award, unless that Stockholder has filed ***at least fourteen (14) days prior to the Settlement Hearing*** an objection with the Court. Any objection to the Settlement or Fee Award must be filed, in accordance with the procedures set forth in the Notice, with the Clerk of the Court (Honorable J. Paul Oetken, United States District Court, Southern District of New York, 500 Pearl Street, New York, NY 10007) in this case numbered 13-CV-3110 (JPO), no later than , 2016 and served by hand or first class mail (postage prepaid) for delivery by the same date on Plaintiffs' counsel (at the addresses listed above) and on counsel for Defendants (at the addresses listed below):

Jennifer L. Conn
GIBSON, DUNN & CRUTCHER LLP
200 Park Avenue
New York, NY 10166-0193

Christopher Allegaert
ALLEGAERT BERGER & VOGEL LLP
111 Broadway, 20th Floor
New York, NY 10006

PLEASE DO NOT CALL OR WRITE THE COURT REGARDING THIS NOTICE.

DATED: , 2016

BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE SOUTHERN
DISTRICT OF NEW YORK

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EXHIBIT D

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SASHA WILFRED, derivatively on behalf of ITT EDUCATIONAL SERVICES, INC., Plaintiff, v. KEVIN M. MODANY, JOHN F. COZZI, THOMAS I. MORGAN, JOHN E. DEAN, JAMES D. FOWLER, JR., JOANNA T. LAU, VIN WEBER, SAMUEL L. ODLE, JOHN A. YENA, DANIEL M. FITZPATRICK, Defendants, and ITT EDUCATIONAL SERVICES, INC., Nominal Defendant.	:	Civil Action No. 13-CV-3110 (JPO)

[PROPOSED] ORDER PRELIMINARILY APPROVING
DERIVATIVE SETTLEMENT AND PROVIDING FOR NOTICE

WHEREAS, the parties to the above-captioned consolidated shareholder derivative action (the "New York Action") have made an application, pursuant to Federal Rule of Civil Procedure 23.1, for an order: (i) preliminarily approving the Stipulation of Settlement dated January 21, 2016 (the "Stipulation"), which, together with the exhibits annexed thereto, sets forth the terms and conditions for the proposed settlement and dismissal of the New York Action and the related Indiana Actions with prejudice; and (ii) approving the form and content of both the Notice to Current ITT Stockholders (the "Notice"), to be filed with the SEC via a Current Report on Form 8-K and posted on the investor relations portion of ITT's website, and the Summary Notice to be published one time in *Investor's Business Daily*;

WHEREAS, all capitalized terms contained herein shall have the same meanings as set forth in the Stipulation (in addition to those capitalized terms defined herein); and

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WHEREAS, the Court has read and considered the Stipulation and the exhibits annexed thereto, and all Settling Parties have consented to the entry of this Preliminary Approval Order,

NOW THEREFORE, IT IS HEREBY ORDERED:

1. The Court does hereby preliminarily approve, subject to further consideration at the Settlement Hearing described below, the Stipulation and the Settlement set forth therein, including the terms and conditions for settlement and dismissal with prejudice of the New York Action.

2. A hearing (the "Settlement Hearing") shall be held before the Court on , 2016 at .m.,[1] at the United States District Court for the Southern District of New York, Thurgood Marshall United States Courthouse, 40 Foley Square, Courtroom 706, New York, New York 10007, to determine: (i) whether the terms and conditions of the Settlement set forth in the Stipulation are fair, reasonable, and adequate to ITT and Current ITT Stockholders and should be finally approved by the Court; (ii) whether a Judgment finally approving the Settlement, substantially in the form of Exhibit E attached to the Stipulation, should be entered, dismissing the New York Action with prejudice and releasing and enjoining the prosecution of any and all Released Claims; and (iii) whether Plaintiffs' Counsels' Fee Award, including any Service Awards, should be finally approved. At the Settlement Hearing, the Court may hear or consider such other matters as the Court may deem necessary and appropriate.

3. The Court approves, as to form and content, the Notice attached as Exhibit B to the Stipulation and the Summary Notice attached as Exhibit C to the Stipulation, and finds that

---

1 The Settling Parties respectfully request that the Settlement Hearing be scheduled at least forty-five (45) days after the deadline for notice of the proposed Settlement to be given to Current ITT Stockholders.

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the posting of such Notice and Summary Notice substantially in the manner and form set forth in this Order meets the requirements of Federal Rule of Civil Procedure 23.1 and due process, is the best notice practicable under the circumstances, and shall constitute due and sufficient notice to Current ITT Stockholders and all other Persons entitled thereto.

4. Not later than ten (10) business days following entry of this Order, ITT shall cause the Notice to be filed with the SEC via a Current Report on Form 8-K and to be posted on the investor relations portion of ITT's website. Within ten (10) business days following entry of this Order, ITT also will cause the Summary Notice to be published one time in *Investor's Business Daily*.

5. All papers in support of the Settlement and the Fee Award, including any Service Awards, shall be filed with the Court and served at least twenty-one (21) days prior to the Settlement Hearing, and any reply papers shall be filed with the Court at least seven (7) days prior to the Settlement Hearing.

6. Any Current ITT Stockholder may object and/or appear and show cause, if he, she, or it has any concern, why the Settlement should not be finally approved as fair, reasonable, and adequate, why the Judgment should not be entered thereon, or why the Fee Award, including any Service Awards, should not be finally approved; provided, however, unless otherwise ordered by the Court, that no Current ITT Stockholder shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the Fee Award, unless that Stockholder has, ***at least fourteen (14) days prior to the Settlement Hearing***: (1) filed with the Clerk of the Court a written objection to the Settlement setting forth: (a) the nature of the objection; (b) proof of ownership of ITT common stock through the date of the Settlement Hearing, including the

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number of shares of ITT common stock and the date of purchase; (c) any and all documentation or evidence in support of such objection; and (d) the identities of any cases, by name, court, and docket number, in which the Stockholder or his, her, or its attorney has objected to a settlement in the last three years; (2) if a Current ITT Stockholder intends to appear and requests to be heard at the Settlement Hearing, such Stockholder must have, in addition to the requirements of (1) above, filed with the Clerk of the Court: (a) a written notice of such Stockholder's intention to appear at the Settlement Hearing; (b) a statement that indicates the basis for such appearance; (c) the identities of any witnesses the Stockholder intends to call at the Settlement Hearing and a statement as to the subjects of their testimony; and (d) any and all evidence that would be presented at the Settlement Hearing. If a Current ITT Stockholder files a written objection and/or written notice of intent to appear, such Stockholder must also simultaneously serve copies of such notice, proof, statement, and documentation, together with copies of any other papers or briefs such Stockholder files with the Court (either by hand delivery or by first class mail) upon each of the following:

