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.

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.

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.

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.

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.

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.

LIBERTY BANK, N.A.

Addendum A

CUSTOMER IDENTIFICATION PROGRAM

Access Group, Inc.

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

Table of Contents

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.

- 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.

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.

- 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.

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.

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.

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.

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.

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

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

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):

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%		

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.

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

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

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., 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.

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*]

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

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

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

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

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.

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***).

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***.

(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.

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.

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.

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.

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.

(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;

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.

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.

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.

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.

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.

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

SCHEDULE A

TO

RISK SHARING AGREEMENT

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.

"***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.

"***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.

"***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.

"***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.

"***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.

"***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.

"***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.

"***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).

"***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.

"***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).

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.

EXHIBIT A-2

Loan Criteria

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.

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.

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.

Student CU Connect Private Student Loan Program Criteria

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.

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:

(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.

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.

(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.

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.

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.

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.

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.

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.

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.

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:____________________________

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.

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.

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.

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:______________________________

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.

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.

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.

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

INTERMEDIARY:

<INTERMEDIARY>

By: ________________________________

Name:
Title:

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.

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.

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.]

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.]

**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.

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.]

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.]

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.

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.

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*]

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.]

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.

(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.

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.

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.

(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.

(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.

(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.

(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.

(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.

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.

(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.

(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.

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.

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.

(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).

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.

(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.

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.

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.

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.

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

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

SCHEDULE A

DEFINITIONS

SCHEDULE A

DEFINITIONS

A. <u>Definitions</u>. 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.

***"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.

"***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.

"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.

"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.

"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.

"***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.

"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.

***"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).

***"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.

"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).

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.

EXHIBIT A-2

Loan Criteria

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.

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.

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.

Student CU Connect Private Student Loan Program Criteria

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.

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.

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

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.

(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.

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

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.

"***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.]

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.]

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.

"***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.

"***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.

"***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.

"***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.

(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).

(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.

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.

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.

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.

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."

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.

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.

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:

(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.

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.

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.

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.

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 (1) 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.

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;

(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.

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.

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).

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

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.

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.***]

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

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.

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.

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.

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.

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*]

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

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:

"***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.

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:

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.

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).

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*]

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

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).

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.

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.

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).

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*]

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

EXHIBIT A

to

Third Amendment to Loan and Security Agreement

(Allonge)

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: ______________________________

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

TABLE OF CONTENTS

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.

(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.

(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.

(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.

(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.

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.

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.

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.

[The remainder of this page is intentionally left blank.]

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.

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.

(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.

(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.

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.

(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.

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.

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

(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

(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

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.

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.]

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

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

(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.

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.

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.

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.

- 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.

- 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.

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

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.

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

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.

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.

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.

1 Servicer not responsible for implementing and effecting Program Borrowing Limits.

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.

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").

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.

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.

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

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

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

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

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

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

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

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

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

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

00022365 - **ITT Technical Institute,** Clovis, CA

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Profile**

ACICS ID:	00022365
Name:	ITT Technical Institute
City:	Clovis
State:	CA
Zip:	93612
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00022365 - **ITT Technical Institute,** Clovis, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00022365
Name: ITT Technical Institute
Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354
Entity Name: ITT Educational Services, Inc.
CEO Name:
Address: 13000 North Meridian Street, Carmel, IN
Phone: (317) 706-9200
Fax: (317) 706-3042
Main Contact:
Email:
State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354
Name: ITT Educational Services, Inc.
CEO:
Address: 13000 North Meridian Street, Carmel, IN
Phone: (317) 706-9200
Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:
Title:
Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

Download previously uploaded : Org Chart_03-14-2014.pdf (88.02 KB)

Uploaded by 00022365 on Friday, June 20, 2014 8:52 AM

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00022365 - **ITT Technical Institute,** Clovis, CA

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$12,076,720.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$1,651,814.00
Less: Textbook Expenses			$223,933.00
Total Educational Revenues			$10,200,973.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,346,072.00
Instructional Expenses			$155,719.00
Student Recruitment			$2,089,039.00
Depreciation of Equipment			$165,947.00
Occupancy Expenses			$635,004.00
Administrative Salaries			$664,983.00
Officer Salaries			$0.00
Administrative Expenses			$935,325.00
Student Personnel Services			$0.00
Total Education Expenses			$5,992,089.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$4,208,884.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

ED00017489

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$41,885.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$55,868.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$97,753.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$4,306,637.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$4,306,637.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00022365 - **ITT Technical Institute,** Clovis, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00022365 - **ITT Technical Institute,** Clovis, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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00022365 - **ITT Technical Institute,** Clovis, CA

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Submit Annual Financial Report**

The current AFR may not be submitted at this time.

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00024233 - **ITT Technical Institute,** Concord, CA

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Current Section: **Profile**

ACICS ID:	00024233
Name:	ITT Technical Institute
City:	Concord
State:	CA
Zip:	94520
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00024233 - **ITT Technical Institute,** Concord, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00024233

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

Download previously uploaded : Org_Chart_03-14-2014.pdf (88.02 KB)

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00024233 - **ITT Technical Institute,** Concord, CA

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$8,297,520.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$1,167,478.00
Less: Textbook Expenses			$157,525.00
Total Educational Revenues			$6,972,517.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$980,300.00
Instructional Expenses			$118,688.00
Student Recruitment			$1,473,668.00
Depreciation of Equipment			$159,339.00
Occupancy Expenses			$648,691.00
Administrative Salaries			$570,263.00
Officer Salaries			$0.00
Administrative Expenses			$594,627.00
Student Personnel Services			$0.00
Total Education Expenses			$4,545,576.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$2,426,941.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$24,715.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			($2,552.00)
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$22,163.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$2,449,104.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$2,449,104.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00024233 - **ITT Technical Institute,** Concord, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00024233 - **ITT Technical Institute,** Concord, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00024233 - **ITT Technical Institute,** Concord, CA

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Current Section: **Submit Annual Financial Report**

The current AFR may not be submitted at this time.

It is currently locked or the submission deadline has passed.

You may request an unlock for a particular survey by clicking on 'Return to AFR Main Page' then clicking 'Request Unlock' in the rightmost column.

00024846 - **ITT Technical Institute,** Corona, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Profile**

ACICS ID: 00024846

Name: ITT Technical Institute

City: Corona

State: CA

Zip: 92883

Country: USA

Fiscal Year End: December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00024846 - **ITT Technical Institute,** Corona, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00024846

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00024846 - **ITT Technical Institute,** Corona, CA

Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$10,310,896.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$1,227,002.00
Less: Textbook Expenses			$224,721.00
Total Educational Revenues			$8,859,173.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$806,647.00
Instructional Expenses			$95,748.00
Student Recruitment			$2,036,350.00
Depreciation of Equipment			$142,035.00
Occupancy Expenses			$582,674.00
Administrative Salaries			$613,926.00
Officer Salaries			$0.00
Administrative Expenses			$473,550.00
Student Personnel Services			$0.00
Total Education Expenses			$4,750,930.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$4,108,243.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$31,168.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$9,159.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$40,327.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$4,148,570.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$4,148,570.00

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00024846 - **ITT Technical Institute,** Corona, CA

Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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00024846 - **ITT Technical Institute,** Corona, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00024846 - **ITT Technical Institute,** Corona, CA

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Current Section: **Submit Annual Financial Report**

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You may request an unlock for a particular survey by clicking on 'Return to AFR Main Page' then clicking 'Request Unlock' in the rightmost column.

00022752 - **ITT Technical Institute,** Torrance, CA

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Profile**

ACICS ID:	00022752
Name:	ITT Technical Institute
City:	Culver City
State:	CA
Zip:	90230
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

00022752 - **ITT Technical Institute,** Torrance, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Ownership Disclosure**

ACICS ID: 00022752

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

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00022752 - **ITT Technical Institute,** Torrance, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$7,636,386.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$1,163,730.00
Less: Textbook Expenses			$148,367.00
Total Educational Revenues			$6,324,289.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$768,121.00
Instructional Expenses			$88,536.00
Student Recruitment			$2,079,700.00
Depreciation of Equipment			$96,583.00
Occupancy Expenses			$419,523.00
Administrative Salaries			$510,944.00
Officer Salaries			$0.00
Administrative Expenses			$484,259.00
Student Personnel Services			$0.00
Total Education Expenses			$4,447,666.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$1,876,623.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$20,968.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			($11,577.00)
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$9,391.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$1,886,014.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$1,886,014.00

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00022752 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00022752 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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00022752 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Submit Annual Financial Report**

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016040 - **ITT Technical Institute,** Indianapolis, IN

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Current Section: **Profile**

ACICS ID: 00016040

Name: ITT Technical Institute

City: Indianapolis

State: IN

Zip: 46268

Country: USA

Fiscal Year End: December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

00016040 - **ITT Technical Institute,** Indianapolis, IN

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Ownership Disclosure**

ACICS ID: 00016040

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: DE

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016040 - **ITT Technical Institute,** Indianapolis, IN

Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$116,326,672.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$26,811,987.00
Less: Textbook Expenses			$2,476,330.00
Total Educational Revenues			$87,038,355.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$12,668,811.00
Instructional Expenses			$682,554.00
Student Recruitment			$23,392,177.00
Depreciation of Equipment			$568,650.00
Occupancy Expenses			$1,617,962.00
Administrative Salaries			$5,959,726.00
Officer Salaries			$0.00
Administrative Expenses			$9,241,164.00
Student Personnel Services			$0.00
Total Education Expenses			$54,131,044.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$32,907,311.00
Operational Income (Loss)		$33,475,961.00

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$111,492.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			($12,549,372.00)
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			($12,437,880.00)

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$20,469,431.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$20,469,431.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016040 - **ITT Technical Institute,** Indianapolis, IN

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$243,465,000.00
Cash - Restricted		$3,478,000.00
Accounts Receivable, Students		$78,928,000.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		$78,928,000.00
Allowance for Doubtful Accounts		$0.00
Accounts Receivable (Net Total)		$78,928,000.00
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$16,162,000.00
Other Current Assets		$44,547,000.00
Total Current Assets		$386,580,000.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$117,223,000.00
Accumulated Depreciation - Buildings		($27,909,000.00)
Furniture and Equipment		$171,324,000.00
Accumulated Depreciation - Furniture and Equipment		($129,467,000.00)
Leasehold Improvements		$21,447,000.00
Amortization of Leasehold Improvements		($14,038,000.00)
Land		$39,262,000.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$27,434,000.00
Accumulated Depreciation - Other Fixed Assets		($15,386,000.00)
Total Fixed Assets		$189,890,000.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$98,734,000.00
Total Other Assets		$98,734,000.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$675,204,000.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$63,304,000.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$21,023,000.00
Unearned Tuition		$135,900,000.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$106,796,000.00
Total Current Liabilities		$327,023,000.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$140,000,000.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$82,416,000.00
Total Long-Term Liabilities		$222,416,000.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$549,439,000.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$371,000.00
Other Equity		($842,079,000.00)
Retained Earnings		
Beginning Balance		$827,675,000.00
Earnings/Loss for Year		$138,970,000.00
Dividends		$0.00
Other Retained Earnings Changes		$828,000.00
Ending Balance		$967,473,000.00
Total Stockholder's Equity		$125,765,000.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$675,204,000.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016040 - **ITT Technical Institute,** Indianapolis, IN

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00016040 - **ITT Technical Institute,** Indianapolis, IN

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- Audited Financial Statement Upload
- Submit AFR
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Current Section: **Submit Annual Financial Report**

The current AFR may not be submitted at this time.

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00016043 - **ITT Technical Institute,** Lathrop, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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- Disclosure
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Current Section: **Profile**

ACICS ID:	00016043
Name:	ITT Technical Institute
City:	Lathrop
State:	CA
Zip:	95330
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

00016043 - **ITT Technical Institute,** Lathrop, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Ownership Disclosure**

ACICS ID: 00016043

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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Uploaded by 00016043 on Friday, June 20, 2014 1:45 PM

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016043 - **ITT Technical Institute,** Lathrop, CA

Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$13,455,574.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$1,875,456.00
Less: Textbook Expenses			$251,184.00
Total Educational Revenues			$11,328,934.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,526,815.00
Instructional Expenses			$84,748.00
Student Recruitment			$1,853,241.00
Depreciation of Equipment			$206,606.00
Occupancy Expenses			$646,228.00
Administrative Salaries			$755,728.00
Officer Salaries			$0.00
Administrative Expenses			$761,698.00
Student Personnel Services			$0.00
Total Education Expenses			$5,835,064.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$5,493,870.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$31,398.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$69,611.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$101,009.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$5,594,879.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$5,594,879.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016043 - **ITT Technical Institute,** Lathrop, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

	Latest Fiscal Year End	Previous Fiscal Year End
Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00016043 - **ITT Technical Institute,** Lathrop, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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00016043 - **ITT Technical Institute,** Lathrop, CA

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Submit Annual Financial Report**

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You may request an unlock for a particular survey by clicking on 'Return to AFR Main Page' then clicking 'Request Unlock' in the rightmost column.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016071 - **ITT Technical Institute,** National City, CA

Current Section: **Profile**

ACICS ID:	00016071
Name:	ITT Technical Institute
City:	National City
State:	CA
Zip:	91950
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016071 - **ITT Technical Institute,** National City, CA

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- Submit AFR
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Current Section: **Ownership Disclosure**

ACICS ID: 00016071

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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00016071 - **ITT Technical Institute,** National City, CA

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$40,066,048.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$9,514,941.00
Less: Textbook Expenses			$677,233.00
Total Educational Revenues			$29,873,874.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$2,853,011.00
Instructional Expenses			$443,418.00
Student Recruitment			$3,593,113.00
Depreciation of Equipment			$453,569.00
Occupancy Expenses			$1,948,829.00
Administrative Salaries			$1,762,719.00
Officer Salaries			$0.00
Administrative Expenses			$1,541,492.00
Student Personnel Services			$0.00
Total Education Expenses			$12,596,151.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$17,277,723.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$71,181.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$89,194.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$160,375.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$17,438,098.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$17,438,098.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016071 - **ITT Technical Institute,** National City, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016071 - **ITT Technical Institute,** National City, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016071 - **ITT Technical Institute,** National City, CA

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Current Section: **Submit Annual Financial Report**

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It is currently locked or the submission deadline has passed.

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00033146 - **ITT Technical Institute,** Oakland, CA

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Current Section: **Profile**

ACICS ID:	00033146
Name:	ITT Technical Institute
City:	Oakland
State:	CA
Zip:	94621
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00033146 - **ITT Technical Institute,** Oakland, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00033146

Name: ITT Technical Institute

Ownership: Privately Held Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00033146 - **ITT Technical Institute,** Oakland, CA

Profile
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Submit AFR
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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$2,618,059.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$370,767.00
Less: Textbook Expenses			$61,475.00
Total Educational Revenues			$2,185,817.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$371,308.00
Instructional Expenses			$33,963.00
Student Recruitment			$1,545,992.00
Depreciation of Equipment			$170,802.00
Occupancy Expenses			$548,436.00
Administrative Salaries			$445,197.00
Officer Salaries			$0.00
Administrative Expenses			$296,945.00
Student Personnel Services			$0.00
Total Education Expenses			$3,412,643.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		($1,226,826.00)
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$15,578.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$7,221.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$22,799.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		($1,204,027.00)
Federal and State Income Taxes		$0.00
Net Income after Taxes		($1,204,027.00)

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00033146 - **ITT Technical Institute,** Oakland, CA

Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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00033146 - **ITT Technical Institute,** Oakland, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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- Submit AFR
- Return to AFR Main Page

Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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00033146 - **ITT Technical Institute,** Oakland, CA

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

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- Ownership Disclosure
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- Audited Financial Statement Upload
- Submit AFR
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Current Section: **Submit Annual Financial Report**

The current AFR may not be submitted at this time.

It is currently locked or the submission deadline has passed.

You may request an unlock for a particular survey by clicking on 'Return to AFR Main Page' then clicking 'Request Unlock' in the rightmost column.

Current Section: **Profile**

ACICS ID: 00016034

Name: ITT Technical Institute

City: Orange

State: CA

Zip: 92868

Country: USA

Fiscal Year End: December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00016034 - **ITT Technical Institute,** Orange, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00016034

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

Download previously uploaded : Org Chart_03-14-2014.pdf (88.02 KB)

Uploaded by 00016034 on Thursday, June 19, 2014 11:55 AM

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00016034 - **ITT Technical Institute,** Orange, CA

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$23,454,150.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$3,729,904.00
Less: Textbook Expenses			$455,639.00
Total Educational Revenues			$19,268,607.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,997,042.00
Instructional Expenses			$209,845.00
Student Recruitment			$2,930,517.00
Depreciation of Equipment			$198,200.00
Occupancy Expenses			$1,028,688.00
Administrative Salaries			$978,366.00
Officer Salaries			$0.00
Administrative Expenses			$952,648.00
Student Personnel Services			$0.00
Total Education Expenses			$8,295,306.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$10,973,301.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$54,091.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$18,231.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$72,322.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$11,045,623.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$11,045,623.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016034 - **ITT Technical Institute,** Orange, CA

Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
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Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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00016034 - **ITT Technical Institute,** Orange, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Disclosure**

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Depreciation - Library (including useful lives)	
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Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00016034 - **ITT Technical Institute,** Orange, CA

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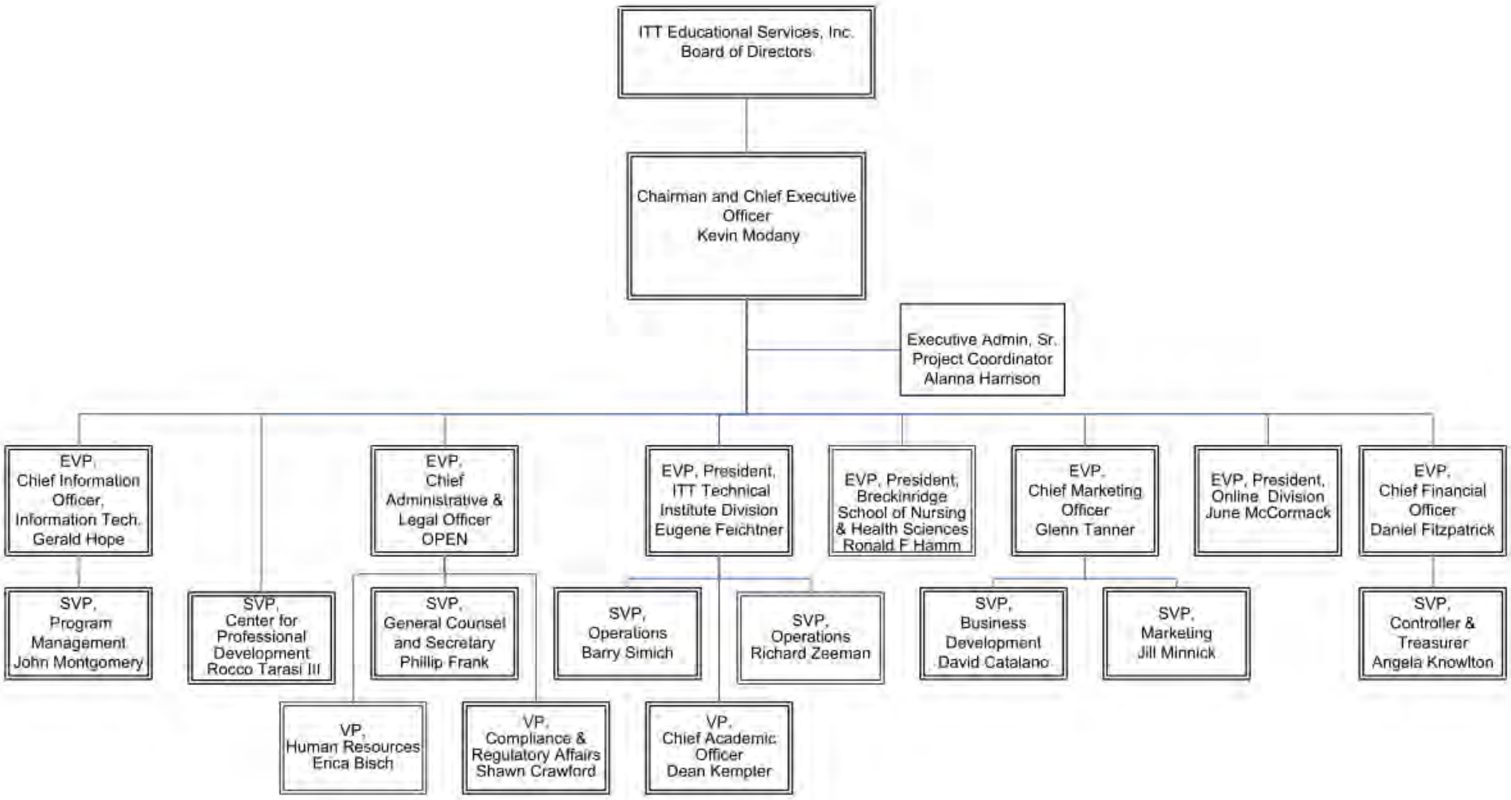
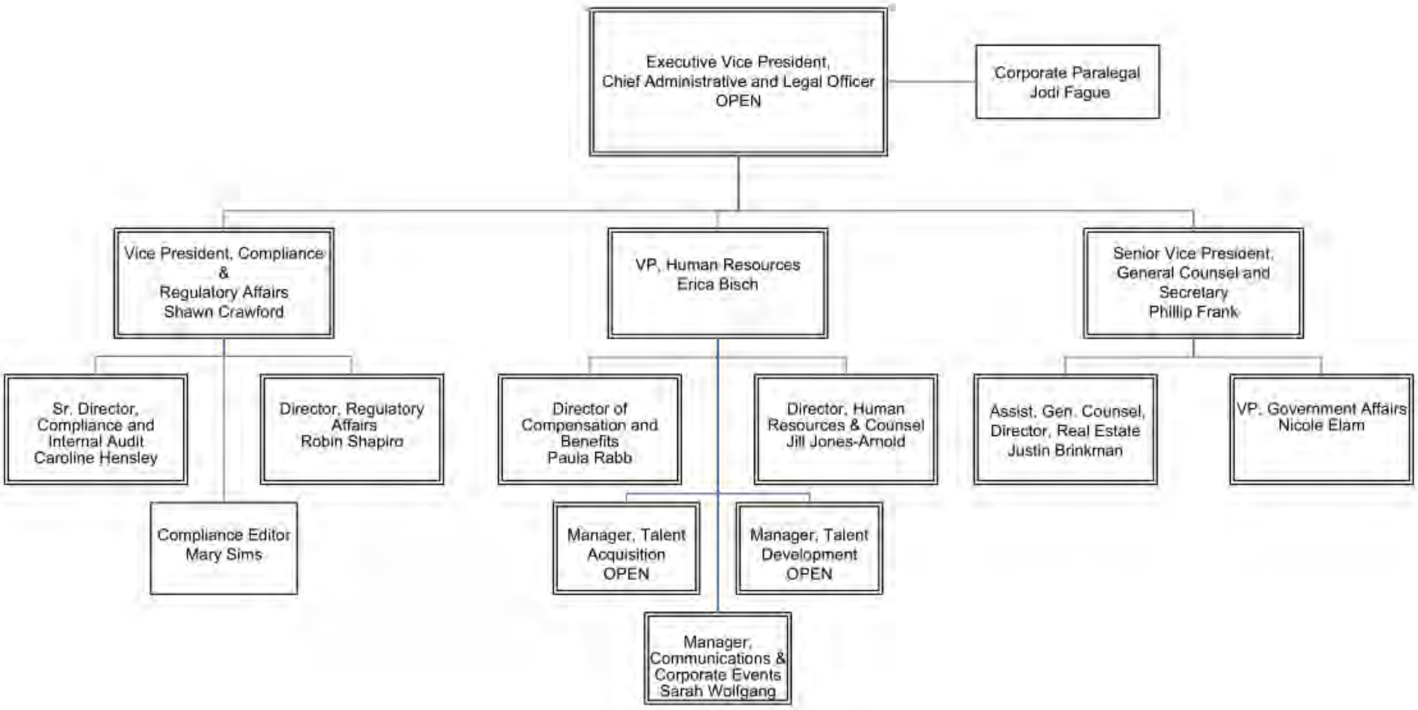
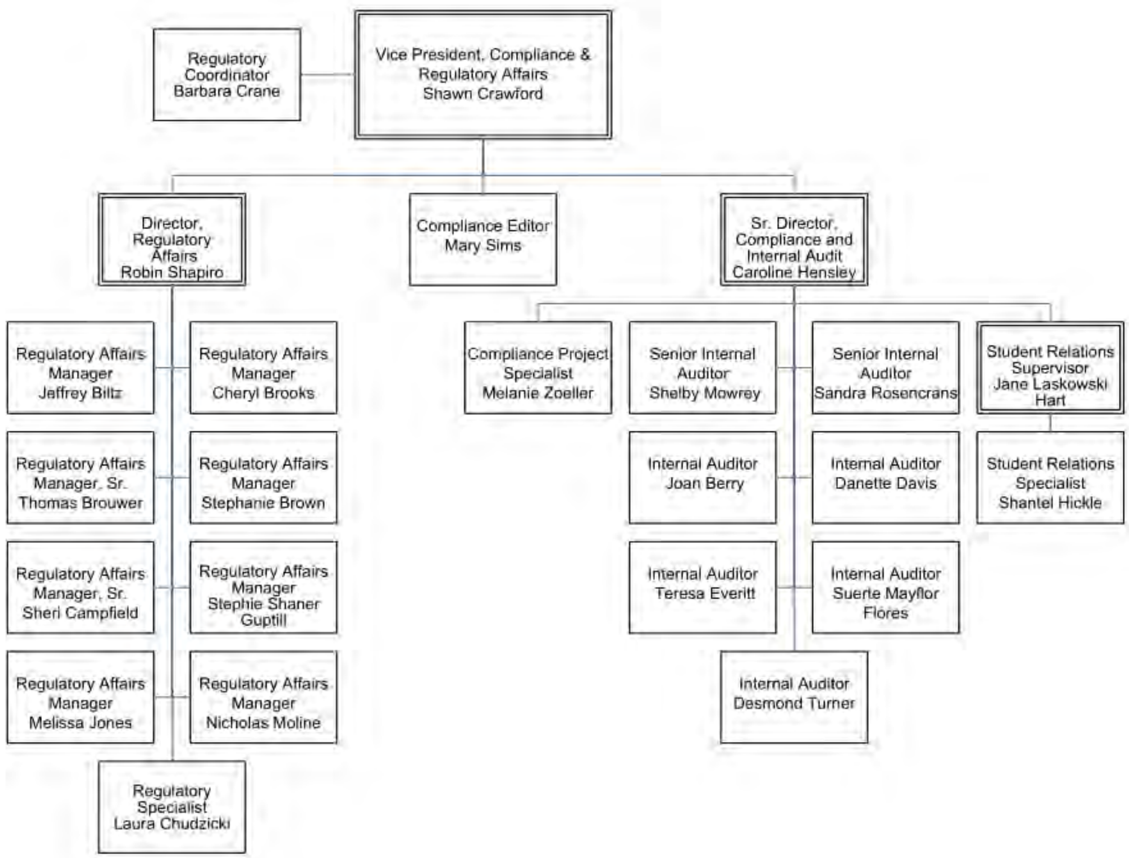
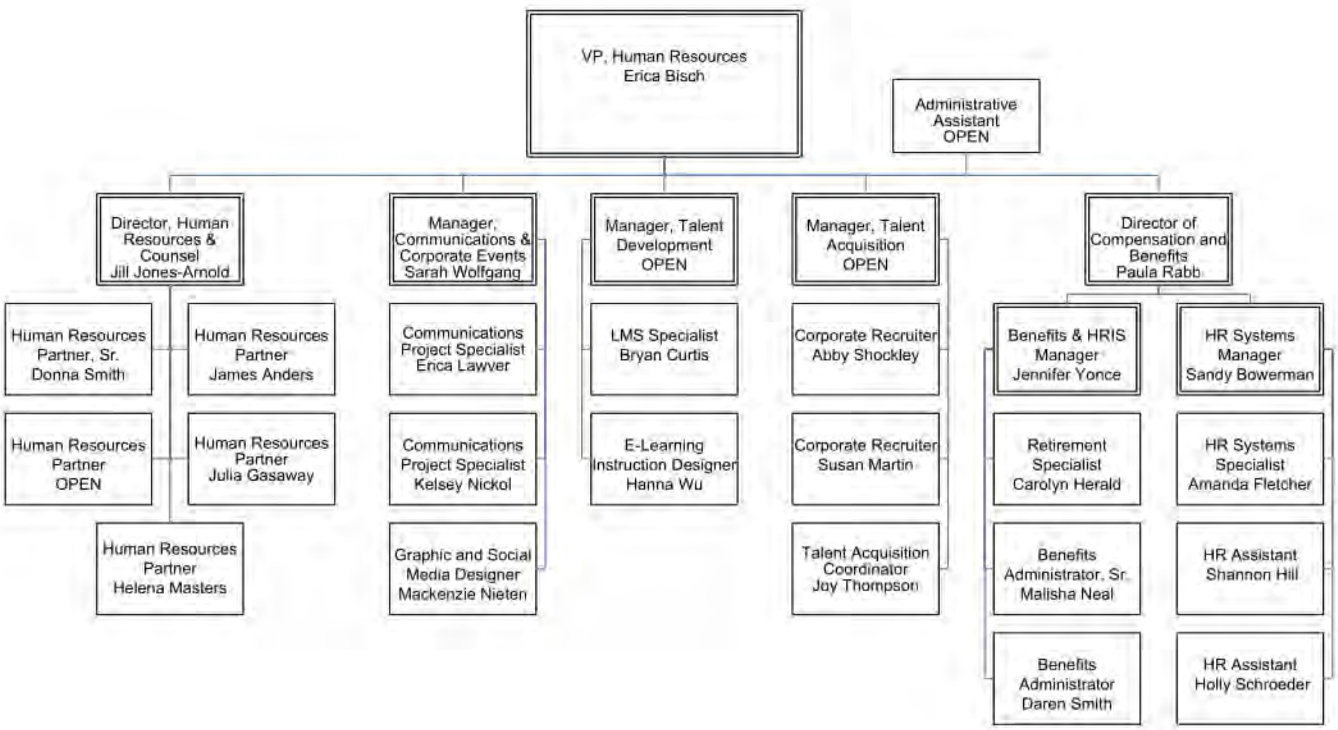
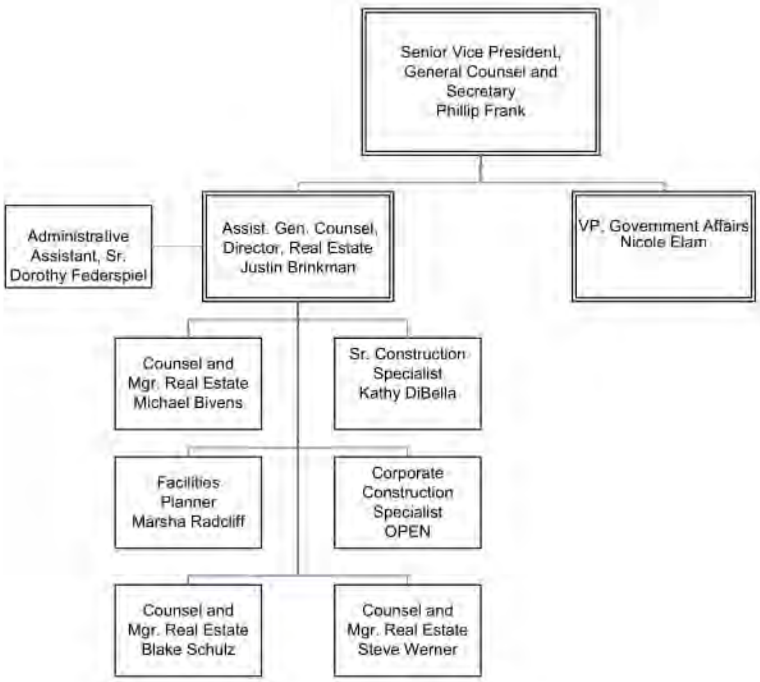

ITT Educational Services, Inc.
Board of Directors
Chairman and Chief Executive Officer
Kevin Modany
Executive Admin, Sr. Project Coordinator
Alanna Harrison
EVP, Chief Information Officer, Information Tech.
Gerald Hope
EVP, Chief Administrative & Legal Officer
OPEN
EVP, President, ITT Technical Institute Division
Eugene Feichtner
EVP, President, Breckinridge School of Nursing & Health Sciences
Ronald F Hamm
EVP, Chief Marketing Officer
Glenn Tanner
EVP, President, Online Division
June McCormack
EVP, Chief Financial Officer
Daniel Fitzpatrick
SVP, Program Management
John Montgomery
SVP, Center for Professional Development
Rocco Tarasi III
SVP, General Counsel and Secretary
Phillip Frank
SVP, Operations
Barry Simich
SVP, Operations
Richard Zeeman
SVP, Business Development
David Catalano
SVP, Marketing
Jill Minnick
SVP, Controller & Treasurer
Angela Knowlton
VP, Human Resources
Erica Bisch
VP, Compliance & Regulatory Affairs
Shawn Crawford
VP, Chief Academic Officer
Dean Kempler



ITT Educational Services, Inc. **March 14, 2014** **Chief Administrative & Legal Officer**

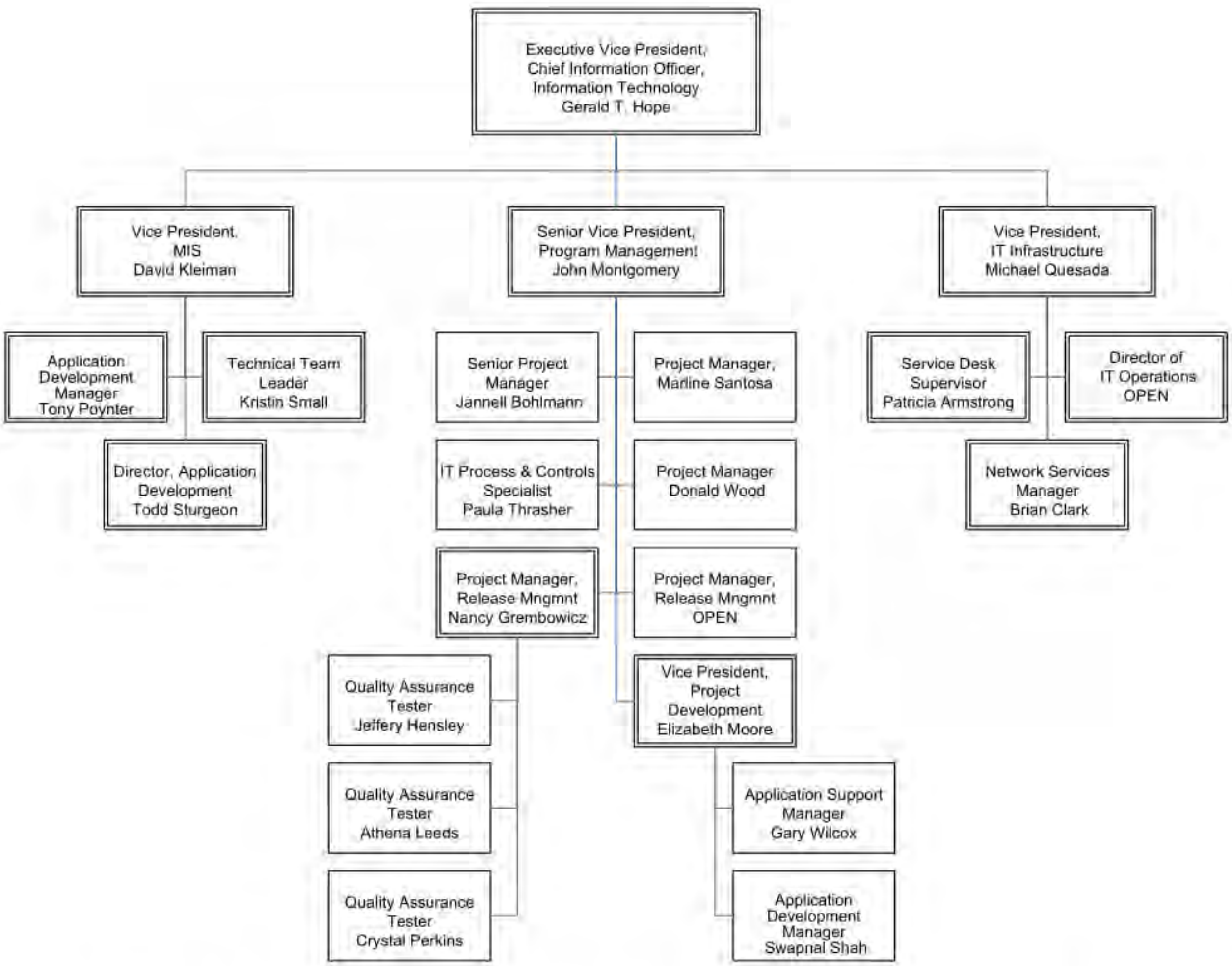

Regulatory Coordinator Barbara Crane
Vice President, Compliance & Regulatory Affairs Shawn Crawford
Director, Regulatory Affairs Robin Shapiro
Compliance Editor Mary Sims
Sr. Director, Compliance and Internal Audit Caroline Hensley
Regulatory Affairs Manager Jeffrey Biltz
Regulatory Affairs Manager Cheryl Brooks
Regulatory Affairs Manager, Sr. Thomas Brouwer
Regulatory Affairs Manager Stephanie Brown
Regulatory Affairs Manager, Sr. Sheri Campfield
Regulatory Affairs Manager Stephie Shaner Guptill
Regulatory Affairs Manager Melissa Jones
Regulatory Affairs Manager Nicholas Moline
Regulatory Specialist Laura Chudzicki
Compliance Project Specialist Melanie Zoeller
Senior Internal Auditor Shelby Mowrey
Senior Internal Auditor Sandra Rosencrans
Student Relations Supervisor Jane Laskowski Hart
Internal Auditor Joan Berry
Internal Auditor Danette Davis
Student Relations Specialist Shantel Hickle
Internal Auditor Teresa Everitt
Internal Auditor Suerte Mayflor Flores
Internal Auditor Desmond Turner


VP, Human Resources
Erica Bisch
Administrative Assistant
OPEN
Director, Human Resources & Counsel
Jill Jones-Arnold
Manager, Communications & Corporate Events
Sarah Wolfgang
Manager, Talent Development
OPEN
Manager, Talent Acquisition
OPEN
Director of Compensation and Benefits
Paula Rabb
Human Resources Partner, Sr.
Donna Smith
Human Resources Partner
James Anders
Human Resources Partner
OPEN
Human Resources Partner
Julia Gasaway
Human Resources Partner
Helena Masters
Communications Project Specialist
Erica Lawyer
Communications Project Specialist
Kelsey Nickol
Graphic and Social Media Designer
Mackenzie Nieten
LMS Specialist
Bryan Curtis
E-Learning Instruction Designer
Hanna Wu
Corporate Recruiter
Abby Shockley
Corporate Recruiter
Susan Martin
Talent Acquisition Coordinator
Joy Thompson
Benefits & HRIS Manager
Jennifer Yonce
HR Systems Manager
Sandy Bowerman
Retirement Specialist
Carolyn Herald
HR Systems Specialist
Amanda Fletcher
Benefits Administrator, Sr.
Malisha Neal
HR Assistant
Shannon Hill
Benefits Administrator
Daren Smith
HR Assistant
Holly Schroeder

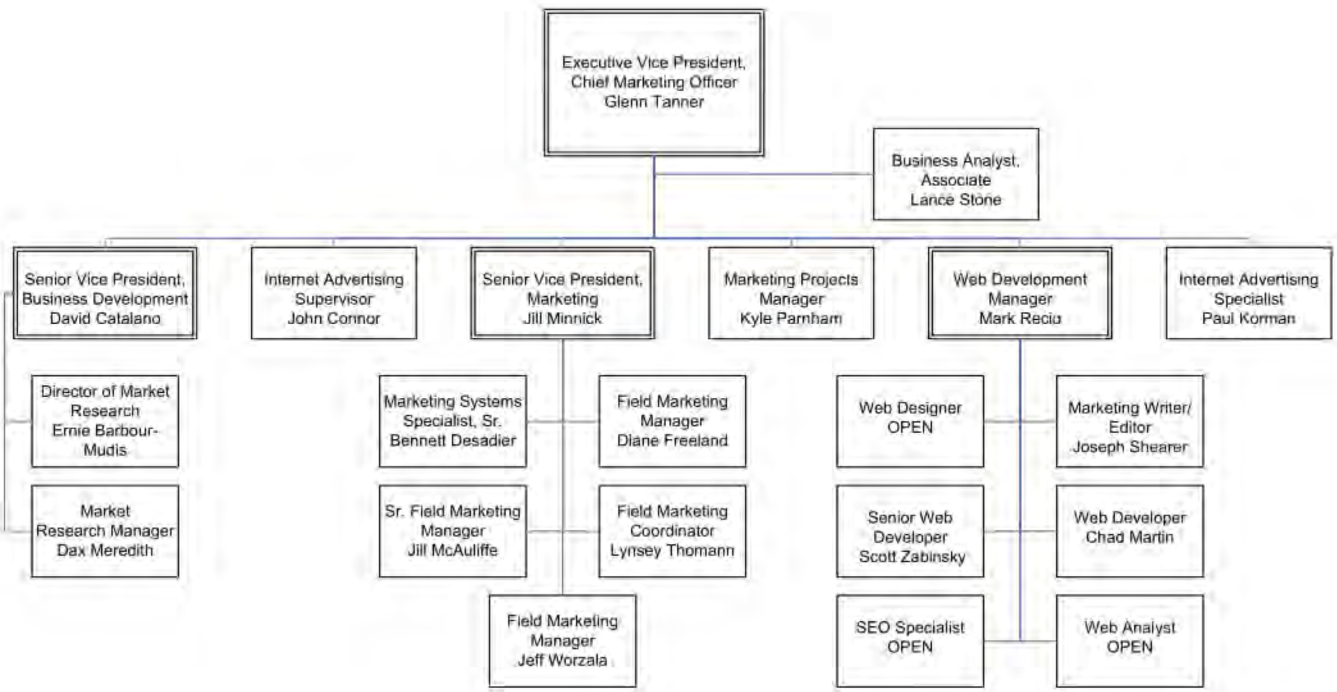

Senior Vice President,
General Counsel and
Secretary
Phillip Frank
Administrative
Assistant, Sr.
Dorothy Federspiel
Assist. Gen. Counsel,
Director, Real Estate
Justin Brinkman
VP, Government Affairs
Nicole Elam
Counsel and
Mgr. Real Estate
Michael Bivens
Sr. Construction
Specialist
Kathy DiBella
Facilities
Planner
Marsha Radcliff
Corporate
Construction
Specialist
OPEN
Counsel and
Mgr. Real Estate
Blake Schulz
Counsel and
Mgr. Real Estate
Steve Werner

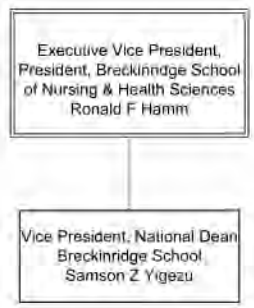
- Executive Vice President, Chief Financial Officer, Daniel M. Fitzpatrick
  - Executive Administrative Assistant, Sr. Barbara Roth
  - SVP, Controller and Treasurer, Angela Knowlton
    - Payroll Manager, Annette Barnes
    - Finance Systems Analyst, Phillip Garrett
    - Accounts Payable Supervisor, Denise Nelson
    - Assistant Controller, Eric Podany
    - Mgr, Reporting and Analysis, Kristin Smith
    - Accntng Sup. Treasury and Tax, Don Thrasher
    - Mgr, Financial Controls & Processes, OPEN
  - VP, Finance, Byron Axlund
    - National Director, Student Financial Services, Michael Lindvay
      - Financial Aid Specialist, Rosemary Arthur
      - Financial Aid Specialist, Lalena Brigance
      - Field Finance Manager, Fred Bruderly
      - Field Finance Manager, Shelley DeMars
      - Financial Aid Clerk, OPEN
      - Field Finance Manager, OPEN
      - Financial Aid Specialist, Heidi Marley
      - Fiscal Services & Collections Manager, OPEN
      - Field Finance Manager, Janice Moon
      - Field Finance Manager, John Parent
      - Financial Aid Processor, OPEN
    - Business Analyst, Associate, Carissa O'Connor
  - Sr. Dir, Purchasing & Administrative Services, Robert Fitzgerald
    - Administrative Services Supervisor, Katherine Jarrell
      - Office Services Coordinator, Daniel Childress
      - Office Services Clerk, Scott Leis
      - Secretary/ Receptionist, Maxine Wilton
    - Mgr, Purchasing & Administrative Services, Joann Getchell
    - Contracts Administrator, Larry Knotts
    - Facilities Proc. Specialist, OPEN

ITT Educational Services, Inc. **March 14, 2014** **Chief Financial Officer**



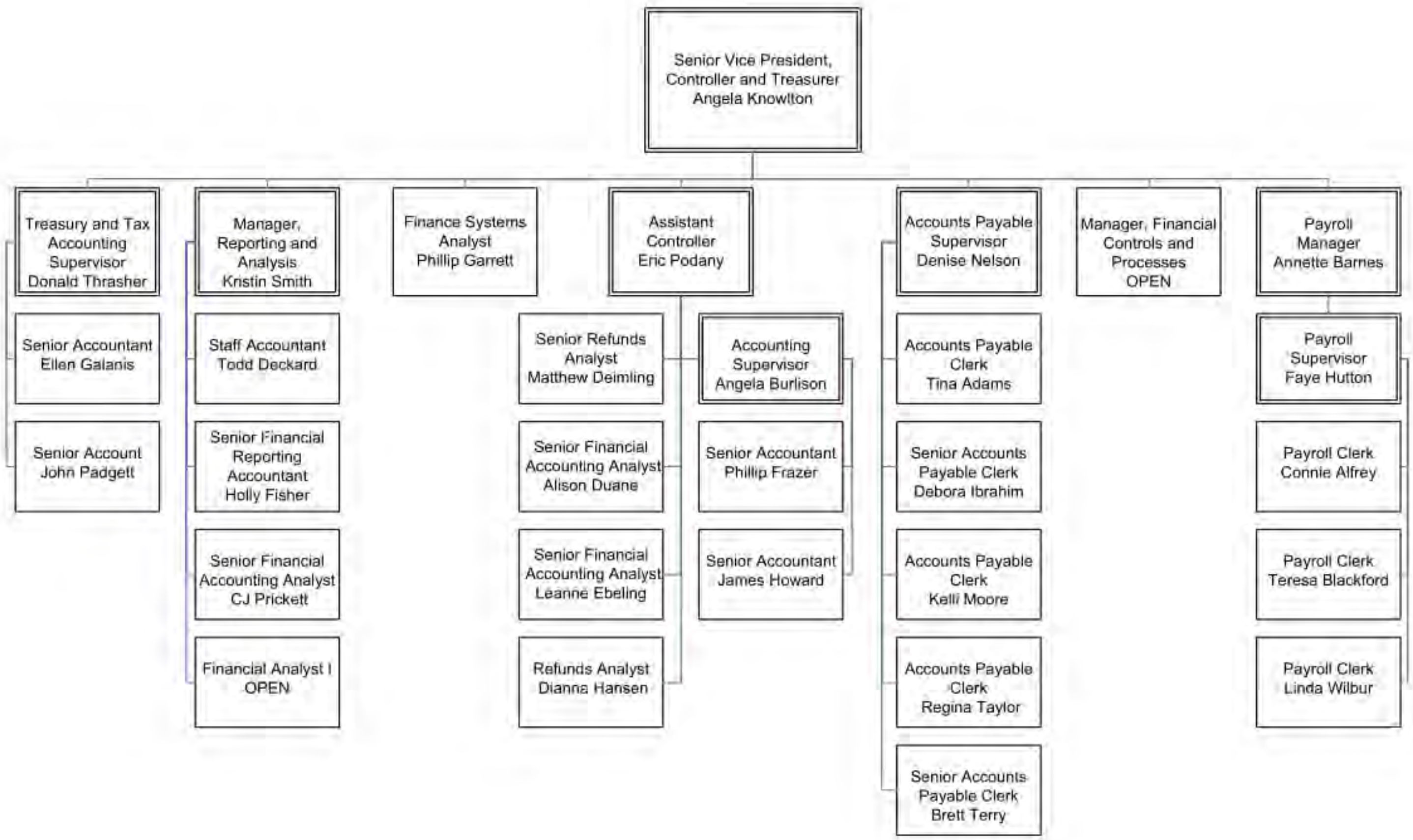
ITT Educational Services, Inc. **March 14, 2014** **Chief Information Officer**

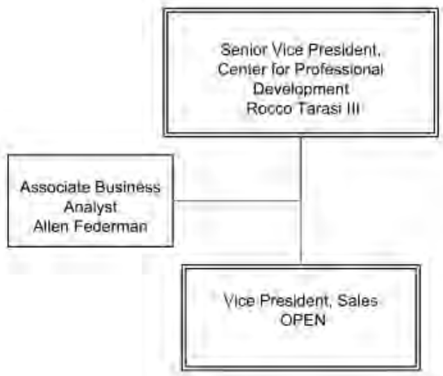

Executive Vice President, Chief Marketing Officer Glenn Tanner
Business Analyst, Associate Lance Stone
Senior Vice President, Business Development David Catalano
Internet Advertising Supervisor John Connor
Senior Vice President, Marketing Jill Minnick
Marketing Projects Manager Kyle Parnham
Web Development Manager Mark Recio
Internet Advertising Specialist Paul Korman
Director of Market Research Ernie Barbour-Mudis
Market Research Manager Dax Meredith
Marketing Systems Specialist, Sr. Bennett Desadier
Field Marketing Manager Diane Freeland
Sr. Field Marketing Manager Jill McAuliffe
Field Marketing Coordinator Lynsey Thomann
Field Marketing Manager Jeff Worzala
Web Designer OPEN
Marketing Writer/ Editor Joseph Shearer
Senior Web Developer Scott Zabinsky
Web Developer Chad Martin
SEO Specialist OPEN
Web Analyst OPEN