Brett D. Stecker
THE WEISER LAW FIRM, P.C.
22 Cassatt Ave, Suite 100
Berwyn, PA 19312

Joshua M. Lifshitz
LIFSHITZ LAW FIRM
821 Franklin Avenue, Suite 209
Garden City, NY 11530
Telephone: (516) 493-9780

Co-Lead Counsel for Plaintiffs in the New York Action

Jennifer L. Conn
GIBSON, DUNN & CRUTCHER LLP
200 Park Avenue
New York, NY 10166-0193

Counsel for the Individual Defendants

Christopher Allegaert
ALLEGAERT BERGER & VOGEL LLP
111 Broadway, 20th Floor
New York, NY 10006

Counsel for ITT

Any Current ITT Stockholder who does not make his, her, or its objection in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed

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from making any objection to the fairness, reasonableness, or adequacy of the Settlement or the Fee Award, including any Service Awards, as set forth in the Stipulation, unless otherwise ordered by the Court, but shall be forever bound by the Judgment to be entered, the dismissal of the New York Action with prejudice, and any and all of the releases set forth in the Stipulation.

7. At least ten (10) business days prior to the Settlement Hearing, Defendants' Counsel shall serve on Plaintiffs' Counsel in the New York Action, and file with the Court, proof, by affidavit or declaration, of the publication of the Notice and Summary Notice.

8. All Current ITT Stockholders shall be bound by all orders, determinations, and judgments in the New York Action concerning the Settlement, whether favorable or unfavorable to Current ITT Stockholders.

9. Pending final determination of whether the Settlement should be approved, neither Plaintiffs or Plaintiffs' Counsel, nor any Current ITT Stockholders or other Persons, either directly, representatively, or derivatively on behalf of ITT, or in any other capacity, shall commence or prosecute, or in any way instigate or participate in the commencement or prosecution of, any action or proceeding asserting any Released Claims against any of the Individual Defendants, ITT, or any other Released Person, in any court or tribunal.

10. Pursuant to the Stipulation, the Indiana Plaintiffs have agreed that, within five (5) business days after the entry of this Order, each of the Indiana Plaintiffs shall notify their respective Indiana court of the issuance of this Order, attaching a courtesy copy of this Order.

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11. The fact and terms of the Stipulation, including any exhibits attached thereto, all proceedings in connection with the Settlement, and any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement:

(a) shall not be offered, received, or used in any way against the Settling Parties as evidence of, or be deemed to be evidence of, a presumption, concession, or admission by any of the Settling Parties with respect to the truth of any fact alleged by Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Actions or in any litigation, or the deficiency or infirmity of any defense that has been or could have been asserted in the Actions or in any litigation, or of any fault, wrongdoing, negligence, or liability of any of the Released Persons;

(b) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any fault, misrepresentation or omission with respect to any statement or written document approved, issued, or made by any Released Person, or against Plaintiffs as evidence of any infirmity in their claims; or

(c) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any liability, fault, negligence, omission or wrongdoing, or in any way referred to for any other reason as against the Released Persons, in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal.

Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance thereof, shall be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement; provided, however, that if finally approved, the Released Persons may refer to the Settlement, and file the Stipulation and/or the Judgment, in any action that may be brought against them to effectuate the liability protections granted them thereunder,

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including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, full faith and credit, release, standing, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law.

12. If the Stipulation is terminated pursuant to its terms, or the Effective Date does not otherwise occur, all proceedings in the New York Action will revert to their status as of the date immediately preceding the date of the Stipulation.

13. The Court reserves the right to adjourn the date of the Settlement Hearing or modify any other dates set forth herein without further notice to Current ITT Stockholders, and retains jurisdiction to consider all further applications arising out of or connected with the Settlement. The Court may approve the Settlement and any of its terms, with such modifications as may be agreed to by the Parties, if appropriate, without further notice to Current ITT Stockholders.

IT IS SO ORDERED.

DATED:

HONORABLE J. PAUL OETKEN
UNITED STATES DISTRICT JUDGE

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EXHIBIT E

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SASHA WILFRED, derivatively on behalf of ITT EDUCATIONAL SERVICES, INC., Plaintiff, v. KEVIN M. MODANY, JOHN F. COZZI, THOMAS I. MORGAN, JOHN E. DEAN, JAMES D. FOWLER, JR., JOANNA T. LAU, VIN WEBER, SAMUEL L. ODLE, JOHN A. YENA, DANIEL M. FITZPATRICK, Defendants, and ITT EDUCATIONAL SERVICES, INC., Nominal Defendant.	:	Civil Action No. 13-CV-3110 (JPO)

[PROPOSED] FINAL ORDER AND JUDGMENT

This matter came before the Court for hearing pursuant to this Court's Order Preliminarily Approving Derivative Settlement and Providing for Notice, dated , 2016 (the "Preliminary Approval Order"), on the application of the Settling Parties for final approval of the Settlement set forth in the Stipulation and Agreement of Settlement dated January 21, 2016 (the "Stipulation"). Due and adequate notice having been given to Current ITT Stockholders as required in said Preliminary Approval Order, and the Court having considered all papers filed and proceedings had herein and otherwise being fully informed in the premises and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. This Final Order and Judgment ("Judgment") incorporates by reference the definitions in the Stipulation, and except where otherwise specified, all capitalized terms used herein shall have the same meanings as set forth in the Stipulation.

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2. This Court has jurisdiction over the subject matter of the Actions, including all matters necessary to effectuate the Settlement, and over all Settling Parties.

3. The Court finds that the Settlement set forth in the Stipulation is fair, reasonable, and adequate as to each of the Settling Parties, ITT, and Current ITT Stockholders, and hereby finally approves the Settlement in all respects and orders the Settling Parties to perform its terms to the extent the Settling Parties have not already done so.

4. The New York Action, all claims contained therein, and any other Released Claims, are hereby ordered as fully, finally, and forever compromised, settled, released, discharged and dismissed on the merits and with prejudice by virtue of the proceedings herein and this Judgment. The Settling Parties are to bear their own costs, except as otherwise provided in the Stipulation.

5. Upon the Effective Date, ITT, Plaintiffs (individually and derivatively on behalf of ITT), and each of ITT's stockholders (solely in their capacity as ITT stockholders) shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims (including Unknown Claims) against the Released Persons and any and all claims arising out of, relating to, or in connection with the defense, settlement or resolution of the Actions against the Released Persons. ITT, Plaintiffs (acting on their own behalf and derivatively on behalf of ITT) and each of ITT's stockholders (solely in their capacity as ITT stockholders) shall be deemed to have, and by operation of this Judgment shall have, covenanted not to sue any Released Person with respect to any Released Claims, and shall be permanently barred and enjoined from instituting, commencing or prosecuting the Released Claims against the Released Persons. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

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6. Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged each and all of Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ITT from Defendants' Released Claims. The Released Persons shall be deemed to have, and by operation of this Judgment shall have, covenanted not to sue Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ITT with respect to any claims arising out of, relating to, or in connection with their institution, prosecution, assertion, settlement, or resolution of the Actions or the Released Claims, and shall be permanently barred and enjoined from instituting, commencing or prosecuting Defendants' Released Claims against Plaintiffs or their beneficiaries, Plaintiffs' Counsel, or ITT. Notwithstanding the foregoing, nothing herein is intended to release any indemnification, advancement or insurance claims that any Released Person has or may have under any insurance policy, contract, bylaw or charter provision, or under Delaware law, including, but not limited to, any rights any Released Person has or may have related to any pending or threatened civil or government proceedings. Nor shall the foregoing in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

7. The Court finds that the Notice to Current ITT Stockholders filed with the SEC via a Current Report on Form 8-K and posted on the investor relations portion of ITT's website, and the Summary Notice published in *Investor's Business Daily*, were made in accordance with the Preliminary Approval Order and provided the best notice practicable under the circumstances to all Persons entitled to such notice, and said notice fully satisfied the requirements of Federal Rule of Civil Procedure 23.1 and the requirements of due process.

8. Pursuant to the Stipulation, the Indiana Plaintiffs have agreed that, within five (5) business days after the date that this Judgment finally approving the Settlement is entered, each

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of the Indiana Plaintiffs shall notify their respective Indiana court that the Court entered this Judgment, attaching a courtesy copy of the Judgment. The Indiana Plaintiffs also have agreed that, within five (5) business days after the date that this Judgment becomes Final, each of the Indiana Plaintiffs will file papers to move their respective Indiana court for voluntary dismissal of their respective Indiana Action with prejudice, in accordance with that court's local rules. Pursuant to the Stipulation, the Effective Date of the Settlement shall not occur until the Indiana Actions have been dismissed with prejudice and those dismissal orders are Final.

9. The Court finds that during the course of the Actions, the Settling Parties and their counsel at all times complied with Federal Rule of Civil Procedure 11.

10. The Court finds that the Fee Award is fair and reasonable, in accordance with the Stipulation, and finally approves the Fee Award.

11. The Court finds that the Service Awards are fair and reasonable, in accordance with the Stipulation, and finally approves the Service Awards, to be paid from the Fee Award by Plaintiffs' Counsel.

12. This Judgment, the fact and terms of the Stipulation, including any exhibits attached thereto, all proceedings in connection with the Settlement, and any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement:

(a) shall not be offered, received, or used in any way against the Settling Parties as evidence of, or be deemed to be evidence of, a presumption, concession, or admission by any of the Settling Parties with respect to the truth of any fact alleged by Plaintiffs or the validity, or lack thereof, of any claim that has been or could have been asserted in the Actions or in any litigation, or the deficiency or infirmity of any defense that has been or could have been asserted in the Actions or in any litigation, or of any fault, wrongdoing, negligence, or liability of any of the Released Persons;

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(b) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any fault, misrepresentation or omission with respect to any statement or written document approved, issued, or made by any Released Person, or against Plaintiffs as evidence of any infirmity in their claims; or

(c) shall not be offered, received, or used in any way against any of the Released Persons as evidence of, or be deemed to be evidence of, a presumption, concession, or admission of any liability, fault, negligence, omission or wrongdoing, or in any way referred to for any other reason as against the Released Persons, in any arbitration proceeding or other civil, criminal, or administrative action or proceeding in any court, administrative agency, or other tribunal.

13. This Judgment, the Stipulation, the Settlement, and any act performed or document executed pursuant to or in furtherance thereof, shall not be admissible in any proceeding for any purpose, except to enforce the terms of the Settlement. However, the Released Persons may refer to the Settlement, and file the Stipulation and/or this Judgment, in any action that may be brought against them to effectuate the liability protections granted them thereunder, including, without limitation, to support a defense or claim based on principles of *res judicata*, collateral estoppel, full faith and credit, release, standing, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or claim under U.S. federal or state law or foreign law.

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14. Without affecting the finality of this Judgment in any way, the Court hereby retains continuing jurisdiction over: (a) implementation of the Settlement; and (b) all Settling Parties for the purpose of construing, enforcing, and administering the Stipulation and this Judgment, including, if necessary, setting aside and vacating this Judgment, on motion of a Settling Party, to the extent consistent with and in accordance with the Stipulation if the Effective Date fails to occur in accordance with the Stipulation.

15. This Judgment is a final, appealable judgment and should be entered forthwith by the Clerk in accordance with Federal Rule of Civil Procedure 58.

IT IS SO ORDERED.

DATED:

HONORABLE J. PAUL OETKEN
UNITED STATES DISTRICT JUDGE

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CL_Review002136

Exhibit 21

Subsidiaries

The following table sets forth, as of December 31, 2015, the information on our subsidiaries that is required to be reported under Item 601 of the SEC's Regulation S-K.

Name	State of Incorporation or Organization	Name Under Which Business is Conducted
ESI Service Corp.	Delaware	ESI Service Corp.
ESI Maryland Corp.	Maryland	ITT Technical Institute
Daniel Webster College, Inc.	Indiana	Daniel Webster College

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CL_Review002137

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Nos. 333-38883, 333-55903, 333-56493, 333-73280, 333-84871, 333-133915, and 333-188435 on Form S-8 of our reports dated March 14, 2016, relating to the financial statements and financial statement schedule of ITT Educational Services, Inc. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to risks and uncertainties including claims and contingencies arising from litigation and governmental investigations and increasing liquidity pressures that could affect amounts reported in the Company's financial statements in future periods), and the effectiveness of ITT Educational Services, Inc. and subsidiaries' internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of a material weakness), appearing in this Annual Report on Form 10-K of ITT Educational Services, Inc. for the year ended December 31, 2015.