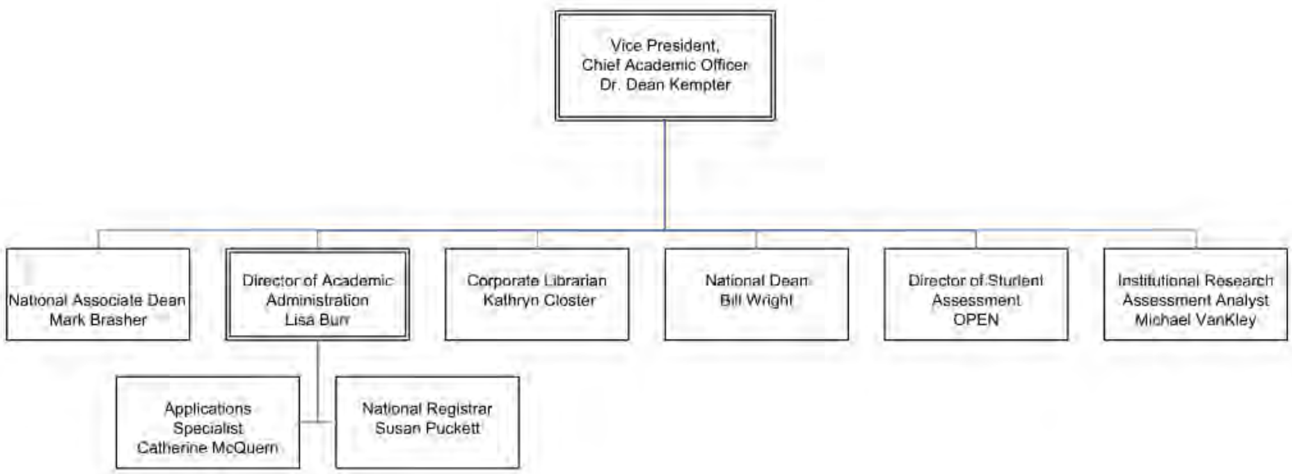

Executive Vice President,
President, Breckinridge School
of Nursing & Health Sciences
Ronald F Hamm
Vice President, National Dean
Breckinridge School
Samson Z Yigezu

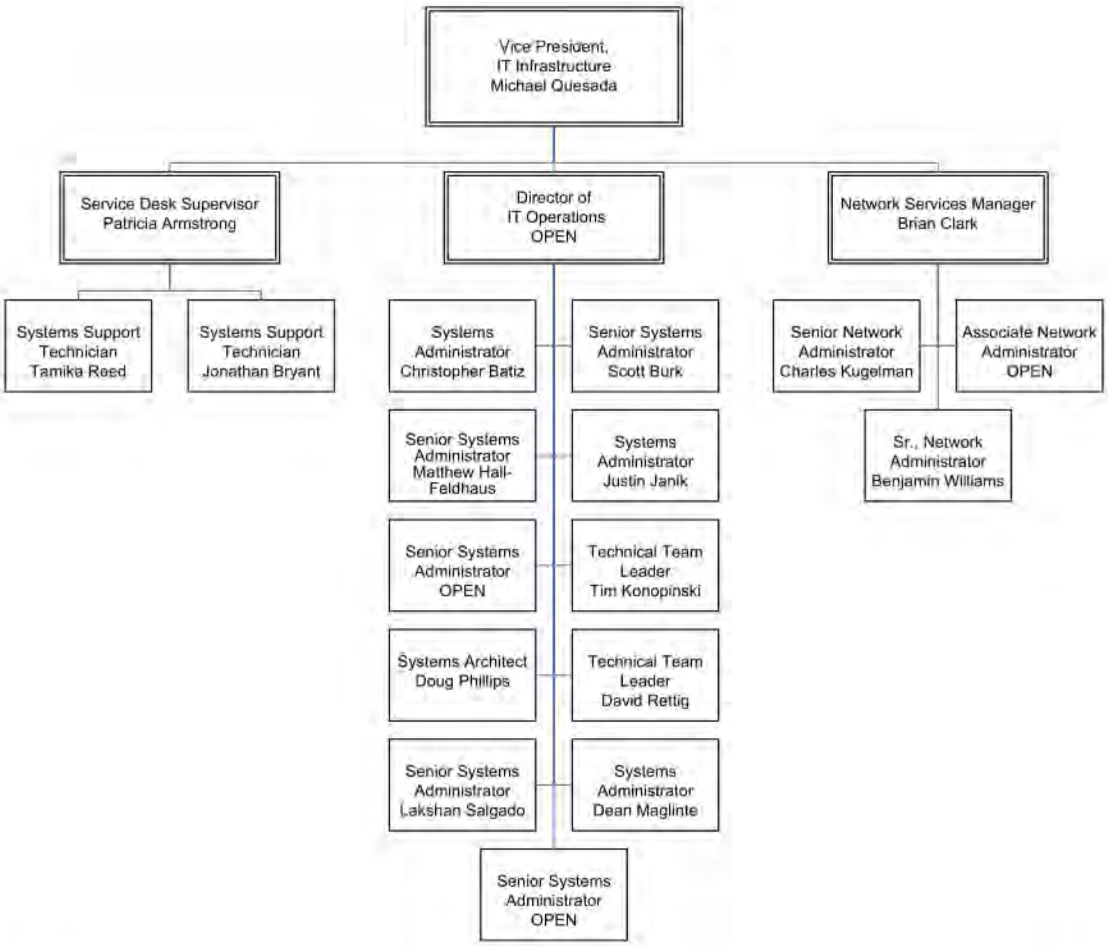
- Executive Vice President and President, ITT Technical Institute Division — Eugene W. Feichtner
  - Business Analyst — Mark Mullen
  - Executive Administrative Assistant — Antonia Boscaccy Kramer
  - Vice President, Chief Academic Officer — Dr. Dean Kempter
    - National Associate Dean — Mark Brasher
    - Director of Academic Administration — Lisa Burr
    - Corporate Librarian — Kathryn Closter
    - National Dean — Bill Wright
    - Director of Student Assessment — OPEN
    - Institutional Research Assessment Analyst — Michael VanKley
  - Senior Vice President, Operations — Barry Simich
    - District Manager South Atlantic — Elaine Bartoli
    - District Manager South Central — Tom Bonesteel
    - District Manager Mid-Atlantic — David Colozzi
    - District Manager Central — John Eichkorn
    - District Manager Midwest — Elizabeth Franck
    - District Manager Southwest — Fred Hansen
    - District Manager Southeast — Deborah Brent
    - District Manager Southern California — Nader Mojtabai
    - District Manager Northeast — Terry Nighan
    - District Manager Southern — Allen Rice
    - District Manager North Central — David Ritz
    - District Manager Northwest — Sam Russell
    - District Manager Ohio Valley — Paul Wehrum
  - Vice President, Operations Student Services — Richard Zeeman
    - Vice President, Recruitment — Karen Carlozzi
    - Vice President, Career Services — Amy Rusiloski
    - Manager, DWC, Operations — Richard Carson

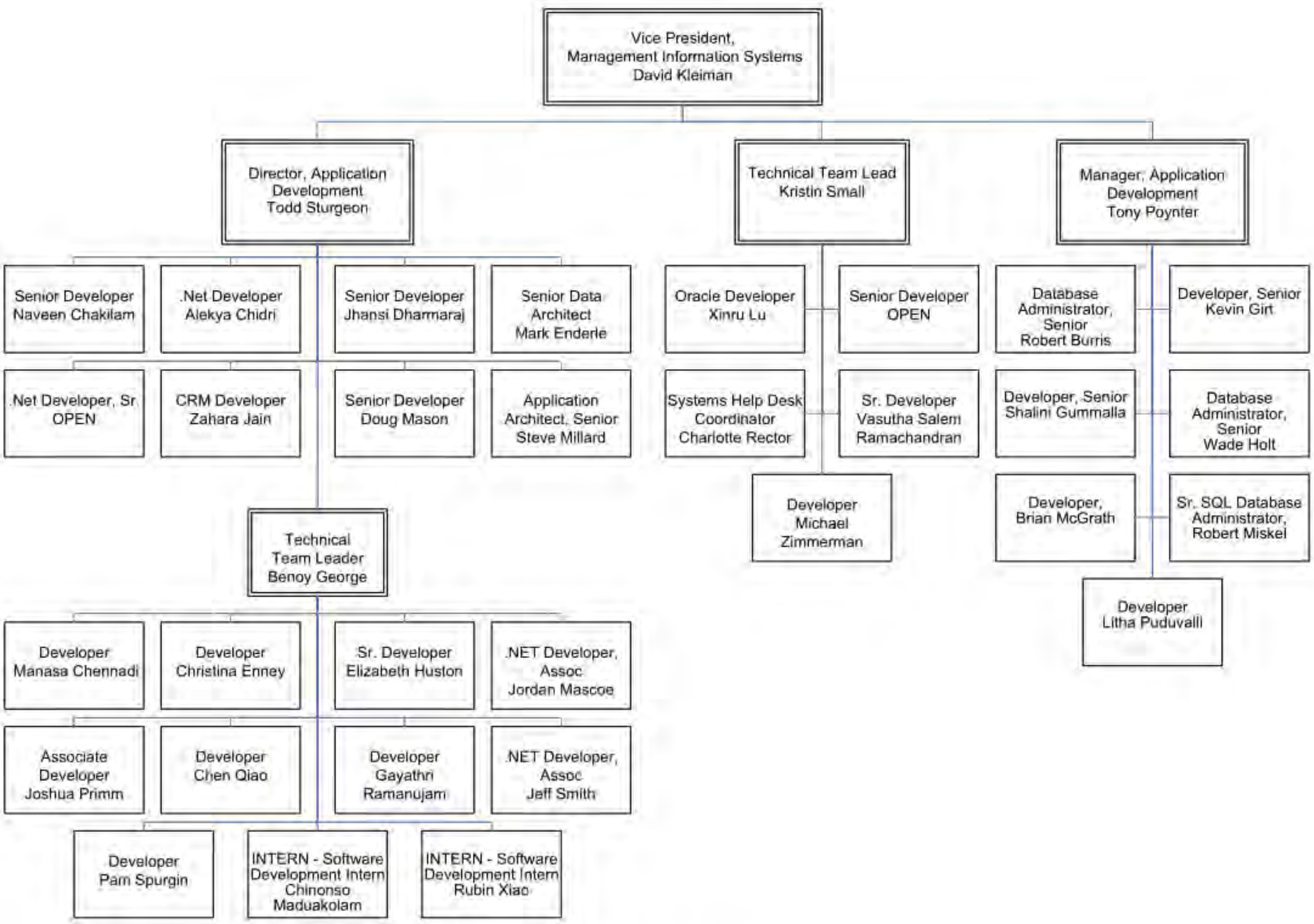
ITT Educational Services, Inc. **March 14, 2014** **ITT Technical Institute Div**

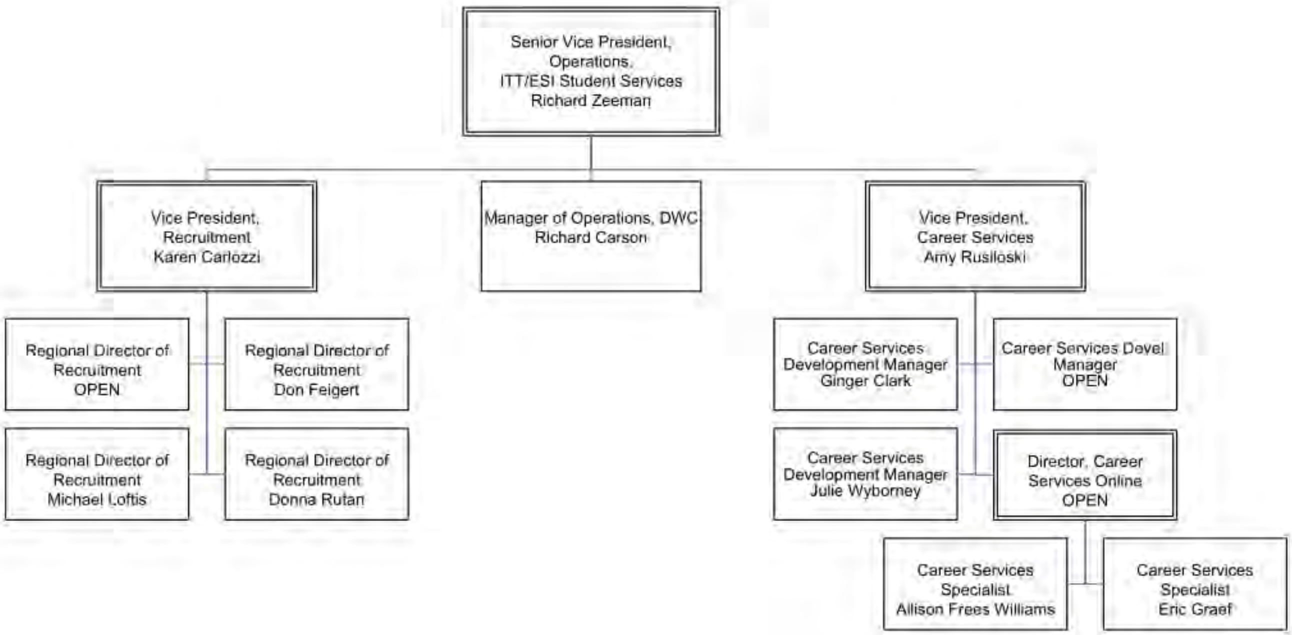

Senior Vice President, Controller and Treasurer Angela Knowlton
Treasury and Tax Accounting Supervisor Donald Thrasher
Senior Accountant Ellen Galanis
Senior Account John Padgett
Manager, Reporting and Analysis Kristin Smith
Staff Accountant Todd Deckard
Senior Financial Reporting Accountant Holly Fisher
Senior Financial Accounting Analyst CJ Prickett
Financial Analyst I OPEN
Finance Systems Analyst Phillip Garrett
Assistant Controller Eric Podany
Senior Refunds Analyst Matthew Deimling
Senior Financial Accounting Analyst Alison Duane
Senior Financial Accounting Analyst Leanne Ebeling
Refunds Analyst Dianna Hansen
Accounting Supervisor Angela Burlison
Senior Accountant Phillip Frazer
Senior Accountant James Howard
Accounts Payable Supervisor Denise Nelson
Accounts Payable Clerk Tina Adams
Senior Accounts Payable Clerk Debora Ibrahim
Accounts Payable Clerk Kelli Moore
Accounts Payable Clerk Regina Taylor
Senior Accounts Payable Clerk Brett Terry
Manager, Financial Controls and Processes OPEN
Payroll Manager Annette Barnes
Payroll Supervisor Faye Hutton
Payroll Clerk Connie Alfrey
Payroll Clerk Teresa Blackford
Payroll Clerk Linda Wilbur


Senior Vice President, Center for Professional Development Rocco Tarasi III
Associate Business Analyst Allen Federman
Vice President, Sales OPEN


Vice President,
Chief Academic Officer
Dr. Dean Kempter
National Associate Dean
Mark Brasher
Director of Academic
Administration
Lisa Burr
Corporate Librarian
Kathryn Closter
National Dean
Bill Wright
Director of Student
Assessment
OPEN
Institutional Research
Assessment Analyst
Michael VanKley
Applications
Specialist
Catherine McQuern
National Registrar
Susan Puckett


Vice President, IT Infrastructure Michael Quesada
Service Desk Supervisor Patricia Armstrong
Director of IT Operations OPEN
Network Services Manager Brian Clark
Systems Support Technician Tamika Reed
Systems Support Technician Jonathan Bryant
Systems Administrator Christopher Batiz
Senior Systems Administrator Scott Burk
Senior Network Administrator Charles Kugelman
Associate Network Administrator OPEN
Senior Systems Administrator Matthew Hall-Feldhaus
Systems Administrator Justin Janik
Sr., Network Administrator Benjamin Williams
Senior Systems Administrator OPEN
Technical Team Leader Tim Konopinski
Systems Architect Doug Phillips
Technical Team Leader David Rettig
Senior Systems Administrator Lakshan Salgado
Systems Administrator Dean Maglinte
Senior Systems Administrator OPEN


Vice President, Management Information Systems David Kleiman
Director, Application Development Todd Sturgeon
Technical Team Lead Kristin Small
Manager, Application Development Tony Poynter
Senior Developer Naveen Chakilam
.Net Developer Alekya Chidri
Senior Developer Jhansi Dharmaraj
Senior Data Architect Mark Enderle
.Net Developer, Sr OPEN
CRM Developer Zahara Jain
Senior Developer Doug Mason
Application Architect, Senior Steve Millard
Technical Team Leader Benoy George
Developer Manasa Chennadi
Developer Christina Enney
Sr. Developer Elizabeth Huston
.NET Developer, Assoc Jordan Mascoe
Associate Developer Joshua Primm
Developer Chen Qiao
Developer Gayathri Ramanujam
.NET Developer, Assoc Jeff Smith
Developer Pam Spurgin
INTERN - Software Development Intern Chinonso Maduakolam
INTERN - Software Development Intern Rubin Xiao
Oracle Developer Xinru Lu
Senior Developer OPEN
Systems Help Desk Coordinator Charlotte Rector
Sr. Developer Vasutha Salem Ramachandran
Developer Michael Zimmerman
Database Administrator, Senior Robert Burris
Developer, Senior Kevin Girt
Developer, Senior Shalini Gummalla
Database Administrator, Senior Wade Holt
Developer, Brian McGrath
Sr. SQL Database Administrator, Robert Miskel
Developer Litha Puduvalli


Senior Vice President, Operations, ITT/ESI Student Services Richard Zeeman
Vice President, Recruitment Karen Carlozzi
Manager of Operations, DWC Richard Carson
Vice President, Career Services Amy Rusiloski
Regional Director of Recruitment OPEN
Regional Director of Recruitment Don Feigert
Regional Director of Recruitment Michael Loftis
Regional Director of Recruitment Donna Rutan
Career Services Development Manager Ginger Clark
Career Services Devel Manager OPEN
Career Services Development Manager Julie Wyborney
Director, Career Services Online OPEN
Career Services Specialist Allison Frees Williams
Career Services Specialist Eric Graef

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00016058 - **ITT Technical Institute,** Oxnard, CA

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Current Section: **Profile**

ACICS ID:	00016058
Name:	ITT Technical Institute
City:	Oxnard
State:	CA
Zip:	93030-2699
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016058 - **ITT Technical Institute,** Oxnard, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00016058

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$9,091,081.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$1,380,168.00
Less: Textbook Expenses			$159,858.00
Total Educational Revenues			$7,551,055.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,319,104.00
Instructional Expenses			$121,353.00
Student Recruitment			$2,194,820.00
Depreciation of Equipment			$210,050.00
Occupancy Expenses			$674,611.00
Administrative Salaries			$673,232.00
Officer Salaries			$0.00
Administrative Expenses			$556,553.00
Student Personnel Services			$0.00
Total Education Expenses			$5,749,723.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$1,801,332.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$22,208.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$7,991.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$30,199.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$1,831,531.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$1,831,531.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016058 - **ITT Technical Institute,** Oxnard, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016058 - **ITT Technical Institute,** Oxnard, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016058 - **ITT Technical Institute,** Oxnard, CA

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Current Section: **Submit Annual Financial Report**

The current AFR may not be submitted at this time.

It is currently locked or the submission deadline has passed.

You may request an unlock for a particular survey by clicking on 'Return to AFR Main Page' then clicking 'Request Unlock' in the rightmost column.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016062 - **ITT Technical Institute,** Rancho Cordova, CA

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Current Section: **Profile**

ACICS ID:	00016062
Name:	ITT Technical Institute
City:	Rancho Cordova
State:	CA
Zip:	95670
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

00016062 - **ITT Technical Institute,** Rancho Cordova, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Ownership Disclosure**

ACICS ID: 00016062

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$14,973,030.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$3,038,172.00
Less: Textbook Expenses			$257,539.00
Total Educational Revenues			$11,677,319.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,972,838.00
Instructional Expenses			$215,671.00
Student Recruitment			$2,048,505.00
Depreciation of Equipment			$286,100.00
Occupancy Expenses			$474,944.00
Administrative Salaries			$732,830.00
Officer Salaries			$0.00
Administrative Expenses			$641,290.00
Student Personnel Services			$0.00
Total Education Expenses			$6,372,178.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$5,305,141.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$54,109.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$104,338.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$158,447.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$5,463,588.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$5,463,588.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016062 - **ITT Technical Institute,** Rancho Cordova, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016062 - **ITT Technical Institute,** Rancho Cordova, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016062 - **ITT Technical Institute,** Rancho Cordova, CA

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Current Section: **Submit Annual Financial Report**

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You may request an unlock for a particular survey by clicking on 'Return to AFR Main Page' then clicking 'Request Unlock' in the rightmost column.

00016070 - **ITT Technical Institute,** San Bernardino, CA

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Current Section: **Profile**

ACICS ID: 00016070

Name: ITT Technical Institute

City: San Bernardino

State: CA

Zip: 92408

Country: USA

Fiscal Year End: December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016070 - **ITT Technical Institute,** San Bernardino, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00016070
Name: ITT Technical Institute
Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354
Entity Name: ITT Educational Services, Inc.
CEO Name:
Address: 13000 North Meridian Street, Carmel, IN
Phone: (317) 706-9200
Fax: (317) 706-3042
Main Contact:
Email:
State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354
Name: ITT Educational Services, Inc.
CEO:
Address: 13000 North Meridian Street, Carmel, IN
Phone: (317) 706-9200
Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:
Title:
Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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00016070 - **ITT Technical Institute,** San Bernardino, CA

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$25,285,095.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$4,340,978.00
Less: Textbook Expenses			$494,360.00
Total Educational Revenues			$20,449,757.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$2,492,582.00
Instructional Expenses			$367,268.00
Student Recruitment			$3,064,527.00
Depreciation of Equipment			$215,874.00
Occupancy Expenses			$1,245,113.00
Administrative Salaries			$1,361,328.00
Officer Salaries			$0.00
Administrative Expenses			$806,810.00
Student Personnel Services			$0.00
Total Education Expenses			$9,553,502.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$10,896,255.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$57,617.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$116,749.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$174,366.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$11,070,621.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$11,070,621.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016070 - **ITT Technical Institute,** San Bernardino, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00016070 - **ITT Technical Institute,** San Bernardino, CA

Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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00016070 - **ITT Technical Institute,** San Bernardino, CA

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Submit Annual Financial Report**

The current AFR may not be submitted at this time.

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You may request an unlock for a particular survey by clicking on 'Return to AFR Main Page' then clicking 'Request Unlock' in the rightmost column.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016085 - **ITT Technical Institute,** San Dimas, CA

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Current Section: **Profile**

ACICS ID: 00016085

Name: ITT Technical Institute

City: San Dimas

State: CA

Zip: 91773-2933

Country: USA

Fiscal Year End: December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00016085 - **ITT Technical Institute,** San Dimas, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00016085
Name: ITT Technical Institute
Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354
Entity Name: ITT Educational Services, Inc.
CEO Name:
Address: 13000 North Meridian Street, Carmel, IN
Phone: (317) 706-9200
Fax: (317) 706-3042
Main Contact:
Email:
State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354
Name: ITT Educational Services, Inc.
CEO:
Address: 13000 North Meridian Street, Carmel, IN
Phone: (317) 706-9200
Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:
Title:
Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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Uploaded by 00016085 on Thursday, June 19, 2014 10:20 AM

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016085 - **ITT Technical Institute,** San Dimas, CA

Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$12,147,076.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$2,212,334.00
Less: Textbook Expenses			$212,387.00
Total Educational Revenues			$9,722,355.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,589,540.00
Instructional Expenses			$249,026.00
Student Recruitment			$2,116,997.00
Depreciation of Equipment			$67,627.00
Occupancy Expenses			$1,250,898.00
Administrative Salaries			$811,593.00
Officer Salaries			$0.00
Administrative Expenses			$786,029.00
Student Personnel Services			$0.00
Total Education Expenses			$6,871,710.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$2,850,645.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

ED00017613

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$23,029.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$27,980.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$51,009.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$2,901,654.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$2,901,654.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016085 - **ITT Technical Institute,** San Dimas, CA

Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016085 - **ITT Technical Institute,** San Dimas, CA

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Current Section: **Submit Annual Financial Report**

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016078 - **ITT Technical Institute,** Sylmar, CA

Current Section: **Profile**

ACICS ID: 00016078
Name: ITT Technical Institute
City: Sylmar
State: CA
Zip: 91342
Country: USA
Fiscal Year End: December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:
AFR Contact Title:
AFR Contact Phone:
AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016078 - **ITT Technical Institute,** Sylmar, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00016078

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016078 - **ITT Technical Institute,** Sylmar, CA

Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$18,435,397.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$3,163,619.00
Less: Textbook Expenses			$345,249.00
Total Educational Revenues			$14,926,529.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$2,007,257.00
Instructional Expenses			$269,834.00
Student Recruitment			$2,622,726.00
Depreciation of Equipment			$224,678.00
Occupancy Expenses			$1,109,629.00
Administrative Salaries			$1,137,076.00
Officer Salaries			$0.00
Administrative Expenses			$778,756.00
Student Personnel Services			$0.00
Total Education Expenses			$8,149,956.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$6,776,573.00
Operational Income (Loss)		

Other Income and Expense

			Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$38,122.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$92,937.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$131,059.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$6,907,632.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$6,907,632.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016078 - **ITT Technical Institute,** Sylmar, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016078 - **ITT Technical Institute,** Sylmar, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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00016078 - **ITT Technical Institute,** Sylmar, CA

ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Submit Annual Financial Report**

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016082 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Profile**

ACICS ID:	00016082
Name:	ITT Technical Institute
City:	Torrance
State:	CA
Zip:	90504
Country:	USA
Fiscal Year End:	December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016082 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Ownership Disclosure**

ACICS ID: 00016082

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016082 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$14,443,607.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$2,130,706.00
Less: Textbook Expenses			$256,802.00
Total Educational Revenues			$12,056,099.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,702,136.00
Instructional Expenses			$201,357.00
Student Recruitment			$2,193,545.00
Depreciation of Equipment			$170,585.00
Occupancy Expenses			$806,762.00
Administrative Salaries			$752,892.00
Officer Salaries			$0.00
Administrative Expenses			$688,195.00
Student Personnel Services			$0.00
Total Education Expenses			$6,515,472.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$5,540,627.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$31,622.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			$29,745.00
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$61,367.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$5,601,994.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$5,601,994.00

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016082 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
Other Current Liabilities		$0.00
Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Preferred Stock		$0.00
Common Stock		$0.00
Other Equity		$0.00
Retained Earnings		
Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

00016082 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Disclosure**

Methods Used to Determine

Inventory - Books and Supplies	
Depreciation - Buildings (including useful lives)	
Depreciation - Furniture and Equipment (including useful lives)	
Depreciation - Library (including useful lives)	
Depreciation - Other Fixed Assets (including useful lives)	
Unearned Tuition (indicate if calculated ratably over period or other method)	

Other Disclosures

Total Accounts Receivable, Students, including the provision for bad debt	
Have adjustments been made to the stock, other equity, or other retained earnings line items in the past year? (If yes, please explain below)	
Terms of significant Notes Receivable	
Terms of significant Notes Payable	

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00016082 - **ITT Technical Institute,** Torrance, CA

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Current Section: **Submit Annual Financial Report**

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ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS

00022947

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Current Section: **Profile**

ACICS ID: 00022947

Name: ITT Technical Institute

City: San Dimas

State: CA

Zip: 91773

Country: USA

Fiscal Year End: December

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

AFR Contact Name:

AFR Contact Title:

AFR Contact Phone:

AFR Contact Email:

Does your institution currently participate in Title IV funding provided by the U.S. Department of Education? Yes

If Yes, enter composite score:

If No, please supply an explanation below as to why a composite score is not being provided:

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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Current Section: **Ownership Disclosure**

ACICS ID: 00022947

Name: ITT Technical Institute

Ownership: Publicly Traded Corporation

Ultimate Parent Entity or Partnership

Parent ACICS ID: 00015354

Entity Name: ITT Educational Services, Inc.

CEO Name:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

Main Contact:

Email:

State of Incorporation: IN

Subsidiary Entity or Partnership

ACICS ID: 00015354

Name: ITT Educational Services, Inc.

CEO:

Address: 13000 North Meridian Street, Carmel, IN

Phone: (317) 706-9200

Fax: (317) 706-3042

If the prepopulated information included here is inaccurate and requires editing, please contact afr@acics.org

Corporate Officer

Name:

Title:

Address:

Ownership Structure Upload

File (Maximum file upload of 10MB per file): no file selected

Download previously uploaded : Org_Chart_03-14-2014.pdf (88.02 KB)

Uploaded by 00022947 on Saturday, June 21, 2014 10:15 PM

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Current Section: **Income Statement**

Educational Revenues

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Gross Tuition			$10,465,429.00
Gross Contract Revenue			$0.00
Less: Tuition Refunds			$1,824,400.00
Less: Textbook Expenses			$195,185.00
Total Educational Revenues			$8,445,844.00

Educational Expenses

	Latest Fiscal Year End	Operating Ratios	Previous Fiscal Year End
Instructional Salaries			$1,075,804.00
Instructional Expenses			$125,951.00
Student Recruitment			$1,932,213.00
Depreciation of Equipment			$87,561.00
Occupancy Expenses			$595,689.00
Administrative Salaries			$562,311.00
Officer Salaries			$0.00
Administrative Expenses			$548,933.00
Student Personnel Services			$0.00
Total Education Expenses			$4,928,462.00

Educational / Operational Income

	Latest Fiscal Year End	Previous Fiscal Year End
Educational Income (Loss)		$3,517,382.00
Operational Income (Loss)		

Other Income and Expense

	Previous Fiscal Year

	Latest Fiscal Year End	Operating Ratios	End
Net Dormitory Income			$0.00
Net Bookstore Operations Income			$21,544.00
Net Interest Income and Expense			$0.00
Net Other Income and Expense			($15,474.00)
Net Extraordinary and Unusual Income and Expense			$0.00
Total Other Income and Expense			$6,070.00

	Latest Fiscal Year End	Previous Fiscal Year End
Net Income before Taxes		$3,523,452.00
Federal and State Income Taxes		$0.00
Net Income after Taxes		$3,523,452.00

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Current Section: **Balance Sheet**

Current Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Cash - Unrestricted		$0.00
Cash - Restricted		$0.00
Accounts Receivable, Students		$0.00
Accounts Receivable, Related Parties		$0.00
Accounts Receivable, Other		$0.00
Accounts Receivable (Gross Total)		
Allowance for Doubtful Accounts		
Accounts Receivable (Net Total)		
Notes Receivable, Related Parties		$0.00
Notes Receivable, Other		$0.00
Inventory - Books and Supplies		$0.00
Short Term Investments		$0.00
Prepaid Expenses		$0.00
Other Current Assets		$0.00
Total Current Assets		$0.00

Fixed Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Buildings		$0.00
Accumulated Depreciation - Buildings		$0.00
Furniture and Equipment		$0.00
Accumulated Depreciation - Furniture and Equipment		$0.00
Leasehold Improvements		$0.00
Amortization of Leasehold Improvements		$0.00
Land		$0.00
Library		$0.00

Accumulated Depreciation - Library		$0.00
Other Fixed Assets		$0.00
Accumulated Depreciation - Other Fixed Assets		$0.00
Total Fixed Assets		$0.00

Other Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Deposits		$0.00
Other Prepaid Expenses		$0.00
Goodwill		$0.00
Revolving Book Account		$0.00
SFA Matching Funds		$0.00
Other Assets		$0.00
Total Other Assets		$0.00

Total Assets

	Latest Fiscal Year End	Previous Fiscal Year End
Total Assets		$0.00

Current Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Accounts Payable - Trade		$0.00
Notes Payable - Equipment		$0.00
Notes Payable - Other		$0.00
Tuition Refunds Payable		$0.00
Current Portion - Long-Term Debt		$0.00
Payroll Taxes Payable		$0.00
Accrued Salaries and Wages		$0.00
Unearned Tuition		$0.00
Unearned Dormitory Fees		$0.00
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Total Current Liabilities		$0.00

Long-Term Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Notes or Bonds Payable		$0.00
Mortgage Payable		$0.00
Other Long-Term Liabilities		$0.00
Total Long-Term Liabilities		$0.00

Total Liabilities

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities		$0.00

Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
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Beginning Balance		$0.00
Earnings/Loss for Year		$0.00
Dividends		$0.00
Other Retained Earnings Changes		$0.00
Ending Balance		$0.00
Total Stockholder's Equity		$0.00

Total Liabilities and Stockholder's Equity

	Latest Fiscal Year End	Previous Fiscal Year End
Total Liabilities and Stockholder's Equity		$0.00

Current Ratio

Current Assets/Current Liabilities	

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Current Section: **Disclosure**

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Terms of significant Notes Payable	

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From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	5/1/2015 9:34:07 AM -0400
To:	Annette Headley <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/ed755e781510422f90c93b74b641a390-aheadley>
CC:	Ian Harazduk <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/653bda8a64144114820bfcbf53b7514e-IHarazduk>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject:	Revised new release - CCi

Annette: For posting today, please. Thanks. --Tony

FOR IMMEDIATE RELEASE

Contact Tony Bieda, 202.336.6781

ACICS reaches out to 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.

"ACICS expects the institutions to communicate directly with students on all of these matters and others as frequently and as intensely as necessary," Gray said. "In evaluating the status of accreditation and the principles' eligibility to own or manage accredited career colleges in the future, all of these performance dimensions will be monitored and taken into consideration."

-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:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	4/16/2015 4:09:47 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject:	Security Analyst Take: Department Of Education Sanctions Heald College
Attachments:	EDCTION041515-095230.pdf

FYI.

Anthony S. Bieda

Vice President for External Affairs

Accrediting Council for Independent Colleges and Schools

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From: Trace Urdan [mailto:trace.urdan@wellsfargo.com]
Sent: Thursday, April 16, 2015 9:35 AM
To: Anthony Bieda
Subject: Department Of Education Sanctions Heald College -- Under Secretary Promises Additional Scrutiny

Department Of Education Sanctions Heald College Under Secretary Promises Additional Scrutiny

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.

- **Further sanctions against Corinthian Colleges** from the U.S. Department of Education (ED) are likely to force the closure of 152-year old Heald College. ED found 947 instances of "misstated" placement reporting and yesterday (4/14/16) demanded the payment of a $29.7 million fine, the cessation of all new Title IV-supported enrollments and full cessation of Title IV participation at Heald's Stockton and Salinas campuses. The net effect of these measures, in our opinion, will be to deter any prospective buyers (not already deterred by the California attorney general's ongoing lawsuit,) and likely exacerbate the company's existing cash crunch, effectively placing Heald out of business.

- **ED asserts extensive violation.** Following an investigation into the regionally-accredited, West Coast-based business college's placement reporting, ED found in its judgment, multiple instances in which Heald applied too broad a definition of placement in occupational field in reporting its placement rates to prospective students. Examples provided include suspiciously large numbers of students excluded from the calculation as "unavailable for employment," hiring by temporary agencies engaged by Corinthian, and students employed in occupations that could not reasonably be considered "in field," such as food service, or that predated their enrollment.

- **The standard is unclear.** As a regionally-accredited institution, Heald is not required to report job placement by its accreditor. The 2011 Gainful Employment rule (component that was not overturned by the courts) requires all affected institutions (i.e. all non-degree programs and all programs offered by proprietary institutions,) to post employment rates only when required by its accreditor. The rule does not establish standards for calculating rates when not otherwise required and the basis for ED's finding that Heald's placement claims were "inaccurate" appears unclear. The company has disputed the findings and described them as "unsubstantiated."

- **Heald decision could hasten movement toward loan forgiveness.** An apparent grassroots movement endorsed by California Attorney General Kamala Harris has called for the full forgiveness of all Corinthian federal student loans and we understand from sources close to ED that the political pressure to acquiesce to this demand (though not required by law,) is substantial. Were this to happen, the taxpayer cost could be in excess of $100 million, which could substantially erode Congressional support for the sector, in our opinion.

- **Implications for the sector are incrementally negative in our view.** ED's move against Heald and the consequences of that action are unprecedented. Its press release announcing the measures described putting students "on notice" regarding potential abuse across the sector and called on Congress to "take action." It also reasserted the establishment of a federal interagency task force to "ensure proper oversight of for-profit institutions," though provided no information regarding the make-up, scope or schedule of this task-force.

- **Read-through for other institutions is limited.** Vocational schools report placement consistent with the requirements of their national accreditors. Among regionally-accredited institutions however, most decline to offer placement data, citing the absence of a requirement. Only **Ashford University (BPI)** reports job placement data as determined by survey responses. This voluntary reporting would appear to place the company at a higher level of risk than its peers that refrain from making any offering with respect to employment outcomes.

April 15, 2015

Equity Research

WELLS FARGO SECURITIES

Department Of Education Sanctions Heald College

Under Secretary Promises Additional Scrutiny

Education

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Trace A. Urdan, Senior Analyst
(415) 947-5470
trace.urdan@wellsfargo.com
Jeffrey Lee, Associate Analyst
(415) 396-4328
jeffrey.lee@wellsfargo.com

Please see page 2 for rating definitions, important disclosures and required analyst certifications
All estimates/forecasts are as of 04/15/15 unless otherwise stated.

Required Disclosures

Additional Information Available Upon Request

I certify that:
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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: April 15, 2015

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From:	"Andrews, John" <JAndrews@cci.edu>
Sent:	9/17/2014 5:53:51 PM -0400
To:	Michale McComis <McComis@accsc.org>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>; Christopher Lambert (clambert@accsc.org)
CC:	"Phi, Teresa" <TPhi@cci.edu>
Subject:	Suit Filed by CFPB
Attachments:	X140916 Complaint filed by CFPB.pdf; X140916 CFPB Media Holding Statement & Fact Sheet.doc

Dear Dr. McComis and Dr. Gray:

Yesterday Corinthian Colleges received notice that a suit has been filed against CCi by the Consumer Financial Protection Bureau. I am attaching a copy of the suit and a statement released by CCi. Needless to say, we were surprised by the filing of this suit and intend to defend ourselves vigorously.

If you desire additional information, please feel free to call me.

John

John W. Andrews

Vice President, Accreditation and Licensing

Corinthian Colleges, Inc.

6 Hutton Centre Drive, Suite 400

Santa Ana, California 92707

Office: (714) 825-7918

Cell: (b)(6)

Fax: (714) 427-5116

"Everything will be alright in the end…so if it is not alright, it is not yet the end."

STATEMENT of CORINTHIAN COLLEGES, INC.
CFPB COMPLAINT – 9/16/14

Corinthian Colleges strongly disputes the allegations in today's complaint filed by the Consumer Financial Protection Bureau, which wrongly disparages the career services assistance that we offer our graduates and mischaracterizes both the purpose and practices of the "Genesis" lending program. Further, contrary to CFPB's normal process, Corinthian has not had the opportunity to respond to many of the allegations in this complaint.

As the lawsuit itself notes, on July 3, we entered into an agreement with the federal Department of Education which provides for an orderly transition of our schools. We are in the process of implementing the plan, which provides existing students with the opportunity to complete their educational programs with minimal disruption. Precipitous, unwarranted actions by state and federal regulators make this transition more difficult for existing students, graduates seeking employment and Corinthian employees.

The complaint ignores clear, easily obtainable evidence that thousands of Corinthian graduates are hired into permanent positions by large and small employers across the U.S. every year. Instead, it cites isolated incidents at Corinthian's 97 U.S. campuses that violated company policy regarding job placement policies. CFPB is aware of these cases because Corinthian identified the issues, took strong action to rectify them and self-reported them to the appropriate regulators and accreditors. It is deeply misleading to ignore the actions by Corinthian that brought these issues to light.

We currently employ approximately one full-time career services staffer for every 100 students. This is a substantial investment which contrasts with the average community college ratio of one counselor for every 1,000 students. We strive to meet or exceed the placement standards set by our accreditation agencies, and have consistently phased out and closed programs when placement standards are not being met. We have a robust system for tracking and verifying our graduate placements.

The complaint also makes illogical and self-contradictory arguments regarding the "Genesis" loan program. The complaint fails to note that fewer than 40 percent of Corinthian's students use the supplemental loan program. The average interest rate on these loans is 9.0 percent (well below market rates), and the average in-school repayment is $35 per month. We ask students to make payments while in school to help them develop the discipline and practice of repaying their federal and other loan obligations. These loans are offered only to students who have a gap between their educational costs and available financial aid from all other government and personal sources. Our pre-enrollment student disclosures related to the supplemental loan program are clear and extensive.

For additional information on the supplemental student lending program, see the fact sheet below.

Corinthian Colleges Inc.
Third-Party Supplemental Student Lending
Fact Sheet

September 16, 2014

Corinthian is committed to providing open access to post-secondary education. Without loans to supplement federal and other financial aid, many students would be unable to pursue career education.

- Historically, students relied on major private lenders, such as Sallie Mae, to supplement their federal financial aid. However, these lenders stopped extending loans to students at career colleges in the wake of the financial crisis of 2007-2008.
- In response to tight credit markets, since 2008 Corinthian has arranged third-party supplemental financing through a third party.
- Although the economy has improved, most private lenders have not resumed lending to Corinthian students. Eliminating third-party lending would deprive many students of the opportunity to pay for school, graduate, and build careers in their chosen fields.

Supplemental loans made to students are modest in size and have reasonable interest rates.

- Fewer than 40 percent of Corinthian's students decide to take out supplemental loans.
- The average supplemental loan amount per borrower is $4,700 and the loans are offered only to students who have a gap between their educational costs and available financial aid from all other government and personal sources.
- The average annual interest rate for a supplemental loan is 9.0 percent and the maximum rate is 9.9 percent. These interest rates have remained constant since late 2012, and they are well below market rates of 16% or higher for unsecured loans.
- The average in-school payment for a supplemental loan is $35/month. We ask students to make payments while in school to help them develop the discipline and practice of repaying their federal and other loan obligations.

The federal student loan program lends to the same students who receive third-party supplemental loans, and on similar terms.

- Supplemental loans are offered to students to cover any gap between the cost of tuition and all other sources of financial aid, including federal student aid. Therefore, the federal government lends to essentially all supplemental loan borrowers. In fact, the federal student loan program lends several times more to students than is lent to the same students under the supplemental loan program.
- The supplemental loan program uses most of the same underwriting standards and risk-limiting criteria as used in the federal government's student loan program, and for the same purpose—to ensure that students have the opportunity to invest in post-secondary education. Both lending programs are open access, but limit the amount students can borrow annually and do not lend to students that already have delinquent loans.

Prior to signing a supplemental loan agreement, students are encouraged to explore their student loan options, and all material terms of the loans are clearly disclosed in enrollment and financial aid documents.

- Students that need additional financing to pay for school are encouraged to pursue a variety of options.
- Students that decide to apply for supplemental loans are clearly informed of all material terms – including the loan amount, possible purchase by the Company, interest rate, repayment schedule, and that interest-only payments are required while they are in school.

The performance of the supplemental loan program is a product of Corinthian's commitment to open access.

- Corinthian wants every student to have the opportunity to succeed, so it arranges through a third party to make funds available without regard to the student's credit history, as does the federal government. A student's credit worthiness is not a reliable predictor of success in school; a student who commits herself to a program is likely to succeed and pay back her student loans. Corinthian believes the tradeoff is worth the risk.

Corinthian devotes substantial resources to helping students comply with the terms of their financial aid.

- To prevent defaults and encourage repayment, Corinthian provides free financial literacy instruction and extensive counseling regarding loan obligations. The Company also has a comprehensive default prevention program designed to help students understand and satisfy their obligations. This is a value-added service provided to all student borrowers (whether federal or private, and regardless of who owns the loan).
- Students are required to make a small monthly payment on their supplemental loans while in school (typically $35/month), to help students learn good repayment habits and ultimately help them perform better on their student loans.
- The supplemental loan program also offers forbearances to students experiencing hardship. Over 54,000 students have been granted forbearances since 2008.

Corinthian schools provide educational opportunity to underserved, low-income communities, and deliver good value to their students.

- Many of Corinthian's schools are located in low-income communities that other institutions do not serve.
- Many students choose Corinthian schools over community colleges. According to the Company's most recent student survey, approximately 40% of its students have previously attended community colleges. Many of these students found that these institutions did not serve their needs, either because of a lack of hands-on training, waiting lists for desired programs or classes, large class sizes, or a lack of adequate support from faculty and staff.
- In contrast, Corinthian schools seek to provide practical, hands-on training, and the institutional support students need to succeed.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CONSUMER FINANCIAL PROTECTION BUREAU, Plaintiff, v. CORINTHIAN COLLEGES, INC. d/b/a Everest College, Everest Institute, Everest University, Everest University Online, Everest College Phoenix, Everest College Online, WyoTech, and Heald College, Defendant.	))))))))))))	Case No. 14-7194

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

Plaintiff, the Consumer Financial Protection Bureau ("Bureau"), brings this action against Defendant Corinthian Colleges, Inc. referred to herein as "Corinthian" and alleges the following:

INTRODUCTION

1. Corinthian is a publicly-traded, for-profit school that marketed itself as a provider of career training. Corinthian's business model is predicated on convincing consumers to obtain student financial aid to pay the high cost of tuition to enroll in its programs. Because most of its prospective students could not afford to pay tuition out-of-pocket, from July 2011 through March 2014, students took out nearly 130,000 private student loans to pay Corinthian's tuition and fees. The total outstanding balance of these loans is in excess of $568.7 million.

2. Since at least July 2011, it has been Corinthian's practice to induce prospective students to incur the loan obligations necessary to enroll by promising career training and graduate employment opportunities of the type that would enable a consumer to repay his or her debt upon completing Corinthian's program. As detailed below, Corinthian induced students to enroll in its programs through false and misleading representations about its graduates' career opportunities, including representations suggesting Corinthian would provide assistance in helping students find a job, and that students were likely to obtain a permanent job upon graduation.

3. Corinthian falsely inflated its job placement statistics to induce students to enroll and to maintain its accreditation. Among other deceptive tactics, Corinthian defined a "placement" as any job that lasted one day, with the promise of a second day; paid employers to temporarily hire graduates from Corinthian schools; falsified placement information; and provided meager career services, and virtually no career services to graduates that Corinthian could already record as being placed.

4. Prospective students received counseling from Corinthian admissions and financial aid staff concerning the value of a Corinthian education and the options available to them to pay the cost of tuition. Corinthian's staff was instructed to, and did, seek to cultivate relationships of trust with these prospective students, and assuage any concerns they may have had about the affordability of a Corinthian education and their ability to repay the student loans needed to finance it.

5. In internal communications, Corinthian described its prospective student population as individuals who have "low self-esteem" and "[f]ew people in their lives who care about them"; who are "isolated," "stuck, unable to see and plan well for

future"; and "impatient, [and] want quick solutions." Corinthian aggressively recruited these consumers, including through persistent telemarketing and subjecting consumers who visited its campuses to high-pressure sales efforts.

6. Corinthian referred internally to its students as having "[m]inimal to non-existent understanding of basic financial concepts," as well as poor or no credit history. Corinthian assisted these students in applying for federal financial aid, but even with the maximum amount of available federal aid, many prospective Corinthian students were not able to afford Corinthian's tuition. Corinthian referred to this shortfall as a "funding gap."

7. Rather than reduce tuition to eliminate this gap, Corinthian marketed and promoted private student loans, known as Genesis loans, to its students. During the time period material to this complaint, Corinthian represented to its students that the Genesis loans were made by an independent third-party entity and that Corinthian did not have a financial interest in the loans.

8. Contrary to Corinthian's representations, Corinthian did have an interest in the Genesis loans. At different times during the period July 21, 2011 to the present, Corinthian has been obligated to purchase all such loans immediately after origination, or all such loans on which a payment is more than 90 days past due.

9. Corinthian took aggressive action to collect in-school payments on the Genesis loans as soon as they become past due, and Corinthian's campus staff members received bonuses based in part on their success in collecting such past-due payments from students. Corinthian's efforts to collect such payments included pulling students

out of class, preventing students from attending and registering for class, and terminating students' computer access.

10. Despite its aggressive collection efforts, to date, more than 60% of students with a Genesis loan have defaulted on that loan within three years.

11. When Corinthian marketed, promoted, and facilitated these student loans, Corinthian expected that most student-borrowers would default.

12. Despite the high default rate, Corinthian marketed, promoted, and facilitated the Genesis loan program because it could not rely solely on federal funding for 100% of its revenue. Federal law requires that no more than 90% of its revenue may come from federal financial aid provided under Title IV of the Higher Education Act of 1965, 20 U.S.C. §§ 1070 *et seq*. (Title IV aid). Every Genesis loan dollar that Corinthian induced its students to borrow, in effect, allowed Corinthian to receive up to an additional nine dollars in Title IV aid. As a result, Corinthian had strong financial incentives to induce its students into taking out Genesis loans, even given students borrowers' high default rates.

13. Because Corinthian deceptively and unfairly induced students to incur significant debt, and because Corinthian took illegal aggressive action to collect on that debt, the Bureau brings this action to stop these practices and make Corinthian's consumers whole.

14. On July 3, 2014, Corinthian and its wholly- and partially-owned subsidiaries entered into an Operating Agreement with the U.S. Department of Education ("Department").

15. Corinthian entered into the Operating Agreement after the Department's Federal Student Aid office placed Corinthian on Heightened Cash Monitoring on June 12, 2014. This required Corinthian to wait 21 days after submitting student enrollment data to receive Title IV funds. The Department placed Corinthian on heightened oversight after Corinthian failed to provide the Department with satisfactory information regarding Corinthian's job placement data.

16. Per the terms of the Operating Agreement, Corinthian has put a majority of its campuses up for sale and will close the remaining campuses. Corinthian further disclosed that for any school designated for sale, Corinthian "will seek to reach definitive sale agreements ... within six months."

17. The Operating Agreement requires Corinthian to enter into an agreement with an independent monitor who will report to the Department and have full access to Corinthian's personnel, financial forecasts, and cash receipts.

18. On or about July 18, 2014, the independent monitor was appointed.

19. The Operating Agreement also states that Corinthian and the Department "will work together to establish a reserve fund" of not less than $30 million to be used exclusively for student refunds. To date, no reserve fund has been established.

20. On August 20, 2014, Corinthian sold virtually all of the Genesis loan notes that it owned, totaling approximately 170,000 loans with a face value of $505 million, to a third-party company for $19 million.

NATURE OF ACTION

21. The Bureau brings this action under sections 1031(a), 1036(a), 1054, and 1055 of the Consumer Financial Protection Act of 2010 ("CFPA"), 12 U.S.C. §§ 5531(a), 5536(a), 5564, and 5565, for Corinthian's violations, from July 21, 2011 through the present, of sections 1031(a) and 1036(a)(1) of the CFPA, which prohibit unfair, deceptive, and abusive acts and practices, as well as for Corinthian's violations of the Fair Debt Collection Practices Act ("FDCPA"), 15 U.S.C. § 1692d.

JURISDICTION AND VENUE

22. This Court has subject matter jurisdiction over this action because it is "brought under Federal consumer financial law," 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

23. Venue is proper in this district because Corinthian maintains campuses and does business in the Northern District of Illinois. 28 U.S.C. § 1391(b); 12 U.S.C. § 5564(f).

PLAINTIFF

24. The Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer financial products or services under federal consumer financial laws. 12 U.S.C. § 5491(a). The Bureau has independent litigating authority to commence civil actions to enforce federal consumer financial laws, including the CFPA and the FDCPA. 12 U.S.C. §§ 5564(a)-(b); 5481(12), (14).

DEFENDANT

25. Corinthian is one of the largest for-profit, post-secondary education companies in the United States. With more than 100 school campuses, Corinthian operates schools under the following names: Everest College, Everest Institute, Everest University Online, Everest University, Everest College Phoenix, Heald College, and WyoTech.

26. Corinthian Colleges, Inc. is headquartered in Santa Ana, California and, during times material to this complaint, has transacted and continues to transact business in the Northern District of Illinois. Corinthian operates five Everest College campuses in this district: Bedford Park, Burr Ridge, Melrose Park, Merrionette Park, and Skokie.