/s/ Deloitte & Touche LLP
Indianapolis, Indiana
March 14, 2016

Source: ITT EDUCATIONAL SERVICES INC, 10-K, March 15, 2016
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CL_Review002138

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No.'s 333-38883, 333-55903, 333-56493, 333-73280, 333-84871, 333-133915 and 333-188435) of ITT Educational Services, Inc. of our report dated October 15, 2014 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Indianapolis, Indiana
March 14, 2016

Source: ITT EDUCATIONAL SERVICES INC, 10-K, March 15, 2016
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CL_Review002139

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13a–14(a)/15d–14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Kevin M. Modany, certify that:

1. I have reviewed this annual report on Form 10-K of ITT Educational Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2016

/s/ Kevin M. Modany
Chief Executive Officer

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CL_Review002140

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a–14(a)/15d–14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, Rocco F. Tarasi, III, certify that:

1. I have reviewed this annual report on Form 10-K of ITT Educational Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2016

/s/ Rocco F. Tarasi, III
Chief Financial Officer

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CL_Review002141

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ITT Educational Services, Inc. (the "Company") on Form 10-K for the period ending December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin M. Modany, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin M. Modany
Chief Executive Officer
March 15, 2016

Source: ITT EDUCATIONAL SERVICES INC, 10-K, March 15, 2016
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CL_Review002142

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ITT Educational Services, Inc. (the "Company") on Form 10-K for the period ending December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rocco F. Tarasi, III, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rocco F. Tarasi, III
Chief Financial Officer
March 15, 2016

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ITT Educational Services, Inc. Reports 2015 Fourth Quarter and Full Year Results and Announces Restatement

Mar 14, 2016

CARMEL, Ind., March 14, 2016 /PRNewswire/ -- ITT Educational Services, Inc. (NYSE: ESI), a leading provider of technology-oriented postsecondary degree programs, today reported that diluted earnings per share in 2015 decreased to $0.97 compared to $0.98 in 2014. New student enrollment in the fourth quarter of 2015 decreased 17.1% to 10,478 compared to 12,639 in the same period in 2014. Total student enrollment decreased 16.3% to 44,922 as of December 31, 2015 compared to 53,646 as of December 31, 2014.

Kevin M. Modany, Chief Executive Officer noted, "While we continue to generate sufficient indications of interest in our programs of study to achieve our internal recruitment goals, we believe that our new student enrollment results for the three months ended December 31, 2015 compared to the same period in 2014 were negatively impacted primarily by a decrease in the rate at which prospective students who inquired about our education programs actually began attending classes. We continue to believe the decrease in the prospective new student conversion rates for 2015 compared to 2014 and prior periods were a result of prospective students' greater sensitivity to the cost of postsecondary education and uncertainty about the value of a postsecondary education due to the prolonged economic and labor market disruptions. We also believe that the results were impacted by our decision to discontinue new student enrollment (starting with the academic period that began in December 2015) at 10 campus locations while we evaluate the ongoing viability of those markets. Those 10 campus locations represented approximately 3% of our new student enrollments, based on our new student enrollment results in the third quarter of 2015."

Mr. Modany also noted, "Given the continued lack of clarity on new student enrollment trends, it is very difficult for postsecondary education institutions to predict with any degree of accuracy new student enrollment results for future periods. Keeping in mind the difficult market conditions and utilizing the information that we have available, however, our current internal estimate for new student enrollment in 2016 compared to 2015 is a decrease in the range of 12% to 15%."

Chief Financial Officer Rocco Tarasi added, "Although we have experienced the effect of the enrollment headwinds impacting the entire sector on our 2015 revenue, we are very pleased with our 2015 cost containment efforts. While we experienced a $112.0 million decline in revenue in 2015 compared to 2014, total costs and expenses for the twelve months ended December 31, 2015 decreased $129.9 million compared to the prior year. As a result of our focus on efficiency, we exceeded the high end of the range for our internal earnings before interest, taxes, depreciation and amortization ("EBITDA") goal of between $90 and $100 million for the twelve months ended December 31, 2015, with actual 2015 full year EBITDA of $101.1 million."

Mr. Modany stated, "We were particularly pleased with our financial results for the year given our ongoing utilization of institutional scholarships and awards to support our goal of making our educational offerings more affordable and accessible for our students. The 2015 results include approximately $220 million in institutional scholarships and awards to ITT Technical Institute students during the 2015 calendar year. We couldn't be more proud of our related affordability efforts and the work of our college faculty and staff towards solid student outcomes in an efficient manner that make these awards and scholarships possible."

Mr. Tarasi also noted, "Assuming our projected new student enrollment estimates for the full year 2016 are realized and there are no material changes in our student retention metrics for the remainder of 2016 as compared to 2015, our internal goal for EBITDA for the twelve months ended December 31, 2016 is in the range of $50 million to $70 million."

The projected new student enrollment, EBITDA and EBITDA component amounts are subject to various risks and uncertainties, and do not guarantee actual results for the period indicated. Factors, risks and uncertainties that could cause actual results to differ materially from those projected include those discussed in the documents that the company files with the U.S. Securities and Exchange Commission (the "SEC"). The company undertakes no obligation to update or revise any of the projections, whether as a result of new information, future developments or otherwise.

Actual and projected EBITDA are not measurements under GAAP in the United States and may not be similar to EBITDA measures of other companies. Non-GAAP financial information should be considered in addition to, but not as a substitute for, information prepared in accordance with GAAP. The company believes that EBITDA provides useful information to management and investors as an indicator of the company's operating performance. Reconciliations of 2015 EBITDA to 2015 net income, and of projected 2016 EBITDA to projected 2016 net income, are included on Schedule C attached to this release.

In addition, the company provided the following information for the three and twelve months ended December 31, 2015 and 2014:

Financial and Operating Data for the Three Months Ended December 31st, Unless Otherwise Indicated

(Dollars in millions, except per share data)

	2015	2014 (as restated)	Increase/ (Decrease)
Revenue	$202.4	$243.2	(16.8)%
Operating Income	$27.4	$34.6	(21.0)%
Operating Margin	13.5%	14.2%	(70) basis points
Net Income	$10.4	$14.6	(28.4)%
Earnings Per Share (diluted)	$0.44	$0.62	(29.0)%
New Student Enrollment	10,478	12,639	(17.1)%
Continuing Students	34,444	41,007	(16.0)%
Total Student Enrollment as of December 31st	44,922	53,646	(16.3)%
Persistence Rate as of December 31st (A)	71.4%	71.8%	(40) basis points
Bad Debt Expense as a Percentage of Revenue	3.7%	6.9%	(320) basis points
Days Sales Outstanding as of December 31st	22.2 days	17.5 days	4.7 days
Deferred Revenue as of December 31st	$113.7	$147.5	(22.9)%
Cash and Cash Equivalents as of December 31st	$130.9	$135.9	(3.7)%
Restricted Cash as of December 31st	$6.0	$6.0	—
Collateral Deposits as of December 31st	$91.2	$97.9	(6.9)%
Private Education Loans (current and non-current), Less Allowance for Loan Losses, as of December 31st (B)	$70.6	$90.9	(22.2)%
PEAKS Trust Senior Debt (current and non-current) as of December 31st ©	$50.8	$85.7	(40.7)%
CUSO Secured Borrowing Obligation (current and non-current) as of December 31st (D)	$115.3	$121.0	(4.7)%
Financing Agreement (current and long-term) as of December 31st (E)	$68.5	$96.3	(28.9)%
Weighted Average Diluted Shares of Common Stock Outstanding	23,987,000	23,719,000	
Capital Expenditures	$1.6	$1.6	—

Financial and Operating Data for the Twelve Months Ended December 31st

(Dollars in millions, except per share data)

	2015	2014 (as restated)	Increase/ (Decrease)
Revenue	$849.8	$961.8	(11.6)%
Operating Income	$79.2	$61.3	29.2%
Operating Margin	9.3%	6.4%	290 basis points
Net Income	$23.3	$23.3	—
Earnings Per Share (diluted)	$0.97	$0.98	(1.0)%
Bad Debt Expense as a Percentage of Revenue	4.1%	6.6%	(250) basis points
Weighted Average Diluted Shares of Common Stock Outstanding	23,957,000	23,681,000	

Capital Expenditures	$7.4	$6.1	21.6%

(A) Persistence rate represents the number of Continuing Students in the academic term, divided by the Total Student Enrollment in the immediately preceding academic term.

(B) With respect to the private education loans as of December 31, 2015, the amount included $8.5 million classified as current, and $62.2 million classified as non-current. With respect to the private education loans as of December 31, 2014, the amount included $10.6 million classified as current, and $80.3 million classified as non-current.

© With respect to the PEAKS Trust Senior Debt as of December 31, 2015, the amount included $20.1 million classified as current, and $30.7 million classified as non-current. With respect to the PEAKS Trust Senior Debt as of December 31, 2014, the amount included $37.5 million classified as current, and $48.2 million classified as non-current.

(D) With respect to the CUSO Secured Borrowing Obligation as of December 31, 2015, the amount included $23.6 million classified as current, and $91.7 million classified as non-current. With respect to the CUSO Secured Borrowing Obligation as of December 31, 2014, the amount included $20.8 million classified as current, and $100.2 million classified as non-current.

(E) With respect to the Financing Agreement as of December 31, 2015, the total amount of $68.5 million was classified as current. With respect to the Financing Agreement as of December 31, 2014, the amount included $9.6 million classified as current, and $86.7 million classified as long-term.

Attached as Schedule A to this release is selected consolidated financial information of the company.

Based on various assumptions, including the historical and projected performance and collection of the student loans held by the PEAKS Trust and the CUSO, the company reported that its current estimate of the payments it may have to make under the PEAKS guarantee and the CUSO risk sharing agreement (the "CUSO RSA"), in the aggregate, are approximately:

- $27.7 million in 2016;
- $13.1 million in 2017;
- $13.4 million in 2018; and
- $106.7 million in 2019 and later, which amount includes an approximately $9.7 million payment in 2020 under the PEAKS guarantee.

These estimated payment amounts are net of estimated aggregate recoveries of approximately $3.8 million under the CUSO RSA, which the company expects to offset against amounts due by it under the CUSO RSA over these periods. The company urges readers to review the company's Annual Report on Form 10-K for the year ended December 31, 2015 when it is filed with the SEC, which report will contain additional information regarding these estimated payment amounts, including the assumptions used, the estimates of the type of payments, regular or discharge, and estimated recoveries, under the CUSO RSA and the estimated different payment amounts if the assumptions regarding the forms of payments made under the CUSO RSA are not realized.

The company also announced that, based on its 2015 consolidated financial statements, it believes that its institutions' average composite score (a U.S. Department of Education ("ED") financial responsibility measurement) for 2015 was 2.2. An institution's composite score must be at least 1.5 for the institution to be deemed financially responsible by the ED without the need for further oversight. The ED, however, previously determined that the company's institutions are not financially responsible, and the 2015 composite score being above 1.5 will not alter that determination. The impact of the ED's determination that the company's institutions are not financially responsible is described in the company's periodic reports filed with the SEC.

In addition, the company reported that its Audit Committee has determined that the company did not properly account for a debt discount associated with the PEAKS Senior Debt that the company includes on its balance sheet in connection with its consolidation of the PEAKS Trust, a variable interest entity. As a result, the company will restate its unaudited condensed consolidated financial statements and related disclosures for each of the first three quarters in the years ended December 31, 2015 and 2014, and its audited consolidated financial statements and related disclosures for the year ended December 31, 2014.

In the previously-issued financial statements, the company erroneously accreted the discount associated with the PEAKS Senior Debt using the interest method based on the amounts and timing of the repayments that the company estimated at the time that the PEAKS Senior Debt was initially included in the company's consolidated financial statements. The company recently determined that the interest method should take into consideration actual repayments and updated projections for future repayments on the PEAKS Senior Debt to determine the interest rate used to calculate the amount of the debt discount recognized as interest expense in each period. The company will restate the financial statements noted above to reflect this adjustment to the interest rate used in the application of the interest method to the discount on the PEAKS Senior Debt in each affected period.