27. Corinthian engaged in promoting, marketing, offering, and providing "consumer financial products or services," within the meaning of the CFPA, 12 U.S.C. § 5481(5). Specifically, Corinthian participated in designing, funding, promoting, and marketing the Genesis private loan program and facilitating students' application for Genesis loans that were made available to its prospective and current students to pay a portion of the tuition and fees that Corinthian charged students to enroll.

28. Corinthian brokered loans to its students by, among other things, serving as the single point of contact that introduced the students to the Genesis loan program, assisted them in completing the application for a Genesis loan, and submitted the application to the loan originator. Corinthian received a benefit in arranging such loans, which were exclusively provided to Corinthian students.

29. Corinthian provided financial advisory services to students and prospective students regarding the payment of tuition and fees required to enroll in and attend Corinthian's schools. Corinthian, through its financial aid staff, provided substantial advice and assistance regarding private student loans and federal financial aid to students enrolling in its schools. This included advising students on what financial aid and loan programs were available to them to pay for school, assisting students in completing the necessary applications and paperwork, and ensuring that such applications and paperwork were completed to ensure receipt of funds.

30. Because Corinthian engages in offering or providing consumer financial products and services as described above, Corinthian is a "covered person" under the CFPA, 12 U.S.C. § 5481(6).

FACTUAL BACKGROUND

31. Corinthian depends upon tuition and fees to generate revenue.

32. The amount of tuition and fees Corinthian charged varied among Corinthian's schools and educational programs. In 2013, tuition and fees to earn a diploma from a Corinthian school, typically an 8 to 12 month program, were between $13,100 and $21,338. In the same year, the tuition and fees for an associate's degree, which is a 24 month program, were between $33,120 and $42,820. The tuition and fees for a bachelor's degree for the same time period were between $60,096 and $75,384.

33. Most students attending Corinthian's schools are low-income, or the first in their families to seek an education beyond a high school diploma. Many Corinthian students struggle economically. In 2012, Corinthian reported that approximately 85% percent of its students had family incomes of less than $45,000 a year. A 2011 survey of

its campus operations indicated that over 57% of Corinthian's student population had a household income of $19,000 or less, and 35% of Corinthian's student population had a household income of less than $10,000.

34. Students attending Corinthian's schools could very rarely pay for the school's tuition out-of-pocket. Students relied on private loans and aid provided by the federal government under Title IV to pay Corinthian's tuition and fees.

35. In its Annual Report Form 10-K for fiscal year 2013, filed with the United States Securities and Exchange Commission, Corinthian reported that its operations in the United States derived 84.8% of net revenue from Title IV aid programs.

36. Under Title IV, a for-profit company that owns a school receiving federal student aid funds is subject to the "90/10 rule," 34 C.F.R. § 668.14(b)(16). Under this rule, a for-profit college must not receive more than 90% of its net revenue from Title IV aid. A minimum of 10% of such an entity's revenue must come from non-Title IV aid, such non-Title IV federal aid, state aid, ordinary tuition payments from students, or as private student loans. Non-Title IV federal aid, which is not counted toward the 90% limit, includes educational benefits available to service members and veterans from the U.S. Department of Defense or the U.S. Department of Veterans Affairs. Schools that do not comply with the "90/10" rule risk losing their eligibility to participate in federal student aid programs.

37. To be eligible for Title IV aid, a for-profit company that owns a school must be accredited by an accrediting agency recognized by the U.S. Department of Education. 34 C.F.R. § 600.5.

38. In order to maintain its accreditation, Corinthian must meet any accrediting agency's minimum standards in several areas including job placement and graduation rates. Corinthian must report these rates to both its accreditors and its prospective students.

Corinthian Created an Artificial "Funding Gap" to Increase Students' Need for Private Student Loans.

39. In order to comply with the 90/10 rule, Corinthian made sure that the cost of attending its schools was high enough that students would not be able to pay solely through using Title IV aid.

40. In September 2011, Corinthian's CEO distributed a presentation to his executive team, describing efforts by Corinthian to meet the requirements of the 90/10 rule by instituting "above market price increases to create 'funding gaps.'" By increasing tuition, Corinthian caused students, who otherwise would have been able to pay for the entire cost of tuition through Title IV aid, to take out private student loans in order to maintain 90/10 compliance. Regardless of whether students were able to repay the private student loans, Corinthian would profit from the increased availability of Title IV monies.

41. In or about Spring 2011, for example, Corinthian increased tuition at Heald College by 14% to ensure that the school received additional non-Title IV funds in order to meet 90/10 requirements.

Corinthian Used Misrepresentations About Likely Student Outcomes to Induce Students to Incur Debt and Enroll.

42. Corinthian induced students to take out private student loans to enable them to enroll at its schools through a series of misrepresentations about the likely employment outcomes for Corinthian students.

43. Internally, Corinthian emphasized that its admissions representatives were salespeople. A training manual for Corinthian's Directors of Admissions instructed them to look for "sales" experience when hiring admissions representatives. A March 2012 training for admissions representatives trained them on "closing the sale" and instructed them that "all interactions with a customer are sales interactions."

44. Rather than instructing Corinthian's admissions representatives to help prospective students find appropriate educational options, this training advised admissions representatives: "As our customer seeks to learn more about our college, your role will be more to bring about agreement that Everest is the right choice for him or her."

45. Corinthian trained its admissions representatives to pressure prospective students who were parents by telling them that enrolling in a program was their best or only chance to help their children.

46. Corinthian also recruited students by falsely implying urgency in the enrollment process by, for example, training admissions representatives to falsely tell prospective students that seats might not be available in the future.

47. Corinthian admissions representatives put prospective students under constant pressure. At the Everest College in Melrose Park, Illinois, Corinthian trained

admissions representatives not to let prospective students leave their offices until they had enrolled in a Corinthian program.

48. At the Everest College Burr Ridge, Illinois campus, managers instructed admissions representatives to keep calling the same prospective student until that prospective student explicitly told them not to call back again.

Corinthian Promised a Career, But at Best, Only Helped Graduates Find Temporary Employment.

49. While Corinthian promoted its schools to consumers as providing a "career-focused" education, Corinthian and its schools deliberately overstated the likelihood that students would be able to find a job that would enable them to pay off their loans. Corinthian and its schools promised "career training" and promoted Corinthian's "lifetime career services" and successful "career placement" rate.

50. For example, in promoting Heald College, Corinthian advertised, "[y]our education might mean the difference between a rewarding career or just another job." Similarly, Everest Colleges, Universities, and Institutes advertised on its websites that it provided students "[a] better career, a better life, a better way to get there."

51. But while Corinthian promoted "career" opportunities, its placement policies reflected a definition of "career" that does not correspond with that of a reasonable consumer. The "career" Corinthian schools promised is in fact just any job that a Corinthian graduate worked at for at least one day.

52. Corinthian's Policy on Graduate Employment, effective since at least January 2010, states, "a graduate shall be counted as employed only if... The employment is for a reasonable period of time, is based on program objectives, and can be considered sustainable (e.g., not a single day of employment)."

53. Corinthian maintained a distinct policy for graduates who became employed by an "employment agency that finds employees to fill short-term temporary jobs." As Corinthian's policy explained, these agencies may offer "positions where the position starts out as a temporary job, but, could become permanent if the employer decides to hire the candidate." For an agency employment to be counted for reporting purposes, Corinthian required that "a graduate must have actually worked on an assignment (e.g., a paid orientation does not count as an employment unless the graduate works for an additional day in an actual assignment)."

54. Corinthian's written policy contained a broad exception to the two-day employment requirement. In bold-faced type, Corinthian's employment policy states, "In the event a graduate is hired for an ongoing (sustainable) position and does not return after one (1) day, this employment can remain in the system."

55. So when Corinthian advertises on its website, www.mycareercounts.org/outcomes, "In 2012, over 69 percent of our 38,721 graduates found careers in their field of study," this really meant that 69 percent of Corinthian graduates found a job that lasted as little as one day.

56. In contrast to Corinthian's definition, a reasonable consumer would understand the promise of a career—consistent with its dictionary definition—to mean "a job or profession that someone does for a long time."

57. Corinthian's promise of a "career" was material to consumers' decision to enroll in Corinthian and to take out a private student loan.

Corinthian Falsified its Job Placement Rate.

58. In order to maintain accreditation and eligibility for Title IV aid, Corinthian must meet any accrediting agency's job placement minimum standards and report these rates to its accreditors and to prospective students.

59. In addition to its misleading promotion of career opportunity, Corinthian has a history of falsely representing its job placement rate in its marketing materials and disclosures provided to consumers, and in documents submitted to accreditors.

60. Corinthian promoted its career-focused education and job placement rate to induce students to enroll at its schools and take out Genesis loans. Corinthian attempted to bolster the credibility of its job placement claims by trumpeting, "In 2006, we formed a corporate verification team that confirms the accuracy of our job placement statistics ..." Yet Corinthian continued to misrepresent its job placement rates.

61. At Everest College's Decatur, Georgia campus, school employees created fictitious employers and reported students as having been placed with those fake employers. The school employees then had friends falsely verify the employment. This resulted in increasing placement rates by as much as 37% per program on reports that Corinthian gave to accreditors in 2009 and 2010.

62. In another example, at Everest Institute's Mid-Cities, Texas campus in 2010, two career services employees coordinated with employers to improperly verify 251 placements, only 7 of which were confirmed upon later review.

63. At the Everest Institute's Hialeah, Florida campus in 2010, Corinthian had to lower the campus-wide placement rate that it had reported to its accreditor by 6.6

percentage points because it had falsely reported that graduates had been placed when, in fact, they remained unemployed.

64. In April 2011, Corinthian management instructed an employee at the Everest Institute's Jonesboro, Georgia campus to list 70 unemployed graduates as employed for a report that Corinthian sent to its accreditor. Days later, after the report was sent, that employee was directed to change those 70 graduates' status back to unemployed.

65. In the spring of 2012, a manager at WyoTech's Long Beach, California campus reported 366 self-employment placements after graduation, while most other WyoTech campuses had only three or four such placements during the same time period.

66. Corinthian's employees reported inaccurate job placements so often that when, in May 2012, a senior employee told the West Division President that the Everest College's Renton, Washington campus would fail an audit for inaccurate placement records, the West Division President argued that the campus was being unfairly singled out. She wrote, "[I]f this is going to be how stringent we are, there's going to be a ton of failures. These people [Corinthian's employees responsible for verifying placements] don't know what they are doing."

67. Corinthian's senior management knew that Corinthian's job placement representations were inaccurate.

68. In September 2011, for example, Corinthian's chief executive officer acknowledged, "we have placement a compliance problem [sic] now and need to get back into compliance."

69. Yet, despite the recognition of non-compliance, a March 2012 internal audit at Everest College's San Francisco, California campus found that Corinthian could not verify 53% of its reported placements.

70. Also in March 2012, the former director of career services at Everest College's Milwaukee, Wisconsin campus, in an email titled "The Integrity of Career Services Management," informed Everest College's corporate office that the Milwaukee campus was "fudging the numbers, with the approval of [the] Director of Career Services." When the former employee raised questions after the placement rate increased from 6% to 33% in a short period of time, Corinthian terminated her employment.

71. In August 2012, when an accreditor conducted a sample review of job placement rates for Everest College's Reseda, California campus, it found Corinthian was unable to verify 30% of its reported placements.

To Inflate its Placement Statistics, Corinthian Falsely Classified Graduates as Unemployable.

72. Not only did Corinthian falsely inflate the number of graduates it placed, it also deflated the number of graduates who were "available for employment."

73. A graduate was considered unavailable for employment, and therefore removed from the employment rate calculation, for reason of death, incarceration, active military service deployment, the onset of a medical condition that prevents employment, continuing education, or because the student was an international student who returned to his or her country of origin.

74. According to Corinthian's Policy on Graduate Employment, a graduate's incarceration could be documented with publicly-available documents such as "a copy of the arrest record, police report or booking/intake documentation... [or] a warrant that could lead to possible incarceration would be considered acceptable documentation."

75. This verification policy enabled Corinthian employees to search the Internet for graduates' names for any purported evidence of incarceration. When Corinthian employees were able to match a graduate's name to some evidence of possible incarceration – irrespective of whether the name match was, in fact, an identity match – in some cases, Corinthian removed that graduate from the employment rate calculation.

Corinthian Inflated its Job Placement Statistics by Paying Employers to Temporarily Hire its Graduates.

76. Corinthian further inflated the job placement rate that it promoted to consumers and on which its accreditation was based by paying employers to temporarily hire its graduates.

77. In 2011, at Everest Institute's Brighton, Massachusetts campus, the Campus President and Director of Career Services organized a scheme to pay a company to employ graduates for two days at a health fair. The school then counted those students as "placed," which inflated placement rates by 8 and 15 percentage points for the relevant programs.

78. To further inflate the placement numbers it reported to consumers and accreditors, Corinthian engaged in a "pay to place" scheme exemplified by its "Calvary Initiative" ("Initiative"). In or about June 2011, Everest Institute's Decatur, Georgia campus, which risked losing its accreditation due to low placement rates, started the

Initiative to improve its placement rates. Under the Initiative, Corinthian paid employers $2,000 for each graduate that the employer hired if the employer promised to keep the graduate employed for 30 days.

79. Corinthian did not inform graduates that their employment was subsidized or that it was temporary.

80. According to the terms of the Initiative, and consistent with Corinthian's written policy, a graduate was counted as placed if the graduate worked one day and returned to work for a second day of work. Corinthian counted these jobs as placements, provided that information to accreditors, and included the placements in rates subsequently provided to prospective students.

81. Corinthian management credited the Initiative and its implementers with placing 307 Decatur graduates, which raised the campus's placement rate sufficiently to allow it to meet accreditation standards.

82. Due to the success of the Initiative in improving placement rates, Corinthian implemented similar programs at other campuses, including Everest Institute's Jonesboro, Georgia campus.

83. Corinthian management also considered implementing this Initiative at schools in Florida, including its Jacksonville, Miami, Kendall, Hialeah, South Orlando, and North Orlando campuses. Corinthian's Executive Vice President opposed implementing the Initiative at these Florida campuses, stating that "the potential for negative press in Florida is much higher than it is in Atlanta and while [Corinthian has] put as much positive spin on the approach as we can the detractors will still use the program to detract."

Corinthian Deceptively Promoted the Utility of its Career Services.

84. While marketing and promoting its programs to prospective students, Corinthian falsely promised prospective students that they would receive career assistance while enrolled, and lifetime career assistance after graduation. Corinthian promoted "career-focused education" and career services that were available "whenever you need help finding a job, or want some advice on improving your resume or interviewing skills." Corinthian further promotes that it "not only help[s] you find a job after you graduate, we help you find a job any time you need one, throughout your career... From graduation to retirement, we'll help you advance your career whenever you need it."

85. Contrary to Corinthian's representations that it would provide "career assistance for life," Corinthian schools did not provide meaningful career assistance while students were in school or after graduation.

86. Corinthian's limited career services included distributing job postings from Craigslist. Students often had trouble contacting anyone in the career services office or getting any meaningful support.

87. Once a student was initially placed, and Corinthian could report the placement to its accreditors, Corinthian refused to provide further career assistance to graduates. This was particularly problematic in light of Corinthian's policy of finding students temporary employment to pad its placement statistics.

88. The career services Corinthian promised to provide were an important selling point for the school, which emphasized its nationwide network of employers and lifetime support for graduates. For prospective students incurring significant debt,

including Genesis loans, for the promise of a career, Corinthian's representations about its career services were material.

Corinthian Implemented the Genesis Loan Program to Fill the "Funding Gap" That Corinthian Created.

89. Before 2008, third-party providers of private education loans offered Corinthian students the opportunity to apply for loans to fund their educational expenses.

90. In or about January 2008, these third-party lenders ceased making private student loans available to students who presented high credits risks (i.e. subprime borrowers), such as those enrolled at institutions owned by Corinthian.

91. Rather than reduce tuition in response to the decision of these third-party lenders not to make funds available to subprime student borrowers, Corinthian launched its own institutional loan program – the Genesis Loan Program – which it developed together with a third-party entity ("Company A") already engaged in financing and servicing "funding gap" loans for other educational institutions.

92. Under the Genesis loan program, pursuant to written agreements, Corinthian marketed the loan and a partner bank acted as the originator for each Genesis loan, disbursing the loan funds to Corinthian after each student's loan application was approved. Shortly after a student's loan funds were disbursed to Corinthian on the student's behalf, Company A purchased the loans from the bank. Corinthian then paid a "discount fee" to Company A equal to 50% of the face value of the loans that Company A purchased from the bank.

93. Under the agreement with Company A, typically within two weeks after Company A purchased the loans from the bank, Corinthian purchased all of the loans

from Company A. Corinthian paid Company A the face value of the loans minus any discount fee that it had already paid and Company A operated as the servicer of the loans.

94. Accordingly, from in or about 2008 through approximately July 2011, Corinthian knew that it would own all Genesis loans that its students took out within a period of approximately two weeks after the loan funds were disbursed.

95. The lending criteria applicable to Corinthian students' applications for Genesis loans were developed jointly by Corinthian, Company A, and the originating bank.

96. In 2011, the third-party lenders who had previously made loans to Corinthian's students that were considered prime borrowers ceased lending to Corinthian students altogether.

97. In June 2011, Corinthian entered into an agreement with a private lending group (Company B) and changed the Genesis Loan program. Corinthian launched this version of the loan program in or about August 2011. Company B assumed the role of intermediary between Corinthian and the bank. As in the original version of the program, Corinthian marketed the loan and a partner bank originated loans to Corinthian students and disbursed the loan funds to Corinthian on behalf of the student borrower. Company B then purchased the loans from the bank, and Corinthian was then required to pay Company B a "discount fee" equal to 50% of the face value of each loan that Company B bought from the bank. Company A continued to service the loans.

98. Unlike the prior version of the Genesis loan program, where Corinthian was then obligated to purchase all loans from Company A, the 2011 agreement required

Corinthian to purchase from Company B only the Genesis loans that were more than 90 days delinquent.

99. From in or about 2011 through the present, Corinthian knew that it would own all Genesis loans that were more than 90 days delinquent in repayment, including those 90 days delinquent on required in-school payments.

100. In or about 2013, Corinthian replaced the Genesis loan program with the EducationPlus loan program. The EducationPlus loan program is similar to the Genesis loan program in that, under the EducationPlus program, Corinthian markets the loan, a partner bank originates the loan, Company A services the loans, and Corinthian buys from Company B all of the loans that are more than 90 days delinquent. Corinthian management and staff often referred to the EducationPlus loan program as the Genesis loan program.

101. In February 2014, after Company B withdrew from the program, Corinthian reinstated the first iteration of the Genesis loan program, under which Corinthian is obligated to purchase all loans originated.

102. In or about July 2014, Corinthian ceased offering the Genesis loan program to it- students. In September 2014, Corinthian intends to resume offering Genesis loans to its students.

103. From July 2011 through March 2014, Corinthian induced nearly 130,000 students to take private student loans through these programs, which are collectively referred to as “Genesis loans.” The total outstanding balance of these loans is in excess of $568.7 million.

Corinthian's Financial Aid Staff Promoted Genesis Loans.

104. During the times relevant to this complaint, Corinthian gave its financial aid planners a training instructing them to make "students believe you are operating with their best interest at heard [sic]." In truth, however, Corinthian's overriding goal was to enroll students. The same manual instructed staff to "build trust" with students so that they can "influence [students'] decisions and help them make the right choice for a better life by enrolling in our college."

105. At the Everest College's Burr Ridge, Illinois campus, through the spring of 2012, it was "all about numbers." Corinthian pressured staff to "close" the deal and enroll as many students as possible.

106. Corinthian's current and prospective students were encouraged to, and did, rely on Corinthian's financial aid staff to act in their interests in connection with the financial aid they applied for and received.

107. Beginning in approximately March 2008, Corinthian actively marketed, promoted, and offered Genesis loans to its prospective and current students to pay tuition and fees that were not covered by federal aid or other sources. Corinthian's financial aid staff promoted the loan by introducing the loan to prospective and current students, and by encouraging them to apply for the loan to pay for tuition and fees that were not covered by federal financial aid.

108. Corinthian staff was actively involved in the Genesis application process with its students. Once the student entered personal information in the electronic application, Corinthian's financial aid staff filled out the remaining information

including the requested loan amount, verified the information entered by the student, and submitted an application for a credit check on behalf of the borrower.

109. During the time period material to this complaint, Corinthian also promoted the Genesis loan program through its "Preferred Lender List," which it published on each of its schools' websites. In the case of Heald College, for example, this "Preferred Lender List "advised Corinthian's prospective and current students that "[a]s a result of current conditions in the credit market, many lenders have ceased making private education loans, or have tightened their credit criteria such that fewer borrowers are qualifying for such loans. The lender listed below [Genesis loan program's originating bank] has expressed a willingness to make private education loans available to Heald students who meet its eligibility and credit criteria."

110. The "Preferred Lender List" for each Corinthian school also stated that "[w]hile we do not promote or endorse this lender, we expect this lender to provide satisfactory customer service and representatives who can assist borrowers to make informed decisions. The lender listed below will work within our processing system and disburse funds to the student's account quickly using Electronic Funds Transfer."

111. During the time period material to this complaint, Corinthian's "Preferred Lender List" did not inform consumers that Corinthian had an agreement to buy all of the Genesis loans and, consequently, that the student borrowers would shortly owe their debt to Corinthian.

112. Moreover, Corinthian management misled even its own student finance planners to believe that Corinthian was not involved in funding the Genesis loan program. Management told planners that the Genesis loan was a private loan funded by

a third-party bank. Student finance planners in turn passed this information on to students.

113. During the time material to this complaint, the Application/Enrollment Agreements provided to students at WyoTech, Heald College, Everest University Online, and Everest College Online did not include any mention of Corinthian's involvement in the Genesis loan.

114. Students attending Everest University, Everest College Phoenix, and Everest Institute schools, however, typically received a six-page Application/Enrollment Agreement, which stated:

> Third parties who may make private loans to me to finance my education may subsequently sell such loans and related receivables to The School or to an affiliate of The School....[I]f I fail to comply with the terms of any financial assistance made available to me through The School or any other source or any cash payment plan offered to me, in addition to any other remedies available to The School by contract, or under law, the School may take action with respect to my continued enrollment, up to and including suspensions or termination of my enrollment.

115. Corinthian staff did not review the terms of the Application/Enrollment Agreement with prospective students. Corinthian's practice of failing to review the terms with the prospective students left the students unaware that their relationship with Corinthian would be not just student-educator, but also borrower-debt collector.

116. Under the Genesis loan program, nearly all student borrowers were required to make monthly loan payments while attending school. The most common payment plan was called "Plan A," which required a monthly loan payment while the student was attending school. The interest began accruing after the student left school.

A second plan, known as "Plan B," did not allow in-school payments, and interest began accruing while the student was enrolled in school. The school's campus president had to approve any Plan B payment plans.

117. The interest rates for Genesis loans were typically substantially higher than the interest rate for federal loans. In or about July 2011, the Genesis loan interest rate was 14.9% with an origination fee of 6%. Meanwhile, the interest rate for federal student loans during this time period was 3.4% to 6.8% with an origination fee of 1%.

118. When the Genesis loan program began using Company B in June 2011, Corinthian continued the practice of concealing from students and most of its financial aid planners that Corinthian had an obligation to buy Genesis loans, in this case, that were more than 90 days delinquent.

Corinthian Used Unfair Harassing Tactics to Collect Past Due Loan Payments.

119. Pursuant to the terms of the Genesis loans, a loan was delinquent immediately after a borrower was late on a payment for the first time.

120. Because of its ownership interest in certain Genesis loans, and because of its obligation to purchase other Genesis loans in the event they became more than 90 days delinquent, Corinthian had a financial incentive to collect past-due Genesis loans. Corinthian harassed students to collect past-due loan payments.

121. Corinthian made it a practice of identifying and tracking those students who were behind in their Genesis loan payments.

122. At least since 2010 through part of 2013, Company A routinely provided Corinthian with monthly status reports concerning the status of the Genesis loan accounts, including the accounts that were past-due.

123. Corinthian's collection policy required school campuses to start the collection process as soon as a Genesis loan account became past-due.

124. It was Corinthian's practice to take action to collect loans that were less than 90 days delinquent. Corinthian took aggressive steps to collect these loans on Company B's behalf so that it would not be required to buy the loans from Company B.

125. Corinthian prevented student borrowers from attending classes they were currently enrolled in by informing instructors and other staff that these students were past-due on their Genesis loan accounts.

126. For example, in June 2013, a financial aid assistant instructed staff at Heald College's San Francisco campus not to allow a student who was over 38 days past-due on a Genesis loan to "sit in class until she provides a written authorization (Admission Slip) from the Business Office indicating that her [Genesis] account is up to date ..."

127. Similarly, in June 2013, a Director of Student Accounts at Everest College's Ontario, California campus informed instructors that those students with past-due Genesis loan accounts were not allowed to attend class: "[B]elow are students with their Genesis accounts being in delinquent [sic]. Student in RED or 40+ days are BLOCKED from attending class until payment is made ..."

128. This collection practice also was also carried out at WyoTech. In an email dated January 10, 2013, the Director of Student Accounts at WyoTech's Long Beach campus stated that the campus's Genesis collection practice included a "Director [meeting] with students who are not compliant and have not made their payments as

promised. Give them a deadline and do not allow them back to class until they get current and we have confirmation by Genesis."

129. Corinthian also carried out its collection activities at inconvenient times or places for its students. Corinthian routinely pulled students out of class to address past-due Genesis loan payments.

130. For example, in an email dated March 11, 2013, the President of Heald College's Stockton campus was informed of the number of students who were delinquent on their Genesis loan and notified that "All of the unpaid students will be pulled from class this week ..."

131. Similarly, in an email dated October 1, 2011, the President of Everest College's San Bernardino, California campus instructed the Director of Student Accounts to "ensure that EVERY time a student is pulled...add value as to why this is occurring during class time."

132. Pulling students out of class for past-due Genesis loans was such a constant and routine practice at Everest College's Decatur, Georgia campus during the Spring of 2011 that students and employees referred to one financial aid staff member as the "Grim Reaper."

133. Corinthian encouraged staff to continue these collection practices despite students' concerns. For example, in an email dated November 27, 2012, the President of Heald College's Modesto, California stated "I understand that instructors and other students do not like the interruptions. But until both departments come up with a better plan that works, we will support the plan we have known."

134. A federal work-study student at the Everest College's City of Industry, California campus reported that she pulled one to five students per classroom per day out of class because they were behind on their Genesis loan payments.

135. In January 2013, Corinthian employees at Everest College's Gardena and Alhambra campuses in California both noted in an e-mail that that their best practices for Genesis collections included "pulling student from class."

136. Corinthian also prevented students who were past due on their Genesis loan payments from registering for any new classes at Corinthian. For example, Heald College's Best Practice Manual-Genesis Private Loans, attached to an email dated March 23, 2013 from Heald College's VP Controller, stated that, in the event of a past-due Genesis account, the staff must take the following action:

> 1. 31 Days Delinquent—Request to IT to turn off Student's Computer Access
>
> 2. 61 Days Delinquent—The student must meet with Campus President to discuss seriousness of past due status and next steps.
>
> 3. 91 Days Delinquent—A letter stating student will not be allowed to register for classes for the next quarter until the account is made current. The student must reaffirm their commitment to pay in writing with a letter to the President.

137. In addition, Corinthian students who fell behind on their Genesis in-school loan payments often were locked out of the school's computer system and unable to log onto it.

138. Corinthian also would prevent students who were overdue on their in-school payments for a certain period of time from receiving their books for the next class or module until they became current on their Genesis loans.

139. Corinthian also informed students that they could not participate in the graduation ceremony or would have their certificate withheld if they were not current on their Genesis loan in-school payments.

140. Corinthian pulled students out of class 20 days before graduation and financial aid staff threatened that if students did not become current on their Genesis loans, they could not graduate or start their externships. Some former students stated that Corinthian continues to withhold their certificates because they are unable to make payments on their Genesis loans.

141. The collection of past-due Genesis in-school loan payments was so important to Corinthian management that Corinthian imposed Genesis collection goals for each school campus.

142. In or about July 2010, Corinthian also launched an employee bonus plan tied to Genesis loan program collection efforts.

143. Corinthian's Senior Director for Credit Risk Management, in an e-mail dated April 5, 2011 to a Student Accounts Collector, explained Corinthian's focus on collecting the in-school payments from students: "In FY11, the company has changed the focus of Genesis activities. In FY11, each campus is measured on Genesis Collection Metric of in-school activities. The collecting from the students should be a priority over offering forbearances."

144. Corinthian management pressured campus level staff to meet the Genesis Collection Metric. For example, the president of Everest College's Reseda, California campus told the financial aid staff in an e-mail dated May 21, 2012,

> We all know that we are well off our normal Genesis cash collection for the month of May. This is the worst

> month we have ever had. With that I need everyone to pull out the stops. This means that if you do not have a student in front of you I expect you to be getting ahold of students who have not made their payments... This will require you to use social media efforts...; running to classrooms to see if the student is in class; following up with the teacher directly; pulling emergency numbers from the FA files.

145. Corinthian caused substantial consumer injury with its aggressive collection efforts, including disclosing students' debt to peers and persons of authority, jeopardizing students' academic experience, and coercing students into making payments they could not afford.

Corinthian Knew its Students Were Likely to Default on Genesis Loans.

146. Despite Corinthian's aggressive collection efforts, the default rate on Genesis loans was consistently extremely high. Corinthian charged off a Genesis loan when the student borrower was more than 270 days delinquent in making required loan payments. Using the period in which Corinthian would charge off a Genesis loan and calculating the default rate based upon the number of student loans, the default rate on Genesis loans was typically greater than 50% for all loans more than two years old, and above 60% for all loans more than three years old.

147. Corinthian knew of the high default rates for its Genesis loans, and at all times during operation of the Genesis loan program, Corinthian anticipated that the default rates would remain at these high levels.

148. Moreover, Corinthian knew the characteristics of students who were most likely to default. Corinthian required that "Schools should gather information to discern who is defaulting and why ... Internal data includes key information such as high school

attended, program of study, demographics, grades, etc." Corinthian used this information to identify its highest risk borrowers to target its debt collection efforts.

149. Student borrowers who defaulted on Genesis loans suffered negative consequences including negative credit reporting, ineligibility for other forms of financing, or eligibility only on less favorable terms than would otherwise have been available.

COUNT I

CORINTHIAN'S REPRESENTATIONS AND OMISSIONS REGARDING PROSPECTIVE STUDENTS' CAREER OPPORTUNITIES VIOLATED THE CFPA'S PROHIBITION OF DECEPTIVE PRACTICES

150. The allegations in paragraphs 1 through 149 are incorporated here by reference.

151. Section 1036(a)(1)(B) of the CFPA, 12 U.S.C. § 5536(a)(1)(B), makes it unlawful for a covered person to engage "in any unfair deceptive, or abusive act or practice." An act or practice is deceptive under the CFPA if (1) there is a misrepresentation or omission of information that is likely to mislead consumers acting reasonably under the circumstances, and (2) that information is material to consumers.

152. The Genesis loans issued to Corinthian students were consumer financial products.

153. Corinthian is a "covered person" under the CFPA, 12 U.S.C. § 5481(6).

154. From at least July 21, 2011 to the present, Corinthian made material misrepresentations or omissions to consumers directly or indirectly, expressly or by implication, regarding its graduates' career opportunities, including the assistance

Corinthian would provide students to help them find a job, the likelihood a student would receive a job, and the likelihood that job would last for more than one day.

155. Corinthian made these misrepresentations to induce consumers to incur the private debt necessary to pay Corinthian's tuition and fees.

156. Corinthian's misrepresentations or omissions misled, or were likely to mislead, consumers.

157. Therefore, Corinthian violated the CFPA's prohibition on deceptive practices, 12 U.S.C. § 5536(a)(1)(B).

COUNT II

CORINTHIAN'S DEBT COLLECTION PRACTICES VIOLATED THE CFPA'S PROHIBITION OF UNFAIR PRACTICES

158. The allegations set forth in paragraphs 1 through 149 are incorporated here by reference.

159. An act or practice is unfair under the CFPA where "(A) the act or practice causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers; and (B) such substantial injury is not outweighed by countervailing benefits to consumers or to competition." 12 U.S.C. § 5531(c)(1).

160. From at least July 21, 2011 through the present, Corinthian made misrepresentations or omissions to consumers, directly or indirectly, expressly or by implication, that the Genesis loan program was an independent third-party loan program in which Corinthian did not have a financial interest and upon which Corinthian could not collect.

161. From at least July 21, 2011 to the present, Corinthian prevented enrolled students from attending class, pulled students out of class, denied students access to computers, and otherwise prevented enrolled students from completing their course of study, in an effort to collect past-due in-school Genesis loan payments from students.

162. These practices caused or were likely to cause substantial injury to students because, as a result of Corinthian's unfair practices, students were denied access to aspects of educational programs for which they already had paid, through loans and other aid, incurring substantial debt in the process.

163. These practices caused, or were likely to cause, substantial injury to students because Corinthian's unfair practices, including publicly disclosing debts to fellow students and instructors, caused students to suffer reputational harm and emotional distress.

164. Consumers could not reasonably avoid the injury caused by Corinthian's unfair practices.

165. Consumers' injury was not outweighed by countervailing benefits to consumers or competition.

166. Therefore, Corinthian violated the CFPA by engaging in unfair practices, 12 U.S.C. § 5536(a)(1)(B).

COUNT III

CORINTHIAN'S DEBT COLLECTION PRACTICES VIOLATED SECTION 806 OF THE FDCPA

167. The allegations set forth in paragraphs 1 through 149 are incorporated here by reference.

168. The Fair Debt Collection Practices Act ("FDCPA"), 15 U.S.C. §§ 1692a *et seq.*, prohibits debt collectors from "engag[ing] in any conduct the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt." 15 U.S.C. § 1692d.

169. The FDCPA's definition of "debt collector" includes any person "who regularly collects or attempts to collect, directly or indirectly, debts owed or due or asserted to be owed or due another." 15 U.S.C. § 1692a.

170. Under the second iteration of the Genesis loan program, from in or about August 2011 through at least 2013, Company B purchased the loans from the originator and sold those loans that became more than 90 days past-due to Corinthian.

171. Corinthian attempted to collect Company B's debts even before Corinthian was obligated to, or did, purchase those loans from Company B.

172. Because it collected debt of another creditor, Company B, or debt that it purchased in default, Corinthian is a "debt collector" within the meaning of the FDCPA.

173. Corinthian's collection practices included pulling students out of class, preventing students from attending class, preventing students from registering for class, blocking students' computer access through school computers, and preventing students from obtaining course materials.

174. The natural and intended consequence of these practices was to harass, oppress, and abuse students in connection with the collection of debts owed to Company B or to Corinthian.

175. Therefore, Corinthian's collection practices violated the FDCPA, 15 U.S.C. § 1692d.

COUNT IV

CORINTHIAN'S DEBT COLLECTION PRACTICES VIOLATED SECTION 805 OF THE FDCPA

176. The allegations set forth in paragraphs 1 through 149 are incorporated here by reference.

177. Section 805 of the FDCPA, 15 U.S.C. § 1692c, governs communications in connection with debt collection. Section 805(a) prohibits, without the prior consent of the consumer or the express permission of a court of competent jurisdiction, debt collectors from communicating with a consumer in connection with the collection of any debt at any unusual time or place or a time or place known or which should be known to be inconvenient to the consumer. 15 U.S.C. § 1692c(a)(1).

178. In connection with the collection of debts, Corinthian communicated with student consumers during class time. Corinthian knew interrupting class could jeopardize the student's academic performance and disrupt the learning environment, thus inconveniencing the student, and did so without the student consumer's prior consent, in violation of Section 805(a)(1) of the FDCPA, 15 U.S.C. § 1692c(a)(1).

COUNT V

CORINTHIAN'S DEBT COLLECTION PRACTICES VIOLATED SECTION 805 OF THE FDCPA

179. The allegations set forth in paragraphs 1 through 149 are incorporated here by reference.

180. Section 805(b) of the FDCPA prohibits, without the prior consent of the consumer or the express permission of a court of competent jurisdiction, debt collectors from communicating with a consumer in connection with the collection of any debt,

with any person other than a consumer, his attorney, a consumer reporting agency if otherwise permitted by law, the creditor, the attorney of the creditor, or the attorney of the debt collector.

181. Students and employees observed Corinthian's aggressive collection efforts of preventing students from attending class, pulling students from class, and blocking their computer access, and were aware these efforts were used to collect other students' past-due loan payments. Corinthian's collections efforts disclosed the existence of debts to instructors, classmates and other third parties in violation of Section 805(b) of the FDCPA, 15 U.S.C. § 1692c(b).

182. Therefore, Corinthian's collection practices violated section 805 of the FDCPA, 15 U.S.C. § 1692c.

PRAYER FOR RELIEF

Wherefore, the Bureau, pursuant to Sections 1054 and 1055 of the CFPA, 12 U.S.C. §§ 5564 and 5565, and the Court's power to grant legal or equitable relief, requests that the Court:

a. permanently enjoin Corinthian from committing future violations of the CFPA and the FDCPA;
b. declare that Corinthian engaged in deceptive conduct that induced its students to take out private student loans;
c. order Corinthian to pay restitution to consumers harmed by their unlawful conduct;
d. order Corinthian to pay damages to consumers harmed by their unlawful conduct;

e. order Corinthian to disgorge all ill-gotten profits;

f. order the rescission of all Genesis and EducationPlus loans originated since July 21, 2011;

g. impose civil money penalties against Corinthian;

h. order Corinthian to pay the Bureau's costs incurred in connection with bringing this action; and

i. award such other and additional relief as the Court may determine to be just and proper.

Respectfully submitted,

Dated: September 16, 2014

Anthony Alexis (DC Bar #384545)
Acting Enforcement Director

Ori Lev (DC Bar #452565)
Deputy Enforcement Director

Laurel Loomis Rimon (CA Bar #166148)
Assistant Deputy Enforcement Director

/s/ Rina Tucker Harris
Rina Tucker Harris (DC Bar #444550)
Jonathan B. Engel (MA Bar #664518)
Chandana Kolavala (CA Bar #268355)
Enforcement Attorneys
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552
Telephone: (202) 435-9196
Facsimile: (202) 435-7329
E-mail: RinaTucker.harris@cfpb.gov

Thomas Ward (IL Bar # 6291011)
Consumer Financial Protection Bureau
230 South Dearborn Street
Chicago, IL 60604
Telephone: (312) 610-8966
Facsimile: (312) 610-8971

E-mail: Thomas.Ward@cfpb.gov

Attorneys for the Consumer Financial Protection Bureau

From:	Joseph Gurubatham <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/2839EEC7707F4128A4DE87103ED162F4-JGURUBATHAM>
Sent:	7/23/2014 2:16:02 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:	Today's Meeting on CCi--Call-in Number and Code
Attachments:	CCI Meeting With Oversight Partners #3 07 16 2014.pdf

Dear Al, Tony and Susan:

For your convenience, I am forwarding Cynthia Thornton's note from last week.

The call in number is as follows:

806-802-5030

Conference Code: 8175416

I will call in at 4:00 p.m.

I am sorry I missed calling in yesterday for the GAO call. I hope that it went well.

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, July 21, 2014 5:24 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'; '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'; 'Lorna.Candler@dhe.state.co.us'; 'Diane.Vigil@state.nm.us'; 'Teri.Stanfill@azppse.gov'; 'Betsy.Talbot@state.mn.uS'; 'Cathie.Maeyaert@THECB.state.tx.us'; 'rmiller@che.in.gov'; 'DBartlett@wtb.wa.gov'; 'Juan Báez-Arévalo (Director, Private Postsecondary Education) '; 'Helen Dunford (Academic Program Evaluator'; Minor, Robin; Bennett, Ron; Chauvin, Karen; White, Carolyn; Gust, Mary; Pickett, Veronica; Lawrence, Andrew
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**:** 866-802-5030 Participant Code: 8175416

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:

<u>Accrediting Agency actions</u>:

- **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.*

<u>State Agency Actions</u>:

- **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 22ⁿ 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

From:	"Thornton, Cynthia" <Cynthia.Thornton@ed.gov>
Sent:	6/30/2014 6:57:00 PM -0400
To:	'clambert@accsc.org'; 'kbell@wascenior.org'; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; 'Christopher Lambert' <chris.lambert@accsc.org>; 'Christine Castagnola' <ccastagnola@wascsenior.org>; 'Christopher Oberg' <coberg@wascsenior.org>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>; "Gust, Mary" <Mary.Gust@ed.gov>; "Bennett, Ron" <Ron.Bennett@ed.gov>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; 'approvalquery@bhe.mass.edu'; 'michelle.robinson@njhe.state.nj.us'; 'stotler@hepc.wvnet.edu'; 'george.roedler@state.mn.us'; 'ccam@npec.state.ga.us'; 'beamishm@michigan.gov'; 'dperlman@cpe.state.nv.us'; 'teri.stanfill@azppse.gov'; 'matt.barber@state.or.us'; 'ra-COLLUNIVSEMINFO@state.pa.us'; De Long, Michael (Michael.Delong@twc.state.tx.us); 'john.ware@scr.state.oh.us'; 'elaine.marces@wyo.gov'; "'Landis, Patricia A (PDE)'" <plandis@pa.gov>; "Corwin, Dvak" <Dvak.Corwin@ed.gov>; 'mailto:Carolyn.small@iowa.gov'; "Small, Carolyn [ICSAC]" <Carolyn.Small@iowa.gov>; "'Fountain, Sondra'" <Sondra.Fountain@dol.state.nj.us>; sam.ferguson@fldoe.org; susan.hood@fldoe.org; 'georgia.roberts@dhe.state.co.us'; 'Stephen.Rye@twc.state.tx.us'; 'joanne.wenzel@dca.ca.gov'; 'cathie.maeyaert@THECB.state.tx.us'; 'JoeDeFilippo@schev.edu'; 'info@dhe.mo.gov'; 'ezunon@mail.nysed.gov'; 'ra-pls@pa.gov'; 'titlei@doe.mass.edu'; 'cullen@ibhe.org'; 'bob.k.brew@state.or.us'; 'pspencer@wtb.wa.gov'; 'kareno@wsac.wa.gov'; 'ljones-lush@mhec.state.md.us'; "'Tangman, Nina'" <tangman@ibhe.org>; "Wade, Leroy" <Leroy.Wade@dhe.mo.gov>; "Parker, Diane" <diane.parker@twc.state.tx.us>; "Hunt, Jody" <hunt@ibhe.org>; "Arbour, Courtney" <courtney.arbour@twc.state.tx.us>; "Ball, Michael (WSAC)" <MichaelB@wsac.wa.gov>; smanning@hlcommission.org; Karen Solinski (ksolinski@hlcommission.org)
CC:	"Minor, Robin" <Robin.Minor@ed.gov>; "Bennett, Ron" <Ron.Bennett@ed.gov>; "Chauvin, Karen" <Karen.Chauvin@ed.gov>; "Pickett, Veronica" <Veronica.Pickett@ed.gov>; "White, Carolyn" <Carolyn.White@ed.gov>; "Coughlin, Betty" <Betty.Coughlin@ed.gov>; "Fernandez-Rosario, Martina" <Martina.Fernandez-Rosario@ed.gov>; "Frola, Michael" <Michael.Frola@ed.gov>; "Gifford, Nancy Paula" <Nancy.Paula.Gifford@ed.gov>; "LoBosco, Ralph" <Ralph.LoBosco@ed.gov>; "Miller, Christopher" <Christopher.Miller@ed.gov>; "Parrott, Douglas" <Douglas.Parrott@ed.gov>; "Thornton, Cynthia" <Cynthia.Thornton@ed.gov>; "Gust, Mary" <Mary.Gust@ed.gov>
Subject:	US Department of ED CCI Conference Call Follow-up: Accreditors/State Agencies
Attachments:	Meeting with Accrediting and State agencies.docx; HCM1_Massimino2014-06-12.pdf; DOE MOU 30001.pdf

Accreditors and State Partners:

Thank you for joining us during our conference calls to discuss recent developments with regards to Corinthian Colleges Inc., (CCI). We apologize for not sending this to you soon after our conference call last week. Please know that we commit to ensuring that everyone has the most up-to-date information. The Department will share as much information as it possibly can with all of you. In this email, we are including meeting notes, a copy of the MOU, as well as a copy of the letter sent June 12th, as we inadvertently didn't copy the accrediting/state agencies as we normally do.

The Department anticipates receiving CCI's plan (for closures/sales of its institutions) by COB July 1st. Upon receipt, we will review the plan and communicate with CCI on any issues that need to be further defined and/or addressed. Your agency will be provided a copy of the plan as quickly as we can.

The next conference call is tentatively scheduled for *Monday, July 7th or Tuesday July 8th, 1:00 PST, 3:00 CST and 4:00 EST*. You will receive a meeting invite with conference call information.

We will continue our discussion and begin planning for the most impacted schools that will need our attention more quickly than others to ensure that our students are protected as much as possible.

We look forward to future discussions. Please feel free to contact Martina Fernandez-Rosario, should you have additional questions:

Martina Fernandez-Rosario

US Department of Education

San Francisco/Seattle SPD

Phone: (415)486-5605

Martina.Fernandez.Rosario@ed.gov

On behalf of Martina,

Cynthia Thornton

Director, Dallas School Participation Division

US Department of Education

Office:214-661-9457

Email:Cynthia.Thornton@ed.gov

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Memorandum of Understanding

We are presenting an agreement in principle between Corinthian Colleges, Inc. and its subsidiaries ("Corinthian") and the U.S. Department of Education ("the Department") that will be followed up by Corinthian presenting the Department an operating agreement (the "Operating Agreement") that is agreeable to the Department no later than July 1, 2014.

As a condition for the release of the Immediate $16 million (defined below) of student financial assistance funds under Title IV of the Higher Education Act of 1965, as amended (the amount of funds Corinthian has indicated is needed to meet necessary and appropriate expenses through June 27), the Department proposes this Memorandum of Understanding (the "MOU") for the implementation of a Transition Plan (the "Plan") that will result in the sale of certain of the Corinthian institutions that are participants in the Title IV Programs (the "Institutions") and the teaching out of other Institutions owned by Corinthian, in an agreed upon manner and over an agreed upon period of time as set forth in this MOU.

Corinthian will provide, in a timely manner, the outstanding data requested by the Department, and as committed to by Corinthian in an email dated June 17, 2014. Corinthian and the Department will issue mutually agreeable public statements (consistent with Corinthian's obligations under federal securities laws) by June 23, 2014.

Agreed Statement of Principles

- Students will be given an opportunity to complete their education without material interruption, change or additional cost.
- Faculty and staff will be treated in a manner that causes minimal personal and financial disruption.
- The Plan will consider the value of the schools for 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.

- The definitive agreements for any Sales Schools (as defined below) contemplated by this plan are intended to be executed within approximately 6 months from the signing of this MOU.

- Within thirty (30) days from the date hereof, Corinthian shall prepare and deliver to the Department the teach-out plans for all 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.

- Corinthian will make disclosures to be agreed upon in the Operating Agreement to any new or prospective students seeking to enroll after the date of this MOU in schools that the Department determines are ineligible for Title IV participation or deny recertification for Title IV participation.

Immediate Funding

- The Department's current HCM-1 disbursement method for Corinthian and the attendant 21-day disbursement delay will remain in effect unless further modified by the Department based upon continuing review of the Corinthian institutions or upon the signing of the Operating Agreement. The Operating Agreement will provide for appropriate continued disbursements of Title IV funds to permit Corinthian to fund its operations in the ordinary course and effectuate the principles of this MOU.

- Effective immediately, the Department will allow Corinthian to immediately draw down $6.5 million of Title IV student aid funds for student rosters that it previously submitted and immediately draw down (consistent with the Department's ordinary course processing times) an additional $9.5 million for student rosters that it will submit to the Department on or before June 27, 2014 (the "Immediate $16 million").

- The agreement to provide immediate funding described herein 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.

- The use of the Immediate $16 million in Title IV student aid funds shall be used only for ordinary course liabilities (not including debt repayment), and shall not be used for extraordinary bonuses or settlement of lawsuits or investigations by other federal or state agencies, and the Monitor (as defined below) shall review disbursements related to the Immediate $16 million.

- 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.

Appointment of Monitor

- Corinthian will promptly (and in no event later than two weeks after execution of the Operating Agreement) contract with an independent, experienced compliance and business monitor (the "Monitor") who is acceptable to the Department, and whose duties will be specified in a separate agreement between Corinthian and the Department.

- The Monitor will have full and complete access to Corinthian personnel and budgets, including financial forecasts, results of operations and cash receipts and disbursements (including, without limitation, disbursements of the Immediate $16 million) and any and all documents Corinthian is providing to potential buyers, accreditors and the Department.

- The Monitor will regularly provide documents and report to the Department on Corinthian's progress in fulfilling the terms of the Operating Agreement and will provide contemporaneous access to the Department to all data described above.

Enrollment of New Students

- Corinthian will continue new student enrollments in the ordinary course from the date hereof until execution of the Operating Agreement, at which time Corinthian shall promptly (and in no event more than one week after execution of the Operating Agreement) discontinue enrollments in any schools designated as teach-out schools (the "Teach-out Schools"). From the date hereof until the execution of the Operating Agreement, Corinthian shall not draw Title IV funds for new students. Following execution of the Operating Agreement, Corinthian shall provide prompt notice to all students attending the Teach-out Schools of the intent to teach out those schools. With respect to new students who have enrolled between the date hereof and the execution of the Operating Agreement, Corinthian shall provide such new students with the opportunity to either (i) discontinue their education at Teach-out School, and Corinthian shall forgive entirely any tuition or other fees charged during the period, or (ii) the students shall be free to continue their education in the ordinary course.

- The Department will continue its ongoing review of Corinthian's institutions for compliance with standards of administrative capability. If – whether through a recertification process, program review, or otherwise – the Department determines that one or more Corinthian institutions has failed to demonstrate administrative capability, the Department retains all regulatory authority with respect to such schools.

- Corinthian will provide refunds to any to new students enrolling after the date of this MOU in schools that the Department determines are ineligible for Title IV participation or deny recertification for Title IV participation.

Sale of Schools

- As stipulated by statute and regulation, the Department retains all regulatory and statutory authority to approve or deny any transactions.

- Corinthian will promptly after the execution of the Operating Agreement begin a sales process for the schools designated in the Operating Agreement (the "Sales Schools"). Corinthian anticipates that the sales process will last between 4 months and 6 months. Promptly after execution of any definitive agreements, Corinthian will work with the acquirors to seek approval of a change in ownership from the Department and appropriate accreditors and state licensing agencies. The Department will review the application(s) for approval of a change in ownership from a purchaser of any school owned by Corinthian and its subsidiaries expeditiously and under standards generally applicable to changes of ownership.

- The purchaser of any schools owned by Corinthian and its subsidiaries must be acceptable to the Department.

- Corinthian must report to the monitor on a bi-monthly basis the status of any sales negotiations.