The effect on the company's consolidated financial statements of incorporating actual repayments and updated projections for future repayments on the PEAKS Senior Debt in the computation of the interest rate used when applying the interest method is to reduce the amount of the debt discount, increase the carrying value of the PEAKS Senior Debt and recognize interest expense in an earlier period than originally projected. This change does not increase the total amount of non-cash interest expense that will be reported from the accretion of the discount on the PEAKS Senior Debt, but instead changes the timing of the recognition of that expense through the maturity date. This change has no effect on the company's cash and cash equivalents or liquidity; cash flows from operating activities, financing activities or investing activities; or projections of the company's future cash payment obligations under its private education loan program guarantees.

Attached as Schedule B to this release is a reconciliation of previously reported 2014 statement of operations amounts to the restated amounts.

The company also reported that it has entered into a limited waiver to its financing agreement with Cerberus, whereby Cerberus waives any default under the financing agreement that may have occurred in connection with the restatement. The company also believes that it has cured any breach of the documents under the PEAKS and CUSO private student loan programs that may have resulted from the restatement, by delivering amended and restated financial statements to the applicable parties under those programs. Further, the company has determined that the restatement does not have the effect of altering the company's compliance with its financial metric covenants under the financing agreement, the PEAKS documents or the CUSO documents in the periods covered by the restated financial statements.

The company is filing today with the SEC amendments to its previously-filed (i) Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014, June 30, 2014, September 30, 2014, March 31, 2015, June 30, 2015 and September 30, 2015; and (ii) Annual Report on Form 10-K for the year ended December 31, 2014. The company also expects to file tomorrow with the SEC its Annual Report on Form 10-K for the year ended December 31, 2015, and, as a result, it will have timely filed such report.

Except for the historical information contained herein, the matters discussed in this press release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are made based on the current expectations and beliefs of the company's management concerning future developments and their potential effect on the company. The company cannot assure you that future developments affecting the company will be those anticipated by its management. These forward-looking statements involve a number of risks and uncertainties. Among the factors that could cause actual results to differ materially are the following: the impact of adverse actions by the U.S. Department of Education ("ED") related to certain deficiencies; the action by the U.S. Securities and Exchange Commission against the company; issues or negative determinations related to the restatement of the company's financial statements; the company's failure to submit its 2013 audited financial statements and 2013 compliance audits with the ED by the due date; the impact of the consolidation of variable interest entities on the company and the regulations, requirements and obligations that it is subject to; the inability to obtain any required amendments or waivers of noncompliance with covenants under the company's financing agreement; the company's inability to remediate material weaknesses, or the discovery of additional material weaknesses, in the company's internal control over financial reporting; the company's exposure under its guarantees related to private student loan programs; the outcome of litigation, investigations and claims against the company; the failure of potential settlements to be approved and finalized on the terms proposed or initially agreed to; the effects of the cross-default provisions in the company's financing agreement; changes in federal and state governmental laws and regulations with respect to education and accreditation standards, or the interpretation or enforcement of those laws and regulations, including, but not limited to, the level of government funding for, and the company's eligibility to participate in, student financial aid programs utilized by the company's students; business conditions in the postsecondary education industry and in the general economy; the company's failure to comply with the extensive education laws and regulations and accreditation standards that it is subject to; effects of any change in ownership of the company resulting in a change in control of the company, including, but not limited to, the consequences of such changes on the accreditation and federal and state regulation of its campuses; the company's ability to implement its growth strategies; the company's ability to retain or attract qualified employees to execute its business and growth strategies; the company's failure to maintain or renew required federal or state authorizations or accreditations of its campuses or programs of study; receptivity of students and employers to the company's existing program offerings and new curricula; the company's ability to repay moneys it has borrowed; the company's ability to collect internally funded financing from its students; and other risks and uncertainties detailed from time to time in the company's filings with the U.S. Securities and Exchange Commission. The company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

Schedule A

ITT EDUCATIONAL SERVICES, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	As of December 31,	
	2015	2014 (as restated)
Assets		
Current assets:		
Cash and cash equivalents	$130,897	$135,937
Restricted cash	6,015	6,040
Accounts receivable, less allowance for doubtful accounts of $268 and $2,351	48,837	46,383
Private education loans	8,480	10,584
Deferred income taxes	26,440	34,547
Prepaid expenses and other current assets	22,429	57,923
Total current assets	243,098	291,414

Property and equipment, net	142,164	157,072
Private education loans, excluding current portion, less allowance for loan losses of $23,612 and $44,392	62,161	80,292
Deferred income taxes	71,817	71,719
Collateral deposits	91,168	97,932
Other assets	53,606	54,409
Total assets	$664,014	$752,838
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$68,521	$9,635
Current portion of PEAKS Trust senior debt	20,105	37,545
Current portion of CUSO secured borrowing obligation	23,591	20,813
Accounts payable	59,753	67,848
Accrued compensation and benefits	12,425	12,264
Other current liabilities	31,973	27,153
Deferred revenue	113,739	147,475
Total current liabilities	330,107	322,733
Long-term debt, excluding current portion	0	86,714
PEAKS Trust senior debt, excluding current portion	30,701	48,166
CUSO secured borrowing obligation, excluding current portion	91,728	100,194
Other liabilities	50,342	52,959
Total liabilities	502,878	610,766
Shareholders' equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized, none issued	0	0
Common stock, $.01 par value, 300,000,000 shares authorized, 37,068,904 issued	371	371
Capital surplus	181,160	198,883
Retained earnings	987,223	963,737
Accumulated other comprehensive (loss) income	(1,693)	1,201
Treasury stock, 13,394,834 and 13,619,010 shares, at cost	(1,005,925)	(1,022,120)
Total shareholders' equity	161,136	142,072
Total liabilities and shareholders' equity	$664,014	$752,838

ITT EDUCATIONAL SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2015	2014 (as restated)	2013
Revenue	$849,826	$961,783	$1,072,311
Costs and expenses:			
Cost of educational services	390,610	460,782	486,353
Student services and administrative expenses	343,676	389,116	397,541

Goodwill and asset impairment	5,203	2,454	0
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	26,093	32,008	6,923
Loss related to loan program guarantees	0	2,019	90,964
Provision for private education loan losses, net	5,083	14,150	29,349
Total costs and expenses	770,665	900,529	1,011,130
Operating income	79,161	61,254	61,181
Gain (loss) on consolidation of variable interest entities	0	16,631	(73,248)
Interest income	86	65	108
Interest (expense)	(39,847)	(37,808)	(25,277)
Income (loss) before provision for income taxes	39,400	40,142	(37,236)
Provision (benefit) for income taxes	16,102	16,822	(10,212)
Net income (loss)	$23,298	$23,320	$(27,024)
Earnings (loss) per share:			
Basic	$0.99	$0.99	$(1.15)
Diluted	$0.97	$0.98	$(1.15)
Weighted average shares outstanding:			
Basic	23,651	23,474	23,412
Diluted	23,957	23,681	23,412

ITT EDUCATIONAL SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended December 31,		
	2015	2014 (as restated)	2013
Cash flows from operating activities:			
Net income (loss)	$23,298	$23,320	$(27,024)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	21,973	26,456	27,252
Provision for doubtful accounts	35,195	63,928	67,640
Deferred income taxes	7,671	38,291	(54,102)
Stock-based compensation expense	5,786	10,336	11,638
Settlement payments	(4,500)	0	(46,000)
Goodwill and asset impairment	5,203	2,454	0
Accretion of discount on private education loans	(11,603)	(12,170)	(12,996)
Accretion of discount on long-term debt	2,491	118	0
Accretion of discount on PEAKS Trust senior debt	4,902	16,220	4,926
Accretion of discount on CUSO secured borrowing obligation	845	231	0
Provision for private education loan losses	5,083	14,150	29,349
(Gain) loss on consolidation of variable interest entities	0	(16,631)	73,248
Other	(504)	(613)	315

Changes in operating assets and liabilities, net of acquisition:			
Restricted cash	25	2,334	(455)
Accounts receivable	(37,649)	(10,010)	(87,225)
Private education loans	26,755	18,552	11,554
Accounts payable	(9,394)	9,591	(5,574)
Other operating assets and liabilities	34,869	(48,624)	73,880
Deferred revenue	(33,736)	(1,156)	11,299
Net cash flows from operating activities	76,710	136,777	77,725
Cash flows from investing activities:			
Capital expenditures	(7,405)	(6,092)	(5,147)
Acquisition of company, net of cash acquired	0	(5,220)	(7,150)
Collateralization of letters of credit	88,662	(89,304)	0
Collateral and escrowed funds	(81,895)	0	0
Proceeds from repayment of notes	0	293	461
Purchases of investments	(3)	(2)	(1,242)
Net cash flows from investing activities	(641)	(100,325)	(13,078)
Cash flows from financing activities:			
Debt issue costs	0	(4,938)	0
Proceeds from term borrowings	0	100,000	0
Repayment of term debt and revolver borrowings	(30,319)	(50,000)	(90,000)
Repayment of PEAKS Trust senior debt	(39,807)	(158,668)	(1,946)
Repayment of CUSO secured borrowing obligation	(10,351)	(1,766)	0
Common shares tendered for taxes	(632)	(914)	(395)
Net cash flows from financing activities	(81,109)	(116,286)	(92,341)
Net change in cash and cash equivalents	(5,040)	(79,834)	(27,694)
Cash and cash equivalents at beginning of period	135,937	215,771	243,465
Cash and cash equivalents at end of period	$130,897	$135,937	$215,771
Supplemental disclosures of cash flow information:			
Cash paid (refunded) during the period for:			
Income taxes (net of refunds)	$(17,359)	$14,466	$61,131
Interest	$23,276	$20,897	$3,310
Non-cash operating activities:			
Consolidation of variable interest entities assets	$0	$30,136	$113,819
Consolidation of variable interest entities liabilities	$0	$2,564	$471
Non-cash operating and investing activities:			
Accrued capital expenditures	$1,564	$236	$0
Non-cash financing activities:			
Issuance of treasury stock for Directors' compensation	$206	$38	$0
Consolidation of PEAKS Trust senior debt	$0	$0	$226,096
Consolidation of CUSO secured borrowing obligation	$0	$122,542	$0

Schedule B

ITT EDUCATIONAL SERVICES, INC

RECONCILIATION OF CONSOLIDATED STATEMENT OF OPERATIONS RESTATEMENT

(Amounts in thousands, except per share data)

	Year Ended December 31, 2014		
	Reported	Adjustment	Restated
Revenue	$961,783	$0	$961,783
Costs and expenses:			
Cost of educational services	460,782	0	460,782
Student services and administrative expenses	389,116	0	389,116
Goodwill and asset impairment	2,454	0	2,454
Settlements and legal and professional fees related to certain lawsuits, investigations and accounting matters	32,008	0	32,008
Loss related to loan program guarantees	2,019	0	2,019
Provision for private education loan losses, net	14,150	0	14,150
Total costs and expenses	900,529	0	900,529
Operating income	61,254	0	61,254
Gain on consolidation of variable interest entities	16,631	0	16,631
Interest income	65	0	65
Interest (expense)	(28,300)	(9,508)	(37,808)
Income before provision for income taxes	49,650	(9,508)	40,142
Provision for income taxes	20,397	(3,575)	16,822
Net income	$29,253	$(5,933)	$23,320
Earnings per share:			
Basic	**$1.25**	**$(0.26)**	**$0.99**
Diluted	**$1.23**	**$(0.25)**	**$0.98**
Weighted average shares outstanding:			
Basic	23,474	0	23,474
Diluted	23,762	(81)	23,681

Schedule C

Actual and projected EBITDA are not measurements under GAAP in the United States and may not be similar to EBITDA measures of other companies. Non-GAAP financial information should be considered in addition to, but not as a substitute for, information prepared in accordance with GAAP. The company believes that EBITDA provides useful information to management and investors as an indicator of the company's operating performance.

The company's 2015 EBITDA can be reconciled to the company's 2015 net income as follows:

For the Twelve Months Ending

December 31, 2015

(Dollars in thousands)

Net Income	$23,298
Plus: Interest expense, net	39,761

Income taxes	16,102
Depreciation and amortization	21,973
EBITDA	$101,134

Projected EBITDA is only an estimate and contains forward-looking information. The company has made a number of assumptions in preparing the projection, including assumptions as to the components of the projected EBITDA. These assumptions may or may not prove to be correct. In order to provide projections with respect to EBITDA, the company must estimate amounts for the GAAP measures that are components of the reconciliation of projected EBITDA. By providing these estimates, the company is in no way indicating that it is providing projections on those GAAP components of the reconciliation.

Projected EBITDA can be reconciled to the company's projected net income for the period indicated, as follows:

PROJECTED

For the Twelve Months Ending

December 31, 2016

	Low End of Range	High End of Range
	(Dollars in thousands)	
Net Income	$5,400	$15,000
Plus: Interest expense, net	27,500	29,500
Income taxes	3,600	10,000
Depreciation and amortization	13,500	15,500
EBITDA	$50,000	$70,000

SOURCE ITT Educational Services, Inc.