Teach-out Schools

- Corinthian will provide details of the teach-out plan, which includes funding mechanisms, for each of the Teach-out schools.

- Corinthian will suspend new enrollments at the Teach-out schools promptly after designation of such status.

- Corinthian will work with its accreditors, state licensing agencies and the Department in establishing a teach-out plan for each Teach-Out School, that includes an explanation of the funding mechanism proposed for the plan.

- The Department reserves its statutory and regulatory authority over the Teach-out Schools.

Coordination with States and Accreditors

- Corinthian will work closely with state licensing and accreditation agencies in the course of implementation of the Plan, in accordance with the requirements of each such agency.

Conclusion

- The Department has the right to review the Operating Agreement 3 months from its signing to determine further action pursuant to the Department's statutory and regulatory authority.

- This MOU does not supersede any of the Department's statutory and regulatory authorities and responsibilities.

ACKNOWLEDGED AND AGREED:

CORINTHIAN COLLEGES, INC.

(b)(6)

Jack D. Massimino
Chairman of the Board and
Chief Executive Officer

U.S. DEPARTMENT OF EDUCATION

____

Ted Mitchell
Under Secretary

June 12, 2014

Mr. Jack D. Massimino, Chairman/CEO
Corinthian Colleges, Inc.
6 Hutton Centre Drive, Suite 400
Santa Ana, CA 92707

UPS Tracking
1ZA879640199724821

Re: Missing Placement Documentation/Information and Transfer of Corinthian Colleges, Inc. to the Heightened Cash Monitoring Method of Payment

Dear Mr. Massimino:

This letter is a follow-up letter to the U.S. Department of Education's (Department's) previous letters to Corinthian Colleges, Inc. (CCI) of January 23, 2014, April 11, 2014, and April 22, 2014, and reiterated in telephone conversations with CCI's Corporate Counsel and with Linda Buchanan shortly after issuance of these letters, which required CCI to produce placement documentation and related information. As noted in the April 11, 2014 and April 22, 2014 letters, and again in a further letter of May 13, 2014, there remain several significant gaps in the placement data that CCI has provided to date.

Chronology

A synopsis of the Department's correspondence with CCI on these matters is as follows:

January 23, 2014: Letter from Robin Minor to you outlining data/documents to be produced including –

A. All placement disclosures provided to students in all academic programs at all CCI locations (main and additional locations) for calendar years 2010, 2011, 2012, and 2013.
B. Evidence upon which CCI relied to calculate placement percentages, including individual student files.
C. Excel worksheets with student names, other identifying information, and certain placement information.
D. Records of grade and attendance changes made at all CCI locations for the period June 30, 2011 through the date of extraction of the data.

CCI was to provide this information within 30 days. Almost five months have passed and CCI continues to fail to provide significant portions of the required documentation.

April 11, 2014: Letter from Martina Fernandez-Rosario to you in follow-up to the January 23, 2014 letter, reiterating the document production requirements, including the excel worksheets containing student identifying and placement information. This letter also advised CCI that continued noncompliance with these requirements would subject it to unspecified administrative actions.

April 22, 2014: Letter from Martina Fernandez-Rosario to you identifying information that had not yet been received from CCI including –

- Placement data for *all* Heald schools.
- Placement data for schools that were previously (during the production period) owned by CCI but had been sold or closed, including locations of main campuses that had been closed.
- The evidence used by CCI to derive placement rates provided in disclosure notices.
- Program Integrity Regulation (PIR) disclosures for Arlington, Virginia; Chicago, Illinois; Columbus, Ohio; Decatur, Georgia; and Ft. Lauderdale, Florida published on July 1, 2012, or for any period after that date.

Once again, the Department advised CCI that it faced further administrative actions for its failure to timely fulfill these production requirements.

May 13, 2014: Letter from Mike Frola to you regarding debt covenants and other financial matters. This letter also included a reminder with respect to the submission of the outstanding placement data, indicating the Department had not received the documentation identified in the April 22, 2014 letter and requiring production of that information by May 22, 2014.

Placement Data

To date, CCI has failed to provide complete information and data identified in the Department's January 23, 2014 letter and in subsequent correspondence. Although the Department continues to receive piecemeal documentation, CCI should have all the requested documentation available to scan or copy and send to the Department. Please respond immediately to the following items:

- Disclosures – January 23 letter, Page 4 Item A: The disclosures CCI has produced thus far are incomplete and raise the following additional questions to which we require responses:
    - o CCI Consumer Disclosures published on July 1, 2012 and July 1, 2013 appear to provide nearly identical placement rates for each program where a report was made. The timeframes specified in the footnotes to the consumer disclosures, however, are often different. For example, ACICS timeframes are displayed as June 1, 2009 through June 30, 2010 in the disclosures published on July 1, 2012 and are identified as July 1, 2011 through June 30, 2012 in the disclosures published on July 1, 2013, even though the rates reported using the ACICS methodology are the same.
    - o Conversely, CCI Consumer Disclosures published on July 1, 2011 and July 1, 2012 for ACICS schools both specify that they are reporting on a timeframe from July 1, 2009 to June 30, 2010. However, the placement rates reported are different. For example, the Consumer Disclosures published on July 1, 2011 and July 1, 2012 for San Bernardino specify an

identical timeframe, however, one reports an institutional accreditor placement rate of 64.3% for Criminal Justice Associate schools, while another reports 13.3%.

- CCI has only produced some Program Integrity Regulation (PIR) disclosures required to be provided to *prospective* students, pursuant to 34 C.F.R. § 668.6(b)(iv) (effective July 1, 2011), for some of the required years for some of its programs at some of its locations. Specifically, CCI has not submitted any Heald College PIRs for the 2012 and 2013 years. There are appropriately titled folders that are apparently meant to lead to web pages with the required PIRs; however, the pages within the folders are blank and do not contain any disclosure information. Campus disclosures published on July 1, 2012 for Arlington, VA; Chicago; Columbus; Decatur; and Ft. Lauderdale also have not been produced.
- CCI failed to produce *any* disclosures required pursuant to 34 C.F.R. § 668.41(d)(5). These disclosures were required to be disclosed to *enrolled* students, as well as prospective students, effective July 1, 2010. The Department reiterates that it requires these disclosures, as well as the PIR disclosures, for all programs for all locations whether open, closed, or sold, since July 1, 2010 and July 1, 2011, respectively, through the present. As an example, for the Decatur, GA location, CCI produced only two identical PIR disclosures, albeit labeled 2011 and 2012. Despite the fact that this location stopped accepting new students in or about March 2012, enrolled students did not complete their training until December 31, 2012; thus, the disclosures had to be made to those enrolled students. In addition, CCI failed to produce Everest Decatur's required July 1, 2010 disclosure of its 2009 placement rates. CCI must produce any placement rate disclosures provided to enrolled or prospective students since July 1, 2010. To the extent that CCI amended any disclosures, the Department also requires that CCI produce the amended disclosures, as well as the original disclosures, along with a notation that they were amended and the date and reason as to why they were amended.
- The Department understands that certain of CCI's catalogs contained consumer disclosures concerning placement. CCI has failed to produce any of the catalogs containing such disclosures.
- Certain placement rates are purportedly calculated on a "Calendar Year" but do not state which calendar year.
- Certain placement rates are purportedly based on a formula (for example, ACCSC) which calculates the cohort for placement. Please provide a detailed accounting of each student considered as a part of the relevant cohort.

➢ Action required in response to this letter: Please provide immediately an explanation for the discrepancies noted above, the catalog disclosures referenced above, a detailed accounting of the calendar years, and the cohort of students on which reporting was based.

- Evidence of placement percentages—January 23 letter, Page 4 Item B:
  - CCI must provide the evidence on which it relied to derive its placement percentages. This includes student placement files. To date, CCI has produced placement files for the 2012-13 award year for the following CCI schools: Santa Ana, Jacksonville, Melbourne, Kendall, Newport News, and Orlando North, whereas the Department required that CCI provide the campus files that include the student placement files for each location. Although CCI produced disclosure information for Brighton and Orange Park, the folders labeled "backup documentation" are empty. Also please note that some files are labeled "2011-12" but appear to be 2012-13 records. By producing files for only these six locations for only one year of the three years required, CCI has produced only incomplete files for less than 6% of its locations.
  - To the extent any accreditor or state calculates a placement cohort based on a student's start date, CCI also failed to produce information concerning student start dates. As a result, the Department is unable to assess those rates.

  - ➢ Action required in response to this letter: Within 10 days of receipt of this letter, provide a schedule, with exact production dates, for the submission of the placement files for each location and year for which files have been requested. CCI must produce the evidence on which CCI relied to derive the placement percentages for each program at each campus to the Department within a reasonable period of time, as delineated on the submitted schedule, and include a written explanation as to why this information has not yet been provided. In addition, CCI must submit a description of the staffing it is using to comply with these requirements, including the number and titles of staff at each CCI location that are delegated to gathering the information, and the amount of time each staff person is devoting (on a daily basis) to the task at hand. Also, please indicate if any changes are being made to comply with the Department's requirements in a more-timely manner. Furthermore, to the extent CCI relied on any re-verification telephone efforts, CCI must produce any documentation or data it has of those efforts.

- Waivers—January 23 letter, Page 4-5 Item C: The January 23, 2014 letter required production of information for students who have been "waived" from inclusion in the numbers of students available for placement and the reasons for those waivers. The documentation CCI submitted includes health-related reasons for waivers, and the following statements from some of these students: "I do not want to share my private information" or "I wish to keep my personal medical condition private."

  - ➢ Action required in response to this letter: Provide a written explanation and justification as to whether such a statement meets minimum accreditor standards for waiver documentation, plus proof of those standards. If minimum standards have not been met, CCI must produce additional information about the reason for these waivers. This information shall be produced within 10 days of receipt of this letter.

- Heald Colleges—January 23 letter, Page 4 Item C: CCI provided one worksheet containing placement information for each year of graduates. However, the worksheet does not provide campus information. Because Heald published PIR consumer disclosures on a campus basis, CCI must provide campus information for each graduate. CCI must reproduce the worksheet and include campus and OPE ID information.

    - ➢ Action required in response to this letter: Provide this data within 10 days of receipt of this letter and include a written explanation as to why it was not previously provided, including details specific to each Heald location.

- 2013 Data—January 23 letter, Page 4 Items A, B, and C: As a reminder, CCI must provide 2013 disclosure information when that becomes available.

    - ➢ Action required in response to this letter: Provide a date by which CCI will produce this information.

- Missing Placement Worksheets—January 23 Letter, Page 4-5 Item C:
    - o CCI still has not produced the placement worksheets for the Decatur, GA location and certain years of data are missing for other schools. Specifically, CCI produced the Ft. Lauderdale, FL campus information for 2010-2011 but not for 2011-2012, yet it closed in March, 2012, and thus the 2011-2012 placement information should be available. The same is true for the Hialeah, FL location (no placement information produced for 2012-13); the Chicago, IL location (no worksheet produced for 2011-12); the Milwaukee, WI location (no worksheet produced for 2012-13); and the Arlington, VA location (no worksheet produced for 2012-13).
    - o Many of the consumer disclosures CCI provided to students in 2010, 2011, 2012, and 2013 specify, in footnotes, that timeframes being reported include students who graduated in 2009. For example, the "Consumer Disclosures" CCI produced in the 2011 PIR folder specify timeframes in 2009. CCI failed to produce any data for placements of graduates in 2009 and must do so immediately. If the 2008 cohort is implicated for any such disclosures, please also produce data for those graduates from 2008.

    - ➢ Action required in response to this letter: CCI must produce all missing information within 10 days, and provide a written explanation as to why the information was not produced in response to the earlier correspondence.

As stated in the April 22, 2014 letter, if you believe that CCI has produced any of the above-referenced documentation, please direct the Department's attention to where these materials exist.

Method of Payment: Transfer of CCI Schools to HCM1

The Department has transferred all CCI schools from Advance Payment to Heightened Cash Monitoring 1 (HCM1), effective immediately. This action is being taken as a result of CCI's failure to submit required documentation in a timely manner, as explained herein.

Under the HCM1 payment method, as stated at 34 C.F.R. § 668.162(e), CCI 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, CCI institutions are 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. Disbursement records must be submitted to the Common Origination and Disbursement (COD) System at least seven days prior to the drawdown of Federal funds.

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 a return to Advance Payment status, CCI 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.

Reporting Requirement Under HCM1:

CCI schools must meet the reporting requirements listed below:

CCI must provide a disbursement roster containing the following information for each OPE ID # (including any required adjustments due to changes in enrollment status or withdrawals):

- Student Name
- Social Security Number
- Educational Program
- Campus Location
- OPE ID of Location
- Beginning Enrollment Date
- Current Enrollment Status
- Expected Completion Date
- Title IV, HEA Program

- Amount
- Disbursement Date
- Anticipated Date of G5 Drawdown
- Total Drawdown Amount by Program
- Total Drawdown Amount for Disbursement Roster

The disbursement rosters must be submitted directly to the e-mail address noted below. **CCI must first submit the roster and wait 21 business days from submission of the disbursement roster before drawing down the corresponding funds.** CCI must ensure that Personally Identifiable Information (PII) is protected.

In addition, CCI is required to provide information, by certified mail, no later than 10 days after receipt of notification of any of the following events:

a) Any new adverse action, or letter advising CCI of potential adverse action, or change in status of an existing adverse action, including show cause, probation or similar action, taken against any CCI school by its accrediting agency or any federal oversight agency;
b) Any new adverse action, or letter advising CCI of potential adverse action, or change in status of an existing adverse action taken against any CCI school by state licensure agencies;
c) Any student complaints submitted to CCI from the respective accrediting agencies or state licensing agencies and information concerning the institution's resolution of the complaints;
d) Any violation by CCI of any loan agreement and the discovery of information that suggests CCI is in jeopardy of breaching a debt covenant;
e) The creation of new teach-out agreements, or changes to any teach-out agreements in place, including those approved by the institutions' accrediting agencies (and including those in place prior to the issuance of this letter);
f) All other significant financial and other conditions, such as those required to be reported to CCI's shareholders and to the Securities and Exchange Commission;
g) Any filing of a petition by or against CCI for relief in bankruptcy court.

CCI must also provide the following monthly updates, due on the last day of each month:

i. Announcements or changes made to student consumer information regarding the institutions' degree and certificate program placement rates as required by 34 C.F.R. § 668.41(d)(5);
ii. Copies of any and all correspondence between CCI and its accrediting agencies and state licensing agencies;
iii. For students who graduated during the quarter, a summary of placement statistics of those students (numbers began in cohort; numbers graduated; numbers placed; number of waivers);
iv. A worksheet consistent with those required in response to the Department's January 23, 2014 letter with placement information, including student contact and employer information (include all the same data as that required previously);

v. A copy of each student's placement file (or a file for those who were counted as "waivers");

vi. A worksheet reflecting all grade and attendance changes made during that quarter, at any CCI location.

CCI is also required to provide the Department with immediate notice of CCI's intent to close or sell any location. In addition, please provide the Department with a current list of all CCI locations that do not currently have teach-out agreements in place.

CCI must include, in its submission, a written notice detailing the circumstances surrounding any of the items listed above and, if necessary, measures considered or under consideration to resolve the issue.

Please note that this change in funding method does not preclude the Department from transferring CCI-owned institutions, individually or collectively, to another method of payment or taking adverse actions against the institutions.

The response to this letter and the notifications required under HCM1must be sent to:

Gayle E. Palumbo, Ed.D.
Compliance Manager
San Francisco/Seattle School Participation Division
U.S. Department of Education
Federal Student Aid
50 Beale Street, Suite 9800
San Francisco, CA 94105-1863

E-mail: gayle.palumbo@ed.gov

Sincerely,

(b)(6)

Robin S. Minor
Chief Compliance Officer
Program Compliance

Meeting with Accrediting and State agencies
June 23, 2014 (Accreditors) and June 24, 2014 (State Agencies)

ED Attendees:
Robin Minor (Chief Compliance Officer); Ron Bennett (SESG Director DC); Mary Gust (Director AAASG); Karen Chauvin (Deputy Chief Compliance Officer); Veronica Pickett (Director PIP); Carolyn White (Senior Advisor to SESG Director); Cynthia Thornton (Division Director, Dallas SPD); Mike Frola (Foreign Schools SPD); Nancy Gifford (Philadelphia SPD); Chris Miller (Atlanta SPD); Chris Curry (Compliance Manager, NY/Boston SPD); Jan Brandow (Compliance Manager, Kansas City SPD); Martina Fernandez-Rosario (San Francisco/Seattle SPD); Douglas Parrott (Chicago/Denver SPD)

Accreditors/State Agencies:
Chris Lambert (ACCSC); Michael McComis (ACCSC); Joseph Gurubatham (ACICS); Al Greg (ACICS); Karen Solinski on behalf Susan Manning (NCACHE); Richard Winn(WASC); Christine Oberg; Karen Solinski (NCACHE); WY DOE; Iowa; West Virginia Council for Community and Technical College;Texas Workforce Commission; Pennsylvania DOE; Michigan DOE; CA Bureau for Private Postsecondary ED; Florida DOE; Missouri DOE; New Jersey; OH Ohio State Board of Career Colleges and Schools; Representatives from: NASASPS; Ohio; Iowa; Massachusetts; Minnesota; Georgia; Nevada; Arizona; Arkansas; Kansas; Utah

Purpose for the Conference Call:
To ensure that all regulatory agencies are aware of the situation with the Corinthian Colleges Inc., (CCI), the MOU, and to develop a plan of communication going forward to ensure that:

- In the case of closure, we have good contacts that can share information quickly;
- We develop and discuss agency plans of action, when necessary (teach-outs);
- In case of Changes In Ownerships (CIOs), we can also share information and be in a position to respond to CCI in an expeditious manner;
- Answer questions, as necessary;
- Identify any actions that are on-going/pending with any of the oversight accrediting agencies and state agencies.

Summary of recent developments:

Over the last few months, the Department has been working to obtain information from CCI, including Job Placement information. CCI has not complied with providing all the requested information to the Department.

On June 12th, the Department sent CCI a letter placing all of the schools on Heightened Cash Monitoring 1 (HCM1); which of most consequence included –

- Delay of funding for 21 days: CCI was required to submit student rosters (for anticipated disbursements) and wait 21 days to draw down the funds.
- Provide data on any schools it intends to sell, close, etc, and any schools for which teachout agreements have not been secured.

In response, CCI began discussions with the Department about closure and/or sale of its Title IV participating institutions.

The MOU addresses the following:

- Provides CCI with funding to begin an orderly closure/sale of the schools. $16 mil to fund operations through June 27th.
- By July 1st, provide the plan (STATUS) for the closure/sale of all CCI schools.
- Within 30 days, provide teach-out plans for ALL schools that participate in the Title IV programs.
- Agreement by CCI of NO new enrollments at any of the schools it will be closing (some due to the denial of recerts)

Concerns raised and issues we need to discuss further:

- Academic records and who will keep those (State oversight agencies?)
- On-line students: How do we better address those students, the records, continued funding for transfer/completion of the program.
- Placing restrictions on new enrollments, as necessary.

Next steps:

- Please share information/communication with the Department, and others, as appropriate so that everyone is reacting quickly to any new information or to collaborate when necessary.

- Ensure that we develop a Communication Plan going forward

The Department held a meeting with all accreditors and most of the states. We plan to have more meetings with Accreditors/State Agencies after we receive and evaluate the information that CCI will be submitting by July 1st on the plan for schools they plan to close, sell, teach-out, etc.

- Develop a list of Points of Contact for all agencies involved. Any others you wish to add, that are not on this distribution list, please send those names to Martina Fernandez-

Rosario via email at martina.fernandez-rosario@ed.gov<mailto:martina.fernandez-rosario@ed.gov>.

PLEASE NOTE: All regulatory agencies should proceed with any action deemed necessary, despite the actions taken by the Department. We ask that you please keep us informed, and provide us with copies, of any actions/documents sent to any CCI owned school.

Thank you all for your participation and continued partnership as we strive to handle this situation in the best possible way to ensure that our students are protected.

From: Holly Viar <HViar@abhes.org>
Sent: 5/1/2015 9:24:53 AM -0400
To: 'sdonovan@globeuniversity.edu'
CC: 'aslrecordsmanager@ed.gov'; 'david.dies@eab.state.wi.us'; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; 'dbalasa@aama-ntl.org'; 'cdamon@americanmedtech.org'
Subject: ABHES Commission Action Letter
Attachments: MA-401_GlobeUniversity_LaCrosseWI_prog_cont_grnt_subto_met_52015.pdf ; MA-401_Certificate.pdf

Dear On-Site Administrator:

Please see the attached ABHES Commission Action Letter.

Thank you,

Holly Viar

Manager of Compliance

Accrediting Bureau of Health Education Schools (ABHES)

7777 Leesburg Pike, Suite 314N

Falls Church, VA 22043

(703) 917-9503 / Direct (571)-282-0047 / Fax (703) 917-4109

hviar@abhes.org / www.abhes.org

SAVE THE DATES! ABHES will host its 13th Annual National Conference on Allied Health Education, Wednesday through Friday, February 24-26, 2016, at the Marriott Rivercenter in San Antonio, Texas. Details to be provided soon!

CERTIFICATE OF ACCREDITATION

THIS CERTIFICATE IS AWARDED TO

GLOBE UNIVERSITY
LA CROSSE, WISCONSIN

ABHES PROGRAMMATIC SCHOOL – MEDICAL ASSISTANT

This certificate serves as evidence that the named program has been inspected, evaluated and found, by a qualified panel, to comply with accreditation standards established by ABHES and is capable of educating students for entry level employment in the Medical Assistant field.

(b)(6)

ABHES Chair

May 1, 2015
Date

(b)(6)

ABHES Executive Director

May 1, 2015
Date

February 28, 2019
GRANT EXPIRATION

ACCREDITING BUREAU OF HEALTH EDUCATION SCHOOLS
7777 Leesburg Pike, Suite 314 N. · Falls Church, Virginia 22043
Tel. 703/917.9503 · Fax 703/917.4109 · E-Mail: info@abhes.org

Transmitted by electronic mail only: sdonovan@globeuniversity.edu

May 1, 2015 ID#: MA-401

Ms. Stephanie Donovan
Campus Director
Globe University
2651 Midwest Drive
La Crosse, WI 54650

Dear Ms. Donovan:

The Accrediting Bureau of Health Education Schools (ABHES) has received and reviewed your response to the Commission's February 2015 letter granting continued programmatic accreditation subject to the receipt of requested information. The information supplied addresses the Commission's concerns. Your institution's grant of Medical Assisting programmatic accreditation is effective the date of this letter and expires **February 28, 2019.**

The following program is included in this grant of accreditation:

Program	**Total Clock Hours**	**Length in Weeks**	**Academic Credit Hours ☑ quarter ☐ semester**	**Method of Delivery**	**Credential Awarded**
Medical Assistant	1275	91D/E	92	Blended	Associate of Applied Science

You are reminded to notify the ABHES office of any changes in program content, including total hours, courses, or credit hours in the current program, or change in delivery method (e.g., traditional to distance or vice versa) prior to implementation.

A certificate of accreditation is attached. Please contact the ABHES office if you would like an electronic copy of ABHES logos. When publicizing your accredited status, you must use one of the statements as described in the *Accreditation Manual*.

Accreditation by ABHES signifies that the institution has met the eligibility criteria and evaluation standards of ABHES as evidenced during its most recent on-site review and continues to comply with the policies and procedures for maintenance of accreditation as established by ABHES.

As a reminder, continuous compliance is a requirement to maintain accreditation. The Commission can withdraw accreditation at any time if it determines that an institution is not complying with its policies or standards, **and there is a maximum timeframe for required compliance (see III.C. of the *Accreditation Manual*)**. This includes instances where the retention, licensing and/or credentialing, or employment rates fall below 70 percent as reported on the institution's or program's annual report and as prescribed by the *Accreditation Manual* or when the reported rates cannot be validated.

While ABHES is recognized by the U.S. Secretary of Education, various credentialing bodies, and postsecondary institutions throughout the country, accreditation does not guarantee Title IV or other financial aid eligibility, credentialing opportunities for graduates, or the ability to transfer credits to other institutions. It is the responsibility of institutions accredited by ABHES and individuals seeking to train at an ABHES-accredited institution to explore all necessary aspects associated with their objectives.

As applicable, the institution is encouraged to correspond directly with the U.S. Department of Education and to maintain continuous awareness and understanding of the rules and regulations governing eligibility and continued participation in federal financial aid programs.

The U.S. Department of Education and the appropriate state-licensing agency have been notified of this action.

Please note the **ABHES-identification number** above and use that number on all correspondence sent to ABHES. If you have any questions concerning this correspondence, please contact the ABHES office at (703) 917-9503.

Congratulations on achieving continued accreditation by ABHES!

Sincerely,

(b)(6)

Florence Tate
Executive Director

Attachment: Certificate of Accreditation

c: Herman Bounds, U.S. Department of Education
David Dies, Wisconsin Higher Education Policy Commission
Accrediting Council for Independent Colleges and Schools (ACICS)
Donald Balasa, American Association of Medical Assistants
Christopher Damon, American Medical Technologists

From:	Holly Viar <HViar@abhes.org>
Sent:	5/13/2015 11:45:52 AM -0400
To:	'amiritello@globeuniversity.edu'
CC:	'aslrecordsmanager@ed.gov'; 'jackw@sdbor.edu'; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; 'dbalasa@aama-ntl.org'; 'cdamon@americanmedtech.org'
Subject:	ABHES Commission Action Letter
Attachments:	MA-411 GlobeUniversity_SiouxFallSDprog_cont_grnt_subto_met.pdf; MA-411_Certificate.pdf

Dear On-Site Administrator:

Please see the attached ABHES Commission Action Letter.

Thank you,

Holly Viar

Manager of Compliance

Accrediting Bureau of Health Education Schools (ABHES)

7777 Leesburg Pike, Suite 314N

Falls Church, VA 22043

(703) 917-9503 / Direct (571)-282-0047 / Fax (703) 917-4109

hviar@abhes.org / www.abhes.org

SAVE THE DATES! ABHES will host its 13th Annual National Conference on Allied Health Education, Wednesday through Friday, February 24-26, 2016, at the Marriott Rivercenter in San Antonio, Texas. Details to be provided soon!

ACCREDITING BUREAU OF HEALTH EDUCATION SCHOOLS
7777 Leesburg Pike, Suite 314 N. · Falls Church, Virginia 22043
Tel. 703/917.9503 · Fax 703/917.4109 · E-Mail: info@abhes.org

Transmitted by electronic mail only: amiritello@globeuniversity.edu

May 13, 2015 ID#: MA-411

Ms. Aimee Miritello
Campus Director
Globe University
5101 S. Broadband Lane
Sioux Falls, SD 57108

Dear Ms. Miritello:

The Accrediting Bureau of Health Education Schools (ABHES) has received and reviewed your response to the Commission's August 2015 letter granting continued programmatic accreditation subject to the receipt of requested information. The information supplied addresses the Commission's concerns. Your institution's grant of Medical Assisting programmatic accreditation is effective the date of this letter and expires **February 28, 2019.**

The following programs are included in this grant of accreditation:

Program	Total Clock Hours	Length in Weeks	Academic Credit Hours ☑ quarter ☐ semester	Method of Delivery	Credential Awarded
Medical Assistant	1275	91D	92	Residential; Blended	Associate of Applied Science

You are reminded to notify the ABHES office of any changes in program content, including total hours, courses, or credit hours in the current programs, or change in delivery method (e.g., traditional to distance or vice versa) prior to implementation.

A certificate of accreditation is attached. Please contact the ABHES office if you would like an electronic copy of ABHES logos. When publicizing your accredited status, you must use one of the statements as described in the *Accreditation Manual.*

Accreditation by ABHES signifies that the institution has met the eligibility criteria and evaluation standards of ABHES as evidenced during its most recent on-site review and continues to comply with the policies and procedures for maintenance of accreditation as established by ABHES.

As a reminder, continuous compliance is a requirement to maintain accreditation. The Commission can withdraw accreditation at any time if it determines that an institution is not complying with its policies or standards, **and there is a maximum timeframe for required compliance (see III.C. of the *Accreditation Manual*)**. This includes instances where the retention, licensing and/or credentialing, or employment rates fall below 70 percent as reported on the institution's or program's annual report and as prescribed by the *Accreditation Manual* or when the reported rates cannot be validated.

While ABHES is recognized by the U.S. Secretary of Education, various credentialing bodies, and postsecondary institutions throughout the country, accreditation does not guarantee Title IV or other financial aid eligibility, credentialing opportunities for graduates, or the ability to transfer credits to other institutions. It is the responsibility of institutions accredited by ABHES and individuals seeking to train at an ABHES-accredited institution to explore all necessary aspects associated with their objectives.

As applicable, the institution is encouraged to correspond directly with the U.S. Department of Education and to maintain continuous awareness and understanding of the rules and regulations governing eligibility and continued participation in federal financial aid programs.

The U.S. Department of Education and the appropriate state-licensing agency have been notified of this action.

Please note the **ABHES-identification number** above and use that number on all correspondence sent to ABHES. If you have any questions concerning this correspondence, please contact the ABHES office at (703) 917-9503.

Congratulations on achieving continued accreditation by ABHES!

Sincerely,

(b)(6) [redacted]

Florence Tate
Executive Director

Attachment: Certificate of Accreditation

c: Herman Bounds, U.S. Department of Education
Jack R. Warner, South Dakota Board of Regents
Albert C. Gray, Ph.D., Accrediting Council for Independent Colleges and Schools
Donald Balasa, American Association of Medical Assistants
Christopher Damon, American Medical Technologists

CERTIFICATE OF ACCREDITATION

THIS CERTIFICATE IS AWARDED TO

GLOBE UNIVERSITY
SIOUX FALLS, SOUTH DAKOTA

ABHES PROGRAMMATIC SCHOOL – MEDICAL ASSISTANT

This certificate serves as evidence that the named program has been inspected, evaluated and found, by a qualified panel, to comply with accreditation standards established by ABHES and is capable of educating students for entry level employment in the Medical Assistant field.

(b)(6)

ABHES Chair

May 13, 2015
Date

Accrediting Bureau of Health Education Schools

(b)(6)

ABHES Executive Director

May 13, 2015
Date

February 28, 2019
GRANT EXPIRATION

From:	Holly Viar <HViar@abhes.org>
Sent:	5/20/2015 9:53:58 AM -0400
To:	'kstevens@globeuniversity.edu'
CC:	'aslrecordsmanager@ed.gov'; 'david.dies@eab.state.wi.us'; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; 'dbalasa@aama-ntl.org'; 'cdamon@americanmedtech.org'
Subject:	ABHES Commission Action Letter
Attachments:	MA-433_GlobeUniversity_GrandChuteWI_prog_cont_grnt_subto_met_2015.pdf; MA-433_Certificate.pdf

Dear On-Site Administrator:

Please see the attached ABHES Commission Action Letter.

Thank you,

Holly Viar

Manager of Compliance

Accrediting Bureau of Health Education Schools (ABHES)

7777 Leesburg Pike, Suite 314N

Falls Church, VA 22043

(703) 917-9503 / Direct (571)-282-0047 / Fax (703) 917-4109

hviar@abhes.org / www.abhes.org

SAVE THE DATES! ABHES will host its 13th Annual National Conference on Allied Health Education, Wednesday through Friday, February 24-26, 2016, at the Marriott Rivercenter in San Antonio, Texas. Details to be provided soon!

CERTIFICATE OF ACCREDITATION

THIS CERTIFICATE IS AWARDED TO

GLOBE UNIVERSITY
GRAND CHUTE, WISCONSIN

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(b)(6)

ABHES Chair

May 20, 2015
Date

(b)(6)

ABHES Executive Director

May 20, 2015
Date

February 28, 2019
GRANT EXPIRATION

ACCREDITING BUREAU OF HEALTH EDUCATION SCHOOLS
7777 Leesburg Pike, Suite 314 N. · Falls Church, Virginia 22043
Tel. 703/917.9503 · Fax 703/917.4109 · E-Mail: info@abhes.org

Transmitted by electronic mail only: kstevens@globeuniversity.edu

May 20, 2015 ID#: MA-433

Ms. Kimberly Stevens
Campus Director
Globe University
5045 West Grande Market Drive
Grand Chute, WI 54913

Dear Ms. Stevens:

The Accrediting Bureau of Health Education Schools (ABHES) has received and reviewed your response to the Commission's February 2015 letter granting continued programmatic accreditation subject to the receipt of requested information. The information supplied addresses the Commission's concerns. Your institution's grant of Medical Assisting programmatic accreditation is effective the date of this letter and expires **February 28, 2019.**

The following programs are included in this grant of accreditation:

Program	Total Clock Hours	Length in Weeks	Academic Credit Hours ☑ quarter ☐ semester	Method of Delivery	Credential Awarded
Medical Assistant	1275	91 D/E	92	Blended	Associate of Applied Science
Medical Assistant	1870	65 D/E	67	Blended	Diploma

You are reminded to notify the ABHES office of any changes in program content, including total hours, courses, or credit hours in the current programs, or change in delivery method (e.g., traditional to distance or vice versa) prior to implementation.

A certificate of accreditation is attached. Please contact the ABHES office if you would like an electronic copy of ABHES logos. When publicizing your accredited status, you must use one of the statements as described in the *Accreditation Manual*.

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As applicable, the institution is encouraged to correspond directly with the U.S. Department of Education and to maintain continuous awareness and understanding of the rules and regulations governing eligibility and continued participation in federal financial aid programs.

The U.S. Department of Education and the appropriate state-licensing agency have been notified of this action.

Please note the **ABHES-identification number** above and use that number on all correspondence sent to ABHES. If you have any questions concerning this correspondence, please contact the ABHES office at (703) 917-9503.

Congratulations on achieving continued accreditation by ABHES!

Sincerely,

(b)(6)

Florence Tate
Executive Director

Attachment: Certificate of Accreditation

c: Herman Bounds, U.S. Department of Education
David Dies, Wisconsin Education Approval Board
Accrediting Council for Independent Colleges and Schools (ACICS)
Donald Balasa, American Association of Medical Assistants
Christopher Damon, American Medical Technologists

From:	Holly Viar <HViar@abhes.org>
Sent:	5/6/2015 3:09:23 PM -0400
To:	'apalas@globeuniversity.edu'
CC:	'aslrecordsmanager@ed.gov'; 'david.dies@eab.state.wi.us'; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; 'dbalasa@aama-ntl.org'; 'cdamon@americanmedtech.org'
Subject:	ABHES Commission Action Letter
Attachments:	MA-061_Globe_Rothschild_prog_cont_grnt_subto_met.pdf; MA-061_Certificate.pdf

Dear On-Site Administrator:

Please see the attached ABHES Commission Action Letter.

Thank you,

Holly Viar

Manager of Compliance

Accrediting Bureau of Health Education Schools (ABHES)

7777 Leesburg Pike, Suite 314N

Falls Church, VA 22043

(703) 917-9503 / Direct (571)-282-0047 / Fax (703) 917-4109

hviar@abhes.org / www.abhes.org

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CERTIFICATE OF ACCREDITATION

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GLOBE UNIVERSITY
ROTHSCHILD, WISCONSIN

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(b)(6)

ABHES Chair

May 6, 2015
Date

(b)(6)

ABHES Executive Director

May 6, 2015
Date

February 28, 2019
GRANT EXPIRATION

ACCREDITING BUREAU OF HEALTH EDUCATION SCHOOLS
7777 Leesburg Pike, Suite 314 N. · Falls Church, Virginia 22043
Tel. 703/917.9503 · Fax 703/917.4109 · E-Mail: info@abhes.org

Transmitted by electronic mail only: apalas@globeuniversity.edu

May 6, 2015 ID#: MA-061

Ms. Andrea Palas
Campus Director
Globe University
1480 County Road XX
Rothschild, WI 54474

Dear Ms. Palas:

The Accrediting Bureau of Health Education Schools (ABHES) has received and reviewed your response to the Commission's August 2015 letter granting continued programmatic accreditation subject to the receipt of requested information. The information supplied addresses the Commission's concerns. Your institution's grant of Medical Assisting programmatic accreditation is effective the date of this letter and expires **February 28, 2019.**

The following program is included in this grant of accreditation:

Program	Total Clock Hours	Length in Weeks	Academic Credit Hours ☑ quarter ☐ semester	Method of Delivery	Credential Awarded
Medical Assistant	1275	91D	92	Residential; Blended	Associate of Applied Science

You are reminded to notify the ABHES office of any changes in program content, including total hours, courses, or credit hours in the current program, or change in delivery method (e.g., traditional to distance or vice versa) prior to implementation.

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As applicable, the institution is encouraged to correspond directly with the U.S. Department of Education and to maintain continuous awareness and understanding of the rules and regulations governing eligibility and continued participation in federal financial aid programs.

The U.S. Department of Education and the appropriate state-licensing agency have been notified of this action.

Please note the **ABHES-identification number** above and use that number on all correspondence sent to ABHES. If you have any questions concerning this correspondence, please contact the ABHES office at (703) 917-9503.

Congratulations on achieving continued accreditation by ABHES!

Sincerely,

(b)(6)

Florence Tate
Executive Director

Attachment: Certificate of Accreditation

c: Herman Bounds, U.S. Department of Education
David Dies, Wisconsin Education Approval Board
Accrediting Council for Independent Colleges and Schools (ACICS)
Donald Balasa, American Association of Medical Assistants
Christopher Damon, American Medical Technologists

From:	Amanda Ludwa <ALudwa@abhes.org>
Sent:	11/16/2015 3:23:27 PM -0500
To:	'llundquist@globeuniversity.edu'
CC:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; betsy.talbot@state.mn.us; miriamwilliams@msbcollege.edu
Subject:	ABHES: Voluntary Relinquishment - Programmatic Accreditation - Medical Assistant AAS Program
Attachments:	MA-407_mn_schl_busns_voluntary_reliquishment_112015.pdf

Good afternoon, Ms. Lundquist:

In response to the recent communication received by ABHES on November 16, 2015, regarding the Medical Assistant Associate of Applied Science degree program offered at the Richfield campus location, please find formal acknowledgement of the voluntary relinquishment of programmatic accreditation.

Thank you.

Regards,

Amanda Ludwa

Manager of Programs

Accrediting Bureau of Health Education Schools (ABHES)

7777 Leesburg Pike, Suite 314N

Falls Church, VA 22043

Direct: (571) 282-0051 / Main: (703) 917-9503 / Fax: (703) 917-4109

www.abhes.org

ABHES will host its 13th Annual National Conference on Allied Health Education, Wednesday through Friday, February 24-26, 2016, at the Marriott Rivercenter in San Antonio, Texas. Registration NOW OPEN! Click HERE to view the Program Preview and to Register Online.

ACCREDITING BUREAU OF HEALTH EDUCATION SCHOOLS
7777 Leesburg Pike, Suite 314 N. · Falls Church, Virginia 22043
Tel. 703/917.9503 · Fax 703/917.4109 · E-Mail: info@abhes.org

Sent via electronic submission: llundquist@globeuniversity.edu

November 16, 2015

Ms. Lynn Lundquist
Manager of compliance and Student Services
Globe University
8089 Glove Drive, 3rd Floor
Woodbury, MN 55125

Dear Ms. Lundquist:

Minnesota School of Business – Richfield, Minnesota – ABHES ID# MA-407

This is to confirm receipt of the letter dated November 16, 2015, notifying ABHES of the voluntary relinquishment of programmatic accreditation of the Medical Assistant Associate of Applied Science Degree program. The institution's file will reflect relinquishment of programmatic accreditation, effective the reported date of the last program graduate: June 12, 2015.

By copy of this letter ABHES is notifying the Secretary of Education of the United States Department of Education and the relevant regulatory bodies of this fact. If ABHES may be of assistance in the future, please contact us at (703) 917-9503.

Best wishes to you, your institution, and your students.

Sincerely,

(b)(6)

Florence Tate
Executive Director

c: Herman Bounds, U.S. Department of Education
Dr. Albert Gray, Accrediting Council for Independent Colleges and Schools
Betsy Talbot, Minnesota Office of Higher Education
Miriam Williams, Minnesota School of Business - Richfield

From: Jeanne Herrmann <JHerrmann@globeuniversity.edu>
Sent: 12/9/2014 12:10:30 PM -0500
To: Dr. Mary Ramirez (b)(6) @gmail.com>
CC: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject: Acceptance of Resignation

Mary Anne,

We are cognizant of the of the current concerns you are facing with your family and your health. We fully respect the priority you have placed on the welfare of you and your family. And while we appreciate the service you have extended to the Council in your position as a board member and found you to be a competent and intelligent colleague, we will accept your resignation effective today, December 9, 2014. We wish you well in all future endeavors.

Please feel free to connect with Dr. Albert Gray should have any additional questions. Thank you once again for your service to ACICS.

Respectfully,

Jeanne, Chair

ACICS

Jeanne Herrmann

Chief Operating Officer

Globe University/Minnesota School of Business

Minnesota School of Cosmetology

Broadview University and IPR

Phone 651-332-8012

Fax 651-332-8001

jherrmann@globeuniversity.edu

8089 Globe Drive

Woodbury, Minnesota 55125

-------- Original message --------
From: Mary Anne Rea-Ramirez <(b)(6) @gmail.com>
Date:12/08/2014 3:56 PM (GMT-05:00)
To: Jeanne Herrmann <JHerrmann@globeuniversity.edu>
Subject:

Jeanne, after today's meeting and Al's comments I am thinking that it is best if I resign. I can't help the issues of health and family that have occurred this fall. It does not show any signs of stopping as my mom is touch and go and we just don't know what will happen or when. And my daughter is due to deliver mid to late Feb and I am her only support. I need to be with her for the delivery and for a month afterwards. I don't feel I can ignore my family at this time. On top of that being so sick has left me very tired. I felt I was doing my best. I completed all my files for review and attended remotely. I thought I would let you know since I am pushing it a lot just to be there Wed through Friday. I am not happy with Al's comments and don't see any other option.

--

Dr. Mary Anne Ramirez
4407 Grove Ave
Richmond, VA 23221

(b)(6) @gmail.com
804-3398117

August 20, 2014

SENT VIA E-MAIL

Dr. Mitchell H. Peterson *mitchellpeterson@globeuniversity.edu*
Director of Institutional Quality and Effectiveness
Globe University
8089 Globe Dr.
Woodbury, MN 55125l

Dear Dr. Peterson:

Subject: Acknowledgement of Campus Closure

MINNESOTA SCHOOL OF BUSINESS, SHAKOPEE, MINNESOTA ID CODE 00021413(AL)

The Council acknowledges that Minnesota School of Business – Shakopee located at 1200 Shakopee Town Square, Shakopee, Minnesota 55379, ACICS ID Code 00021413, has closed effective June 30, 2014. The Minnesota School of Business – Shakopee campus is an additional location of its main campus located at Minnesota School of Business, 1401 West 76th Street, Suite 500, Richfield, Minnesota 55423, ACICS ID 00011103. The Council notes that it approves the campus closure and teach-out plan submitted by the campus.

ACICS, in accordance with Section 2-3-401 of the *Accreditation Criteria*, has withdrawn your campus' grant of accreditation by way of revocation effective June 30, 2014. The Council notes this is a voluntary action on your part and that your institution is not presently under any show-cause or negative action by the Council.

Thank you for keeping the Council informed of your institution's activities.

Sincerely,

(b)(6)

Ian R. Harazduk
Manager, Compliance

c: Ms. Aimee Larouche, Shakopee Additional Location (alarouche@msbcollege.edu)
Ms. Cathy Sheffield, Accreditation and State Liaison, U.S. Department of Education (aslrecordsmanager@ed.gov)

Mr. Douglas Parrott, U.S. Department of Education, School Participation Team, Region V (douglas.parrott@ed.gov)
Mr. George Roedler, Minnesota Office of Higher Education (george.roedler@state.mn.us)
Dr. Albert C. Gray, ACICS President and CEO (agray@acics.org)
Dr. Joseph E. Gurubatham, ACICS Senior Vice President of Accreditation and Institutional Development (jgurubatham@acics.org)
Ms. Susan Greer, ACICS Associate Vice President – Operations (sgreer@acics.org)

From:	Ian Harazduk <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/653BDA8A64144114820BFCBF53B7514E-IHARAZDUK>
Sent:	1/11/2016 6:07:00 PM -0500
To:	herman.bounds@ed.gov
CC:	info@accsc.org; info@deac.org; wvlarkin@accet.org; puckettg@council.org; info@msche.org; bbrittingham@neasc.org; kwillis@neasc.org; opprogs@mail.nysed.gov; cgasiorek@ncacasi.org; accreditingactions@hlcommission.org; selman@nwccu.org; bwheelan@sacscoc.org; info@tracs.org; bbeno@accjc.org; mail@acswasc.org; mailsocal@acswasc.org; ctruss@cinci.rr.com; christopher.miller@ed.gov; Betty.coughlin@ed.gov; tracy.nave@ed.gov; Christopher.curry@ed.gov; patrice.fleming@ed.gov; douglas.parrott@ed.gov; Kerry.O'Brien@ed.gov; cynthia.thornton@ed.gov; michael.frola@ed.gov; martina.fernandez-rosario@ed.gov; ralph.lobosco@ed.gov; Nancy.paula.gifford@ed.gov; John.loreng@ed.gov; sherrie.bell@ed.gov; 'barbara.hemelt@ed.gov'; aslrecordsmanager@ed.gov; mgregoire@eatright.org; william.goding@acaom.org; Susan.Stone@frontier.edu; pvlasses@acpe-accredit.org; ttamarkin@aamft.org; info@abhes.org; barry.currier@americanbar.org; exdir@abfse.org; nharvison@aota.org; JLUrbeck@aoa.org; kretz@osteopathic.org; maryjaneharris@apta.org; artinkleman@apma.org; szlotlow@apa.org; ptice@asha.org; dgranstrom@avma.org; ron.kroll@abhe.org; acpe@acpe.edu; BFryshma@nyit.edu; awisniewski@cahme.org; aleshire@ats.edu; jbutlin@aacn.nche.edu; tookss@ada.org; info@cea-accredit.org; kzulaski@comta.org; lking@ceph.org; mail@jrcert.org; dhunt@aamc.org; andra@meacschools.org; rebecca@macte.org; amirando@naccas.org; naccas@naccas.org; gjohnson@npwh.org; info@arts-accredit.org; ncate@ncate.org; mstoll@acenursing.org; mark@teac.org; cce@cce-usa.org; jeffrey.miller@dpe.edu; amcgrady@dpe.edu; joann.rieselbach@alaska.gov; Kierke.Kussart@alaska.gov; teri.stanfill@azppse.gov; keith.blanchard@azppse.gov; brenda.germann@arkansas.gov; joanne.wenzel@dca.ca.gov; michele.alleger@dca.ca.gov; Leeza.Rifredi@dca.ca.gov; lorna.candler@dhe.state.co.us; heather.delange@dhe.state.co.us; kdwuest@cpe.state.nv.us; psantoro@ctdhe.org; antoinette.mitchell@dc.gov; Susan.Hood@fldoe.org; Sam.Ferguson@fldoe.org; Rhesa.Rudolph@fldoe.org; billc@npec.state.ga.us; valerie.fenske@osbe.idaho.gov; caryl.smith@osbe.idaho.gov; franklin@ibhe.org; rmiller@bpe.che.in.gov; pradeep.kotamraju@iowa.gov; Carolyn.small@iowa.gov; jjohnson@ksbor.org; cpuderbaugh@ksbor.org; aaron.thompson@ky.gov; marykay.goetter@maryland.gov; occupational.schools@MassMail.State.MA.US; beamishm@michigan.gov; george.roedler@state.mn.us; kverneuille@mccb.edu; nursing@pr.mo.gov; leroy.wade@dhe.mo.gov; Diane.Vigil@state.nm.us; carole.yates@nysed.gov; trainingevaluationunit@dol.state.nj.us; corls@nccommunitycolleges.edu; dehuber@nd.gov; tanya.spilovoy@ndus.edu; chancellor@regents.state.oh.us; john.ware@scr.state.oh.us; nhouse@obpvs.ok.gov; Robert.Sommers@okcareertech.org; hilda.rosselli@state.or.us; alethia.miller@state.or.us; helen.dunford@state.or.us; betmarshal@pa.gov; lburket@pa.gov; plandis@pa.gov; cberrios@ce.pr.gov; reshleman@che.sc.gov; lgoodwin@che.sc.gov; sylviarosacasanova@schev.edu; stephanie.bellard@tn.gov; julie.woodruff@tn.gov; edward.phillips@tn.gov; cathie.maeyaert@thecb.state.tx.us; michael.delong@twc.state.tx.us; mwinegar@utah.gov; egaleria@utah.gov; michaelb@wsac.wa.gov; David.Dies@eab.wisconsin.gov; Pat.Sweeney@eab.wisconsin.gov;

	Linda.Heidtman@eab.wisconsin.gov; communications@schev.edu; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Linda Lundberg <llundberg@acics.org>
Subject:	ACICS December 2015 Council Actions
Attachments:	ACICS December 2015 Council Actions.pdf

Mr. Bounds,

I am sending the attached summary of ACICS Council Actions resulting from the December 2015 Council meeting. This summary is also copied to the ASL Records Manager. In the future we will continue to send the summary report from each Council meeting to you and the ASL Records Manager address.

Please contact us if you have any questions about the summary report.

Ian Harazduk

Senior Manager, Policy and Compliance

Accrediting Council for Independent Colleges and Schools

750 First Street, NE | Suite 980 | Washington, DC 20002

www.acics.org | 202.336.6795 - p | 202.842.2593 - f

January 11, 2016

Mr. Herman Bounds, Director
Accreditation Division
Office of Postsecondary Education
U.S. Department of Education
1990 K Street NW, Room 7126
Washington, DC 20006

Subject: Summary of ACICS Council Actions

Dear Mr. Bounds:

The attached document lists the actions taken by the Accrediting Council for Independent Colleges and Schools at its December 2015 meeting. These actions are effective December 11, 2015. We have also included the substantive change actions that occurred between September – December 2015. You may view these actions on our web site at www.acics.org.

If you have any questions concerning these actions, please contact me at (202) 336-6778.

Sincerely,

(b)(6)

Albert C. Gray, Ph.D.
President and CEO

Enclosure

c: Accrediting Commission of Career Schools and Colleges: info@accsc.org
Accrediting Commission of The Distance Education and Training Council: info@deac.org
Accrediting Council for Continuing Education and Training: wvlarkin@accet.org
Council on Occupational Education: puckettg@council.org
Middle States Commission On Higher Education: info@msche.org
New England Association of Schools and Colleges, Commission On Institutions: bbrittingham@neasc.org
New England Association of Schools and Colleges, CTCI: kwillis@neasc.org

New York State Board of Regents, and the Commissioner of Education: opprogs@mail.nysed.gov
North Central Assn. Commission On Accreditation and School Improvement: cgasiorek@ncacasi.org
North Central Assn. of Colleges and Schools, The Higher Learning Commission: accreditingactions@hlcommission.org
Northwest Commission On Colleges and Universities: selman@nwccu.org
Southern Association of Colleges and Schools: bwheelan@sacscoc.org
Transnational Assn. of Christian Colleges and Schools, Accreditation Commission: info@tracs.org
WASC Accrediting Commission for Community and Junior Colleges: bbeno@accjc.org
WASC Accrediting Commission for Schools: mail@acswasc.org
WASC Accrediting Commission for Schools: mailsocal@acswasc.org
American Medical Technologists: ctruss@cinci.rr.com
Atlanta School Participation Division- Region IV: christopher.miller@ed.gov
Boston/New York School Participation Team- Region I & II: Betty.coughlin@ed.gov
Boston/New York School Participation Team- Region I & II: tracy.nave@ed.gov
Boston/New York School Participation Team- Region I & II: Christopher.curry@ed.gov
Boston/New York School Participation Team- Region I & II: patrice.fleming@ed.gov
Chicago/Denver School Participation Team- Region V & VIII: douglas.parrott@ed.gov
Chicago/Denver School Participation Team- Region V & VIII: Kerry.O'Brien@ed.gov
Dallas School Participation Team- Region VI: cynthia.thornton@ed.gov
Foreign Schools Participation Division: michael.frola@ed.gov
Foreign Schools Participation Division: barbara.hemelt@ed.gov
Kansas City School Participation Team- Region VII: ralph.lobosco@ed.gov
Philadelphia School Participation Team- Region III: Nancy.paula.gifford@ed.gov
Philadelphia School Participation Team- Region III: John.loreng@ed.gov
Philadelphia School Participation Team- Region III: sherrie.bell@ed.gov
San Francisco/Seattle School Participation Team- Region IX: martina.fernandez-rosario@ed.gov
U.S. Department of Education: aslrecordsmanager@ed.gov
The Accreditation Council for Education in Nutrition and Dietetics (ACEND): mgregoire@eatright.org
Accreditation Commission For Acupuncture and Oriental Medicine: william.goding@acaom.org
Accreditation Commission For Midwifery Education: Susan.Stone@frontier.edu
Accreditation Council For Pharmacy Education: pvlasses@acpe-accredit.org
Accreditation For Marriage and Family Therapy Education: ttamarkin@aamft.org
Accrediting Bureau of Health Education Schools: info@abhes.org

American Bar Assn. Council of the Section of Legal Education and Admissions: barry.currier@americanbar.org
American Board of Funeral Service Education, Committee On Accreditation: exdir@abfse.org
Accreditation Council for Occupational Therapy Education (ACOTE): nharvison@aota.org
American Optometric Association, Accreditation Council On Optometric Education: JLUrbeck@aoa.org
American Osteopathic Association: kretz@osteopathic.org
The Commission on Accreditation in Physical Therapy Education (CAPTE): maryjaneharris@apta.org
American Podiatric Medical Association, Council On Podiatric Medical Education: artinkleman@apma.org
American Psychological Association, Commission On Accreditation: szlotlow@apa.org
American Speech-language-Hearing Association, Council On Academic Accreditation: ptice@asha.org
American Veterinary Medical Association, Council On Education: dgranstrom@avma.org
Association For Biblical Higher Education, Commission On Accreditation: ron.kroll@abhe.org
Association For Clinical Pastoral Education, Inc., Accreditation Commission: acpe@acpe.edu
Association of Advanced Rabbinical and Talmudic Schools: BFryshma@nyit.edu
Commission On Accreditation of Healthcare Management Education: awisniewski@cahme.org
Commission On Accrediting of the Association of Theological Schools: aleshire@ats.edu
Commission On Collegiate Nursing Education: jbutlin@aacn.nche.edu
Commission on Dental Accreditation: tookss@ada.org
Commission On English Language Program Accreditation: info@cea-accredit.org
Commission On Massage Therapy Accreditation: kzulaski@comta.org
Council On Education For Public Health: lking@ceph.org
Joint Review Committee On Education In Radiologic Technology: mail@jrcert.org
Liaison Committee On Medical Education: dhunt@aamc.org
Midwifery Education Accreditation Council: sandra@meacschools.org
Montessori Accreditation Council For Teacher Education: rebecca@macte.org
National Accrediting Commission of Career Arts and Sciences, Inc.: amirando@naccas.org
National Accrediting Commission Of Cosmetology Arts & Sciences: naccas@naccas.org
National Association of Nurse Practitioners In Women's Health: gjohnson@npwh.org
National Association of Schools of Art and Design, Commission On Accreditation: info@arts-accredit.org
National Council For Accreditation of Teacher Education: ncate@ncate.org
Accreditation Commission for Education in Nursing: mstoll@acenursing.org

Teacher Education Accreditation Council, Accreditation Committee: mark@teac.org
The Council On Chiropractic Education: cce@cce-usa.org
Alabama Department of Postsecondary Education: jeffrey.miller@dpe.edu
Alabama Department of Postsecondary Education: amcgrady@dpe.edu
Alaska Commission On Postsecondary Education: joann.rieselbach@alaska.gov
Alaska Commission On Postsecondary Education: Kierke.Kussart@alaska.gov
Arizona State Board For Private Postsecondary Education: teri.stanfill@azppse.gov
Arizona State Board For Private Postsecondary Education: keith.blanchard@azppse.gov
Arkansas State Board of Private Career Education: brenda.germann@arkansas.gov
California Bureau For Private Postsecondary Education: joanne.wenzel@dca.ca.gov
California Bureau For Private Postsecondary Education: michele.alleger@dca.ca.gov
California Bureau For Private Postsecondary Education: Leeza.Rifredi@dca.ca.gov
Colorado Department of Higher Education: lorna.candler@dhe.state.co.us
Colorado Department of Higher Education: heather.delange@dhe.state.co.us
Commission On Postsecondary Education (Nevada): kdwuest@cpe.state.nv.us
Connecticut Department of Higher Education: psantoro@ctdhe.org
District of Columbia Office of the State Superintendent of Education: antoinette.mitchell@dc.gov
Florida Department of Education: Susan.Hood@fldoe.org
Florida Department of Education: Sam.Ferguson@fldoe.org
Florida Department of Education: Rhesa.Rudolph@fldoe.org
Georgia Nonpublic Postsecondary Education Commission: billc@npec.state.ga.us
Idaho State Board of Education: valerie.fenske@osbe.idaho.gov
Idaho State Board of Education: caryl.smith@osbe.idaho.gov
Illinois Board of Higher Education: franklin@ibhe.org
Indiana Commission On Proprietary Education: rmiller@bpe.che.in.gov
Iowa Department of Education: pradeep.kotamraju@iowa.gov
Iowa College Student Aid Commission: Carolyn.small@iowa.gov
Kansas Board of Regents: jjohnson@ksbor.org
Kansas Board of Regents: cpuderbaugh@ksbor.org
Kansas State Board of Nursing: mary.blubaugh@ksbn.state.ks.us
Kentucky Council On Postsecondary Education: aaron.thompson@ky.gov
Maryland State Board of Nursing: marykay.goetter@maryland.gov
Massachusetts Division of Professional Licensure: occupational.schools@MassMail.State.MA.US
Michigan Department of Licensing and Regulatory Affairs: beamishm@michigan.gov
Minnesota Office of Higher Education: george.roedler@state.mn.us
Mississippi Commission of Proprietary School and College Registration: kverneuille@mccb.edu
Missouri Board of Nursing: nursing@pr.mo.gov

Missouri Department of Higher Education: leroy.wade@dhe.mo.gov
New Mexico Higher Education Department: Diane.Vigil@state.nm.us
New York State Education Department: carole.yates@nysed.gov
NJ Department of Labor and Workforce Development: trainingevaluationunit@dol.state.nj.us
North Carolina Community College System: corls@nccommunitycolleges.edu
North Dakota Department of Career and Technical Education: dehuber@nd.gov
North Dakota Department of Career and Technical Education: tanya.spilovoy@ndus.edu
Ohio Board of Regents: chancellor@regents.state.oh.us
Ohio State Board of Career Colleges and Schools: john.ware@scr.state.oh.us
Oklahoma Board of Private Vocational Schools: nhouse@obpvs.ok.gov
Oklahoma Career and Technology Education Board of Education: Robert.Sommers@okcareertech.org
Oregon Office of Degree Authorization: hilda.rosselli@state.or.us; helen.dunford@state.or.us; alethia.miller@state.or.us
Pennsylvania Department of Education: betmarshal@pa.gov
Pennsylvania Department of Education: lburket@pa.gov
Pennsylvania Division of Private Licensed Schools: plandis@pa.gov
Puerto Rico Council on Education: cberrios@ce.pr.gov
South Carolina Commission On Higher Education: reshleman@che.sc.gov
South Carolina Commission On Higher Education: lgoodwin@che.sc.gov
State Council of Higher Education For Virginia: sylviarosacasanova@schev.edu
Tennessee Higher Education Commission: stephanie.bellard@tn.gov
Tennessee Higher Education Commission: julie.woodruff@tn.gov
Tennessee Higher Education Commission: edward.phillips@tn.gov
Texas Higher Education Coordinating Board: cathie.maeyaert@thecb.state.tx.us
Texas Workforce Commission: michael.delong@twc.state.tx.us
Utah Dept. of Commerce: mwinegar@utah.gov
Utah Dept. of Commerce: egaleria@utah.gov
Washington Student Achievement Council: michaelb@wsac.wa.gov
Wisconsin Educational Approval Board: David.Dies@eab.wisconsin.gov
Wisconsin Educational Approval Board: Linda.Heidtman@eab.wisconsin.gov
Wisconsin Educational Approval Board: Pat.Sweeney@eab.wisconsin.gov
Dr. Joseph E. Gurubatham – ACICS (jgurubatham@acics.org)
Ms. Susan Greer – ACICS (sgreer@acics.org)

ACICS Council Actions

Effective December 11, 2015

In December 2015, the Council took actions that affected more than 175 campuses accredited by ACICS, including 71 renewals of accreditation (new grants), based on the review of information generated during 138 in-person site visits during September and October 2015. These actions are summarized in the table below and followed by the list of specific institutional actions:

Action to Approve

Initial Grant of Accreditation **9**
- *4 years* *6*
- *3 years* *3*

Renewal of Accreditation (New Grant) **44**
- *6 years* *18*
- *5 years* *16*
- *4 years* *5*
- *3 years* *5*

Branch Campus Accreditation **7**
- *6 years* *2*
- *5 years* *3*
- *4 years* *1*
- *3 years* *1*

Action to Defer until April 2016

The Council has deferred action on the following applications pending receipt of additional documentation that has been requested from the institutions.

Initial Grant of Accreditation **4**

Renewal of Accreditation (New Grant) **26**

Branch Campus Accreditation **2**

Action to Show-Cause Directive

Student Achievement Review Show-cause Directive **8**

Financial Show-Cause Directive **1**

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

ACICS Council Actions
Effective December 11, 2015

Action to Continue Show-Cause Directive

Action to Deny

Please note that all grants of accreditation expire on December 31 of the indicated year unless otherwise noted.

Action to Approve

INITIAL GRANT OF ACCREDITATION - Approved

ACICS ID	Class *	Name, City, State	Grant Length	Grant Expiration
00257320	BC	Jersey College - Ft. Lauderdale, Fort Lauderdale, FL	4 year	2019
00257317	BC	Jersey College - Jacksonville, Jacksonville, FL	4 year	2019
00257314	BC	Jersey College - Tampa, Tampa, FL	4 year	2019
00257304	BC	Jersey College, Ewing, NJ	4 year	2019
00251591	MC	Jersey College, Teterboro, NJ	4 year	2019
00253255	MC	Louisiana Culinary Institute, Baton Rouge, LA	4 year	2019
00244988	MC	Premiere International College, Fort Meyers, FL	3 year	2018
00165332	MC	Seattle Film Institute, Seattle, WA	3 year	2018
00242565	MC	Universal Vocational Institute, Hialeah, FL	3 year	2018

RENEWAL GRANT OF ACCREDITATION - Approved

ACICS ID	Class *	Name, City, State	Grant Length	Grant Expiration
00010428	MC	American Institute, West Hartford, CT	6 year	2021

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

ACICS Council Actions

Effective December 11, 2015

RENEWAL GRANT OF ACCREDITATION - Approved

ACICS ID	Class *	Name, City, State	Grant Length	Grant Expiration
00011184	BC	American National University, Charlottesville, VA	6 year	2021
00021505	BC	American National University, Cincinnati, OH	5 year	2020
00024636	BC	American National University, Columbus, OH	5 year	2020
00011176	BC	American National University, Danville, VA	6 year	2021
00010947	BC	American National University, Lynchburg, VA	5 year	2020
00049448	BC	American National University, Parkersburg, WV	5 year	2020
00010278	MC	American National University, Salem, VA	4 year	2019
00023466	BC	American National University, Youngstown, OH	5 year	2020
00010864	MC	College of Court Reporting, Hobart, IN	4 year	2019
00010578	MC	Delta School of Business & Technology, Lake Charles, LA	6 year	2021
00011098	MC	Gallipolis Career College, Gallipolis, OH	3 year	2017
00023885	BC	Globe University-Moorhead, Moorhead, MN	6 year	2021
00016063	BC	ITT Technical Institute, Everett, WA	3 year	2018
00016073	BC	ITT Technical Institute, Seattle, WA	3 year	2018
00016074	MC	ITT Technical Institute, Spokane Valley, WA	3 year	2018
00010845	MC	Key College, Dania Beach, FL	3 year	2017
00024664	BC	Miller-Motte College, Greenville, NC	5 year	2020
00010233	BC	Miller-Motte College, Wilmington, NC	5 year	2020
00042187	BC	Miller-Motte Technical College, Augusta, GA	5 year	2020
00019077	BC	Miller-Motte Technical College, Charleston, SC	5 year	2020
00020286	BC	Miller-Motte Technical College, Chattanooga, TN	5 year	2020
00010911	MC	Miller-Motte Technical College, Clarksville, TN	5 year	2020
00031484	BC	Miller-Motte Technical College, Columbus, GA	5 year	2020
00021955	BC	Miller-Motte Technical College, Madison, TN	5 year	2020
00022976	BC	Minnesota School of Business - Blaine, Blaine, MN	6 year	2021

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

ACICS COUNCIL ACTIONS

EFFECTIVE DECEMBER 11, 2015

RENEWAL GRANT OF ACCREDITATION - Approved

ACICS ID	Class *	Name, City, State	Grant Length	Grant Expiration
00024688	BC	Minnesota School of Business - Elk River, Elk River, MN	6 year	2021
00024845	BC	Minnesota School of Business - Lakeville, Lakeville, MN	6 year	2021
00011152	BC	Minnesota School of Business, Brooklyn Center, MN	6 year	2021
00020409	BC	Minnesota School of Business, Plymouth, MN	6 year	2021
00011103	MC	Minnesota School of Business, Richfield, MN	6 year	2021
00021959	BC	Minnesota School of Business, Rochester, MN	6 year	2021
00021516	BC	Minnesota School of Business, Waite Park, MN	6 year	2021
00010139	BC	National College, Bristol, TN	5 year	2020
00020615	BC	National College, Knoxville, TN	5 year	2020
00020809	BC	Salter School, Fall River, MA	4 year	2019
00019993	BC	Salter School, Malden, MA	4 year	2019
00010498	BC	Salter School, Tewksbury, MA	4 year	2019
00023862	BC	Southern States University, Newport Beach, CA	6 year	2021
00023864	MC	Southern States University, San Diego, CA	5 year	2020
00022120	BC	Stautzenberger College, Brecksville, OH	6 year	2021
00011980	MC	Stautzenberger College, Maumee, OH	6 year	2021
00010751	MC	The Art Institutes International Minnesota, Minneapolis, MN	6 year	2021
00047158	MC	Universal Training Institute, Perth Amboy, NJ	6 year	2021

BRANCH CAMPUS (Previously referred to as an Additional Location) - Approved

ACICS ID	Class *	Name, City, State *(main campus in parentheses)*	Grant Length	Grant Expiration
00265153	BC	Career Point College, Tulsa, OK (*Main Campus – Career Point College, San Antonio, TX – 00010874*)	4 year	2019

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ACICS COUNCIL ACTIONS

EFFECTIVE DECEMBER 11, 2015

BRANCH CAMPUS (Previously referred to as an Additional Location) - **Approved**

ACICS ID	Class *	Name, City, State *(main campus in parentheses)*	Grant Length	Grant Expiration
00240788	BC	Dewey University Mayaguez, Mayaguez, PR (*Main Campus – Dewey University- Hato Rey Campus, Hato Rey, PR –00010091*)	5 year	2020
00255005	BC	Harris-Casel Institute, Melbourne, FL (*Main Campus – Harris School of Business, Cherry Hill, NJ – 00010547*)	5 year	2020
00237359	BC	Instituto De Banca Y Comercio, Los Colobos, Carolina, PR (*Main Campus – Instituto de Banca y Comercio, Hato Rey, PR – 00010355*)	5 year	2020
00022731	BC	ITT Technical Institute, Vista, CA (*Main Campus – ITT Technical Institute, Indianapolis, IN – 00016040*)	3 year	2018
00173613	BC	Virginia College, Fort Pierce, FL (*Main Campus – Virginia College, Birmingham, AL– 00010582*)	6 year	2021
00221316	BC	Virginia College, Lubbock, TX (*Main Campus – Virginia College, Birmingham, AL– 00010582*)	6 year	2021

ACTION TO DEFER UNTIL APRIL 2016

INITIAL GRANT OF ACCREDITATION – Deferred

ACICS ID	Class *	Name, City, State
00238527	MC	Houstons Training and Education Center, Houston, TX
00250872	MC	Life Line Med Training, Miami, FL
00235634	MC	New Jersey Career Center, Millville, NJ
00227723	MC	SABER College, Miami, FL

RENEWAL GRANT OF ACCREDITATION – Deferred

ACICS ID	Class *	Name, City, State
00022769	BC	American Institute, Clifton, NJ

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

ACICS Council Actions

Effective December 11, 2015

RENEWAL GRANT OF ACCREDITATION – Deferred

ACICS ID	Class *	Name, City, State
00108494	BC	American National University, Canton, OH
00011121	BC	American National University, Harrisonburg, VA
00021196	BC	American National University, Kettering, OH
00010422	BC	American National University, Martinsville, VA
00011138	BC	American National University, Princeton, WV
00060173	MC	Bay Area Medical Academy, San Francisco, CA
00023888	MC	Bergin University of Canine Studies, Rohnert Park, CA
00010509	MC	Bradford School, Pittsburgh, PA
00010874	MC	Career Point College, San Antonio, TX
00040343	BC	Charter College - Canyon Country, Canyon Country, CA
00040346	MC	Charter College - Lancaster Campus, Lancaster, CA
00011153	MC	Consolidated School of Business, Lancaster, PA
00010106	MC	Cope Institute, Brooklyn, NY
00042557	MC	Eastwick College, Nutley, NJ
00036481	MC	Global Health College, Alexandria, VA
00010399	MC	Metro Business College, Cape Girardeau, MO
00010341	BC	Metro Business College, Jefferson City, MO
00010937	BC	Metro Business College, Rolla, MO
00024651	BC	Ohio Business College, Hilliard, OH
00011181	BC	Ohio Business College, Sandusky, OH
00010662	MC	Ohio Business College, Sheffield Village, OH
00011332	MC	Ridley-Lowell Business & Technical Institute, Binghamton, NY
00018863	BC	Southern Technical College, Tampa, FL
00103319	MC	Texas Health and Science University, Austin, TX
00023099	MC	Virginia International University, Fairfax, VA

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BRANCH CAMPUS (Previously referred to as an Additional Location) **- Deferred**

ACICS ID	Class *	Name, City, State *(main campus in parenthesis)*
00149159	BC	California Miramar University-Kenya, Nairobi, Kenya
00239628	BC	Stratford University - Alexandria Campus, Alexandria, VA

ACTION TO SHOW-CAUSE DIRECTIVE

STUDENT ACHIEVEMENT REVIEW - SHOW-CAUSE DIRECTIVE

ACICS ID	Class *	Name, City, State
00022683	BC	Dewey University-Arroyo, Arroyo, PR
00015637	BC	Dewey University-Carolina, Carolina, PR
00024257	BC	Dewey University-Hatillo, Hatillo, PR
00021863	BC	Dewey University-Juana Diaz, Juana Diaz, PR
00024810	BC	Dewey University-Manati, Manati, PR
00010101	BC	Everest University-Brandon, Tampa, FL
00010126	BC	Everest University-Pompano Beach, Pompano Beach, FL
00010604	BC	Everest University-South Orlando, Orlando, FL

FINANCIAL SHOW-CAUSE DIRECTIVE

ACICS ID	Class *	Name, City, State
00027446	MC	Broadview University-West Jordan, West Jordan, UT

ACTION TO CONTINUE SHOW-CAUSE DIRECTIVE

CONTINUE SHOW-CAUSE DIRECTIVE

ACICS ID	Class *	Name, City, State
00023927	BC	Fortis Institute, Birmingham, AL
00010934	MC	Fortis Institute, Erie, PA

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

CONTINUE SHOW-CAUSE DIRECTIVE

ACICS ID	Class *	Name, City, State
00023520	BC	Fortis College, Landover, MD
00010770	MC	Fortis College, Norfolk, VA
00016005	MC	Fortis College, Orange Park, FL
00010414	BC	Fortis College, Ravenna, OH
00011124	BC	Fortis College, Richmond, VA

CONTINUE FINANCIAL SHOW-CAUSE DIRECTIVE

ACICS ID	Class *	Name, City, State
00020292	MC	California International Business University, San Diego, CA
00070534	MC	Pittsburgh Career Institute, Pittsburgh, PA
00011096	MC	Taylor Business Institute, Chicago, IL

ACTION TO DENY

RENEWAL GRANT OF ACCREDITATION – Denied

ACICS ID	Class *	Name, City, State
00015728	MC	Bristol University, Anaheim, CA

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

ACICS Council Actions

Effective September - December, 2015

A summary of the Council decisions taken between September through December, 2015, to reinstate accreditation following a change in ownership, to approve a change in mission or objectives, and to expand an institution's scope of accreditation as the result of a new program of study are:

Summary of Actions to Approve

Details of the decisions are as follows:

Action to Approve

CHANGE IN OWNERSHIP – REINSTATEMENT OF ACCREDITATION

ACICS ID	Class *	Name, City, State
00010863	BC	Kaplan Career Institute, Philadelphia, PA
00011179	MC	Kaplan Career Institute, Harrisburg, PA
00011256	MC	Kaplan Career Institute - ICM Campus, Pittsburgh, PA
00170949	MC	Kaplan Career Institute, Broomall, PA
00171004	MC	Kaplan Career Institute, Philadelphia, PA
00011298	MC	Kaplan College, Sacramento, CA
00010363	MC	Kaplan College, Hammond, IN
00021867	BC	Kaplan College, Bakersfield, CA
00170646	BC	Kaplan College, Arlington, TX
00170918	BC	Kaplan College, Beaumont, TX
00170956	BC	Kaplan College, Brownsville, TX
00170959	BC	Kaplan College, Charlotte, NC

*Class Legend:
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CHANGE IN OWNERSHIP – REINSTATEMENT OF ACCREDITATION

ACICS ID	Class *	Name, City, State
00170962	BC	Kaplan College, Chula Vista, CA
00170989	BC	Kaplan College, Corpus Christi, TX
00170992	MC	Kaplan College, Dallas, TX
00170998	MC	Kaplan College, El Paso, TX
00171001	BC	Kaplan College, Fort Worth, TX
00171007	BC	Kaplan College, Fort Worth, TX
00171010	MC	Kaplan College, San Antonio, TX
00171016	MC	Kaplan College, Las Vegas, NV
00171019	BC	Kaplan College, Laredo, TX
00171022	BC	Kaplan College, Lubbock, TX
00171025	BC	Kaplan College, McAllen, TX
00171031	MC	Kaplan College, North Hollywood, CA
00171034	MC	Kaplan College, Nashville, TN
00171037	BC	Kaplan College, Palm Springs, CA
00171049	MC	Kaplan College, Vista, CA
00171052	BC	Kaplan College, Riverside, CA
00173481	MC	Kaplan College, San Diego, CA,
00173484	MC	Kaplan College, San Antonio, TX
00180852	BC	Kaplan College, Indianapolis, IN
00235912	MC	Kaplan College, Dayton, OH
00223669	MC	Kaplan College, Salida, CA
00223659	BC	TESST College of Technology, Beltsville, MD
00223674	BC	TESST College of Technology, Towson, MD
00235508	BC	TESST College of Technology, Baltimore, MD
00016302	BC	Texas School of Business-Friendswood, Friendswood, TX
00010164	MC	Texas School of Business, Houston, TX

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

ACICS Council Actions

Effective September - December, 2015

CHANGE IN OWNERSHIP – REINSTATEMENT OF ACCREDITATION

ACICS ID	Class *	Name, City, State
00040730	MC	Missouri College, Brentwood, MO

CHANGE IN MISSION OR OBJECTIVES

ACICS ID	Class *	Name, City, State
00149159	BC	California Miramar University-Kenya, Nairobi, Kenya
00024921	MC	California Miramar University, San Diego, CA
00010190	MC	EDIC College, Caguas, PR
00242406	BC	EDIC College, Carolina, PR

PROGRAMS OF STUDY – SUBSTANTIVE CHANGE – OUT-OF-SCOPE

ACICS ID	Class *	Name, Address	Program of Study (*credential in parentheses*)
00060173	MC	Bay Area Medical Academy, San Francisco, CA	Pharmacy Technician (*certificate*)
00262761	MC	Madison Media Institute, Madison, WI	Facilities Management (*diploma*)
00262737	BC	Minneapolis Media Institute, Edina, MN	Facilities Management (*diploma*)
00240580	BC	Nobel University - Buena Park, Buena Park, CA	English as a Second Language (*certificate*)
00022447	MC	Pinchot University, Seattle, WA	Introductory Software Development (*certificate*) Advanced Software Development (*certificate*)
00033448	BC	Ridley-Lowell Business & Technical Institute, Danbury, CT	Esthetics (*diploma*)
00011303	MC	Ridley-Lowell Business &	Esthetics (*diploma*)

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

ACICS Council Actions

Effective September - December, 2015

PROGRAMS OF STUDY – SUBSTANTIVE CHANGE – OUT-OF-SCOPE

ACICS ID	Class *	Name, Address	Program of Study (*credential in parentheses*)
		Technical Institute, New London, CT	
00262833	BC	Rockford Career College, Rockford, IL	Electrical Technician (*diploma*) Facilities Management (*diploma*)
00048177	MC	San Ignacio College, Doral, FL	Early Childhood Education (*academic associate's degree*)

PROGRAMS OF STUDY – SUBSTANTIVE CHANGE – HIGHER CREDENTIAL

ACICS ID	Class *	Name, Address	Program of Study (*credential in parentheses*)
00048177	MC	San Ignacio College, Doral, FL	Education (*master's degree*) Hospitality Management (*master's degree*) Master of Business Administration (*master's degree*)

*Class Legend:
MC = Main Campus / BC = Branch Campus (previously additional location) / LS = Learning Site (previously campus addition)

From:	Amelia R. Selvig <ASelvig@anthonyostlund.com>
Sent:	8/28/2015 12:34:08 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC:	Brooke D. Anthony <BAnthony@anthonyostlund.com>
Subject:	Affidavit
Attachments:	DOCS-#698135-v1-Albert_Gray_Aff.DOCX

Mr. Gray,

It was nice to meet you via phone this morning. I'm attaching for your review your draft affidavit in support of Minnesota School of Business and Globe University's motion for summary judgment. Please review and let me know if you have any questions or comments. I'm available to talk at any time.

Thank you for your time,

Amelia Selvig

AnthonyOstlund
BAER & LOUWAGIE

Amelia R. Selvig | Associate Attorney

Anthony Ostlund Baer & Louwagie P.A.

90 South 7th Street, Suite 3600 | Minneapolis, MN 55402
P (b)(6) | D 612.492.8213 | F 612.349.6996

website | bio | vCard | map | email

Assisted by: Wanda Weberg | wweberg@anthonyostlund.com

STATE OF MINNESOTA | **DISTRICT COURT**

COUNTY OF HENNEPIN | **FOURTH JUDICIAL DISTRICT**
CASE TYPE: CIVIL

State of Minnesota by its Attorney General,
Lori Swanson,

Plaintiff,

v.

Minnesota School of Business, Inc. d/b/a
Minnesota School of Business and Globe
University, Inc. d/b/a Globe University,

Defendants.

Case No.: 27-cv-14-12558
Judge: James A. Moore

AFFIDAVIT OF ALBERT GRAY IN SUPPORT OF DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

CITY OF WASHINGTON)
) ss.
DISTRICT OF COLUMBIA)

Albert Gray, being duly sworn under oath, states the following:

1. I am the President and CEO of the Accrediting Council for Independent Colleges and Schools ("ACICS"). I make this affidavit in support of Defendants' motion for summary judgment.

2. ACICS is the largest national accrediting organization of private post-secondary schools. ACICS currently accredits over 900 schools in the United States.

3. ACICS is recognized as a national accreditor by the Department of Education and the Council for Higher Education Accreditation.

4. Globe University and Minnesota School of Business have been accredited by ACICS for 62 years.

5. ACICS requires all of its members to submit a Campus Accountability Report ("CAR") annually. The purpose of the CAR is to monitor performance of student achievement at campus and programmatic levels. One of the measures is job placement rates.

6. ACICS conducts institutional reviews as part of its grant renewal program. During the institutional review, ACICS hires an expert in the field of job placement rates. As part of the institutional review, the expert reviews the school's CARs and audits the information to verify that the information the school reported was correct.

7. ACICS has never had any concerns regarding how Defendants calculate and report their job placement rates.

8. ACICS has no reason to believe that Defendants' job placement rates are misrepresented or improperly inflated.

FURTHER YOUR AFFIANT SAYETH NOT.

*s/*______________________
Albert Gray

Subscribed and sworn to before me
this __day of August, 2015.

____
Notary Public

My commission expires ____, 2015

From:	Deborah Hill <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/255E33F944F44532A6EC364A80117B1B-DHILL>
Sent:	8/27/2015 2:44:11 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject:	Brooke Anthony - Globe and Minnesota School Business

Al,

Please call Ms. Brooke Anthony regarding providing an affidavit or testifying on behalf of Globe University and Minnesota School of Business regarding their accreditation. Ms. Anthony can be reached at (612) 492-8214

Thank you,

Deborah C. Hill

Deborah C. Hill, MBA

Executive Assistant to the President & CEO

Accrediting Council for Independent Colleges and Schools

750 First Street, NE | Suite 980 | Washington, DC 20002

www.acics.org | 202.336.6796 - p | 202.842.2593 - f

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From: Jeanne Herrmann <JHerrmann@globeuniversity.edu>
Sent: 12/8/2014 1:11:42 PM -0500
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; John Euliano <jeuliano@gkbinvestments.com>; Dr. Edward G. Thomas <e.thomas@csuohio.edu>; Eddie Colon <eddie.colon@abtu.edu>; Dr. Lawrence Leak (b)(6) @gmail.com>
Subject: CCI

How confident are we that CCi will provide a teach-out agreement for the CA schools? Recent news appears as if the closure is imminent and could be immediate upon reaching the deadline of the Department.

http://www.buzzfeed.com/mollyhensleyclancy/corinthian-colleges-campuses-in-california-will-likely-be-sh

But there is also a chance that the California schools, or some portion of them, would shut down immediately. That would happen if Corinthian does not have the means to operate the campuses through teach-out and declares bankruptcy, said Smith, the National Consumer Law Center attorney. "There could suddenly be padlocks on the doors," Smith said.

Jeanne Herrmann
Chief Operating Officer
Globe University/Minnesota School of Business
Minnesota School of Cosmetology
Broadview University and IPR
Phone 651-332-8012
Fax 651-332-8001
jherrmann@globeuniversity.edu

8089 Globe Drive
Woodbury, Minnesota 55125

2014 Campus Accountability Report

Globe University-Moorhead - Moorhead, MN (00023885)

Campus Information

Beginning Population: 138 **Ending Population:** 99

Non-Program Enrollment: 15 **This number is not included in the ending population*

Campus Level Standards

Retention: 65% **Placement: 68%**

Program Level Standards

Program Name	Retention	Placement	Licensure
Accounting(Bachelor's Degree)	67%	100%	N/A
Accounting And Tax Specialist(Academic Associate's Degree)	N/A	N/A	N/A
Business Administration(Academic Associate's Degree)	62%	100%	N/A
Business Administration(Bachelor's Degree)	54%	33%	N/A
Business Administrative Assistant(Certificate/Diploma)	100%	N/A	N/A
Business Management(Bachelor's Degree)	71%	50%	N/A
Health Care Management(Bachelor's Degree)	N/A	N/A	N/A
Information Technology(Bachelor's Degree)	60%	100%	N/A
Information Technology(Academic Associate's Degree)	60%	67%	N/A
Internet Marketing(Academic Associate's Degree)	50%	N/A	N/A
Management Accounting(Academic Associate's Degree)	100%	N/A	N/A
Massage Therapy(Certificate/Diploma)	N/A	N/A	N/A
Massage Therapy(Academic Associate's Degree)	84%	67%	N/A
Massage Therapy - N.D.(Certificate/Diploma)	38%	N/A	N/A
Medical Administrative Assistant(Academic Associate's Degree)	N/A	N/A	N/A
Medical Administrative Assistant(Certificate/Diploma)	N/A	N/A	N/A
Medical Assistant(Academic Associate's Degree)	17%	100%	N/A
Medical Assistant(Certificate/Diploma)	N/A	N/A	N/A
Mobile Application Development(Certificate)	N/A	N/A	N/A
Mobile Application Development(Academic Associate's Degree)	N/A	N/A	N/A

Paralegal(Academic Associate's Degree)	79%	67%	N/A
Paralegal(Bachelor's Degree)	75%	N/A	N/A
Sales And Marketing(Academic Associate's Degree)	50%	100%	N/A
Software Application Development(Bachelor's Degree)	N/A	N/A	N/A
Veterinary Technology(Academic Associate's Degree)	61%	74%	N/A

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	1/14/2016 11:19:33 AM -0500
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject:	FW: Globe University [ID 00015232]
Attachments:	2015.12.29 Order - Summary Judgment (Final Redacted).pdf

FYI.

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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Like us on Facebook - http://facebook.com/acicsaccredits

From: Kenneth McCarthy [mailto:kenmccarthy@globeuniversity.edu]
Sent: Thursday, January 14, 2016 11:17 AM
To: Anthony Bieda
Cc: Jeanne Herrmann; Mitchell Peterson
Subject: Globe University [ID 00015232]

Dear Mr. Bieda,

I write to follow up on the status of the litigation brought by the State of Minnesota against Globe University and Minnesota School of Business. In September, both the Schools and the State moved for summary judgment on all four of the State's claims. I have attached a redacted copy of that order for your reference. The State alleged two claims for consumer fraud (Counts I and II) and two claims related to the Schools institutional loan programs (Counts III and IV). After briefing and argument, the Court dismissed Counts III and IV of the State's Amended Complaint, finding that the Schools' institutional loan programs are not usurious and not in violation of Minnesota licensed lending laws. The Court denied the motions for summary judgment on Counts I and II, finding that genuine issues of material fact precluded judgment on those counts as a matter of law. The Court did not find that the Schools committed any conduct that violated the law. The Court simply found that those claims will go to trial where the State will have the burden of proving the Schools violated the law. Trial is presently scheduled for April and the parties have a pretrial conference with the Judge in the beginning of February.

The Schools are confident that when the Court hears the evidence relating to any consumer fraud claims that it will conclude that the Schools have not been engaged in the conduct alleged by the State. Please let me know if you would like to discuss or have any questions.

Sincerely,

Ken

Kenneth J. McCarthy

Chief Financial Officer

Finance Department

Phone: 651.332.8010

http://www.globeuniversity.edu

STATE OF MINNESOTA | DISTRICT COURT

COUNTY OF HENNEPIN | FOURTH JUDICIAL DISTRICT

Case Type: Civil Other/Misc.

Court File No. 27-CV-14-12558

Judge James A. Moore

State of Minnesota,

Plaintiff,

vs.

Minnesota School of Business, Inc. d/b/a Minnesota School of Business, and Globe University, Inc. d/b/a Globe University,

Defendant.

ORDER GRANTING IN PART AND DENYING IN PART THE PARTIES' SUMMARY JUDGMENT MOTIONS

The above-entitled matter came on for a hearing before the undersigned Judge of District Court on the parties' cross-motions for summary judgment at the Hennepin County Government Center on September 30, 2015. Solicitor General Alan I. Gilbert and Assistant Attorney Generals Kirsi L. Poupore and Adam H. Welle appeared for and on behalf of Plaintiff. Attorneys Brooke D. Anthony, Joseph W. Anthony and Amelia R. Selvig appeared for and on behalf of Defendants. The Court took this matter under advisement at the conclusion of the hearing.

Based upon the file, record, and proceedings herein, the Court, being fully advised in the premises, makes the following:

ORDER

1. Plaintiff's Motion for Summary Judgment is **DENIED, in its entirety.**
2. Defendants' Motion for Summary Judgment is **GRANTED, in part, and DENIED, in part, as follows:**
    a. Defendant's motion for summary judgment as to Counts III and IV of the Amended Complaint is GRANTED.

b. Defendant's motion to dismiss Counts I (CFA) and II (DTPA) of the Amended Complaint is DENIED.

3. Defendants' request to depose Elizabeth Fishbein[1] is GRANTED.

4. The attached Memorandum is incorporated herein.

Dated: December 29, 2015

BY THE COURT:

____
James A. Moore
Judge of District Court

MEMORANDUM

I. Facts

Defendants Minnesota School of Business (hereafter "MSB") and Globe University (hereafter "Globe") (collectively the "Schools") are career training schools, also known as career colleges, that are currently in operation and have been in operation for the past 130 years. (Am. Compl. ¶ 6; Am. Answer to Am. Compl. ¶ 6; Affidavit of Kenneth McCarthy "McCarthy Aff." ¶ 2.) MSB and Globe are accredited by a national organization, the Accrediting Council for Independent Colleges and Schools ("ACICS"). (Am. Compl. ¶ 37; Answer to Am. Compl. ¶ 37.) Together, the Schools operate nineteen campuses in Minnesota, Wisconsin, and South Dakota with more than 13,000 enrolled students and over 900 employees. (McCarthy Aff. ¶ 2.) Since 2009, MSB and Globe have enrolled approximately 28,000 students. (McCarthy Aff. ¶ 4.) Jointly, MSB and Globe offer more than thirty college degrees and certificate programs in business and accounting,

[1] In footnote 5 of the Defendants' Memorandum of Law in Opposition to the State's Motion for Summary Judgment, Defendants challenge the timeliness of the disclosure of a Ms. Fishbein as a witness in the case. The Court has determined that the timing of the disclosure is not unduly prejudicial to this motion and denies Defendants' request to disregard the witness' affidavit. However, the Court agrees that Defendants should be afforded the opportunity to depose Ms. Fishbein prior to trial.

technology, medical and health sciences, paralegal and criminal justice, and creative media. (McCarthy Aff. ¶ 3.)

MSB and Globe are "for-profit" colleges that solicit prospective students through oral and written advertisements. (Am. Compl. ¶ 12.) Many of these students are non-traditional. (McCarthy Aff. ¶ 8.) Prior to and during enrollment, MSB and Globe offer prospective students placement testing, admissions and enrollment advising, financial aid advising, tutoring, and career advising. (Affidavit of Seth Tesdall "Tesdall Aff." Ex. B.) As part of MSB and Globe's solicitation they mail and email prospective students asking them to call the Schools for "career planning meeting[s]," "career consultation[s]", and "one-on-one career planning session[s]." (*See* Affidavit of Kirsi L. Poupore "Poupore Aff." Ex. 3-5.) MSB and Globe employ individuals as admissions representatives to meet with prospective students and to act as career counselors.[2] (*See* Poupore Aff. Ex. 13.)

The enrollment process at MSB and Globe begins when a prospective student contacts the Schools online or over the phone. (Tesdall Aff. ¶ 4-5.) An admissions representative then schedules an appointment with the prospective student and emails the prospective student a confirmation email with a link to an admissions presentation that the prospective student is able to view prior to the appointment. (Tesdall Aff. ¶ 6-7.) The email communication tells prospective students that the appointment will "answer[] questions about a career path in [the student's] chosen field," help with "designing a career path that's right for [the student]," that the Schools will assist students to "learn about career options in [the student's] field of interest," provide information about what degree will lead to the career [the] student wants, and help the student with finding "the career that is right for [them]." (Poupore Aff. Ex. 5-8 (email solicitations).) The telephone script used by the Schools'

[2] The State refers to Defendants' admissions representatives as "salespeople," or "recruiters." For the purposes of this motion, the Court refers to these individuals by the job title, admissions representatives, given to them by MSB and Globe.

admissions representatives contain similar statements regarding what services are offered to prospective students. (*see* Poupore Aff. Ex. 10-12.)

The Schools' admissions representatives receive extensive training prior to working with prospective students. (Tesdall Aff. ¶ 15.) Prior experience in sales is preferred for admissions representatives. (Dep. Roger Kuhl "Kuhl Dep.", 25-27, 69-70; *see also* Poupore Aff. Ex. 13.) The Schools' 2009 Admissions Training Manual trains admissions representatives and career counselors not to "discuss the cost, length, or other information about the school programs over the phone."[3] (Poupore Aff. Ex. 13.) Admissions representatives receive training that: "[c]omplete disclosure, honesty and integrity must be at the forefront of all that we do." (*See* Declaration of Seth Tesdall In Opposition To The State's Motion For Summary Judgment dated September 21, 2015 ("Tesdall 9/21/15 Decl."), Ex. B at 17354.) Admissions representatives are instructed to be "diligent in their observations and trainings to provide an environment that fosters ethical and effective communication between our employees and prospective students." (Tesdall 9/21/15 Decl., Ex. B at 17320.) Admissions representatives and career counselors are trained to arrange an in-person, on-campus meeting with prospective students. (Tesdall Aff. ¶ 5-6; *see e.g.* Affidavit of Heather Von Bank "H. Von Bank Aff." ¶ 4.)

Admissions representatives pursue prospective students, often inundating them with multiple calls and emails regarding potential enrollment. (*See e.g.* H. Von Bank Aff. ¶ 4.) The 2009 Admissions Training Manual instructed MSB and Globe staff members to "master the art of selling," stating that "selling education is different from any other type of selling." (Poupore Aff. Ex. 13.) Training materials for admissions representative state that "[y]ou are there to enroll that

[3] The current admissions training manual is not the same admissions training manual that is referenced in the State's Amended Complaint. (Tesdall Aff. ¶ 17.) For example, Defendants' 2009 Admissions Training Manual was reduced from 217 pages down to 28 pages for the 2010 Admissions Training Manual. (*See e.g.* Poupore Aff. Ex. 13, 20; Tesdall Aff. ¶ 17.) Defendants' current enrollment process is similar to the enrollment process that has been in place at the schools for some time; however, there have been some modifications. (Tesdall Aff. ¶ 18.)

student, not to PR [public relations] him and leave without a commitment" and that "[t]he sale begins when the prospect says 'No.'" (Poupore Aff. Ex. 13.) Admissions representatives were trained in basic sales techniques, including not talking after asking a prospective student if they are ready to enroll (i.e. "[w]hen you ask the question at the final close, remain silent. The next one who speaks loses."). (Poupore Aff. Ex. 13.)

Admissions representatives were trained to recommend specific careers to prospective students:

> We attempt to get 5 or 6 good solid reasons why this person should go into a career field. We build the person's confidence when we share with him all the reasons this is the right choice for him...If he trusts you and you tell him in a convincing way this is the best career option for him, you will have a sale.

(Poupore Aff. Ex. 13.) Admissions representatives were further provided training that:

> The recommendation tells the prospect why they should enter the career field you are recommending...Almost everyone comes in to meet with us a little unsure if they are making the right decision on which career is best for them. The recommendation takes away the doubt.

(Poupore Aff. Ex. 13.) In the September 2014[4] Admissions Training Manual, admissions representatives were trained and required to read the following script to prospective students:

> The … goal is to identify if the career field you are interested in, is the best field for you. We will be able to help you in choosing the right career path by asking you questions about your interests and skills. At the end of our meeting today, I will recommend that your application be submitted for acceptance, but only if both you and I believe that you can benefit from career training and that it would put your career in the direction you would like to see it go.

(Poupore Aff. Ex. 15, 20.) The 2010 Admissions Training Manual trained admissions representatives to present "challenges to the potential students and an attitude that they must prove

[4] Both the State and Defendants redact reference to the month and year of the 2013 and 2014 Admissions Training Manuals in their briefs. Pursuant to its Order, filed July 22, 2015, the Court finds that the month and year references to the Admissions Training Manuals are not protected by the Stipulated Protective Order in this matter. As such, the Court does not redact the month and year notations from this Order.

their worthiness of being accepted." (Poupore Aff. Ex. 20.) Similarly, the 2009 and 2013[5] Admissions Training Manuals instructed admissions representatives to "[c]hallenge the prospect's grades, attendance, ambitions, desires, and [support system], if applicable." (Poupore Aff. Ex. 13, 21.) The 2009 Admissions Training Manual also trained admissions representatives to tell prospective students that the Schools were only accepting a "small number of students" and to:

> [l]et the prospect sell you on all the reasons he should be accepted for training. Cast yourself into the role of deciding if he should be considered for acceptance. You will be on your way to great heights in the educational selling business.

(Poupore Aff. Ex. 13.) Admissions representatives were instructed that they were "selling a feeling, an attitude" that included "painting the dream" of a better future and finding "pain points" in students' lives such as poverty, underemployment, or being a single parent. (*See* Poupore Aff. Ex. 13.; H. Von Bank Aff. ¶ 6; Affidavit of E. Fishbein "Fishbein Aff." ¶ 4-5; Affidavit of J. Jenson "Jenson Aff." ¶ 10.) However, the 2009 Admissions Training Manual also contains the following statements:

> You cannot make promises or guarantees that a prospect will accomplish or succeed in what you offer.
>
> …
>
> You cannot fully assure a prospect will be accepted for your training.
>
> …
>
> You cannot guarantee that the applicant will show up for training, continue with the training, or graduate.
>
> …
>
> You cannot be emphatic about a graduate being placed in a job upon graduation or if they will be successful in his or her chosen career. In fact, you may want to remove the word promise or guarantee when you describe any benefit of attending our school.
>
> …

[5] *See* footnote 3, *supra*.

> We…cannot make promises and guarantees.
>
> …
>
> … You are restricted from making promises or guarantees.
>
> …
>
> Let the prospect come to you, cut down on your talking time, do not make guarantees and promises you are unable to keep and you will achieve many solid enrollments.
>
> …
>
> If you are genuinely sincere in what you do and you truly want to help the prospect solve his/her problems, and you are deeply concerned about his/her thinking, welfare, and future, regardless of whether he enters your training, you will be successful…The ultimate goal of our successful representatives is to help the prospects.
>
> …
>
> The customer's needs and problems come first and you must be concerned and respectful of their problems and needs at all times.
>
> …
>
> Failure to answer the prospect's questions or not answering questions correctly and truthfully borders on misrepresentation and will not be tolerated by the company. If a representative were to deliberately follow this course, it would mean immediate dismissal.

(Tesdall 9/21/15 Decl., Ex. A at 15277, 15278, 15279, 15284, 15289, 15324, 15392.)

Admissions representatives were highly competitive. MSB and Globe published weekly sales numbers to foster competition among admissions representatives. (Poupore Aff. Ex. 14 pg. 126, [redacted][6].) Admissions representatives were required to make approximately 250-400 recruitment calls and scheduled an average of 9-10 appointments with prospective students per week. (Poupore Aff. Ex. 28-29.) Admissions representatives continued to contact prospective

[6] At certain points in its Order, the Court notes that it has redacted references to certain confidential documents in the record. Accordingly, the Court has filed an unredacted, confidential copy of its Order and a redacted, confidential copy of its Order to comply with the parties' Stipulated Protective Order, as approved by the Court.

students even after a prospective student indicated that they were not interested in the Schools. (Poupore Aff. Ex. 31-32.)

Once a prospective student enrolls with MSB or Globe, that student enters into an enrollment agreement. (Tesdall Aff. ¶ 10.) That enrollment agreement contains a number of statements that the student acknowledges by completing the agreement including:

> The institution offers employment assistance to its students and graduates, however, the schools does [sic] not guarantee employment.
>
> …
>
> I have reviewed the transfer of credit policy and transfer of credit to other institutions statement located in the GU/MSB catalog. I understand that credits earned at Globe University and Minnesota School of Business are not universally transferable and the receiving institution determines which credits may be accepted.
>
> …
>
> [For criminal justice students] I have discussed and fully understand that the criminal justice program offered through Globe University/Minnesota School of Business is not POST certified. I realize this prevents me from being eligible to participate in skills training required to be a sworn police officer in the State of Minnesota.

(Tesdall Aff. Ex. A.) Prior to 2010, Defendants' enrollment agreement and disclosures had no language with respect to its criminal justice program. (*See* Poupore Aff. Ex. 72.) However, in 2010, Defendants' modified their enrollment agreement to include language that the criminal justice program was not POST certified. (*See* Poupore Aff. Ex. 73.) With regard to credit transfers, a disclosure appears in the Defendants' annual catalog that states:

> While it is unlikely that credits will transfer to a state college or university, some institutions will accept GU/MSB credits. Credit transfer is always determined at the sole discretion of the receiving institution. GU/MSB cannot provide information on whether outside institutions will accept GU/MSB credits . . . It is not the mission of GU/MSB to act as a transfer institution.

(Tesdall Aff. Ex. B.) Admissions representatives were trained to tell prospective students that ACICS "accreditation is an important consideration for smooth transfer of courses and programs between colleges and universities." (Poupore Aff. Ex. 96.) During training admissions representatives were told that it is not true that "regionals won't accept credits from nationally accredited institutions" and neither national nor regional accreditation is better than the other. (Poupore Aff. Ex. 94-95.)

During the recruitment process or after enrollment, the admissions representative schedules an appointment for the prospective student to meet with Defendants' financial aid department. (Tesdall Aff. ¶ 12.) Admissions representatives received training to tell prospective students that MSB and Globe offer "an excellent financial aid program . . .that strives to make this program affordable." (Poupore Aff. Ex. 142.) MSB and Globe are tuition-funded. (McCarthy Aff. ¶ 6.) The cost of one credit is currently $390 for full-time students and $460 for part-time undergraduate students in all programs other than nursing. (McCarthy Aff. ¶ 7.) MSB and Globe provide information to students regarding funding sources including grants, scholarships, federal student loans and alternative private student loans. (Samstad Dep. 73:1-12.) From January 1, 2009 to the present, MSB and Globe utilized two institutional loan programs for students who could not qualify for private student loans: (1) the Educational Opportunities ("EdOp") program; and (2) the Student Access ("StA") program. (McCarthy Aff. ¶ 10.) Under both programs, MSB and Globe extend credit to students to allow them to attend school at either MSB or Globe. (Samstad Dep. 107:5-7.) Under both programs, students submit one application covering the entire academic year. (McCarthy Aff. ¶ 10.) Money paid out pursuant to the EdOp and StA programs cannot be used to pay for anything other than direct educational expenses at MSB or Globe. (McCarthy Aff. ¶ 10.)