For further information: FOR FURTHER INFORMATION: Nicole Elam, Vice President, (317) 706-9200 or WEB SITE: www.ittesi.com

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(1) Not every institute has every school of study or offers all of the programs within a particular school of study. Please refer to the specific ITT Technical Institute catalog for details on the schools of study and programs of study offered at that institute.

(2) Not all ITT Technical Institutes offer Bachelor degree programs, and not all ITT Technical Institutes that offer Bachelor degree programs offer all the Bachelor degree programs. Not all ITT Technical Institutes offer all of the Associate degree programs. Please refer to the particular ITT Technical Institute's school catalog for a complete listing of the programs of study offered at that institute. Not all ITT Technical Institutes offer programs of study that include courses taught through distance education over the Internet. Please refer to the particular ITT Technical Institute's school catalog for details on whether any program courses are taught through distance education over the Internet.

(3) All online programs are offered by the ITT Technical Institute at 9511 Angola Court, Indianapolis, IN.

Go to programinfo.itt-tech.edu to access information on the programs of study offered at the ITT Technical Institutes, including, among other things:

- the occupations (by name and Standard Occupation Classification ("SOC") codes) that each program of study can help students prepare to enter, along with links to occupational profiles on O*NET (or its successor site) associated with the SOC codes;
- the on-time graduation rate for students who have completed each program of study;
- the costs associated with each program of study;
- the placement rate for students who completed each program of study;
- the median loan debt incurred by students who completed each program of study; and
- any other information that the U.S. Department of Education provided to the ITT Technical Institutes about any program of study.

From: "Thornton, Cynthia" <Cynthia.Thornton@ed.gov>
Sent: 8/22/2014 3:31:03 PM -0400
To: clambert@accsc.org; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; kbell@(b)(6) coberg@(b)(6); mepetrisko@(b)(6) rwinn@(b)(6) bgdanley@(b)(6) ksolinski@(b)(6); Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>; kcpe@(b)(6); approvalquery@(b)(6) sackerball@(b)(6) approvalquery@(b)(6) beamishm@(b)(6) george.roedler@(b)(6) leroy.wade@(b)(6) rusty.monhollon@(b)(6) michelle.robinson@(b)(6) Sondra.Fountain@(b)(6) Robert.Grimmie@(b)(6) dperlman@(b)(6); ezunon@(b)(6) mborden@(b)(6) ltemplem@(b)(6); mkrupcza@(b)(6) john.ware@(b)(6) alethia.miller@(b)(6) matt.barber@(b)(6) cameron.smith@(b)(6) ra-pls@(b)(6) plandis@(b)(6) Stephen.Rye@(b)(6) cathie.maeyaert@(b)(6); JoeDeFilippo@(b)(6) SylviaRosaCasanova@(b)(6); pspencer@(b)(6) michaelb@(b)(6); stotler@(b)(6); elaine.marces@(b)(6); mwinegar@(b)(6); julie.woodruff@(b)(6) david.dies@(b)(6) annie.walker@(b)(6); lorna.candler@(b)(6) Rebeca.Becerra@(b)(6) billc@(b)(6) brenda.germann@(b)(6) clinton.w.dick@(b)(6) rachael.pauze@(b)(6) MaryJayne.Fay@(b)(6) kevin.scanlon@(b)(6); Layla.D'Emilia@(b)(6) helen.dunford@(b)(6); juan.Baez-Arevalo@(b)(6) darlene.bartlett@(b)(6) rmiller@(b)(6) Betsy.Talbot@(b)(6) jjohnson@(b)(6) kverneuille@(b)(6) dkendall@(b)(6); Bobbi.lum-mew@(b)(6); michael.delong@(b)(6) jim.parker@(b)(6) diane.vigil@(b)(6) david.mathews@(b)(6) Alana.Boles@(b)(6) dehuber@(b)(6); Keith.Boylan@(b)(6) James.Vanderbilt@(b)(6) dan.wellman@(b)(6) WickhamB@(b)(6) Wclarke@(b)(6) martina.murray@(b)(6) tangman@(b)(6) annette.funderburk@(b)(6) tivoli.nash@(b)(6) elizabeth.french@(b)(6); "Bennett, Ron" <Ron.Bennett@(b)(6)>; "Minor, Robin" <Robin.Minor@(b)(6)>; "Chauvin, Karen" <Karen.Chauvin@(b)(6)>; "Pickett, Veronica" <Veronica.Pickett@(b)(6)>; "Gust, Mary" <Mary.Gust@(b)(6)>; "Hochhalter, Kathleen" <Kathleen.Hochhalter@(b)(6)>; "Lawrence, Andrew" <Andrew.Lawrence@(b)(6)>; "Coughlin, Betty" <Betty.Coughlin@(b)(6)>; "Fernandez-Rosario, Martina" <Martina.Fernandez-Rosario@(b)(6)>; "Frola, Michael" <Michael.Frola@(b)(6)>; "Gifford, Nancy Paula"

<Nancy.Paula.Gifford@(b)(6)>; "LoBosco, Ralph"
<Ralph.LoBosco@(b)(6)>; "Miller, Christopher"
<Christopher.Miller@(b)(6)>; "Parrott, Douglas"
<Douglas.Parrott@(b)(6)>; "Thornton, Cynthia"
<Cynthia.Thornton@(b)(6)>

Subject: Oversight Partners Meeting Notes: August 13, 2014 and August 20, 2014

Attachments: CCI Meeting With Oversight Partners #7 08 13 2014 NOTES.pdf; CCI Meeting With Oversight Partners #8 08 20 2014 NOTES.pdf; 6 30 2014StudentDataInfoNOPII.xlsx

Happy Friday,

Attached, please find two sets of meeting notes along with a summary student data file. The next meeting is scheduled for Wednesday, August 27, 2014 at 1:00 pm PST, 3:00 pm CST and 4:00 pm EST. A recurring meeting notice has been previously sent and added to your calendars. Please feel free to send us your questions and/or comments ahead of time and we will try to address them during the call.

We look forward to talking with you soon.

Martina, Cynthia and Doug

Coordinators for Oversight Partners

Cynthia Thornton

Director, Dallas School Participation Division

US Department of Education

Office:214-661-(b)(6)

Email:Cynthia.Thornton@e(b)(6)

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