Unlike a traditional student loan, money is not disbursed to the student under the EdOp and StA programs, but rather is credited to student's account in the specific amount needed to cover outstanding educational expenses such as tuition. (Samstad Dep. 107:13-17; Krinke Dep. 174:22-175:5.) Under each program, students could obtain up to a specific dollar amount to cover tuition.

(McCarthy Aff. ¶ 10.)[7] Money paid out to students is credited to a student's account midway through the first school quarter to cover any remaining tuition costs. (Krinke Dep. 237:21-239:4.) The following school quarter, additional amounts, up to the maximum amount allowed, are paid to the student's account if necessary. (Krinke Dep. 237:21-239:4.) MSB and Globe impose a finance charge under both the EdOp and StA lending programs by charging interest on the balance of the loan. (Krinke Dep. 240:1-8.) EdOp loans accrue interest at 18%. (*See* Poupore Aff. Ex. 145-147.) StA loans accrue interest at either 8% or 12%. (Poupore Aff. Ex. 145-147.) Defendants are not licensed by the Minnesota Department of Commerce to provide loans in the State of Minnesota. (Am. Ans. to Am. Compl. ¶ 171.) Defendants are not banks, savings associations, trust companies, licensed pawnbrokers, or credit unions. (*See* Poupore Aff. Ex. 138, pp. 182-83.)

Defendants' criminal justice program offered courses of study for an associate's degree from January of 2009 through December of 2014 and for a bachelor's degree from October of 2009 through December of 2014.[8] (Am. Compl. ¶ 71; Ans. to Am. Compl. ¶ 71; Poupore Aff. Ex. 46.) The criminal justice program offered through MSB and Globe was not POST certified such that a graduate of the Schools' programs would be eligible to participate in the skills training required of licensed peace officers in the State of Minnesota. (Am. Compl. ¶ 74; Am. Ans. to Am. Compl. ¶ 74; Tesdall Aff. Ex. A; Poupore Aff. Ex. 56.) Despite this, Defendants' blog listed "police officer" under the heading for "Best Careers for People with a Criminal Justice Degree," and describes a student enrolled in the criminal justice program as someone hoping to become a local sheriff or state trooper. (Poupore Aff. Ex. 64, 65.) Other published online advertising shows the image of a police officer used in marketing Defendants' criminal justice program. (Poupore Aff. Ex. 67-69.) Multiple students submitted unrebutted affidavits stating that Defendants' admissions

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[7] Students could borrow up to $7,500 per year pursuant to the EdOp program and up to $7,500 per year pursuant to the StA program until 2014 when the maximum borrowable amount dropped to $1,000. (Krinke Dep. 237:21-23, 239:8-10.)
[8] Defendants ceased enrolling new students into the criminal justice program in December of 2014. (Tesdall Aff. ¶ 19; Poupore Aff. Ex. 48.)

representatives directed them towards the criminal justice program when the students indicated they were interested in becoming a police officer. [redacted]

Multiple students who expressed interest in becoming probation agents also submitted unrebutted affidavits stating that Defendants' admissions representatives directed them to Defendants' two-year degree in criminal justice when probation officers need a four-year degree. [redacted]

The State commenced this action by Summons and Complaint filed on July 24, 2014. On March 20, 2015, the State filed an Amended Complaint alleging claims under the Minnesota Prevention of Consumer Fraud Act, Minn. Stat. § 325F.69 (Count I); the Minnesota Uniform Deceptive Trade Practices Act, Minn. Stat. § 325D.44 (Count II); the Minnesota Regulated Loan Act, Minn. Stat. § 56.01 (Count III); and Minnesota's usury statute, Minn. Stat. § 334.01 (Count IV). The counts in the State's Amended Complaint are logically separated into two categories - claims of lending and fraud. In Counts I and II, the State alleges that MSB and Globe engaged in deceptive practices and made deceptive statements in violation of the Consumer Fraud Act (Minn.

Stat. § 325F. 69) and the Deceptive Trade Practices Act (Minn. Stat. § 325D.44). In Counts III and IV, the State alleges that Defendants' institutional loan program constitutes unlicensed lending in violation of the Regulated Loan Act (Minn. Stat. § 56.01) and that Defendants' institutional loans violate Minnesota usury laws (Minn. Stat. § 334.01). The State asserts these claims pursuant to its *parens patriae* authority under Minn. Stat. § 8.31.

The State alleges that Defendants' made false and misleading statements to consumers, made false and misleading statements regarding the criminal justice program, made false and misleading statements regarding the transferability of Defendants' credits to other education institutions, misrepresented their sales team and recruiters as counselors and advisors, and made false and misleading statements regarding Defendants' job placement rates. Additionally, the State alleges that Defendants' institutional loans violate Minnesota's lending laws and, thus, should be declared void and cancelled. Defendants' argue that the State failed to plead individual claims of fraud with particularity, has no evidence to support claims on behalf of all students who attending the schools, and has no evidence of deceptive trade practices or consumer fraud. Defendants' also argue that they are not required to be licensed by the State of Minnesota before making loans pursuant to their institutional lending program and have violated none of Minnesota's lending laws.

II. Analysis

A. Legal Standard

Summary judgment is appropriate when there is no genuine issue as to any material fact and a party is entitled to judgment as a matter of law. Minn. R. Civ. P. 56.03. No genuine issue of material fact exists '[w]here the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party." *DLH, Inc. v. Russ*, 566 N.W.2d 60, 69 (Minn. 1997). While the moving party initially bears the burden of demonstrating that there is no genuine issue of material fact, *Thiele v. Stich*, 425 N.W.2d 580, 583 (Minn. 1988), once established, the nonmoving party "may not rest on the mere allegations or denials," but must produce specific, admissible evidence to create a genuine issue of material fact to be determined at trial. *See* Minn. R. Civ. P. 56.05. If genuine issues of material fact exist, the parties' cross-motions for summary judgment will not obviate the need for a trial on the factual questions. *AAA Striping Services Co. v. Minnesota Dept. of Transp.*, 681 N.W.2d 706, 718 (Minn. App.,2004); *Home Mut. Ins. Co. v. Snyder*, 356 N.W.2d 780, 783 (Minn. App. 1984).

B. The Parties' Cross-motions for Summary Judgment are GRANTED, in part, and DENIED, in part

1. Claims Related to Consumer Fraud Act (Minn. Stat. 325F.69) and Deceptive Trade Practices Act (Minn. Stat. 325D.44)

The Minnesota Consumer Fraud Act ("CFA") prohibits:

> [t]he act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged[.]

Minn. Stat. § 325F.69, subd. 1. To state a claim under CFA, a plaintiff must identify an actionable fraud or misrepresentation and intent to induce reliance on that misrepresentation. *See, e.g. Grp. Health Plan, Inc. v. Philip Morris Inc. et al.*, 621 N.W.2d 2, 12 (Minn. 2001) (consumer fraud described as "misrepresentation made with intent that others rely on it in connection with the sale of any merchandise"). The term "merchandise" includes "services" such as educational training. Minn. Stat. § 325F.68, subd. 2; *Alsides v. Brown Institute, Ltd.*, 592 N.W.2d 468, 475 (Minn. App. 1999) ("classes or course instruction provided by a private, proprietary, for-profit educational institution constitute a "service" or "intangible" under the consumer fraud act."). The Consumer Fraud Act allows for recovery of damages. *Alsides v. Brown Institute, Ltd.*, 592 N.W.2d 468, 475 (Minn. App. 1999). To establish an entitlement to damages, a plaintiff must establish a causal connection between the alleged misrepresentation and harm suffered. *See Grp. Health Plan*, 621 N.W.2d at 4.

The Minnesota Deceptive Trade Practices Act ("DTPA") prohibits a person from engaging in deceptive trade practices in connection with operating a business that:

> …
>
> (2) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;
>
> …
>
> (5) represents that goods or services have...approval, characteristics...uses, benefits, or quantities that they do not have...;
>
> …
>
> (7) represents that goods or services are of a particular standard, quality, or grade...if they are of another;
>
> …
>
> (9) advertises goods or services with intent not to sell them as advertised;
>
> …; or
>
> (13) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

Minn. Stat. § 325D.44, subd. 1. Similar to the CFA, liability under the DTPA is based on "the conduct of the defendant that is prohibited," and not on reliance by a consumer. *See Grp. Health Plan*, 621 N.W.2d at 12.

"The sole statutory remedy for deceptive trade practices is injunctive relief." *Alsides*, 592 N.W.2d at 476. Liability for injunctive relief and statutory penalties is established under the CFA and DTPA by showing that Defendants made statements that tend to deceive or mislead a person and Defendants intended for others to rely on the statements in connection with the sale of their services; and monetary relief is available if some sort of causal connection, referred to as a causal nexus, is shown between Defendants' statements and harm to consumers. *See e.g.* Minn. Stat. § 325F.69, subd. 1; *Graphic Comms. Local 1B Health & Welfare Fund A v. CVS Caremark Corp.*, 850 N.W.2d 682, 694-95 (Minn. 2014) (superseded on other grounds); and *Group Health Plan, Inc. v. Philip Morris Inc.*, 621 N.W.2d 2, 5, 12 (Minn. 2001). Injunctive relief is required even if a violation is not "continuing," did not actually "deceive" people and there is no "likelihood of future harm." *See, e.g.*, *Group Health*, 621 N.W.2d at 12 (recognizing that the State's "misrepresentation in sales statutes," including the CFA and DTPA, define a violation in terms of "the conduct of the defendant that is prohibited" and therefore "reliance is not an element of a violation when seeking injunctive relief"); *id.* (stating CFA "defines the conduct proscribed essentially as any misrepresentation made with intent that others rely on it in connection with the sale of any [services]"); Minn. Stat. § 325D.44, subd. 2 (stating that under the DTPA proof of "actual confusion or misunderstanding" is unnecessary); Minn. Stat. § 8.31, subd. 3 (providing that Attorney General is "entitled" to injunctive relief upon showing that a violation of the CFA or DTPA has "occurred."). In addition to injunctive relief, the Attorney General is authorized to recover a civil penalty "from any person who is found to have violated" the CFA or DTPA. *Id.*

The CFA and DTPA are generally broadly and liberally construed in favor of protecting consumers. *State v. Philip Morris, Inc.*, 551 N.W.2d 490, 496 (Minn. 1996); *Boubelik v. Liberty State Bank*, 553 N.W.2d 393, 402 (Minn. 1996). However, Minnesota law does not recognize claims for educational malpractice. *Alsides*, 592 N.W.2d at 472-73 ("[t]he majority of courts that have addressed the issue have rejected claims that attack the general quality of education provided to students", *citing Ross v. Creighton Univ.*, 957 F.2d 410, 414(7th Cir. 1992)).Claims related to educational services are not appropriate if they require "inquiry into the nuances of educational processes and theories." *Id.*

a) Pleading Standard Under the CFA and DTPA

Defendants argue that the State has failed to plead its consumer protection claims with sufficient particularity. The Court disagrees. The CFA and DTPA are generally subject to Minn. R.

Civ. P. 9.02 and must be pled with particularity. *See E-Shops Corp., v. U.S. Bank Nat. Ass'n*, 678 F.3d 659, 665 (8th Cir. 2012) (Rule 9 heightened pleading standard apples to CFA and DTPA); *Superior Edge, Inc. v. Monsanto Co.*, 2013 WL 6405362 at *3 (D. Minn. Dec. 6, 2013) (MUDTPA claims subject to heightened pleading standard under Rule 9); *Baker v. Best Buy Stores, LP*, 812 N.W.2d 177, 183 (Minn. Ct. App. 2012) (dismissing CFA claim that was "not stated with the requisite particularity"). However, a *parens patriae* consumer protection claim, unlike a common law fraud claim, is subject to the plain statement pleading standard referenced in Minn. R. Civ. P. 8.01. *See CVS Caremark Corp.*, 850 N.W.2d. 682, 692 (Minn. 2014) (applying Rule 8.01 standard to CFA claim); *see also FTC v. Freecom Commc'ns, Inc.,* 401 F.3d 1192, 1203 n. 7 (10th Cir. 2005) (FTC's enforcement of the FTC Act are not subject to Fed. R. Civ. P. 9(b): "[a] § 5 claim simply is not a claim of fraud as that term is commonly understood or as contemplated by Rule 9(b). . . . [u]nlike the elements of common law fraud, the FTC need not prove scienter, reliance, or injury to establish a § 5 violation."). The Minnesota Supreme Court has "concluded that to state a claim that the CFA has been violated, "the plaintiff need only plead that the defendant engaged in conduct prohibited by the [CFA] and that the plaintiff was damaged thereby." *CVS Caremark Corp.*, 850 N.W.2d at 693 (*citing Grp. Health Plan, Inc., v. Philip Morris, Inc.*, 621 N.W.2d 2 (Minn. 2001)).

Here, the Amended Complaint's allegations of deceptive trade practices in the areas of enrollment, career services, the Defendants' criminal justice program, job placement and accreditation are sufficiently pled.[9] Defendants first assert that they are entitled to summary judgment because the State's Amended Complaint does not plead individual claims of fraud with particularity. However, the Amended Complaint contains statements that Defendants engaged in

[9] In a prior order regarding discovery, the Court found that "the State has detailed a case that includes claims that students or prospective students are misled as to the role of recruiters, the employability of MSB's criminal justice graduates, MSB's job placement assistance, MSB's job placement rates, the nature of the certification of MSB's programs and the resulting impact on the transferability of MSB's credits." (*See* Order Denying Defendant MSB's Motion to Compel Discovery, July 24, 2015.)

conduct prohibited by the CFA and that their students, by and through the State, were damaged thereby. The State is seeking restitution on behalf of all students affected by the alleged deceptive practices and misrepresentations made by Defendants, as it is entitled to do so under Minn. Stat. § 8.31. Defendants are not entitled to summary judgment on this basis.

(1) The Amended Complaint States a Claim for Fraudulent Omissions

"An omission-based consumer fraud claim is actionable under the CFA when special circumstances exist that trigger a legal or equitable duty to disclose the omitted facts." *CVS Caremark*, 850 N.W.2d at 695. "Under the common law, one party to a transaction has no duty to disclose material facts to the other party." *CVS Caremark Corp.*, 850 N.W.2d at 695, 697-98. A party has a duty to disclose only under "special circumstances." *Boubelik v. Liberty State Bank*, 553 N.W.2d 393, 397 (Minn. 1996). The Minnesota Supreme Court has identified three "special circumstances" giving rise to a duty to disclose:

> First, a person who has a confidential or fiduciary relationship with the other party to the transaction must disclose material facts. Second, one who has special knowledge of material facts to which the other party does not have access may have a duty to disclose those facts to the other party. Third, a person who speaks must say enough to prevent the words communicated from misleading the other party.

CVS Caremark, 850 N.W.2d at 695 (citations omitted). *See also Boubelik*, 553 N.W.2d at 397-98; *Klein v. First Edina Nat'l Bank*, 196 N.W.2d 619, 622 (Minn. 1972).

Defendants argue that they have no special duty giving rise to liability to their students for allegedly fraudulent omissions. The Court finds that there is sufficient evidence to raise a question of fact as to whether a special circumstance exists. The record reflects numerous instances of students allegedly being told by admissions representatives that credits would transfer or that the criminal justice program would allow them to become police officers without also being told of the limitations inherent in those statements, such as that transferability depends upon the receiving institution and that regionally and nationally accredited institutions do not easily transfer credits to each other. There is evidence that Defendants' admissions representatives knew that Defendants' criminal justice program was not POST certified and that they knew that transfer of credits to regionally accredited schools that were POST certified was unlikely. If unrebutted, this evidence would support a conclusion that Defendants owed a duty to their students and prospective students to explain the full ramifications of a decision to pursue a criminal justice degree with Defendants and/or to explain that credits obtained at Defendants' schools were not likely to be transferable. On the other hand, Defendants have challenged the State's evidence and have presented evidence that disclosures were made and its admissions representatives were trained to be open and honest with students. Thus, a material fact issue remains as to any omission-based consumer fraud claims in the Amended Complaint. Defendants are not entitled to summary judgment on this basis.

b) The State has Shown a Causal Nexus Between Defendants' Statements and Harm to Defendants' Prospective and Current Students

To recover damages under the Private AG Statute for a violation of the CFA, a "causal nexus" is necessary to establish an entitlement to individual relief, which does not "require a strict showing of direct causation, as would be required at common law." *Grp. Health*, 621 N.W.2d at 14. "There must only be some 'legal nexus' between the injury and defendants' wrongful conduct." *Id.* *Group Health* leaves the question of what type of proof is necessary to prove a causal nexus open. *Id.* However, "direct evidence of reliance by individual consumers" need not be shown. *Id.* When a large number of consumers are subject to a defendant's deceptive practices over a period of time, the causal nexus can be shown by "consumer testimony," as well as other circumstantial evidence of consumer confusion arising from the unlawful conduct. *Id.* n. 9. The systematic nature of the unlawful conduct is highly relevant to showing a causal nexus. *Id.* n.11.

Federal courts apply similar reasoning under the FTC Act to provide redress to individual consumers:

> [T]he FTC is not required to show reliance and injury by each individual consumer. Not only would such proof be virtually impossible, but such a requirement would thwart effective prosecutions of large consumer redress actions and frustrate the statutory goals of the section. Moreover, there arises a presumption of actual reliance where the FTC has demonstrated that the defendant made material misrepresentations, that they were widely disseminated, and that consumers purchased the defendant's product.

Wilcox, 926 F. Supp. at 1105 (citations and quotation marks omitted); *accord Kitco*, 612 F. Supp. at 1293 (authorizing "consumer redress" process and holding "the FTC need only prove that the alleged fraudulent practices were the type of misrepresentation on which a reasonably prudent person would rely, that they were widely disseminated, and that the injured consumers actually purchased the product").

Minnesota's consumer fraud statutes, similar to the FTC Act, were "intended to make it easier to sue for consumer fraud than it had been to sue for fraud at common law," *Grp. Health*, 621 N.W.2d at 12 (quoting *Alpine Air*, 500 N.W.2d at 790), and the Attorney General to has "broader" authority to enforce the legislation than private parties. *Curtis v. Altria Group, Inc.*, 813 N.W.2d 891, 899 (Minn. 2012). Unlike a private litigant, the Attorney General's "duties are to protect *public* rights in the interest of the State." *Id.* (emphasis in original); *see also, e.g., Std. Oil,* 568 Supp. at 565 ("[W]hen a state acts in its quasi-sovereign capacity in a *parens patriae* action, the state becomes, in effect, the embodiment of its citizens. A harm to the individual citizens becomes an injury to the state, and the state in turn becomes the plaintiff.") As the Minnesota Supreme Court stated in *Curtis*:

> …the State AG acts as the attorney for the citizens of Minnesota and has the authority to bring claims and settle claims under section 8.31 on behalf of the citizens of Minnesota. Thus the State AG represents the citizens of the State in a section 8.31 lawsuit. In doing so, the State AG acts "representatively" and "derivatively" for the citizens of Minnesota.

813 N.W.2d at 900 (citations omitted).

Here, the State has alleged misrepresentation and deceptive practices in the manner in which Defendants conducted their enrollment, career services, criminal justice program, job placement rates and accreditation. Defendants assert that the State must present admissible evidence that the entire population of students, or at least some statistically significant portion thereof, was deceived in order to survive summary judgment and that, in this case, the State is unable to do so based upon the 137 students affidavits and nine former employee affidavits. Defendant argues that the State cannot prove causation for to its population of students without expert testimony or consumer survey evidence. The Minnesota Supreme Court has recognized that expert evidence and consumer survey evidence could be used to prove the elements of a DFA or DTPA claim for a larger population. *See Grp. Health Plan, Inc.*, 621 N.W.2d at 14-15 n. 9. However, relevant evidence of causal nexus is not limited to consumer reaction tests, but can be shown by other evidence of the type upon which the State relies here. *Grp. Health,* 621 N.W.2d at 15 n.11; *see also Brown & Williamson*, 778 F.2d at 40-42 (holding that "consumer survey evidence" not necessary to establish confusing or misleading statement under FTC Act). The Minnesota Supreme Court has held that:

> …in cases such as this, where the plaintiffs' damages are alleged to be caused by a lengthy course of prohibited conduct that affected a large number of consumers, the showing of reliance that must be made to prove a causal nexus need not include direct evidence of reliance by individual consumers of defendants' products. Rather, the causal nexus and its reliance component may be established by other direct or circumstantial evidence that the district court determines is relevant and probative as to the relationship between the claimed damages and the alleged prohibited conduct.

Grp. Health, 621 N.W.2d at 14.

In support of its allegations, the State submits the affidavits of 137 students and former students and the affidavits of nine former employees. Through these affidavits the State has asserted a viable causal nexus that Defendants' admissions representatives are trained to intentionally misrepresent certain information to prospective students to induce them into attending the Schools, and that such a systematic practice caused confusion and harm when students and prospective students relied upon it in their decision to attend the Schools. Defendants are correct that at trial individual students will only be able to testify as to their individual experience; however, Defendants fail to acknowledge that the State has also offered the affidavits and testimony of nine former employees who may be able to testify as to a broad range of Defendants' business practices. The affidavits of Defendants' former employees further support the State's allegations that admissions representatives were trained to aggressively pursue students and to enroll them with the Schools regardless of whether a particular program would allow the student to follow his/her chosen career path. Although Defendants point to their training materials in support of their contention that they train employees to be honest with students and to put the student first, the State points to those same training materials for the opposite proposition.

Based on a thorough review of the record, the Court finds that the State's evidence, if believed, could constitute a causal nexus. The Defendants' motion for summary judgment on this basis is denied.

c) Genuine Issues of Material Fact Exists With Regards to Claims in the Amended Compliant Under the CFA and DTPA

As an initial matter, the Court notes that the record before the Court on this motion is vast. In support of its motion, the State relies heavily upon the affidavits of 179 students and nine former employees that detail a pattern of misrepresentation, both direct and by omission. In opposition to the State's motion for summary judgment, Defendants rely upon thirteen employee declarations and 61 declarations of current and graduated students that rebut the State's allegations under both the CFA and DTPA. (*See* Anthony Decl. ¶ 2.) These conflicting statements alone are sufficient to create genuine issues of material fact with regard to the both the claims asserted pursuant to the CFA and pursuant to the DTPA. Both the State and Defendants also rely upon Defendants' written advertising materials, training materials and internal communications, each citing to sections that support their respective positions. The documents speak for themselves to a certain extent; however, interpreting the conflicting sections is a question of fact most appropriate for trial. In an abundance of caution, the Court considers the parties' specific arguments in turn.

(1) Factual Disputes Exist Regarding Whether Defendants' Made False and Misleading Statements and Omissions to Students

(a) Alleged Misleading Advertising, Statements and Omissions Regarding Criminal Justice Program

The State alleges that Defendants represented their criminal justice program as preparing students for careers in the criminal justice field, including, but not limited to, police officer, crime scene investigator, probation officer, FBI agent, and Customs/Border Patrol agent. (Am. Compl. ¶ 71.) The Amended Complaint alleges further that Defendants misrepresented and misled students into believing they could become a Minnesota licensed police officer with Defendants' criminal justice degrees through their websites, advertising, and sales presentations. (Am. Compl. ¶ 71.) In support of its summary judgment motion, the State offers evidence that Defendants made false and misleading statements to students and prospective students regarding whether Defendants' criminal justice degrees would qualify them to become Minnesota police officers. The State relies upon evidence of Defendants' websites and promotional advertising depicting the images of police officers and evidence that Defendants' admissions representatives were trained to direct prospective students that they should enroll in the criminal justice program if they wanted to become a police officer.

Pursuant to Peace Office Training and Licensing rules, Minn. R. 6700.0100, subp. 20, a "school" means a postsecondary institution which is accredited by one of the six *regional* accrediting associations (emphasis added). In order to become a police officer in Minnesota, an individual must graduate from an accredited school and complete POST certification. Defendants' program was nationally accredited, not regionally accredited, and thus a degree from Defendants' law enforcement program did not qualify students for post-graduation law enforcement skills training. Multiple students submitted unrebutted affidavits stating that Defendants' admissions representatives directed them towards the criminal justice program when the students indicated they were interested in becoming police officers. Additionally, multiple students who expressed interest in becoming probation agents submitted unrebutted affidavits stating that Defendants' admissions representatives directed them to Defendants' two-year degree in criminal justice program despite the fact that probation officers need a four-year degree. Many of these affiants include claims that the students were injured by their reliance on Defendants' misrepresentations or omissions. The State further offers eleven job postings for probation or corrections officers in Minnesota to support its claim that a bachelor's degree is required for such positions. (Poupore Aff. 78-88.)

In contrast, Defendants submit a declaration from one student stating that the student enrolled in the criminal justice program and was informed that the program was not POST certified. [redacted] Defendants other student declarations refer to other programs and courses of study offered by Defendants. Defendants submit evidence that they informed students that the criminal justice program was not POST certified in both their enrollment agreement and in the annual course catalog.

In *Wiegand v. Walser,* 683 N.W.2d 807, 813 (Minn. 2004), the Minnesota Supreme Court held that a written disclaimer in a contract does not negate liability for misrepresentations that violate the CFA. *See also Group Health*, 621 N.W.2d at 12 (recognizing that Minnesota's "misrepresentation in sales statutes," including the CFA and DTPA, define violations based on the defendant's prohibited conduct). The parties submit competing affidavits from Defendants' employees and former employees on the question of what they told students regarding whether or not the criminal justice program was POST certified and whether additional training would be required. (*See* Pullin Decl., Pollitt Decl., Martinson Decl., Moncur Decl.) Defendants describe its former employees as "disgruntled" and aver that the statements of the former employees are inconsistent with the statements of students in the criminal justice program who confirm they were given that information. (*See e.g.* Brimmer Decl.; Ruckheim Decl.; Swanson Decl.)

Factual disputes and credibility determinations are not appropriate in a motion for summary judgment. In short, based upon the facts of the record, a genuine issue of material fact exists with respect to Defendants' business practices regarding the allegedly misleading statements about the criminal justice program. As such, summary judgment is not appropriate.

(b) Alleged Misleading Statements Regarding Transferability of Credits

An educational institution is liable under the CFA when it misleads students about the effect of accreditation and resulting transferability of credits. *See Alsides*, 592 N.W.2d at 473 (recognizing actionable consumer fraud claim for student alleging misrepresentation about certification and accreditation of degree) (citing *Malone v. Acad. of Ct. Reporting*, 582 N.E.2d 54, 56-59 (Ohio App. 1990)); *Till v. Delta Sch. of Commerce*, 487 So. 2d 180, 182-83 (La. Ct. App. 1986) (affirming verdict that school misrepresented that program credits were transferable); *Kerr v. Vatterott Educ. Ctrs, Inc.*, 439 S.W.3d 802, 807-08, 818 (Mo. App. 2014) (affirming jury award and punitive damages based on misrepresentation regarding transferability of credits); *Behrend v. Ohio*, 379 N.E.2d 617, 620-21 (Ohio App. 1977) (denying summary judgment in breach-of-contract action based on lack of accreditation and transferability of credit); *Daghlian v. DeVry Univ.*, 461 F. Supp. 2d 1121, 1156 (C.D. Cal. 2006) (denying motion to dismiss claim regarding credit-transferability misrepresentations); *Guzman v. Bridgepoint Educ.*, No. 11cv69, 2012 WL 1944822, at *5-7 (S.D. Cal. May 30, 2012) (recognizing cause of action for misrepresenting, *inter alia*, accreditation and credit transferability). As noted above, the DTPA also specifically proscribes misrepresentations regarding the quality, certification, approval, benefits, and grade of services, or any similar conduct that creates a likelihood of confusion or misunderstanding, as deceptive. Minn. Stat. § 325D.44, subd. 1(2), (3), (5), (7), (13).

The State offers evidence that Defendants trained recruiters to tell prospective students that there was no difference between regional and national accreditation. (E. Fishbein Aff. ¶ 8.) Former admissions representative LeGrande states: "I often overheard admissions representatives telling prospective students that because MSB was accredited, students would have no problem transferring their credits to another school" and "MSB instructed us never to tell students that its credits would not transfer to other schools." (A. LeGrande Aff. ¶ 8, 16.) Former admissions representative Jensen states "[a]t MSB's instruction, I did not disclose to prospective students the fact that most public and non-profit colleges would not accept most MSB credits." (J. Jenson Aff. ¶ 17.) Former admissions representative Von Bank states: "MSB advised us not to tell prospective students that regionally accredited schools would not likely accept MSB's credits…." (H. Von Bank Aff. ¶ 9.) However, admissions representatives Jensen and Fishbein also provided contradictory testimony that they were provided with instructions from Defendants to not advise prospective students whether another institution would accept the Defendants' credits. (J. Jenson Aff. ¶ 17; E. Fishbein Aff. ¶ 9.)

Defendants challenge the State's factual assertion that Defendants trained their admissions representatives to deceive prospective students into enrolling. Current and former employees explain that their training was consistent with both the Admissions Training Manuals and the Defendants' overall expectation that admissions representatives will be honest and forthright in all dealings with students and applicants. Employees describe training that is extensive and focused on ensuring that students have access to accurate and complete information. (Shay Decl. ¶ 3; Miller Decl. ¶ 3; Moncur Decl. ¶ 7; Pullin Decl. ¶ 4; Martinson Decl. ¶ 2.) Overall, the State's factual assertions are contradictory to the Defendants – creating material factual disputes that cannot properly be resolved with summary judgment.

Defendants argue that the State's claims with regard to transferability of credits ultimately relate to the education and curriculum decisions made by Defendants and, thus, must be dismissed as an improper claim for educational malpractice. *See Alsides*, 592 N.W.2d at 473. Claims based on a school's decision about curriculum and how to structure courses are not permitted because such claims involve the "nuances of educational processes and theories." *See id.* at 476. Defendants argue that the State is trying to hold them responsible under a fraud theory for decisions that resulted in the rejection of credits when students sought to transfer schools. However, the State's claim with regard to transferability of credits deals with the allegation that Defendants misrepresented that their credits would transfer to other schools when they actually would not and systematically train their employees to perpetuate that misrepresentation. Properly pleaded causes of action sounding in fraud and other intentional torts may be viable. *Alsides*, N.W.2d at 472 (*citing Helbig v. City of New York*, 212 A.D.2d 506 (N.Y. App. Div. 1995)). The State's claims in this action, with respect to transferability of credits, are not based upon educational malpractice, but, instead, sound in fraud.

Based upon the facts of the record, a genuine issue of material fact exists with respect to Defendants' business practices regarding information provided to students about the transferability of credits. As such, summary judgment is not appropriate for this claim.

(2) Factual Disputes Exist Regarding Defendants' Graduate Job Placement Rates

Consumer fraud claims based on false job placement rates have been recognized as actionable. *See e.g. Bobbitt v. Acad. of Ct. Reporting, Inc.*, 252 F.R.D. 327, 332-33, 345 (E.D. Mich. 2008) (certifying class based on claim of false job-placement rates); *Guzman*, 2012 WL 1944822, at *5-7 (S.D. Cal. May 30, 2012) (denying motion to dismiss claims for misrepresenting, *inter alia*, employability of graduates); *Beckett v. Comp. Career Inst., Inc.*, 852 P.2d 840, 843-44 (Or. App. 1993) (affirming jury verdict concluding that school misrepresented job placement rates under

Oregon Unlawful Trade Practices Act); *Cullen v. Whitman Med. Corp.*, 197 F.R.D. 136, 142, 151-61 (E.D. Penn. 2000) (approving class settlement of fraud claims based on, *inter alia*, false job placement rates). The FTC has also entered several enforcement decrees with educational institutions that similarly misrepresented employment opportunities. *Bell & Howell*, 1980 WL 339008, at *1 (consent order preventing defendant from misrepresenting, *inter alia*, "employment opportunities" and "the need or demand for their graduates").

The State argues that Defendants manufactured their job placement rates by : (1) counting placements where Defendants altered forms in which students reported they were not using their training, (2) excluding large numbers of unemployed students arbitrarily deemed "unavailable" by Defendants, (3) counting students as "placed" who had their jobs before enrolling, and (4) counting students as "placed" whose jobs did not require a college degree or in which students were not using their education. The State maintains that Defendants failed to disclose these material facts to prospective students. In support of its argument, the State offers numerous student affidavits detailing allegedly altered job placement forms. Defendants counter that they "meticulously" follow the job placement guidelines required by their accreditor, ACICS, and that they calculate and report job placement rates in accordance with ACICS and gainful employment regulations. Jodi Boisjolie-Rosen, the Schools' Corporate Director of Career Services, testified in her deposition that she does not "encourage representatives to falsify placement rates" and that she has "… never encouraged career services professionals to falsify placement rates. Quite the opposite." (Boisjolie-Rosen Decl. ¶ 1-4.) There is a fact issue surrounding the Schools' actual business practices with regard to calculating its graduate placement rate and whether the forms were modified. Summary judgment on this claim is denied.

(3) The State's Request that the Court Establish a Method or Procedure for Restitution is premature.

The Court has found that genuine issues of material fact preclude summary judgment with regards to the State's claims in Count I (CFA) and Count II (DTPA) of the Amended Complaint. Thus, at this point in the litigation, the Court reserves its ruling on any potential system of restitution until after a determination of liability has been made.

2. Claims Related to Unlicensed Lending (Minn. Stat. 56.01) and Usury (Minn. Stat. 334.01)

a) Defendants' Institutional Loans did not violate Minnesota's Usury Laws (Minn. Stat. § 334.01)

"Usury" is the "taking or receiving of more interest or profit on a loan or forbearance than the law allows." *St. Paul Bank for Coops. v. Ohman*, 402 N.W.2d 235, 237 (Minn. App. 1987). Minn. Stat. § 334.01 provides, in relevant part:

> The interest for any legal indebtedness shall be at the rate of $6 upon $100 for a year, unless a different rate is contracted for in writing. No person shall directly or indirectly take or receive in money, goods, or things in action, or in any other way, any greater sum, or any greater value, for the loan or forbearance of money, goods, or things in action, than $8 on $100 for one year.

The following four elements must be satisfied for the Court to conclude that a transaction is usurious under this definition: (1) a loan of money or forbearance of a debt; (2) an agreement between the parties that the principal shall be repayable absolutely; (3) the exaction of a greater amount of interest or profit than is allowed by law; and (4) the presence of an intention to evade the law at the inception of the transaction. *Rathbun v. W.T. Grant Co.*, 219 N.W.2d 641, 646 (Minn. 1974).

Defendants' argue that they did not violate Minnesota's usury laws because the Schools' student loans were, in actuality, extensions of credit that were open end credit plans made in connection with consumer credit sales. A finance charge of up to eighteen percent per year is allowed for consumer credit sales pursuant to an open end credit plan. Minn. Stat. § 334.16, subd. 1.

An "open end credit plan" is one which (1) the seller may permit the buyer to make purchases from time to time from the seller or other sellers, (2) the buyer has the privilege of paying the balance in full or in installments, and (3) a finance charge may be computed by the seller from time to time on an outstanding unpaid balance. Minn. Stat. § 334.16, subd. 1(a). Characteristics of an open end credit plan include that "no fixed amount of debt is incurred" at the time the account is opened; that purchases can be made by the consumer from "time-to-time"; the contemplation of "repeated transactions" by the consumer; and a provision allowing the carrying forward of account balances. *John David Contracting, Inc. v. Brozek*, 535 N.W.2d 397, 398 (Minn. App. 1995); *Peterson v. Gustafson*, 584 N.W.2d 660, 662-63 (Minn. App. 1998).

The State argues that Defendants' institutional loans are closed end credit transactions that are subject to Minn. Stat. § 334.01. The State is correct that the EdOp and StA loans both provide a maximum amount that students can borrow at the time the loan is issued. However, in practice, the EdOp and StA loans are used to cover the remainder of any tuition expenses after all other funding sources have been exhausted, so the amount borrowed in the first quarter may be substantially less than the maximum amount approved for students to borrow. If a student has not taken the maximum amount of the loan allowed in the first quarter, Defendants allow that student to draw on the same loan for additional funds in subsequent quarters within the same year, up to maximum amount allowed, without an additional loan application. While "there is no agreement between the school and the student to continuously provide . . . credit," from academic year-to-year, the loans do contemplate repeated transactions within the same academic year. (*See* Poupore Supp. Aff. Ex. 24 (Corp. Dep.) at 256--57.) With regard to carrying forward the balance, while it is true that Defendants' loans are not carried forward to a student's subsequent academic year(s), the loans do allow for a balance to be carried forward in the event that the maximum amount of the loan is not used for the student's first quarter. (*See* Poupore Supp. Aff. Ex. 24 (Corp. Dep.) at 162-63.)

That these loans have a maximum amount available to be borrowed is similar to a maximum amount of credit extended by a credit card. Here, Defendants permit students to borrow money through the EdOp and StA loan programs to be used for purchasing educational services up to a set maximum amount in an academic year. Students may use none, some, or all, of the loan at multiple points in the academic year. Students may pay the balance in part or in installments and Defendants compute a finance charge on the balance of the loan. (*See* Anthony Decl. Ex. 11; Poupore Aff. Ex. 147-149.) The EdOp and StA loans are open end credit plans.

The Court concludes that Defendants' EdOp and StA loans are open end credit plans made in connection with a consumer credit sale that allows for an interest rate of up to 18%. In order for Defendants to extend students loans under the EdOp or StA program, Defendants required students to sign an agreement to the interest rate for each respective program. The State has provided no evidence that students were extended loans under the EdOp or StA programs without first agreeing in writing to a higher rate of interest on the indebtedness. As the Court has determined that Defendants' institutional loans are not usurious, it follows that Defendants' institutional loans should not be declared void on this basis.

b). Defendants have not Engaged in Unlicensed Lending Pursuant to Minn. Stat. § 56.01

The State also argues that Defendants have violated Minn. Stat. Ch. 56 by failing to obtain a license for their loan programs. Chapter 56 only applies where the loans in question charge an interest rate that is otherwise unpermitted. Given the Court's finding that Defendants' institutional loan programs are not usurious, the State's Ch. 56 argument lacks foundation. The State's claims under Minn. Stat. Ch. 56 are dismissed.

III. Conclusion

Based upon the foregoing, the Court hereby denies the State's Motion for Summary Judgment in its entirety. Defendants' Motion for Summary Judgment is granted with respect to

Count III and Count IV of the Amended Complaint and denied with respect to Count I and Count II of the Amended Complaint.

J.A.M.

RENEWAL OF ACCREDITATION VISIT REPORT

GLOBAL HEALTH COLLEGE
6101 Stevenson Avenue
Alexandria, VA 22304
ACICS ID Code: 00036481

Ms. Mariatu Kargbo, President (mkargbo@global.edu)
acicsmain@global.edu

September 8-9, 2015

Ms. Rogena Kyles	Chair	Attorney	Aguadilla, PR
Mr. Edgar Krissler	Student-Relations Specialist	Former President (Retired) Krissler Business Institute	Newburgh, NY
Dr. Andrea Olson	Educational Activities and Library Specialist	Globe University/Minnesota School of Business	Aitkin, MN
Ms. Martha Loveman	Nursing and RN-to-BSN Specialist	Nurse Educator (Retired)	Gadsen, AL
Ms. Perliter Walters-Gilliam	Staff Representative	ACICS	Washington, DC
Ms. Niana Moore	Staff Observer	ACICS	Washington, DC
Mr. Derrick Ware	Staff Observer	ACICS	Washington, DC

PROGRAMS OFFERED BY
GLOBAL HEALTH COLLEGE
ALEXANDRIA, VA

CREDENTIAL EARNED (As defined by the institution)	**ACICS CREDENTIAL**	**APPROVED PROGRAM TITLE**	**Clock Hrs.**	**Sem. Hrs.**	**Enroll: Full-time/ Part-time**	**CAR Retention & Placement (%)**			
						2014		**2013**	
						Ret.	**Pla.**	**Ret.**	**Pla.**
Associate Degree in Applied Science	Academic Associate's Degree	Registered Nursing	1496	70.37	68/201	85	**59**	93	80
Diploma	Diploma	Practical Nursing**	1328	N/A	22/0	**69**	**61**	75	**69**
Bachelor of Science	Bachelor's Degree	RN-to-BSN*	1030	120*	0/4	N/A	N/A	N/A	N/A
		TOTAL ENROLLMENT							

Notes:

* Program reviewed for the first time. Separate QAM-RV report prepared by nurse programs specialist. Includes 60 credit hours awarded in transfer for completion of ADN and current RN license.

** Program has specialized accreditation with the Accreditation Commission for Education in Nursing (ACEN). Accreditation was awarded in fall 2014 to fall 2022.

INTRODUCTION

Established in 2004, Global Health College is registered and authorized to operate as a limited liability corporation in the Commonwealth of Virginia and is owned solely by Ms. Mariatu Kargbo, who serves as the chief executive officer (CEO) and president. In April 2015, the institution moved into newer facilities in the Landmark section of Alexandria, Virginia, and occupies approximately 12,000 square feet on two floors of a small building. It is located on major public bus routes and is just a couple of minutes from one of the main roads in Alexandria and from I-395, the expressway that connects Virginia to Washington, DC.

Although not formally stated, the College has adopted a management style of operating by committee and it was apparent to the team that all staff and faculty are very much involved in most, if not all, key activities and operations of the institution. While the level of involvement and input generated by this management style are commendable for many reasons, a weakness apparent to the team was the lack of a central authority in key areas with overall responsibility for making sure all vital tasks are accomplished. This was magnified by the lack of a designated individual to facilitate cross-communication among the committees and offices. One case in point was the institution's inability to provide backup information related to graduate placement on the 2014 CAR. A lack of understanding and ineffective communication among institution staff about what was needed resulted in useless reports, a significant loss of the team's time, and frustration among institutional personnel.

There was major confusion at the institution, which also has programmatic accreditation for its practical nursing program, as to how it needed to comply with both the *Accreditation Criteria* and the standards of its programmatic accrediting agency, the Accreditation Commission for Education in Nursing (ACEN). The College thought that its completion of a strategic plan for ACEN, which is primarily a statistical presentation of outcomes in various areas over the past few years, would satisfy the ACICS requirement for an annual CEP. As a result, the "CEP" provided contained almost none of the elements required by sections 3-1-111 and 3-1-112 of the *Accreditation Criteria.*

Overall, the team found all of the College personnel to be quite dedicated to providing quality instruction and services to their students, committed to helping ensure the success of the institution, very willing to learn from their mistakes, and intent on achieving compliance with the criteria and standards of both accrediting agencies.

REPORT QUESTIONS

1. MISSION

1.01 Give the page number in the campus catalog on which the mission statement can be found.
The institution's mission statement is found on page 11 of the 2015-2016 Global Health College Catalog, revised August 19, 2015.

1.02 Does the campus have an appropriate mission statement with a set of supporting objectives?
☒ Yes ☐ No

1.03 Are the objectives devoted substantially to career-related education?
☒ Yes ☐ No

1.04 Are the objectives reasonable for the following?
(a) The programs of instruction
☒ Yes ☐ No
(b) The modes of delivery.
☒ Yes ☐ No
(c) The facilities of the campus.
☒ Yes ☐ No

1.05 Are the mission statement and supporting objectives appropriately disclosed in the campus catalog and in other publications that are readily available and understandable to the public?
☒ Yes ☐ No

1.06 Is the campus committed to successful implementation of its mission?
☒ Yes ☐ No

CAMPUS EFFECTIVENESS

1.07 Does the campus have a current Campus Effectiveness Plan (CEP)?
☐ Yes ☒ No

If *No,* insert the section number in parentheses and explain:
(Section 3-1-111): The institution does not have a current Campus Effectiveness Plan. Although it was clear to the team that the institution had all the mechanisms and procedures in place to produce a CEP, it had confused ACICS criteria with those of its programmatic accreditor and did not provide the team with a current CEP that met ACICS criteria. Instead, it provided what was essentially a collection of data and outcomes for periods covering three prior years. The document provided to the team on the second day of the visit was a similar collection through August 31, 2015. No CEP for the current year, which began September 1, 2015, was provided.

1.08 If the campus is a branch, does the branch have its own CEP, separate from the main campus IEP?
☐ Yes ☐ No ☒ Not Applicable

1.09 Does the CEP describe the following?
(a) The characteristics of the programs offered.
☐ Yes ☒ No
(b) The characteristics of the student population.
☐ Yes ☒ No
(c) The types of data that will be used for assessment.
☐ Yes ☒ No
(d) Specific goals to improve the educational processes.
☐ Yes ☒ No
(e) Expected outcomes of the plans.
☐ Yes ☒ No

If *No* for any item, insert the section number in parentheses and explain:
(Section 3-1-111): The institution does not have a current CEP.

1.10 Are the following five required elements evaluated in the CEP?
(a) Student retention.
☐ Yes ☒ No
(b) Student placement.
☐ Yes ☒ No ☐ Not Applicable (new branch only)
(c) Level of graduate satisfaction.
☐ Yes ☒ No ☐ Not Applicable (new branch only)
(d) Level of employer satisfaction.
☐ Yes ☒ No ☐ Not Applicable (new branch only)
(e) Student learning outcomes.
☐ Yes ☒ No

If *No* for any applicable item, insert the section number in parentheses and explain:
(Section 3-1-111): The institution does not have a current CEP.

1.11 Define the measurable student learning outcomes used by the campus and how these outcomes are being assessed.
N/A - The institution did not provide a current CEP for the team's review.

1.12 Are the following identified and described in the CEP?
(a) The baseline data for each outcome.
☐ Yes ☒ No ☐ Not Applicable
(b) The data used by the campus to assess each outcome.
☐ Yes ☒ No ☐ Not Applicable
(c) How the data was collected.
☐ Yes ☒ No ☐ Not Applicable
(d) An analysis and summary of the data collected and an explanation of how the data will be used to improve the educational processes.
☐ Yes ☒ No ☐ Not Applicable

If *No* for any applicable item, insert the section number in parentheses and explain:
(Section 3-1-111): The institution does not have a current CEP.

1.13 Has the campus published annual placement and retention goals in its CEP that demonstrate its ability to maintain or improve retention and placement outcomes?
☐ Yes ☒ No

If the institution has no placement goals as a result of having no graduates, then explain below:
(Section 3-1-111): The institution does not have a current CEP.

1.14 Has the campus published specific activities that will be undertaken to meet placement and retention goals?
☐ Yes ☒ No

If the institution has no placement goals as a result of having no graduates, then explain below:
(Section 3-1-111): The institution does not have a current CEP.

1.15 Describe the specific activities that the campus will undertake to meet these goals.
N/A - The institution did not provide a current CEP for the team's review.

1.16 Does the campus have documentation to show the following?
(a) That the CEP has been implemented.
☐ Yes ☒ No
(b) That specific activities listed in the plan have been completed.
☐ Yes ☐ No ☒ Not Applicable
(c) That periodic progress reports have been completed.
☐ Yes ☒ No

If No for any item, insert the section number in parentheses and explain:
(Section 3-1-112): The institution does not have a current CEP.

1.17 Who is responsible for implementing and monitoring the CEP? Describe this individual's qualifications. If a committee is utilized please describe the committee.
A committee is responsible for implementation and monitoring of the institution's campus effectiveness plan. The CEP committee consists of key administrators and directors of nursing programs, all of whom are assigned to sub-committees to work on different areas of the CEP. The data analysis and information coordinator, also a member of the CEP committee, is responsible for collecting all the data and collating statistics that each sub-committee needs to perform its analyses and to develop specific improvement activities.

1.18 Does the campus have documentation to show that the CEP is evaluated at least annually?
☒ Yes ☐ No ☐ Not Applicable (new branch or initial applicant only)

2. ORGANIZATION

2.01 Is the following information regarding the campus appropriately stated in the catalog?

(a) Governance, control, and corporate organization.

☐ Yes ☒ No

(b) Names of the trustees, directors, and/or officers.

☒ Yes ☐ No

(c) Names of the administrators.

☒ Yes ☐ No

If *No* for any item, insert the section number in parentheses and explain:

(Section 3-1-201): Governance and control of the institution are not appropriately stated in the catalog. Page 11 of the catalog provided to the team lists Global Health College as "a proprietorship institution." In fact, the institution is registered as a limited liability corporation (LLC) with the Commonwealth of Virginia.

2.02 Does the campus:

(a) Adequately train its employees?

☒ Yes ☐ No

(b) Provide them with constant and proper supervision?

☒ Yes ☐ No

(c) Evaluate their work?

☒ Yes ☐ No

2.03 Is the administration of the campus efficient and effective?

☒ Yes ☐ No

2.04 Does the campus maintain written documentation to show that faculty and staff members:

(a) Clearly understand their duties and responsibilities?

☒ Yes ☐ No

(b) Know the person to whom they report?

☒ Yes ☐ No

(c) Understand the standards by which the success of their work is measured?

☒ Yes ☐ No

2.05 Does the administration maintain documentation of the evaluation of the faculty and staff?

☒ Yes ☐ No

2.06 Has the campus adopted a policy on academic freedom that has been communicated to the faculty?

☒ Yes ☐ No

2.07 Does the campus have an appropriate grievance policy for faculty and staff?

☒ Yes ☐ No

2.08 Does the campus catalog or the student handbook contain an appropriate grievance policy for students that includes the name and address of ACICS?
☐ Yes ☒ No ☐ Not Applicable (initial applicants only)

If *No,* insert the section number in parentheses and explain:
(Section 3-1-202(d)): The institution's catalog did not include the name and address of ACICS in its grievance policy for students.

2.09 Who is responsible for the financial oversight of the campus, and what are this person's qualifications?
Mr. Bernard Frisby, the vice president of administration and fiscal resources, is responsible for financial oversight of the campus. Once the institutional budget has been approved by the president, it is Mr. Frisby who manages all expenditures.

Mr. Frisby has a bachelor's degree in accounting from Morgan State University and has been with the institution since March 2010, starting as the director of finance and promoted to his current position in February 2013. Prior to that, he worked as the managing director for Staffing Unlimited and as a principal analyst for Baltimore Gas and Electric.

3. ADMINISTRATION

3.01 Is there evidence that the chief on-site administrator(s) or the self-study coordinator for the campus attended an accreditation workshop within 18 months prior to the final submission of the self-study?
☒ Yes ☐ No

3.02 Are all staff well trained to carry out administrative functions?
☒ Yes ☐ No

3.03 Who is the on-site administrator, and what are this person's qualifications?
Ms. Mariatu Kargbo-Amoakohene is the president and owner of Global Health College. Ms. Kargbo holds bachelors' degrees in marketing and in nursing and a master's degree in nursing from George Mason University and an executive juris doctor from Concord School of Law - Kaplan University. Ms. Kargbo holds a current license as a registered nurse and occasionally teaches courses at the college. In the past, she worked a total of five years as a nurse practitioner.

3.04 Does the campus list degrees of staff members in the catalog?
☒ Yes ☐ No

If *Yes,* is appropriate evidence of the degrees on file?
☒ Yes ☐ No

3.05 Is there evidence that the campus keeps adequate records to support the following administrative operations?
(a) Financial aid activities.
☒ Yes ☐ No ☐ Not Applicable (campus does not participate in financial aid)
(b) Admissions.

☒ Yes ☐ No

(c) Curriculum.

☒ Yes ☐ No

(d) Accreditation and licensure.

☒ Yes ☐ No

(e) Guidance.

☒ Yes ☐ No

(f) Instructional resources.

☒ Yes ☐ No

(g) Supplies and equipment.

☒ Yes ☐ No

(h) The school plant.

☒ Yes ☐ No

(i) Faculty and staff.

☒ Yes ☐ No

(j) Student activities.

☒ Yes ☐ No

(k) Student personnel.

☒ Yes ☐ No

3.06 Does the campus admit ability-to-benefit students?

☐ Yes ☒ No *(Skip to Question 3.11.)*

3.11 Do student files contain evidence of graduation from high school or the equivalent?

☒ Yes ☐ No

3.12 Are appropriate transcripts maintained for all students?

☒ Yes ☐ No

While the team was on site, the institution made minor corrections in the language of the transcript legend to clarify that ACICS does not accredit individual programs.

3.13 Is the grading system fully explained on the transcript, and is it consistent with the grading system that appears in the campus catalog?

☐ Yes ☒ No

If *No,* insert the section number in parentheses and explain:

(Section 3-1-303(e)): The grading system on the institution's official transcript does not match the grading system in the catalog. While the team was on site, the institution produced a catalog addendum to address this and other issues but, because of multiple errors it contained, the addendum was not accepted by the team.

3.14 Are student records protected from theft, fire, water damage, or other possible loss?

☒ Yes ☐ No

3.15 Does the campus maintain transcripts for all students indefinitely?

☒ Yes ☐ No

3.16 Does the campus maintain admissions data and other records for at least five years from the last date of attendance for all students?
☒ Yes ☐ No

4. RELATIONS WITH STUDENTS

FOR ALL PROGRAMS

4.01 How many student files were reviewed during the evaluation?
The team reviewed 38 student files. Thirty-one files were associated with the 2014 Campus Accountability Report (CAR) including: 10 students classified as "graduates;" 10 students classified as "drops;" and 11 students classified as "still enrolled as of June 30, 2014." In addition, the team reviewed five files of currently enrolled students on "academic probation" and two files of students recently dismissed for failure to meet satisfactory academic progress (SAP). Some of the 38 files contained documentation of transferred credits from other accredited institutions.

4.02 Does the campus ensure that its student relations reflect high ethical standards?
☒ Yes ☐ No

4.03 Does the campus have appropriate admissions criteria?
☒ Yes ☐ No

4.04 Does the campus contract with third parties for admissions and recruiting purposes?
☐ Yes ☒ No

Although the institution does not contract with third parties for admisions and recruiting purposes, the institution does contract with third parties for background checks and for verification of credentials.

4.05 Is there evidence to document that admissions criteria are applied consistently to all students admitted under the same version of the admissions criteria (e.g., that students admitted into specific programs for the same start date are admitted under the same admissions criteria)?
☒ Yes ☐ No

4.06 Does the admissions policy conform to the campus's mission?
☒ Yes ☐ No

4.07 Is the admissions policy publicly stated?
☒ Yes ☐ No

4.08 Is the admissions policy administered as written?
☒ Yes ☐ No

4.09 Does the campus use an enrollment agreement for each enrolled student that:

(a) Clearly outlines the financial obligations of both the institution and the student?
☒ Yes ☐ No
(b) Outlines all program related tuition and fees?
☒ Yes ☐ No
(c) Has a signature of the student and the appropriate school representative?
☒ Yes ☐ No

Is there evidence that a copy of the agreement has been provided to the student?
☒ Yes ☐ No

4.10 Who is responsible for the oversight of student recruitment at the campus and what are this person's qualifications?
At the time of the visit, the institution's director of admissions' position was vacant. Ms. Sheila Walla, human resources director, and Mr. Bernard Frisby, vice president of fiscal services, are temporarily overseeing the four admissions representatives. So far, the institution has conducted two interviews for this position and anticipates that the position will be filled within the next two months.

4.11 Describe the recruiting process for new students.
The admissions staff currently consists of four full-time admission representatives who are responsible for enrolling all students into the institution. Leads are generated primarily via word-of-mouth from current students and alumni. Additional leads are generated from online inquiries, print advertising, and by representatives' participation in high school career fairs. The admissions team conducts in-house interviews with all interested prospects.

Based on interviews, observations, and a review of recruitment materials, is the process compatible with the educational objectives for the campus?
☒ Yes ☐ No

4.12 Are individuals engaged in admissions or recruitment activities communicating current and accurate information regarding the following?
(a) Courses and programs.
☒ Yes ☐ No
(b) Services.
☒ Yes ☐ No
(c) Tuition.
☒ Yes ☐ No
(d) Terms.
☒ Yes ☐ No
(e) Operating policies.
☒ Yes ☐ No

4.13 Does the campus use prospective student names obtained as a result of a survey, canvass, or promise of future employment or income while a student, or as a result of other marketing activity?
☐ Yes ☒ No

4.14 Does the state in which the campus operates require representatives to be licensed or registered?

☐ Yes ☒ No

4.15 Are the titles of recruitment and enrollment personnel appropriate?
☒ Yes ☐ No

4.16 Does someone other than recruitment and enrollment personnel make final decisions regarding financial aid eligibility, packaging, awarding, and disbursement?
☒ Yes ☐ No ☐ Not Applicable (campus does not participate in financial aid)

If *Yes*, who holds this responsibility and what are this person's qualifications?
The institution uses a third-party servicer, Weber & Associates, for financial aid awarding, eligibility, and packaging. In the field of student financial aid for 37 years, Weber & Associates specializes in managing Pell grants, campus-based financial aid programs, and federal direct loan processing. The company utilizes a financial aid management tool called the virtual financial aid office (VFAO) that streamlines the entire financial aid interviewing, counseling, packaging, scheduling, and disbursement process. The VFAO system also provides school management users with a wide variety of reports for tracking each student's progress as well as anticipated and paid disbursements. It also provides campus-based aid management tools, tools to assist admissions and default management, and overall processing statistics.

4.17 Are all recruiters supervised by the campus to ensure that their activities are in compliance with all applicable standards?
☒ Yes ☐ No

4.18 Does the campus have written policies and procedures for evaluating and accepting transfer of credit?
☒ Yes ☐ No

4.19 Is there evidence that the campus properly awards transfer of credit?
☒ Yes ☐ No ☐ Not Applicable

4.20 Does the campus publicize its transfer credit policies, including policies related to accepting transfer credit from another campus?
☒ Yes ☐ No

4.21 Has the campus established articulation agreements with other institutions?
☐ Yes ☒ No (*Skip to question 4.23 for Master's Degree Programs or 4.24 for all programs)*

FOR ALL PROGRAMS

4.24 Is the standards of satisfactory academic progress policy published in the catalog?
☒ Yes ☐ No

If *Yes*, state the page number(s) where the standards of satisfactory academic progress policy is published?
The standards of satisfactory academic progresss policy is published on pages 36-40 of the 2015-2016 catalog, revised August 19, 2015. However, as noted in the Publications section of this report, that policy does not contain all elements as required by Appendix D of the *Accreditation Criteria.*

4.25 Does the standards of satisfactory academic progress (SAP) policy published in the catalog contain the following?

(a) A definition of the maximum time frame allowed for students to complete a program as 1.5 times the normal program length.

☒ Yes ☐ No

(b) A schedule that designates the minimum percentage of work that a student must successfully complete at the end of each evaluation increment to complete the program within the maximum time frame.

☒ Yes ☐ No

(c) Procedures for re-establishing satisfactory academic progress.

☒ Yes ☐ No

(d) A definition of the effects of the following on the CGPA and successful course-completion percentage:

Withdrawals.

☒ Yes ☐ No

Incomplete grades.

☒ Yes ☐ No

Repeated courses.

☒ Yes ☐ No

Non-punitive grades.

☐ Yes ☐ No ☒ Not Applicable (campus does not offer)

Non-credit or remedial courses.

☐ Yes ☐ No ☒ Not Applicable (campus does not offer)

A warning status.

☒ Yes ☐ No ☐ Not Applicable (campus does not use)

A probationary period.

☒ Yes ☐ No

An appeal process.

☒ Yes ☐ No

An extended-enrollment status.

☐ Yes ☐ No ☒ Not Applicable (campus does not offer)

The effect when a student changes programs.

☒ Yes ☐ No ☐ Not Applicable (campus only offers one program of study

The effect when a student seeks to earn an additional credential.

☒ Yes ☐ No ☐ Not Applicable (campus only offers one program)

The implications of transfer credit.

☒ Yes ☐ No

4.26 Does the campus apply its SAP standards consistently to all students?

☒ Yes ☐ No

4.27 Are students who are not making satisfactory academic progress properly notified?

☒ Yes ☐ No ☐ Not Applicable (no students are in violation of SAP)

4.28 Is SAP evaluated at the end of each academic year or at 50 percent of the normal program length if the program is one academic year in length or shorter?

☒ Yes ☐ No

4.29 Is SAP evaluated at the end of the second academic year and at the end of each subsequent academic year where students must have a minimum CGPA of 2.0 on a scale of 4.0 or its equivalent, or have academic standing consistent with the institution's requirements for graduation?
☒ Yes ☐ No ☐ Not Applicable (all programs are less than two years)

4.30 Are students who are not making satisfactory academic progress at the end of the second year dismissed or allowed to continue without being eligible for Federal financial aid?
☒ Yes ☐ No ☐ Not Applicable (all programs are less than two years)

4.31 Are qualitative and quantitative components evaluated cumulatively for all periods of a student's enrollment?
☐ Yes ☒ No

If *No,* insert the section number in parentheses and explain:
(Section 3-1-422): The institution is not evaluating SAP's quantitative component (successful course completion). The catalog states that the minimum cumulative successful completion rate of all courses attempted must be 70% at the end of each semester. The team reviewed both the transcripts of students on academic probation and the SAP failure notifications to those students. The team found that, although the transcripts showed credits attempted and credits earned, the institution is not using that information to calculate the cumulative successful completion rate. (The calculation does not appear on the transcripts.) In the team's interview with the registrar, Ms. Payal Chawda, she confirmed that the minimum percentage of successful course completion is not generated on the transcripts. According to Ms. Payal Chawda, registrar, the successful course completion rate is not evaluated as a part of the SAP review process.

4.32 Are students allowed to remain on financial aid while under warning or probation status?
☒ Yes ☐ No ☐ Not Applicable (campus does not participate in financial aid)

4.33 Are students whose appeals are granted due to mitigating circumstances placed on probation, eligibility for financial aid reinstated and considered to be making satisfactory academic progress?
☒ Yes ☐ No ☐ Not Applicable (there are no such students)

4.34 Are students who are placed in an extended-enrollment status denied eligibility for federal financial aid (unless there are mitigating circumstances?
☐ Yes ☐ No ☒ Not Applicable (campus does not have extended enrollment and/or does not participate in financial aid)

4.35 Do credits attempted during the extended-enrollment status count toward the 1.5 times of normal program length?
☐ Yes ☐ No ☒ Not Applicable (campus does not have extended enrollment)

4.36 For students who have exceeded one and one-half times the standard time frame and were awarded the original credential, were any additional financial obligations waived?
☐ Yes ☐ No ☒ Not Applicable (there is no such student)

4.37 Are students required to have a minimum CGPA of 2.0 or its equivalent upon graduation from all programs?
☒ Yes ☐ No

4.38 Who is responsible for the administration of satisfactory academic progress, and what are this person's qualifications?
The institution's registrar, Ms. Payal Chawda, is responsible for the administration of satisfactory academic progress. She was hired by the College in 2012 to work in administration and was promoted to the position of registrar in 2014. Ms. Chawda holds a bachelor's degree in psychology from Ripon College and has worked in higher education at other proprietary institutions since 2009.

4.39 How does the campus encourage and assist students who are experiencing difficulty in progressing satisfactorily in their programs?
Staff of the student services office seeks out students who are having academic difficulties and works with them to schedule individual tutoring sessions, to suggest better study techniques, and to help develop academic improvement plans. Where it is necessary, the staff makes referrals to outside agencies for students experiencing personal problems that adversely impact their academic performance.

4.40 Does the campus finance any of the following? (Mark all that apply.)
(a) ☐ Scholarships.
(b) ☐ Grants.
(c) ☐ Loans.
(d) ☒ The campus does not offer scholarships, grants, and/or loans. *(Skip to Question 4.42.)*

4.42 Are all similarly circumstanced students who enrolled at the same time and in the same programs charged the same tuition and fees?
☒ Yes ☐ No

4.43 Are tuition and fees clearly stated in the catalog?
☒ Yes ☐ No

If *Yes,* have students confirmed receiving a copy of the catalog?
☒ Yes ☐ No ☐ Not Applicable

4.44 Do the financial records of students clearly show the following?
(a) Charges.
☒ Yes ☐ No
(b) Dates for the posting of tuition.
☒ Yes ☐ No
(c) Fees.
☒ Yes ☐ No
(d) Other charges.
☒ Yes ☐ No
(e) Payments.
☒ Yes ☐ No

(f) Dates of payment.
☒ Yes ☐ No
(g) The balance after each transaction.
☒ Yes ☐ No

4.45 Is the effective date listed on announcements of changes in tuition and fees?
☐ Yes ☐ No ☒ Not Applicable (campus has not changed tuition or fees)

4.46 Is the campus's refund policy published in the catalog?
☒ Yes ☐ No

4.47 Is the refund policy fair, equitable, and applicable to all students?
☒ Yes ☐ No

4.48 Is the campus following its stated refund policy?
☒ Yes ☐ No

4.49 Does the campus participate in Title IV financial aid?
☒ Yes ☐ No *(Skip to question 4.57)*

4.50 Who is responsible on-site for administering student financial aid, and what are this person's qualifications?
Ms. Carmenita Clark, financial aid director, is responsible for providing on-site financial aid services to students. Ms. Clark holds an associate's degree in computer information systems from Computer Learning Center. She has over 25 years of financial aid experience in postsecondary education and Title IV program management at both non-profit and for-profit institutions.

4.51 Is the person who determines the amount of student awards *not* also responsible for disbursing those awards?
☒ Yes ☐ No

4.52 Are final student financial aid award determinations made by administrative individuals who are *not* responsible for recruitment?
☒ Yes ☐ No

4.53 Is the financial aid administrator a member of a state, regional, or national financial aid association and up to date on procedures and changes in the field?
☒ Yes ☐ No

4.54. Describe how the financial aid office stays current with regulation and policy changes in financial aid (include all appropriate memberships in professional organizations held by this individual).
Ms. Clark, financial aid director, is a member of the Virginia Association of Student Financial Aid Administrators (VASFAA) and the National Association of Student Financial Aid Administrators (NASFAA). She attends numerous workshops, seminars, and webinars sponsored by the U. S. Department of Education. Ms. Clark also receives weekly updates through the U.S. Department of

Education's website, Information for Financial Aid Professionals (IFAP), as well as periodic updates from Weber & Associates, the institution's third-party servicer.

4.55 Is there evidence that the financial aid administrator regularly participates in professional awareness activities?
☒ Yes ☐ No

4.56 Does the campus have a written policy that accurately reflects the U.S. Department of Education's definition of a credit hour for credit hour programs and/or clock-to-credit hour programs, including conversion ratios?
☒ Yes ☐ No

4.57 Does the campus provide discounts for cash received in advance of the normal payment schedule?
☐ Yes ☒ No *(Skip to question 4.58.)*

4.58 Describe the student services offered by the campus such as, but not limited to, structured tutoring, academic or personal counseling, student orientation, etc.
Student services include orientation, structured tutoring, workshops specifically tailored for nursing students, academic counseling, and referrals for personal counseling. Workshops include effective study skills, test-taking skills, presentation skills, and writing skills.

4.59 Are follow-up studies on graduate and employer satisfaction conducted at specific measuring points following the placement of the campus's graduates?
☐ Yes ☒ No ☐ Not Applicable (there have been no graduates)

If *No,* insert the section number in parentheses and explain:
(Section 3-1-441(c)): Evidence was not provided to show that graduate follow-up studies are being conducted at specific measuring points after placement of the campus's graduates. The surveys that the institution currently uses are conducted six months after graduation, regardless of whether the graduate has obtained employment. The surveys show neither the date of the survey nor the graduate's date of graduation and there is no place on the survey to indicate a date of employment if, indeed, there is one.

4.60 Who is the person on staff responsible for the oversight of counseling students on employment opportunities, and what are this person's qualifications?
Ms. Julia Robinson, who joined the staff as job placement coordinator in July 2015, is responsible for the oversight of counseling students on employment opportunities. Ms. Robinson has 8 years of experience in career services at similar postsecondary institutions and has been working in higher education for over 12 years.

4.61 Does the campus offer employment assistance to all students?
☒ Yes ☐ No ☐ Not Applicable (campus enrolls only international students on a student visa)

4.62 Does the campus use placement percentages or salary projections as part of its recruiting activities?
☐ Yes ☒ No

4.63 The beginning enrollment on the most current Campus Accountability Report (CAR) is 284. The ending enrollment reported on the previous year's CAR is 254.

If these figures are not identical, insert "Section 3-1-303(a)" in parentheses and explain:
(Section 3-1-303(a)): There is a discrepancy of 30 students between the beginning enrollment on the 2014 CAR and the ending enrollment on the 2013 CAR.

4.64 Was the team able to verify the retention rate for the campus and for each program as reported on the Campus Accountability Report (CAR) last submitted to the Council?
☒ Yes ☐ No ☐ Not Applicable

4.65 Are students who receive financial aid counseled concerning their student loan repayment obligations?
☒ Yes ☐ No ☐ Not Applicable (campus does not participate in financial aid)

4.66 Describe the process the campus utilizes to ensure that students are counseled concerning their student loan repayment obligations.
Before students start class, the financial aid office reviews, one-on-one, each student's estimated financial aid package and the student's loan repayment obligations. The financial aid director gives students an estimate worksheet, which shows the cost of tuition, estimated books and fees for their program, and estimated grants for which they will be eligible. The worksheet also has the current interest rates for the student loans. New students are directed to the VFAO, accessible at www.ghnts.vfao.com. At this website, students are provided with their rights and responsibilities. The entrance interview must be completed prior to disbursement of any funds, and the exit counseling should be completed prior to graduation.

4.67 Describe the extracurricular educational activities of the campus (if applicable).
Extracurricular activities are generally coordinated by the student government association and include blood drives and various community service activities related to students' academic programs.

5. EDUCATIONAL ACTIVITIES

FOR ALL PROGRAMS

5.01 Are the credentials awarded by the campus in compliance with its accreditation approval and in compliance with applicable state laws?
☒ Yes ☐ No

5.02 Who is assigned to oversee the educational activities of all programs at the campus, and what are this person's qualifications?
Ms. Francoise Bissai, director or nursing, and Ms. Mariatu Kargbo, campus president, jointly oversee the educational activities of all programs at the campus, which offers nursing programs only. Ms. Bissai has direct oversight of all faculty members in the academic associate's degree in registered nursing program and collaborates with Ms. Kargbo to manage all academic and educational operations.

Ms. Bissai has a bachelor's degree in nursing from the University of District of Columbia, a current registered nurse (RN) license issued by the Commonwealth of Virginia, and 16 years of combined experience in nursing and nursing education.

Ms. Kargbo holds a bachelor's degree in nursing and in marketing and a master's degree in nursing, all from George Mason University, and an executive JD from Concord Law School - Kaplan University. She has been president of the campus since 2004 and is a licensed RN in the Commonwealth of Virginia.

5.03 Does this person have appropriate academic or experiential qualifications?
☒ Yes ☐ No

5.04 Describe how the campus makes provisions for program administrators to have sufficient authority and responsibility for the development and administration of the programs.
The director of nursing position is 100 percent administrative and includes direct authority and responsibility for the academic associate's degree in registered nursing program. The director is supported by the president, who is also an experienced RN. A review of the position descriptions and responses to interview questions while on-site verify the responsibilities of the director and president.

5.05 Is the time devoted to the administration of the educational programs sufficient?
☒ Yes ☐ No

5.06 Is there a published policy on the responsibility and authority of faculty in academic governance?
☒ Yes ☐ No

5.07 Does the policy, at a minimum, address the role of the faculty in the following areas?
(a) Development of the educational program.
☒ Yes ☐ No
(b) Selection of course materials, instructional equipment and other educational resources.
☒ Yes ☐ No
(c) Systematic evaluation and revision of the curriculum.
☒ Yes ☐ No
(d) Assessment of student learning outcomes.
☒ Yes ☐ No
(e) Planning for institutional effectiveness.
☒ Yes ☐ No

5.08 Is there evidence that this policy has been adopted and faculty members are aware of it?
☒ Yes ☐ No

5.09 Does the campus have any programs that require specialized or programmatic accreditation to obtain entry-level employment or licensure by the state in which the campus is approved?
☒ Yes ☐ No (*Skip to question 5.10 for renewal of accreditation. Skip to 5.14 for initial grants or branch inclusion*)

If *Yes,* does the campus:
(a) Carry the programmatic accreditation or is currently in the process of obtaining such accreditation in a

timely manner for programs in which it is required by the state in order for students to attain entry-level employment?
☒ Yes ☐ No ☐ Not Applicable (there is no such requirement by the state)

(b) Notify students as to:
(1) Which programs hold specialized or programmatic accreditation?
☒ Yes ☐ No
(2) Whether successful completion of a program qualifies a student to receive, apply to take, or take licensure exams in the state where the campus is located?
☒ Yes ☐ No
(3) Any other requirements that are generally required for employment?
☒ Yes ☐ No ☐ Not Applicable (no other requirements)

FOR RENEWAL OF ACCREDITATION ONLY

5.10 Does the campus have any programs with current specialized or programmatic accreditation?
☒ Yes ☐ No (*Skip to question 5.14*)

5.11 Does the program meet the needs of its students and the requirements of the Council, as shown by student achievement outcomes which meet or exceed the standards for the following areas:
(a) Student retention rate of 65 percent (programs >1 year in length) OR 70 percent (programs ≤ 1 in length)?
☐ Yes ☒ No
If no, please list programs that fall below the rates
Diploma in Practical Nursing - 69 percent

(b) Student placement rate of 70 percent?
☐ Yes ☒ No
If no, please list programs that fall below the rates
Diploma in Practical Nursing - 61 percent

If *No,* does the campus provide one of the following:
A Campus Effectiveness Plan (CEP) that includes an improvement plan for this program with data, analysis and activities to meet or exceed Council requirements?
☐ Yes ☒ No ☐ Not Applicable

If *No,* insert "Section 2-1-809, 3-1-111, and 3-1-512" in parentheses and explain:
(Sections 2-1-809, 3-1-111, and 3-1-512): The campus did not provide a current CEP for the team to review; therefore, there is evidently no retention or placement improvement plan for the diploma in pratical nursing.

5.12 Was the team able to verify the backup documentation to support the placement rate for the program(s) that hold specialized accreditation as reported on the last Campus Accountability Report submitted to the Council?
☐ Yes ☒ No ☐ Not Applicable

If No, insert "Section 3-1-303(a)" in parentheses and explain:

(Section 3-1-303(a)): The team was unable to verify back-up documentation to support the placement of graduates in the practical nursing program. Back-up documentation with data for all students who were classified as graduates on the 2014 CAR was not available.

When the team requested documentation, "Initial Report" surveys from several program graduates were made available. However, the surveys did not contain sufficient information such as graduate or employer phone numbers, clear position titles or job responsibilities, and, in most instances, the names did not match those reported on the 2014 CAR. In addition, no separate document was provided that contained back-up data for the reported program graduates.

Based on the materials provided during the site visit, the team was unable to verify back-up documentation to support the placement of the graduates.

5.13 Was documentation on file to verify graduates classified on the CAR as “not available for placement”?
☐ Yes ☒ No ☐ Not Applicable

If No, insert “Section 3-1-303(a)” in parentheses and explain:
(Section 3-1-303(a)): As stated in response to Item 5.12, the team was unable to verify back-up documentation to support the placement of the graduates of the diploma in practical nursing program. Back-up documentation with data on all students who were classified as graduates on the 2014 CAR was not available.

FOR ALL CAMPUSES

5.14 Are the educational programs consistent with the campus's mission and the needs of its students?
☒ Yes ☐ No

5.15 Do the formation of policies and the design of educational programs involve students, graduates, administrators, faculty, and other interested parties such as advisory committees?
☒ Yes ☐ No

5.16 What provisions are made for individual differences among students in the learning environment?
Provisions made by the campus to accommodate individual differences among students include: individual and group tutoring sessions; small class sizes that allow instructors to employ diverse learning styles; availability of faculty before and after class sessions; day and evening classes; and lecture, lab and clinical environments that provide a variety of learning approaches. Meeting minutes, in-service documentation, and responses to interviews conducted while the team was on-site verified the implementation of these provisions.

5.17 Describe the system in place to evaluate, revise, and make changes to the curriculum.
The faculty are assigned to specific curriculum committees based on their subject-matter and experiential / clinical expertise. The committees meet once a semester at a minimum and are attended by the director of nursing and the president. Curriculum development and revision are reviewed at the meetings, and student, and clinical site and advisory board personnel feedback is considered. Final approval of new developments or revisions is determined by the particular committee with sign-off by the president. This systematic evaluation process facilitates ongoing improvement and currency of curriculum. A review of meeting

minutes, participant sign-in sheets, and responses to interview questions while on-site evidence utilization of this process.

5.18 Does the faculty participate in this process?
☒ Yes ☐ No

5.19 Is credit appropriately converted in relation to total student contact hours in each class?
☒ Yes ☐ No

5.20 If the campus awards academic credit to students who demonstrate subject competency based on academic, occupational, or personal experiences, is there an established systematic method for evaluating and awarding academic credit to which the campus adheres?
☐ Yes ☐ No ☒ Not Applicable (campus does not award such credit)

5.21 Are courses and breaks scheduled appropriately, given the students' academic background and the coursework involved?
☒ Yes ☐ No

5.22 Are the following appropriate to adequately support the number and nature of the general education courses? (*If only nondegree programs are offered with no general education courses, skip to 5.23*)
(a) Facilities.
☒ Yes ☐ No
(b) Instructional equipment.
☒ Yes ☐ No
(c) Resources.
☒ Yes ☐ No
(d) Personnel.
☒ Yes ☐ No

5.23 Does the campus provide an environment for its faculty that is conducive to effective classroom instruction?
☒ Yes ☐ No

5.24 Are the quantity and type of instructional materials and equipment proportionate to the size of the campus and types of programs?
☒ Yes ☐ No

5.25 Based on the team's observation of the instructional materials used, interviews with students and faculty, and a review of software licenses, is the campus in compliance with applicable licensing and copyright laws?
☒ Yes ☐ No

5.26 Are official transcripts for all qualifying credentials and for those credentials listed in the catalog on file for all instructors?
☒ Yes ☐ No

5.27 Have faculty transcripts from institutions not accredited by agencies recognized by the United States Department of Education been translated into English and evaluated by a member of the Association of International Credential Evaluators (AICE) or the National Association of Credential Evaluation Services (NACES) to determine the equivalency of the credentials to credentials awarded by institutions in the United States?

☒ Yes ☐ No ☐ Not Applicable (no faculty members hold foreign credentials)

5.28 Is there documented evidence of a systematic program of in-service training at the campus?

☒ Yes ☐ No

If *Yes*, how is this documented?

Certificates that are maintained in the faculty files, sign-in sheets, and descriptions and schedules of the sessions document a systematic program of in-service training at the campus.

5.29 Is there evidence that appropriate faculty development plans have been developed and implemented annually, including documentation to support completed activities listed on the plans?

☒ Yes ☐ No

Initially a number of plans were not current but, while onsite, the institution was able to appropriately revise the questioned plans and provide documentation to evidence implementation (memberships, etc.).

5.30 Is there evidence that full-time and part-time instructors participate in regularly scheduled faculty meetings?

☒ Yes ☐ No

5.31 Is there an adequate core of full- and/or part-time faculty to assure sound direction and continuity of development for the educational programs?

☒ Yes ☐ No

5.32 Does the institution utilize contracts and/or agreements with other institutions or entities?

☐ Yes ☒ No

FOR OCCUPATIONAL ASSOCIATE'S, ACADEMIC ASSOCIATE'S, AND BACHELOR'S DEGREES ONLY

5.35 Are instructors teaching general education courses assigned in keeping with the minimum requirements as stated in the *Accreditation Criteria*?

☒ Yes ☐ No

FOR ACADEMIC ASSOCIATE'S DEGREES ONLY

5.36 Does the program include a minimum of 15 semester, 22.5 quarter hours, or their equivalent in general education courses?

☒ Yes ☐ No

5.37 Do the programs' general education courses meet Council standards in that the courses meet Council standards and that the courses place emphasis on principles and theory, not on practical applications associated with a particular occupation?

☐ Yes ☒ No

If *No,* insert the section number in parentheses and explain:

(Section 3-4-202): Several courses that are listed as general education courses in the academic associate's degree in registered nursing program either in the catalog or on the academic credit analysis do not meet Council standards.

Specifically, NAS-251L Anatomy and Physiology I Lab and NAS-252L Anatomy and Physiology II Lab are practical applications of techniques based on principles or theory presented in NAS-251 Anatomy and Physiology I and NAS-252 Anatomy and Physiology II. Additionally, several applications in both of the lab courses are associated with health care service providers.

HLT-216 Diet and Nutrition, HLT-202 Medical Terminology, CPU-203 Basic Computers, and SDV-200 College Success Skills, which are also listed as general education courses, are application courses that emphasize techniques associated with skills for health care providers or that enhance workplace or career attributes.

5.38 Are at least one-half of all courses that are part of each associate's degree program taught by faculty members who have graduate degrees, professional degrees, or bachelor's degrees plus professional certification?

☒ Yes ☐ No

6. EDUCATIONAL FACILITIES

6.01 Describe the physical facility of the campus (include details such as campus location, square footage, distribution of space, parking situation and any other pertinent information).

The institution occupies approximately 12,000 square feet on two floors in a small office building shared with other tenants in Alexandria, Virginia. A limited number of parking spaces are available in front of the building with spaces reserved for the handicapped. Public buses serving two main transit routes stop across the street from the institution, and the main street running through the city of Alexandria is two minutes away as is I-395, the main expressway connecting Virginia to Washington, DC.

Entrances into the building are accessible for handicapped, an elevator services both floors of the institution, and all areas within the campus are compliant with applicable provisions of the Americans with Disabilities Act.

There are seven lecture rooms, some with overhead projectors; two nursing labs; one biology lab; and, two computer labs. There are 2 student lounges, a staff and faculty lounge, and a library that includes 28 computer work stations and additional seating for 10 users.

All academic and administrative areas are appropriately furnished and equipped for the student population, faculty, and staff.

6.02 Does the campus utilize any temporary additional space locations?
☐ Yes ☒ No

6.03 Does the campus utilize learning sites?
☐ Yes ☒ No

6.04 Are all facilities (including additional space and learning sites) appropriate for the size of the student population and the programs offered?
☒ Yes ☐ No

6.05 Are the following appropriate to support the student population and the programs offered at all locations (including additional space and learning sites)?
(a) Equipment
☒ Yes ☐ No
(b) Instructional tools
☒ Yes ☐ No
(c) Machinery
☒ Yes ☐ No

6.06 Is there evidence on file to show that all campus facilities are in compliance with fire, safety, and sanitation regulations?
☒ Yes ☐ No ☐ Not Applicable

7. PUBLICATIONS

7.01 What catalog was used during the evaluation (please include the year, number, and volume if appropriate)?
The institution's 2015-2016 Global Health College catalog, revised August 19, 2015, was used during the visit.

7.02 Does the self-study or branch application part II accurately portray the campus?
☒ Yes ☐ No

7.03 Does the campus publish a catalog that is appropriately printed and bound and available to all enrolled students?
☒ Yes ☐ No

7.04 Does the catalog contain the following items?
(a) A table of contents and/or an index.
☒ Yes ☐ No
(b) An indication of the year or years for which the catalog is effective on the front page or cover page.
☒ Yes ☐ No
(c) The names and titles of the administrators.
☒ Yes ☐ No

(d) A statement of legal control which includes the names of trustees, directors, and officers of the corporation.
☐ Yes ☒ No
(e) A statement of accreditation
☒ Yes ☐ No ☐ Not Applicable (initial applicant)
(f) A mission statement.
☒ Yes ☐ No
(g) A listing of full-time faculty members which lists all qualifying credentials held along with the awarding institution and the area of teaching specialization.
☐ Yes ☒ No
(h) An academic calendar.
☒ Yes ☐ No
(i) A full disclosure of the admission requirements.
☒ Yes ☐ No
(j) A statement for each curriculum offered that includes a statement of objective or purpose; an accurate and complete listing of all courses in the curriculum with a unique identifying number and title, the credit or clock hours awarded; the total credit or clock hours required to complete the curriculum; any necessary requirements for certification, licensing, or registration needed to work in the field; and any additional requirements that must be met to complete the curriculum.
☒ Yes ☐ No
(k) A description of each course offered that includes the identifying number, title, credit or clock hours awarded, a concise description of the course contents, and any necessary prerequisites.
☒ Yes ☐ No
(l) An explanation of the grading system that is consistent with the one that appears on the student transcript.
☐ Yes ☒ No
(m) A definition of the unit of credit.
☒ Yes ☐ No ☐ Not Applicable (The campus does not award credit)
(n) A complete explanation of the standards of satisfactory academic progress.
☒ Yes ☐ No
(o) A description of the certificates, diplomas, and/or degrees awarded along with a statement of the requirements necessary for completion of each.
☐ Yes ☒ No
(p) The transfer of credit policy.
☒ Yes ☐ No
(q) A statement of the tuition, fees, and any other charges.
☒ Yes ☐ No
(r) A complete and accurate listing of all scholarships, grants, and/or loans offered.
☐ Yes ☐ No ☒ Not Applicable (no scholarships, grants, or loans offered)
(s) The refund policy.
☒ Yes ☐ No
(t) A statement describing the student services offered.
☒ Yes ☐ No
(u) A student grievance policy that includes the name and address of ACICS (may be in the student handbook instead of catalog).
☐ Yes ☒ No ☐ Not Applicable (initial applicants only)

If *No* for any item, insert the section number in parentheses and explain:
(Section 3-1-701 and Appendix C): The catalog does not meet Council's standards in the following areas:
1. the statement of legal control is not accurate;
2. the grading system does not match the grading system on the official transcript;
3. all components of the standards of satisfactory progress (SAP) are not contained in the SAP policy;
4. the student grievance policy does not include ACICS's name and address;
5. a course description is missing for NAS252L Anatomy and Physiology II Lab; and,
6. the statement of ACICS accreditation is not appropriately written.

7.05 Does the campus offer degree programs?
☒ Yes ☐ No

If *Yes,* does the catalog contain the following?
(a) An explanation of the course numbering system (for all levels).
☒ Yes ☐ No
(b) Identification of courses that satisfy general education requirements (for occupational associate's, academic associate's, and bachelor's degrees only).
☒ Yes ☐ No ☐ Not Applicable
(c) Identification of courses that satisfy the concentration requirements (for academic associate's and bachelor's degrees only).
☒ Yes ☐ No ☐ Not Applicable

7.06 Does the campus offer courses and/or programs via distance education?
☐ Yes ☒ No

7.07 Does the catalog contain an addendum/supplement?
☒ Yes ☐ No

While the team was on-site, the institution did prepare a catalog addendum in an attempt to correct multiple errors that the catalog contained. However, in addition to the addendum's not having an effective date and appropriate references to page numbers, the catalog issues and errors were too substantive to rectify appropriately on site.

7.08 Is the catalog available online?
☒ Yes ☐ No

If *Yes*, does it match the hard copy version?
☒ Yes ☐ No

7.09 Does the campus utilize a multiple-school catalog?
☐ Yes ☒ No

7.10 Is all advertising and promotional literature, through any type of media (social media, website, newspapers, etc.), truthful and dignified?
☒ Yes ☐ No

7.11 Is the correct name of the campus listed in all advertising, web postings and promotional literature?
☒ Yes ☐ No

7.12 Where does the campus advertise (publications, online, etc.)?
The campus advertises online, through print, and radio.

Are all print and electronic advertisements under acceptable headings?
☒ Yes ☐ No

7.13 Does the campus use endorsements, commendations, or recommendations in its advertising?
☒ Yes ☐ No

If *Yes*, is there evidence that prior written consent was obtained and that all representations are factual and portraying current conditions?
☒ Yes ☐ No

7.14 Does the campus utilize services funded by third parties?
☐ Yes ☒ No

7.15 Does the campus avoid offering monetary incentives to attract students and avoid making guarantees for job placement or salary for graduates?
☒ Yes ☐ No

7.16 Is the phrase "for those who qualify" properly used in all advertising that references financial aid?
☐ Yes ☒ No ☐ Not Applicable (campus does not participate in financial aid)

If *No,* insert the section number in parentheses and explain:
(Section 3-1-703 and Appendix C): The institution's advertising materials that reference financial aid do not include the required phrase "for those who qualify."

7.17 What institutional performance information does the campus routinely provide to the public?
The institution publishes information on licensure, placement, and retention along with other "Gainful Employment" disclosures.

Where is this information published and how frequently is this information being updated?
This information is published on the institution's web site.

If performance information is not being published*,* insert the section number in parentheses and explain:
(Section 3-1-704): The disclosed performance information on the institution's website does not accurately reflect the data reported to ACICS. The disclosure states that the reported retention and placement rates are those that the institution has reported to ACICS. However, the placement rate reported to ACICS on the 2014 CAR was 61 percent for the practical nursing program; the website posts a rate of 68 percent. A retention rate of 59 percent was reported to ACICS for the registered nursing program; 64 percent was reported on the website.

8. LIBRARY, INSTRUCTIONAL RESOURCES, AND TECHNOLOGY

FOR ALL PROGRAMS

8.01 Does the campus develop an adequate base of library resources?
☒ Yes ☐ No

8.02 Does the campus ensure access of library resources to all faculty and students, including students at nonmain campuses?
☒ Yes ☐ No

8.03 Does the campus provide training and support to faculty and students in utilizing library resources as an integral part of the learning process?
☒ Yes ☐ No

8.04 Are adequate staff provided to support the development, organization of the collection, and access of library resources?
☒ Yes ☐ No

8.05 Describe how the campus develops continuous assessment strategies for resources and information services?
Continuous assessment strategies for resources and information services are developed by the campus librarian. The librarian solicits and reviews requests from faculty on the currency of materials and the need for additional resources. In addition, library usage is tracked for online holdings and feedback from students is provided through semester and annual surveys.

Are these methods appropriate?
☒ Yes ☐ No

8.06 Is the library staff adequately trained to support the library?
☒ Yes ☐ No

FOR OCCUPATIONAL ASSOCIATE'S, ACADEMIC ASSOCIATE'S, BACHELOR'S, AND MASTER'S DEGREES ONLY

8.07 Is the campus's established annual budget appropriate to the size and scope of the campus and the programs offered, and is the allocation appropriately expended for the purchase of books, periodicals, library equipment, and other resource and reference materials?
☒ Yes ☐ No

8.08 What is the amount of the current year's library budget excluding personnel allocations?
The current year's library budget is $15,875.

8.09 What portion of the current year's library budget has been spent?
As of the date of the visit, 53 percent or $8,482 had been spent.

How has the money been allocated?
Of the amount spent, 59 percent was used for journal subscriptions and 41 percent for supplies and equipment.

8.10 Is there evidence that the faculty have major involvement in the selection of library resources?
☒ Yes ☐ No

8.11 Are the library hours adequate to accommodate the needs of all students?
☒ Yes ☐ No

FOR ACADEMIC ASSOCIATE'S, BACHELOR'S, AND MASTER'S DEGREES ONLY

8.12 Describe how the faculty inspire, motivate, and direct student usage of the library resources?
Faculty inspire student usage of resources by including research assignments in each course; motivate students by assigning research projects to be graded and by requiring them to prepare for participation in classroom discussions; and direct student usage of resources in each course syllabus by describing appropriate formatting, citations, and acceptable levels of research.

Are these methods appropriate?
☒ Yes ☐ No

8.13 Is the Dewey Decimal, Library of Congress, or other appropriate system of classification used to organize the library materials?
☒ Yes ☐ No

8.14 Are records of physical and/or online resources and circulation accurate and up to date?
☒ Yes ☐ No

8.15 If interlibrary agreements are in effect, are the provisions appropriate, do they ensure practical use and accessibility to the students, and is evidence of student use documented?
☐ Yes ☐ No ☒ Not Applicable (no interlibrary agreements)

8.16 Describe any full-text online collections available to students.
The full-text online collection CINAHL is available through the campus' EBSCO subscription.

8.17 Are the library physical holdings and /or full-text online collections up to date and adequate for the size of the campus and the breadth of and enrollment in its educational programs?
☒ Yes ☐ No

8.18 Does the library collection include holdings in the humanities, arts, social sciences, and sciences, including mathematics?
☒ Yes ☐ No

FOR ACADEMIC ASSOCIATE'S AND BACHELOR'S DEGREES ONLY

8.19 Who is the on-site librarian, what are this person's qualifications, and what are his or her hours on-site?
Ms. Katherine Multop has held the full-time position of campus librarian since 2011. Ms. Multop has a bachelor's degree in art history and an MLS degree, both from George Mason University. She has one year of experience as a muesum library assistant and eight years of experience as a preschool teacher.

Ms. Multop's onsite library hours are Monday through Friday, 9:00 a.m. to 6:00 p.m. and she is available for student support through email and telephone.

Does this individual:
(a) Supervise and manage the library and instructional resources?
☒ Yes ☐ No
(b) Facilitate the integration of instructional resources into all phases of the campus's curricular and educational offerings?
☒ Yes ☐ No
(c) Assist students in the use of instructional resources?
☒ Yes ☐ No

8.20 Are all individuals who supervise the library and assist students with library functions well-trained and competent in both using and aiding in the use of the library technologies and resources?
☒ Yes ☐ No

8.21 Have library staff transcripts from campuses not accredited by agencies recognized by the United States Department of Education been translated into English and evaluated by a member of the National Association of Credential Evaluation Services (NACES) or the Association of International Credential Evaluators (AICE) to determine the equivalency of the degrees to degrees awarded by campuses in the United States?
☐ Yes ☐ No ☒ Not Applicable (staff do not hold foreign credentials)

8.22 Is documentation on file to reflect the librarian's participation in professional growth activities?
☒ Yes ☐ No

8.23 Are the hours the library is open adequate to accommodate the needs of all students?
☒ Yes ☐ No

8.24 Does the library make available appropriate reference, research, and information resources to provide basic support for curricular and educational offerings and to enhance student learning?
☒ Yes ☐ No

9. PROGRAM EVALUATION
Academic Associate's Degree in Registered Nursing

FOR ALL PROGRAMS

9.01 Is licensure, certification or registration required to practice in the specific career field?
☒ Yes ☐ No

If *Yes*, describe how the program provides students with the necessary skills to obtain licensure, certification or other registration necessary to practice in the specific occupational or professional area.
The program contains an appropriate balance of classroom theory and practical skills training in the laboratory and at clinical sites to meet the educational objectives. The curriculum addresses the tradititonal areas of nursing practice to provide students with the necessary knowledge and skills to pass the National Council Licensure Examination for Registered Nursing (NCLEX-RN).

(a) Is there a federal or state licensing agency pass rate established for this program?
☒ Yes ☐ No

If *Yes*, what is the minimum pass rate set by the federal or state licensing requirements?
The federal and state minimum pass rates vary from year to year based upon averaged participant test scores.

Add additional qualifiers if necessary:
The state minimum pass rate for the Virginia Board of Nursing is as follows:
2012 - 80.97 percent
2013 - 81.01 percent
2014 - 80.94 percent

The minimum pass rate for the National Council of State Boards of Nursing (NCSBN) is:
2012 - 89.32 percent
2013 - 81.43 percent
2014 - 79.26 percent

(b) What are this program's pass rates for the past three years?
Year: 2012 Pass Rate: 95.31
Year: 2013 Pass Rate: 83.00
Year: 2014 Pass Rate: 56.76

(c) Does the current year's program pass rate exceed or meet the higher of the two pass rates, as set by either state or federal requirements or the Council standard of 70 percent?
☐ Yes ☒ No ☐ Not Applicable

If *No,* does the campus provide one of the following:
A Campus Effectiveness Plan (CEP) that includes an improvement plan for this program with data, analysis and activities to meet or exceed Council requirements?
☐ Yes ☒ No

If *No*, insert sections 2-1-809, 3-1-512 and 3-1-111 in parenthesis and explain:
(Sections 2-1-809, 3-1-111, and 3-1-512): The campus did not provide a current CEP for the team to review; therefore, there was evidently not an appropriate improvement plan for the licensure pass rates for the academic associate's degree program in registered nursing.

9.02 Who is assigned to administer the academic program(s), and what are this person's qualifications?
Ms. Francoise Bissai, director of nursing, is assigned to adminster the program. As previously noted, Ms. Bissai is a registered nurse and has a bachelor's degree in nursing from the University of the District of Columbia and a master's degree in Health Science from George Mason University. Ms. Bissai has over 16 years of experience in the field and has been with the campus since 2003 as a faculty member. Ms. Bissai was promoted to the director's position in April 2013.

9.03 Does this individual possess appropriate academic or experiential qualifications?
☒ Yes ☐ No

9.04 Is there evidence that the program administrator has sufficient authority and responsibility for the development and administration of the educational program(s)?
☒ Yes ☐ No

9.05 Are the time and resources devoted to the administration of the educational program(s) sufficient?
☒ Yes ☐ No

9.06 Does the program meet the needs of its students and the requirements of the Council, as shown by student achievement outcomes which meet or exceed the standards for the following areas:
(a) Student retention rate of 65 percent (programs >1 year in length) OR 70 percent (programs ≤ 1 year in length)?
☒ Yes ☐ No ☐ Not Applicable (Branch Inclusion only)
(b) Student placement rate of 70 percent?
☐ Yes ☒ No ☐ Not Applicable (Branch Inclusion only)

If *No,* does the campus provide one of the following:
A Campus Effectiveness Plan (CEP) that includes an improvement plan for this program with data, analysis and activities to meet or exceed Council requirements?
☐ Yes ☒ No

If *No,* insert section numbers 2-1-809, 3-1-111, 3-1-512, and in parentheses and explain:
(Section 2-1-809, 3-1-111, and 3-1-512): The campus did not provide a current CEP; therefore, there was evidently not an appropriate placement improvement plan for the academic associate's degree program in registered nursing.

9.07 List the community resources and describe how they are utilized to enrich the program(s).
The program includes field trips to day care centers, homeless shelters, and head start programs. Students participate in health screenings and provide patient teaching on health issues at various sites. The students also had a clothing drive for the homeless in 2014. In addition, the program makes use of area long term care facilities, hospitals, and clinics for clinical site rotations.

9.08 Is the utilization of community resources sufficient to enrich the program?
☒ Yes ☐ No

9.09 Does the catalog and/or other advertising material such as brochures and web site, accurately describe the program and its objectives?
☒ Yes ☐ No

9.10 Does the program include an externship?
☒ Yes ☐ No

(a) Does the institution have a written and mutually signed agreement that outlines the arrangement between the institution and the externship site, including specific learning objectives, course requirements, and evaluation criteria?
☒ Yes ☐ No ☐ Not Applicable (no student is at the point of needing them)
(b) Is the experience supervised by an appropriately qualified faculty member?
☒ Yes ☐ No
(c) Is there evidence, based on observation, that the externship is an appropriate culmination of previously studied theory and appropriate for the program's objectives?
☒ Yes ☐ No ☐ Not Applicable (site was not visited-please explain)

9.11 Does the program use independent studies?
☐ Yes ☒ No *(Skip to question 9.13)*

9.13 Are the curriculum and length of the program appropriate to meet the educational and placement objectives of the program?
☒ Yes ☐ No

9.14 Are course prerequisites appropriate, are they identified in the catalog, and are they being followed?
☒ Yes ☐ No

9.15 Is an appropriately detailed syllabus on file for each course that includes the following elements?
(a) Title and course descriptions
☒ Yes ☐ No
(b) Course numbers
☒ Yes ☐ No
(c) Course prerequisites and/or corequisites
☒ Yes ☐ No
(d) Instructional contact hours/credits
☒ Yes ☐ No
(e) Learning objectives
☒ Yes ☐ No
(f) Instructional materials and references
☒ Yes ☐ No
(g) Topical outline of the course
☒ Yes ☐ No

(h) Instructional methods
☒ Yes ☐ No
(i) Assessment criteria
☒ Yes ☐ No
(j) Method of evaluating students
☒ Yes ☐ No
(k) Date the syllabus was last reviewed
☒ Yes ☐ No
For Title IV participant campuses that have <u>lecture</u> courses in <u>credit hour programs</u> or <u>clock-to-credit hour programs</u> only:
(l) Out-of-class work assignments that support the learning objectives for the course
☒ Yes ☐ No ☐ Not Applicable (Branch Inclusion OR clock hour program)
(m) A description of the minimum amount of time a student is expected to spend on completion of the work assignments
☒ Yes ☐ No ☐ Not Applicable (Branch Inclusion OR clock hour program)

9.16 Do students confirm that they receive a course syllabus and that it is followed?
☒ Yes ☐ No

9.17 Are the courses available when needed by the student in the normal pursuit of a program of study?
☒ Yes ☐ No

9.18 Was the team able to verify the backup documentation to support the placement rate for the program(s) as reported on the last Campus Accountability Report submitted to the Council?
☐ Yes ☒ No ☐ Not Applicable (there have been no graduates)

If *No,* insert "Section 3-1-303(a)" in parentheses and explain:
(Section 3-1-303(a)): The team could not verify backup documentation to support the placement rate reported on the 2014 CAR. The institution did not provide reliable backup documentation for the team to use in verifying the placement rate and the information provided (surveys) did not include contact numbers for graduates or employers. Nor did the names of many graduates on those surveys match the names of graduates on the CAR. Additionally, employment information self-reported by graduates did not match the placement information reported by the institution on the 2014 CAR.

9.19 Was documentation on file to verify graduates classified on the CAR as "not available for placement"?
☐ Yes ☒ No ☐ Not Applicable

If *No,* insert "Section 3-1-303(a)" in parentheses and explain:
(Section 3-1-303(a)): The campus was not able to provide documentation to verify that graduates were "not available for placement."

FOR RENEWAL OF ACCREDITATION AND INITIAL GRANTS ONLY

9.20 Does the campus participate in Title IV financial aid?
☒ Yes ☐ No

9.21 Does the campus's written procedures (as evidenced by their academic credit analysis) support the written policy and definition of a credit hour as defined by the U.S. Department of Education for Title IV funding?
☒ Yes ☐ No ☐ Not Applicable (Clock hour programs only)

9.22 Is there evidence that out-of-class work or the equivalency is being evaluated?
☒ Yes ☐ No ☐ Not Applicable (Clock hour programs only)

If *Yes*, briefly describe the documentation of evaluation viewed on site.
The team reviewed out-of-class assignments on the syllabi, graded homework, and recorded grades as evidence of evaluation of outside work.

FOR ALL VISITS

9.23 Are the following appropriate to adequately support the number and nature of the program?
(a) Facilities.
☒ Yes ☐ No
(b) Instructional equipment.
☒ Yes ☐ No
(c) Resources.
☒ Yes ☐ No
(d) Personnel.
☒ Yes ☐ No

9.24 Are the following elements appropriately incorporated into the instructional components of the program?
(a) Systematic planning.
☒ Yes ☐ No
(b) Well-defined instructional objectives.
☒ Yes ☐ No
(c) The selection and use of appropriate and current learning materials.
☒ Yes ☐ No
(d) Appropriate modes of instructional delivery.
☒ Yes ☐ No
(e) The use of appropriate assessment strategies.
☒ Yes ☐No
(f) The use of appropriate experiences.
☒ Yes ☐ No

FOR OCCUPATIONAL ASSOCIATE'S, ACADEMIC ASSOCIATE'S, BACHELOR'S, AND MASTER'S DEGREES ONLY

9.29 Is an adequate core of full- and part-time faculty employed to ensure sound direction and continuity of development for the program?
☒ Yes ☐ No

FOR ACADEMIC ASSOCIATE'S, BACHELOR'S, AND MASTER'S DEGREES ONLY

9.30 Are teaching loads reasonable?
☒ Yes ☐ No

FOR ACADEMIC ASSOCIATE'S DEGREES ONLY

9.38 Is the number of hours required to complete the program at least 60 semester hours, 90 quarter hours, or their equivalent, earned over a period of four semesters, six quarters, or the equivalent?
☒ Yes ☐ No

9.39 Is there a minimum of 30 semester hours, 45 quarter hours, or their equivalent in courses within the area of concentration?
☒ Yes ☐ No

9.40 Does the curriculum quantitatively and qualitatively approximate the standards at other collegiate institutions offering the same degree?
☒ Yes ☐ No

9.41 Is enrollment in the second academic year of the two-year program sufficient to support regularly scheduled classes?
☒ Yes ☐ No ☐ Not Applicable (no students in the second year)

9.42 Are the second-year courses based upon appropriate first-year prerequisites?
☒ Yes ☐ No ☐ Not applicable

Summary

Based on the team's review, the following areas require a response:

No.	Section	Summary
1.	Sections 2-1-809, 3-1-111, and 3-1-512	The institution does not have a current Campus Effectiveness Plan (CEP) (pgs. 4, 5, and 6). The necessary improvement plans for retention in the practical nursing program and placement and licensure pass rates for both programs have not been developed for a current CEP (pgs. 20 and 33).
2.	Section 3-1-112	Because there was no current CEP, there was no documentation to evidence implementation (pg.6).
3.	Section 3-1-303(a)	The ending enrollment on the 2013 Campus Accountability Report (CAR) does not match the beginning enrollment on the 2014 CAR (pg. 18). The CAR could not be verified for the practical nursing and registered nursing programs (pgs. 21 and 35).
4.	Section 3-1-422	The quantitative component of the institution's satisfactory academic progress (SAP) policy is not being evaluated (pg. 14).
5.	Section 3-1-441(c)	There is no evidence that follow up studies of graduate and employer satisfaction are being conducted at specific measuring points following placement (pg. 17).
6.	Sections 3-1-701, 3-1-201, 3-1-202(d), 3-1-421, 3-1-303(e), and Appendix C	The catalog does not meet Council's standards in a number of areas (pgs.7, 8, 9, & 27).
7.	Section 3-1-703 and Appendix C	The financial aid statement is not accurate in some advertising materials (pg. 28).
8.	Section 3-1-704	Published performance information is not accurate (pg. 28).
9.	Section 3-4-202	Some general education courses do not meet Council standards (pg. 24).

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	3/23/2015 10:58:54 AM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject:	Fwd: Attorney General Lori Swanson is expanding her legal battle against Globe University

FYI

Sent from my iPad

Begin forwarded message:

> **From:** Quentin Dean <qdean@acics.org>
> **Date:** March 23, 2015 at 7:55:28 AM PDT
> **To:** Anthony Bieda <ABieda@acics.org>
> **Subject: Attorney General Lori Swanson is expanding her legal battle against Globe University**
>
> Tony,
>
> FYI, see below.
>
> Quentin
>
> http://www.startribune.com/local/297072081.html
>
> # Globe U accused of making illegal student loans with 'usurious interest rates'
>
> - Article by: MAURA LERNER , Star Tribune
> - Updated: March 20, 2015 - 9:06 PM
>
> Lawsuit argues students not responsible for loans with "staggering" rates.

hide

Globe University

Photo: **Glen Stubbe**, Star Tribune

Star Tribune photo galleries

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Attorney General Lori Swanson is expanding her legal battle against Globe University, accusing the company of violating state law by offering unlicensed college loans to thousands of students and charging “usurious interest rates” of up to 18 percent.

On Friday, Swanson asked a Hennepin County court to invalidate those loans, known as Educational Opportunities and Student Access loans, and to order the company to reimburse students for all payments on them since 2009.

“It’s not a bank, it’s not a credit union, it’s not a credit card company,” Swanson said. But Globe made “illegal loans” to nearly 6,000 Minnesota students, according to the court filing, which was an amendment to a 2014 consumer fraud lawsuit against the company.

According to the complaint, Globe was charging interest on some loans at "a staggering rate of 18%," more than twice the 8 percent maximum allowed by state law.

"Accordingly, these students are under no obligation to pay any amount owing and are entitled to recover all amounts paid," the lawsuit asserts.

Officials at Globe University, a for-profit college system based in Woodbury, issued a statement denying the new claims, saying they would try to get them dismissed.

"We continue to express our desire to come to an amicable resolution with the Attorney General," the statement said. "Unfortunately ... rather than working with us toward a resolution, the Attorney General appears to be continuing to solicit publicity for her own political agenda."

Last July, Swanson filed a consumer-fraud lawsuit against Globe and its affiliate, the Minnesota School of Business, accusing them of luring students into criminal justice degree programs with misleading claims and high-pressure sales tactics.

Globe, which has campuses in Minnesota, South Dakota and Wisconsin, has denied those charges. The case is slated to go to trial in November. Swanson said she learned about Globe's lending program from students who said they were pressured into taking out the private loans after their federal aid or other student aid ran out.

In some cases, she said, students were called out of class and told they'd have to drop out of school if they didn't sign up for those loans. "[They] were caught between a rock and a hard place," she said. Many told her they were rushed through the process so fast that they had no paperwork on the loans.

That may be one reason, Swanson said, that Globe was able to continue making the loans for so many years without attracting notice.

"We were interviewing many many students, trying to figure out what kind of loans they have," she said.

Unlike other types of college loans, these required students to make payments while they were still in school, Swanson said. In some cases, she said, students were threatened with expulsion if they fell behind in their payments.

If the court rules that the loans were illegal, Swanson said, it could render them invalid and allow students to recoup their money.

But for now, she said, she's not advising students to stop payment. "Because I don't know what the school will do to them."

Maura Lerner • 612-673-7384

From: Brooke D. Anthony <BAnthony@anthonyostlund.com>
Sent: 6/23/2015 5:47:09 PM -0400
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject: Globe/MSB
Attachments: image002.gif

Dr. Gray,

Thank you for taking the time to speak with me. My contact information is below. Please feel free to call or email any time. I will be in touch in the coming months.

Best,

Brooke

AnthonyOstlund
BAER & LOUWAGIE

Brooke Anthony | Attorney, Shareholder

Anthony Ostlund Baer & Louwagie P.A.

90 South 7th Street, Suite 3600 | Minneapolis, MN 55402
P (b)(6) | D 612.492.8214 | F 612.349.6996

website | bio | my LinkedIn | vCard | map | email

Assisted by: Geri Wilkie | gwilkie@anthonyostlund.com

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From:	Jeanine Ford <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/32D02F56164C438CB1A35377E4FEC1EC-JFORD>
Sent:	10/21/2014 9:32:03 AM -0400
To:	Leadership Group <Leadership@acics.org>
Subject:	Looks like more problems for Globe - Pentagon after them now.

http://www.startribune.com/local/279621232.html

The Department of Defense has placed Globe University and its -sister, the Minnesota School of Business, on probation, meaning theschools can no longer accept some federal military educational benefits.

Current students can remain at the schools, but the restriction, made public this week, is the latest bad news to hit the two Minnesota-based for-profit schools. Attorney General Lori Swanson is suing them for deceptive marketing practices and fraud.

Lt. Cmdr. Nate Christensen, a Defense Department spokesman, said the Pentagon does not disclose information regarding any pending enforcement action for specific schools participating in its Voluntary Education Partnership Memorandum of Understanding.

But the program's website lists both Globe and Minnesota School ofBusiness as being on -probationary status, meaning the schools are not in compliance with the program, either because of a loss of accreditation, or because the Pentagon is investigating a complaint about the school.

Of 96 schools in Minnesota participating in the Department of Defense program, Globe and MSB are the only schools on probation, according to the website. The program monitors compliance of federal military tuition assistance programs.

The Pentagon spokesman would not talk about specifics, but the schools claim the restrictions don't affect the G.I. Bill. New active duty service students and drilling members of the National Guard and Reserve cannot receive tuition assistance while the Pentagon probe continues, the schools said.

The schools said the Pentagon's move was a direct reaction to the Minnesota attorney general's lawsuit, which it called "an unnecessary enforcement action," although the move may have come from additional complaints as well.

"While there should be an assumption of innocence until any wrongdoing is proven, unfortunately the Department of Defense has chosen to respond to the Attorney General's lawsuit in this way," the schools said in a statement.

While in a probation status, a school is not authorized to signnew students using various federal military tuition assistance programs, Christensen said.

"While in a probationary status and with a view to minimizing harm to students, an institution will be permitted to 'teach-out.' This means that current students receiving Department of Defense tuition assistance will be permitted to complete courses already in progress and enroll in new courses deemed to be part of that student's established academic program," Christensen said.

Suit claims deception

The action comes following Swanson's lawsuit, which accuses the two schools of misleading criminal-justice students about their job prospects after graduation and deceiving them about the ability to transfer credits to other colleges or universities. The attorney general also accused the schools of using high-pressure sales tactics to lure students to its programs.

Many of the students in Swanson's lawsuit are using the G.I. Bill and other federal military assistance programs to finance their education. The schools rely heavily on military tuition assistance programs. As much as 20 percent of their students have military connections, the schools have said in the past.

The Star Tribune recently documented cases of vets nearly exhausting their G.I. Bill benefits on the schools' criminal justice programs only to discover the schools did not meet the accreditation standards for state licensing.

The accusations in the lawsuit place the schools in apparent violation of several provisions of the agreement they signed with the Defense Department.

The schools said they have notified students, prospective students, and employees of the sanctions. The schools said they have offered a tuition adjustment to affected students.

"We value the hard work of our students and employees and will do whatever we can to protect their degrees, reputations and jobs," the schools said in a statement. "If the Attorney General continues to deny our requests to work with her to address the allegations she's made regarding our colleges, she will be hurting not only veterans, but thousands of Minnesota citizens who are students in our degree programs, employees of our -colleges and graduates thriving in our state's workforce."

A spokesman for the attorney general said the office is continuing to review new information to determine the full scope of the possible transgressions and pointed out the schools have been accused of similar practices since the 1980s.

"If the school is telling you it's hamstrung from ending its deceptive practices without the help of a regulatory agency, that's troubling," said Swanson spokesman Ben Wogsland.

Mark Brunswick • 612-673-4434

Jeanine Ford

Vice President of Administration

Accrediting Council for Independent Colleges and Schools

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From:	Mitchell Peterson <mitchellpeterson@globeuniversity.edu>
Sent:	12/28/2015 2:09:50 PM -0500
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC:	Ian Harazduk <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/653bda8a64144114820bfcbf53b7514e-IHarazduk>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject:	Minnesota School of Business/Globe University - Moorhead (00023885) Notification

Dear Dr. Gray,

Please consider this message as formal notification of Minnesota School of Business's plans to begin the process teaching-out and ultimately closing the Minnesota School of Business (D.B.A., Globe University) – Moorhead (00023885) campus location. While we fully intend to initiate the formal application processes necessary to complete this transition in a manner compliant with the requirements of the Council and the *Criteria* as soon as possible, we were recently made aware of at least one local media outlet's intent to run a story on the campus closure early this week. Given this, we felt it appropriate to make you aware of the impending media attention.

We are committed to working closely with the Council, and our other regulatory entities, to complete a transition that we firmly believe to be in the best long-term interests of our institution and student body. Currently, our intent is to carry out a teach-out at the Moorhead location through the end of 2016 or early 2017. If you have any questions, concerns, or require any additional information from our institution at this time, please do not hesitate to contact me.

Sincerely,

Mitchell H. Peterson, Ph.D.

Director of Institutional Quality & Effectiveness

Corporate Offices - Operations

Phone: 651.332.8000

Direct: 651.332.8237

Mobile: (b)(6)

Email: mitchellpeterson@globeuniversity.edu

http://www.globeuniversity.edu

GLOBE EDUCATION NETWORK

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	7/22/2014 2:57:11 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject:	RE: Attorney General Action Against GU/MSB

This was sent out last week; response due Friday. FYI.

July 15, 2014

ID Code 00015232

VIA E-MAIL ONLY

Ms. Jeanne Herrmann
Chief Operating Officer
Globe University/Minnesota School of Business
2008 Paris Alcove North
West Lakeland, MN 55082

Mr. Mitchell Peterson
Director of Operations
Globe University
8089 Globe Drive

Woodbury, MN 55125

Dear Ms. Herrmann and Mr. Peterson:

This letter is a request for updated information regarding the planned appeal of the lawsuit by Ms. Heidi Weber in the Washington County Court which resulted in a judgment against your institution in February 2014.

In addition, please provide the Council with an update regarding the class-action suit filed by five current and former students against Globe University Inc.

Please provide the Council with an update regarding these issues by **July 25, 2014.** Until these matters are resolved, please continue to provide information to the Council as it becomes available.

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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From: Albert C. Gray
Sent: Tuesday, July 22, 2014 2:53 PM
To: Joseph Gurubatham; Anthony Bieda; Susan Greer
Subject: FW: Attorney General Action Against GU/MSB

FYI. Tony, I need to respond to Dr. Peterson. Do we currently have any open issues with Globe?

From: Mitchell Peterson [mailto:mitchellpeterson@globeuniversity.edu]
Sent: Tuesday, July 22, 2014 2:29 PM

To: Albert C. Gray; aheadly@acics.org
Cc: Ms. Jeanne Herrmann; Jeff Myhre
Subject: Re: Attorney General Action Against GU/MSB

Dear Dr. Gray,

Today, we learned that the Attorney General of the State of Minnesota filed a lawsuit with the Hennepin County Fourth Judicial District Court against Globe University and Minnesota School of Business. The lawsuit was filed, and local media outlets notified, with no prior notice to our institutions. We regret that the Attorney General's decision to release the details of the lawsuit in this manner prevented us from providing you with an advanced notification of this action against our institutions.

We will continue to defend the integrity of our schools and the students we have the privilege to serve. We are working diligently to respond to the accusations detailed in the Attorney General's suit, and will keep ACICS apprised of the status of this case.

Please do not hesitate to reach out to me directly should you have any questions regarding this case.

Sincerely,

GLOBE UNIVERSITY

Mitchell H. Peterson, Ph.D.

Director of Institutional Quality and Effectiveness

Corporate Offices - Operations

8089 Globe Dr.

Woodbury, MN 55125

Direct: 651.332.8237

Mobile: (b)(6)

Main: 651.332.8000

Fax: 651.332.8001

http://www.globeuniversity.edu/about-us

From:	Mitchell Peterson <mitchellpeterson@globeuniversity.edu>
Sent:	7/22/2014 2:28:40 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; aheadly@acics.org
CC:	Ms. Jeanne Herrmann <jherrmann@globeuniversity.edu>; Jeff Myhre <JMyhre@globeuniversity.edu>
Subject:	Re: Attorney General Action Against GU/MSB

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From: Mitchell Peterson <mitchellpeterson@globeuniversity.edu>
Sent: 7/23/2014 9:34:16 AM -0400
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject: RE: Attorney General Action Against GU/MSB
Attachments: 1 - Globe-MSB Summons.pdf; 2 - Globe-MSB Complaint.pdf; 3 - Globe-MSB Civil Cover Sheet.pdf

Dr. Gray,

The documents we received from the AG are attached.

Best,

Mitch

GLOBE UNIVERSITY

Mitchell H. Peterson, Ph.D.

Director of Institutional Quality and Effectiveness

Corporate Offices - Operations

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Woodbury, MN 55125

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http://www.globeuniversity.edu/about-us

From: Albert C. Gray [mailto:agray@acics.org]
Sent: Tuesday, July 22, 2014 3:54 PM
To: Mitchell Peterson; aheadly@acics.org
Cc: Jeanne Herrmann; Jeff Myhre
Subject: RE: Attorney General Action Against GU/MSB

Dear Dr. Peterson,

Thank you for timely notification to ACICS of the lawsuit that has been filed by the Minnesota Attorney General against Globe University and Minnesota School of Business. We know that Globe is very open and communicative with ACICS and we will appreciate being kept apprised of all developments in this case. When you have a chance please email a copy of the AG filing to me.

Sincerely,

Albert C. Gray

President & CEO

ACICS

202 336 6778

(b)(6) cell

202 842 2593 fax

From: Mitchell Peterson [mailto:mitchellpeterson@globeuniversity.edu]
Sent: Tuesday, July 22, 2014 2:29 PM
To: Albert C. Gray; aheadly@acics.org
Cc: Ms. Jeanne Herrmann; Jeff Myhre
Subject: Re: Attorney General Action Against GU/MSB

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STATE OF MINNESOTA | DISTRICT COURT

COUNTY OF HENNEPIN | FOURTH JUDICIAL DISTRICT

Case Type: Civil
(Consumer Protection)

State of Minnesota by its Attorney General,
Lori Swanson,

Court File No. ________

Plaintiff,

vs.

SUMMONS

Minnesota School of Business, Inc. d/b/a
Minnesota School of Business and Globe
University, Inc. d/b/a Globe University,

Defendants.

THIS SUMMONS IS DIRECTED TO MINNESOTA SCHOOL OF BUSINESS, INC. D/B/A MINNESOTA SCHOOL OF BUSINESS AND GLOBE UNIVERSITY, INC. D/B/A GLOBE UNIVERSITY

1. **YOU ARE BEING SUED.** The Plaintiff has started a lawsuit against you. The Plaintiff's Complaint against you **is attached to this summons.** Do not throw these papers away. They are official papers that affect your rights. You must respond to this lawsuit even though it may not yet be filed with the Court and there may be no court file number on this summons.

2. **YOU MUST REPLY WITHIN 20 DAYS TO PROTECT YOUR RIGHTS.** You must give or mail to the person who signed this summons a written response called an Answer within 20 days of the date on which you received this Summons. You must send a copy of your Answer to the person who signed this summons located at: 445 Minnesota Street, Suite 1200, St. Paul, Minnesota 55101-2130.

3. **YOU MUST RESPOND TO EACH CLAIM.** The Answer is your written response to the Plaintiff's Complaint. In your Answer you must state whether you agree or disagree with each paragraph of the Complaint. If you believe the Plaintiff should not be given everything asked for in the Complaint, you must say so in your Answer.

4. **YOU WILL LOSE YOUR CASE IF YOU DO NOT SEND A WRITTEN RESPONSE TO THE COMPLAINT TO THE PERSON WHO SIGNED THIS SUMMONS.** If you do not Answer within 20 days, you will lose this case. You will not get to tell your side of the story, and the Court may decide against you and award the Plaintiff everything asked for in the complaint. If you do not want to contest the claims stated in the complaint, you do not need to respond. A default judgment can then be entered against you for the relief requested in the complaint.

5. **LEGAL ASSISTANCE.** You may wish to get legal help from a lawyer. If you do not have a lawyer, the Court Administrator may have information about places where you can get legal assistance. **Even if you cannot get legal help, you must still provide a written Answer to protect your rights or you may lose the case.**

6. **ALTERNATIVE DISPUTE RESOLUTION.** The parties may agree to or be ordered to participate in an alternative dispute resolution process under Rule 114 of the Minnesota General Rules of Practice. You must still send your written response to the Complaint even if you expect to use alternative means of resolving this dispute.

Dated: July 22, 2014

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

ALAN GILBERT
Solicitor General
State of Minnesota

/s/ Kirsi L. Poupore
KIRSI L. POUPORE
Assistant Attorney General
Atty. Reg. No. 0390562

445 Minnesota St., #1200
St. Paul, MN 55101-2130
(651) 757-1354 (Voice)
(651) 296-1410 (TTY)
(651) 296-7438 (Fax)

ATTORNEYS FOR PLAINTIFF
STATE OF MINNESOTA

MINN. STAT. § 549.211
ACKNOWLEDGMENT

The party or parties on whose behalf the attached document is served acknowledge through their undersigned counsel that sanctions may be imposed pursuant to Minn. Stat. § 549.211 (2013).

Dated: July 22, 2014

/s/ Kirsi L. Poupore
Kirsi L. Poupore

STATE OF MINNESOTA | DISTRICT COURT

COUNTY OF HENNEPIN | FOURTH JUDICIAL DISTRICT

Case Type: Civil
(Consumer Protection)

State of Minnesota by its Attorney General, Lori Swanson,

Plaintiff,

vs.

Minnesota School of Business, Inc. d/b/a Minnesota School of Business and Globe University, Inc. d/b/a Globe University,

Defendants.

Court File No. ________

COMPLAINT

The State of Minnesota by its Attorney General, Lori Swanson, for its Complaint against Defendants Minnesota School of Business, Inc. ("MSB") and Globe University, Inc. ("Globe") alleges as follows:

INTRODUCTION

1. MSB and Globe hold themselves out as higher education institutions that train students for employment in particular careers. They aggressively solicit prospective students through "admissions representatives." Defendants instruct these admissions representatives that "the sale begins when the prospect says 'NO'" and not to let the students "leave without a commitment." The admissions representatives present themselves as career advisors and recommend specific degrees and programs to students, who they then attempt to sign up on the spot. They are trained to use high-pressure tactics to "close" the sale.

2. Defendants have engaged in high pressure and misleading recruiting practices to enroll students into their programs as quickly as possible. Defendants' deceptive practices relate

to, among other things, the employability of their criminal justice graduates and the transferability of their credits to other institutions. For example, some students have told Defendants they wanted to become police officers, and Defendants recommended and enrolled these students in their criminal justice programs, even though they do not satisfy State criteria for graduates to become licensed police officers in Minnesota. Other students have told Defendants they wanted to become probation officers, and Defendants recommended and enrolled these students in their associate's degree program in criminal justice, even though probation officers generally must have at least a bachelor's degree to be hired in Minnesota. Defendants have told prospective students that their credits would transfer to other institutions, even though most if not all of Defendants' credits typically do not transfer to most other institutions.

3. The State of Minnesota brings this action to stop these practices and to enforce Minnesota law.

PARTIES

4. Lori Swanson, the Attorney General of the State of Minnesota, is authorized under Minn. Stat. Ch. 8, including Minn. Stat. §§ 8.01 and 8.31 (2013), and under Minn. Stat. §§ 325D.45 and 325F.70 (2013), and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens to enforce Minnesota law.

5. Minnesota School of Business, Inc. d/b/a Minnesota School of Business ("MSB") is a Minnesota corporation with its principal place of business located at 8089 Globe Drive in Woodbury, Minnesota. MSB operates campuses in Blaine, Brooklyn Center, Elk River, Lakeville, Moorhead, Plymouth, Richfield, Rochester, Shakopee, and St. Cloud, Minnesota and

enrolls Minnesota students in its MSB-Online Division, which is operated from a location in Richfield, Minnesota.

6. Globe University, Inc. d/b/a Globe University ("Globe") is a Minnesota corporation with its principal place of business located at 8089 Globe Drive in Woodbury, Minnesota. Globe operates campuses in Minneapolis and Woodbury, Minnesota and enrolls Minnesota students in its Globe-Online Division in Richfield.

7. MSB and Globe are part of a consortium called Globe Education Network. They are sometimes collectively referred to herein as "Defendants." They offer post-secondary education programs, including certificate, diploma, associate degree, bachelor degree, master degree, and doctoral degree programs in "Business and Accounting," "Health Science," "Technology," "Legal Science," and "Creative Media."

JURISDICTION AND VENUE

8. This Court has jurisdiction over the subject matter of this action pursuant to Minn. Stat. §§ 8.01, 8.31, 325D.43 to 325D.48 and 325F.68 to 325F.69.

9. This Court has personal jurisdiction over Defendants because they reside and do business in Minnesota and have committed acts in Minnesota causing injury to Minnesota consumers.

10. Venue in Hennepin County is proper under Minn. Stat. § 542.09 because the cause of action arose, in part, in Hennepin County.

FACTUAL BACKGROUND

I. "The sale begins when the prospect says 'NO.'"

11. Defendants solicit and recruit prospective enrollees through advertisements, websites, phone calls, emails, and in-person meetings at their campuses and at high schools.

Defendants pay Internet search engine companies to drive business to their website, and they purchase "leads" of potential enrollees who have searched online for information about higher education opportunities.

12. Defendants employ numerous "admissions representatives" whose job is to enroll students in the programs offered by Defendants. Defendants' Admissions Representative Training Manual ("Training Manual") tells new admissions representatives that "one of the reasons you were hired over others that applied for the same position is likely your previous success in sales."

13. Defendants' admissions representatives recommend particular programs of study to prospective applicants (e.g., criminal justice, business administration, etc.), often after just a brief meeting with the prospective student. Defendants' Training Manual states:

> The recommendation tells the prospect why they should enter the career field you are recommending….Almost everyone comes in to meet with us a little unsure if they are making the right decision on which career is best for them. The recommendation takes away that doubt."

Elsewhere, Defendants' training manual states:

> We attempt to get 5 or 6 good solid reasons why this person should go into a career field. We build the person's confidence when we share with him all the reasons this is the right choice for him…If he trusts you and you tell him in a convincing way that this is the best career option for him, you will have a sale.

14. Defendants lead prospective students to believe that their admissions representatives are academic personnel with expertise in and the goal of assisting students in selecting the best type of degree based on that student's skills and interests. One of Defendants' written solicitations to potential enrollees states: "If you're just not sure about your ultimate career goals, speak with one of our admissions representatives, who can help you choose a starting point." Defendants' Training Manual states: "You are acting as a quasi-counselor or a

career advisor guiding and helping the prospect in solving a problem or problems. A major problem may be the need of additional training and you are assisting the prospect toward an important and purposeful conclusion." Defendants require that their admissions representatives tell prospective students the following:

> The [] goal is to identify if the career field you are interested in, is the best field for you. We will be able to help you in choosing the right career path by asking you questions about your interests and skills. At the end of our meeting today, I will recommend that your application be submitted for acceptance, but only if both you and I believe that you can benefit from career training and that it would put your career in the direction you would like to see it go.

15. Based on Defendants' recruiters' representations, some students place a high level of trust and confidence in their recommendations and enroll in one of Defendants' programs.

16. Defendants' Training Manual states: "Most people are not aware of the sales involvement when it comes to education. In fact if you look at our business cards, they don't say sales representatives. You are an admissions representative or a career advisor." In internal materials, however, Defendants refer to their admissions representatives as "educational sales representatives." Former recruiters explain their role as follows:

> While our goal was to sell MSB's programs, MSB trained us to present ourselves as career advisers whose role was to determine whether MSB was the right fit for each person…[W]e presented ourselves as acting in students' best interests by telling each student that we would make a recommendation <u>only</u> if we both believed he or she would benefit from MSB's career training. We represented to prospective students that we had the knowledge and training to determine which program was best for each student based on their skills and career goals. In truth, the purpose of meeting with prospective students was to convince them to enroll that day….
>
> ***
>
> MSB required that we represent to prospective students that we were knowledgeable and experienced career advisors whose goal was to determine whether MSB was the right fit, and if so, recommend a career

> program based on each individual's skills and interests. I was trained to tell a student that I would only "recommend her for acceptance" if both she and I agreed that she would benefit from MSB's career training…In reality, every student was given a "recommendation" based on the information given to us by the student.

17. Defendants' admissions representatives call prospective recruits and attempt to arrange personal meetings with them at which they sign students up for enrollment in one of Defendants' programs. Defendants require their admissions representatives to make a typical minimum of 250 calls per week and repeatedly call prospective students to try and schedule face-to-face meetings with them. Admissions representatives are given sales quotas. Representatives who do not generate enough sales may be terminated. One former recruiter states, "MSB made it clear that our job was a sales job, and that we would be rewarded or disciplined based on how many students we enrolled." To create a competitive sales environment, Defendants publicize among groups of admissions representatives lists of which recruiters are meeting and not meeting their sales quotas.

18. One of Defendants' tactics to drive enrollment is to "create urgency" on the part of prospective students to enroll right away. One former admissions representative stated that MSB tried to enroll students "as quickly as possible, preferably that day, before they had time to think about the importance of their decision." Defendants also schedule dates to create urgency among high school students, such as scholarship and financial aid planning days and open houses. Admissions representatives are told to arrange face-to-face meetings with prospective recruits within 24-48 hours of a sales call. They are instructed not to mention specific programs, program durations, or degree costs on the telephone, but rather to get the student onto the campus where a sales pitch can occur.

19. Defendants train their admissions representatives to "master the art of selling" and tell them that "selling education is different from any other type of selling." Defendants use what they call "qualitative selling" or "the reverse approach," which they define to mean presenting "challenges to the potential students and an attitude that they must prove their worthiness of being accepted." Defendants tell recruiters: "During your questioning you will allow your potential student to start selling you on the reasons he should be considered for acceptance." Defendants' Training Manual states: "Set[] a certain amount of restrictions and limitations. Challenge the prospect's grades, attendance, ambitions, desires and [support system], if applicable." Defendants use the following analogy to illustrate this process:

> "You have just created and built a tantalizing layer cake, a cake that the prospect would surely love to taste. You now very skillfully leave the cake for its taking or move the cake just so slightly away from the prospect's reach…The prospect now will have to come and take the cake away from you, if he truly wants it. He will now have to prove he is worth consideration in trying for acceptance into your training."

20. To make the schools seem more prestigious, recruiters are required to tell prospective students that they need a recommendation from an admissions representative to be accepted. In fact, Defendants enroll the overwhelming majority of students, so long as they can finance the cost.

21. Admissions representatives are taught not to take "no" for an answer. Defendants' Training Manual states: "There is a familiar saying among salespeople that goes, 'The sale begins when the prospect says 'NO.' You must be prepared to meet a 'NO' and not be stopped by it. Your prospect's 'NO' does not mean it is over. It means there is work to be done." To that end, Defendants admonish admission representative trainees: "<u>You are there to enroll that student, not to PR him and leave without a commitment</u>."

22. Defendants teach their admissions representatives classic sales tactics often prevalent in high pressure salesrooms. For example, Defendants tell their admissions representatives: "When you ask the question at the final close, remain silent. The next one who speaks loses."

23. As a result of the sales tactics employed by Defendants, students often describe feeling pressured to enroll in one of Defendants' programs on the spot, after a brief meeting in which the admissions representative recommends a particular program and degree.

24. For example, **S.R.**[1] told MSB that she needed time to think about applying because she wanted to visit another school before making her big college decision. MSB's recruiter told S.R. that if she did not apply that day, she would not recommend S.R. for acceptance because MSB was only looking for students who were committed to starting and finishing their education. MSB urged **J.L.** of Stewartville to enroll the day of her admissions visit, attend an orientation that evening, and start classes the next week. When J.L. told MSB she needed time to think about enrolling and talk to her husband, MSB's admissions representative asked for J.L.'s husband's phone number to call him. "I was taken aback and a little scared by how aggressive MSB was," J.L. states. When **E.C.** told Globe that she needed time to think about whether she was ready to enroll in college because she was working and raising a young child, Globe's recruiter told her that Globe's programs filled up quickly, and E.C. needed to enroll that day if she wanted to make sure she got a spot at Globe. "Globe [] was aggressive," E.C. explains. "I felt overwhelmed and agreed to enroll that day."

25. **R.G.** states: "[MSB] rushed me through my visit, and before I had time to think about my decision, I had signed an enrollment agreement." When R.G. expressed uncertainty

[1] Students are identified by their initials to protect their privacy.

about taking on an additional $30,000 in student loan debt to obtain a bachelor's degree, MSB warned R.G. that tuition costs would increase with time and told her to enroll right away. When R.G. declined to enroll, an MSB recruiter barraged her with phone calls for several weeks before his manager took over and left R.G. several messages trying to convince her to enroll. MSB's recruiter pressured **C.S.** to enroll the same day she visited MSB, telling her that the sooner she enrolled, the sooner she could graduate and pursue a career. MSB convinced **T.H.** to enroll during her campus visit, before she had time to think about her decision. Within minutes of signing an enrollment agreement, MSB's recruiter "led [my mom and I] to a meeting with MSB's financial aid representative, who told my mom she needed to cosign my student loans," T.H. recalls. **J.L.** was hesitant to enroll at MSB, but MSB encouraged her to enroll that day, and told her not to worry about the cost of tuition because she was investing in her future and would qualify for a lot of financial aid as a single mom. MSB encouraged recent high school graduate **C.O.** to enroll right away to "fast-track" her career.

26. Defendants often enroll applicants before they have qualified for financial aid. Defendants' policies only require that new students meet with the financial aid department within two weeks *after* enrollment. Defendants' programs typically cost between $35,000 and $42,000 for an associate's degree and between $70,000 and $89,000 for a bachelor's degree. In 2013, associate degree recipients from Globe and MSB had a median student loan debt of $35,132 and $34,291, respectively, compared to $15,850 from public two-year colleges and $24,702 from nonprofit colleges in Minnesota, according to data from the Minnesota Office of Higher Education. During the same time period, bachelor degree recipients from Globe and MSB had a median student loan debt of $48,834 and $52,791, respectively, compared to $25,080

from the University of Minnesota, $25,424 from the Minnesota State Colleges and University System ("MnSCU"), and $27,632 from nonprofit colleges in Minnesota.

II. Defendants Tell Admissions Representatives: "We are selling a feeling, an attitude."

27. As set forth below, Defendants sell prospective students on the "dream" of bettering their future with a higher education degree or certificate from their programs. To do this, Defendants market themselves as career schools that provide hands-on training and job placement assistance that will land the student a job in their field of study, and they sell students in part by asking about their "dreams" for the future and then constantly referring back to these dreams in the sales pitch.

A. Defendants Promote Themselves As Career Schools That Provide Job-Specific Training For Employment.

28. Defendants market their programs as providing job-specific career training. In their solicitations and presentations to prospective students, Defendants state that their training is job related and their programs are "industry sensitive." Defendants represent that their students are trained for a specific career after graduation.

29. On their website, Defendants state that all of their programs "provide employer-approved skills" in fields like business and criminal justice and that "we prepare our students to be successful in their career fields." Defendants advertise: "Our graduates have the skills that employers need most." Elsewhere in their written solicitations to Minnesota consumers, Defendants make statements like:

- "Our graduates have the skills and knowledge they need to succeed in their professions."
- "Get the training and learn the skills employers want."
- "Globe University focuses on real-world education for real-world careers. Our programs [are] among the hottest fields for employment."

- "Everyone has their own reason for seeking a better education, but a more meaningful career with higher earning potential is usually at the top of the list. What about you? Are you ready?"
- "Successful futures start here."
- "Watch Your Career Grow With Globe University!"
- "Increase Your *HIRE* Potential."

B. To Convince Students To Enroll, Defendants Actively Promote Their Job Placement Assistance.

30. Defendants train their admissions representatives to use, as a selling point, a student's ability to find a job after graduation from Defendants' programs. Defendants tout their job placement assistance. Defendants tell prospective students that they have a full-time Career Services staff and offer effective career assistance to students and graduates. Students are told by Defendants' recruiters that Defendants' placement rates and graduates' starting salaries are high because employers value Defendants' training.

31. Defendants' website states: "At [Globe], we care about helping students on their paths to fulfilling careers. Our career services department offers job-search assistance to current students and alumni." Their written solicitations to prospective students include statements like:

- "Receive job placement assistance—make this the career of your dreams."
- "Lifetime CAREER assistance. (We're not kidding)."
- "Our staff members will help throughout every step of the job search process from [] networking with local employers to finding relevant job leads."
- "We help students connect with employers and other professional contacts."
- "[At Globe], [s]tudents get the support they need, including…job placement assistance."

- "With our promise of lifetime job placement assistance, [Globe's] career services department works diligently with students and graduates [to secure employment]."

32. Some students, however, report that Defendants provided little to no effective job placement assistance after graduation. After taking out $70,000 in student loans to attend MSB, **K.A.** received only public job postings from MSB, most of which were entry-level positions that required no college education and paid little more than minimum wage. "MSB's Career Services staff changed about every six months and rarely responded to my communications," 57-year-old **B.B.** of Rochester states. Many of the job postings Globe sent criminal justice associate degree graduate **E.C.** required a bachelor or master's degree and others, such as cashier positions, were low paying, required no college education, and were out-of-field. **M.F.** asked Globe for job placement assistance and networking opportunities, explaining that she was open to most criminal justice-related positions except entry-level security jobs. The only "assistance" Globe provided was sending M.F. job postings for entry-level security positions from websites like CareerBuilder.com.

33. MSB sent business administration associate degree graduate **J.G.** job postings for positions that included dishwasher and convenience store cashier. MSB similarly sent business management bachelor degree graduate **T.S.** postings for positions that required no college education like fast food shift manager and receptionist. **A.H.** contacted MSB many times asking that MSB send her job postings, but received "nothing but run around." When criminal justice graduate **T.H.** contacted MSB asking for employment opportunities, MSB told her it did not have any. Only once did MSB forward T.H. a criminal justice-related position, telling her she had to apply that day. Most of the jobs MSB sent **C.O.** were low paying and located up to an hour from her home. Others required advanced degrees and/or years of experience that C.O. did

not have. When C.O. questioned why MSB was sending her jobs that she did not qualify for, MSB told her, "just apply, you never know." "MSB's indifference at a time when I was struggling to find a job was worrisome, especially since it promoted its job placement services [during enrollment]." MSB promised husband and wife **T.P.** and **M.P.** job opportunities geared toward their degrees, but never followed up and eventually stopped responding entirely to their requests for assistance. When business management bachelor degree graduate **R.R.** asked for employment assistance from MSB, it told her to consider temporary administrative jobs. "I was not interested in entry-level positions with no job security," states R.R., who spent over $65,000 on her MSB degree. Business management bachelor degree graduate **B.R.** was troubled to discover that MSB's job placement "assistance" consisted of mass emails to all graduates of publicly available job postings that were not tailored to graduates' degrees or career interests. **N.R.** was similarly disappointed when MSB told him that it sent the same job postings to all MSB graduates because MSB told him before he enrolled that he would receive individualized job search assistance.

C. Defendants Sell Students On A "Dream."

34. Defendants coach their admissions representatives that: "Selling is more than a matter of presenting facts and information. It is a process of discovering and intensifying a potential student's wants and needs. How do you discover a potential student's wants and needs? By asking questions."

35. Defendants admonish admissions representatives to "[r]emember, we are selling a feeling, an attitude." Defendants require their admissions representatives to ask prospective students the so-called "Dream Question" by asking them how a successful career could better their lives. Representatives are trained to: "[Give] the prospect a chance to dream about a better

life with education. Let him describe to you a car, house, or some tangible item." They are told to prompt the prospective student with questions like: "To reach your goals, do you feel you need additional education?"

D. Defendants Use Job Placement Rates To Sell Enrollment.

36. To maintain accreditation, Defendants must submit an annual report to its accreditor, Accrediting Council for Independent Colleges and Schools ("ACICS"), which includes program and campus graduate job placement rates for each of Defendants' campuses. Failure to meet ACICS's job placement rate requirements can result in performance improvement measures, including additional reporting requirements, and ultimately a loss of accreditation.

37. Defendants use the alleged job placement rates of past graduates to recruit and solicit new students. Defendants provide job placement "disclosures" for each of their programs on their website, send solicitations to prospective students which tout high job placement rates, and tell students in sales meetings about high job placement rates, sometimes using specific figures. For example, in one email to a prospective student, Defendants wrote:

> The majority of our placement rates are 90%. That's tremendous! 9 of 10 of our graduates are placed within the field of their choice doing exactly what they chose to complete their degree in. Here at MSB, we do everything that we can to ensure that our students have a career in the field of their choice upon graduation.

38. When prospective students visit Defendants' campuses, recruiters market Defendants' programs based in part on its job placement rates and graduate career opportunities.

39. For instance, MSB told **L.H**. that about 96% of its business graduates were placed in jobs in their field of study upon graduation and that it could "almost guarantee" that L.H. would be placed within a week of graduation. Husband and wife **T.P.** and **M.P.** were impressed

when MSB's recruiter indicated during their admissions presentation that over 90% of MSB graduates found work in their field of study upon graduation. As **R.R.** explains, "MSB said that because of its great reputation and effective career services, over 80% of its graduates found employment in their field of study upon graduation." MSB similarly represented to **T.S.** that because of MSB's excellent reputation and effective Career Services staff, at least 90% of its business graduates found jobs in their field upon graduation.

40. To document graduates' job placement, Defendants distribute Graduate Employment Documentation forms to students, often before they graduate. The forms do not ask students whether they are working in their field of study or whether their jobs require use of their college program skills. Instead, the forms ask students whether they are using their training at work, to which there are spaces to respond "Yes," "Somewhat," or "No."

41. Defendants' career services representatives are under pressure to count students as "placed" in jobs in their fields of study or related fields. Defendants forecast the amount of placements needed each quarter and regularly email campuses' placement statistics to career services staff, pitting campuses against each other in a "race to the finish line." Defendants keep close tabs on the number of students who are deemed "placed," circulating emails to career services employees on the numbers of students considered "placed" and "unplaced," assigning regions into competing teams like "Vanguard," "Hawks," "Firefly," and "Northern Stars" and forecasting the number of placements needed to reach certain rates for monthly "business reviews." In one email, for example, Defendants' corporate manager of career services states: "Keep PUSHHHHING! Just under a month before reporting time!...I'm willing to call grads as well! Sometimes hearing a different voice can make a difference."

42. In some cases, Defendants have counted graduates as "placed" for jobs that require no college education, including jobs that graduates had before enrolling; counted graduates as "placed" when graduates indicate they are not using their education in their position; and otherwise falsely made it appear that some graduates are using their degree. Defendants reported some unplaced graduates as exempt from job placement because of certain conditions such as health conditions that prevent employment or continuing education, when in fact, these unplaced graduates are available for placement.

43. For instance, when **S.R.** met with MSB's Career Services department around graduation, MSB asked if she planned to continue to work for UPS, where she had worked for years before enrolling at MSB. She states that MSB did not ask her about her job duties at UPS, or whether S.R. was using her MSB training or education. S.R. later found that MSB had written on her Graduate Employment Documentation form that she was utilizing her MSB training at UPS. This concerned S.R. because her position did not require any college education, nor was she using her business administration education at this job. S.R., who enrolled at MSB with the hope of advancing her career, remains employed in her same UPS position, but now has $50,000 in student loans. Records produced to the State by MSB indicate that it reported to its accreditor that S.R. was "placed" in her field of study.

44. **C.A.** enrolled in MSB's business management bachelor degree program because she wanted to provide a better life for her son, who has a disability and requires extra care. Before graduation, she took a temporary secretarial job. MSB completed C.A.'s Graduate Employment Documentation form, indicating that she was "somewhat" using her MSB training even though the job did not require a college degree and C.A. was not using her business management skills. Records that Defendants produced to the State indicate that MSB reported

C.A. as "placed" to ACICS. C.A. and her son currently live on $900 a month and she is unable to make monthly payments toward her $60,000 in MSB student loans. She states: "Instead of bettering my life, my MSB degree wrecked my credit and made my life more difficult."

45. At graduation, **T.P.** told MSB that he continued to work as a sales representative for Verizon Wireless, an entry-level job that he took while in school to help pay his family's bills. T.P. states that he told MSB that this job paid $10.50 an hour and that he was not using his MSB business administration associate's degree. MSB filled out a Graduate Employment Documentation form, indicating that T.P. was using his MSB training at Verizon. Records produced by Defendants to the State indicate that MSB reported T.P. as "placed" in his field of study for accreditation purposes. T.P. and his wife, who collectively have over $125,000 in MSB student loans, struggled to find in-field employment, and T.P. eventually took a job as an oil hauling company dispatcher, a job that does not require any college education.

46. "It is difficult to make my student loan payments each month knowing that they are going to a school that conned me into enrolling with [] false promises," states 27-year-old **J.G.**, a C2 Systems Technician in the United States Air Force. J.G. transferred to MSB from St. Cloud State University after MSB told him that it had business partnerships with companies like Target, Best Buy, and Wells Fargo; that it offered lifetime job placement; and, that its credits would transfer to other schools if J.G. decided to pursue a bachelor degree elsewhere after earning an MSB associate's degree. At graduation, J.G. states that he told MSB that he remained employed as a bank teller and was not using his business administration associate's degree in this position. MSB later changed J.G.'s form to indicate that he was using his degree and according to records that Defendants produced to the State, reported J.G. as "placed" in its annual report to ACICS.

47. **A.H.** serviced slot machines at a local casino before deciding to pursue a business degree from MSB. "My goal was to work my way up at a company into a management role," A.H. states. When A.H. graduated from MSB with an associate business administration degree, she held the same casino job and told MSB on its Graduate Employment Documentation form that she was not using her degree. She states that MSB later changed A.H.'s form to indicate that she was using her degree and wrote in job duties that she did not have. According to records produced by MSB to the State, MSB reported A.H. as "placed" in its job placement statistics filed with its accreditor. While her job duties have not changed since 2001, A.H. now has $30,000 in debt as a result of her time at MSB.

48. 47-year-old **L.S.** of Becker worked for over a decade as a legal administrative assistant before deciding to earn a business degree and pursue a career in management or human resources. L.S. enrolled in MSB's business administration associate degree program in 2010 after MSB told her that it offered hands-on training and successfully placed most graduates in their field of study at graduation. L.S. received little assistance from MSB's Career Services at graduation, and continued to work the same legal administrative job she had since 2005. She states that she was surprised to review MSB's Graduate Employment Documentation form on which MSB indicated she was using her MSB training because her job did not require business coursework or a business degree. According to records Defendants produced to the State, it reported L.S. as "placed" in the business administration field to ACICS.

49. Before she enrolled, MSB told **R.G.** that it had a history of successful business graduates. When R.G. graduated with her business administration associate's degree in 2010, she reported to MSB that she was working as a bank teller. She also reported that she was not using her MSB training, as her job did not require a business background or college education

and paid $10 an hour. R.G. recently reviewed her MSB Graduate Employment Documentation form and saw that additional job duties beyond the scope of her teller position had been added and someone had written in "see job duties—related" under her statement that she was not using her training. According to records produced by Defendants to the State, MSB reported R.G. as a "placed" graduate for accreditation purposes.

50. **L.H.** decided to enroll in MSB later in life after MSB recommended she obtain a business administrative assistant diploma. While in school, she took an imaging specialist job at a bank scanning loan documents into the bank's computer system. This job required a high school education and paid $11 an hour. After earning her diploma, L.H. enrolled in MSB's business administration program when MSB told her she would have a lot more job opportunities with an associate's degree. Around graduation, L.H. states that she informed MSB that she was not using her business administration training as an imaging specialist. According to records produced by Defendants to the State, L.H. was reported as "placed" by MSB.

51. **K.P.** was deciding between MSB and St. Cloud State University until MSB told him that its business degrees were preferred by employers and as a result, its business program had a high job placement rate. After graduating with his associate's business administration degree, K.P could not find a job in the business field and continued to work his pre-MSB job as a golf course pro shop attendant and bartender earning about $8 an hour. K.P. recently reviewed his MSB Graduate Employment Documentation form and states that he was surprised to see that in response to the question "Are you utilizing your training," K.P.'s "no" response had been crossed out and "yes" was circled. K.P. states that he did not consider his pre-MSB pro shop or bartender jobs in his field of study, nor did he use his MSB business skills in these positions.

Nonetheless, records produced by Defendants to the State indicate that MSB reported K.P.'s entry-level, pre-MSB position as "in-field" in its job placement report to its accreditor.

52. **G.S.** was working as a bank teller supervisor when she graduated from Globe with an associate business administration degree in 2011. On her Graduate Employment Documentation form, Globe circled that G.S. was utilizing her training at the bank. G.S., however, states that she was not utilizing her training at this job. Records produced by Defendants to the State indicate that MSB reported G.S. as working in her field of study to its accreditor. G.S. has not been able to find a business administration field position and states: "I remain frustrated that I have over $20,000 in student loans from my MSB degree that has proved worthless in my employment search."

53. According to records provided by Defendants to the State, MSB reported **B.E.** as unavailable for job placement because he chose to continue his education after graduating from MSB's associate degree criminal justice program. B.E. states that he did not continue his education after earning his associate's degree, despite MSB's "advice" that he return to obtain a bachelor's degree. B.E., who took out over $40,000 in loans to attend MSB, continued to work his out-of-field construction position when he could not find a job in the criminal justice field.

54. Business management bachelor degree graduate **C.S.** states that she was unable to enroll in her planned Master of Business Administration (MBA) program when a local non-profit college refused to accept her MSB degree, but according to records produced by Defendants to the State, MSB nonetheless reported her as unavailable for job placement because of continuing education. Because she could not find a business management-related position, C.S. took a job as an educational support professional, a position that requires a high school diploma and pays

less than $14 an hour. "I have about $50,000 in student loans from MSB, and it is difficult to make my monthly student loan payments given my earnings," C.S. states.

55. **D.M.** was reported as unavailable for job placement due to a documented health condition by MSB, according to the records Defendants produced to the State. D.M., however, states that she was working out-of-field as a gas station cook and requested job placement assistance from MSB. D.M., who has $45,000 in MSB student loans, states: "As hopeless as the outlook seems, I continue to look for and apply for jobs in the criminal justice field. I have not gotten a single interview."

56. **T.S.**, who took out $20,000 in student loans when his GI bill funding did not cover his MSB business management bachelor's degree, was reported as "placed" for a job that required a high school diploma, paid $12 an hour, and lasted two days, according to records Defendants produced to the State. T.S. has been unable to find a business management position and has worked as a bartender and server since graduating in 2009. "It worries me that MSB reported me placed in my field of study for an entry-level position that lasted two days," T.S. states.

III. Defendants Misrepresent The Employment Opportunities Available To Their Criminal Justice Graduates.

57. Defendants offer associate and bachelor degree programs in criminal justice. Their associate's degree in criminal justice program costs $35,100, and their bachelor's degree in criminal justice costs $70,200. Defendants promote their criminal justice programs as providing students with "the industry knowledge and credentials employers seek."

58. To recruit and enroll students in their criminal justice programs, Defendants represent that these programs prepare individuals for many careers in the criminal justice field, including, but not limited to, police officer, crime scene investigator, probation officer, Federal

Bureau of Investigations (FBI) agent, and Customs/Border Patrol agent. Defendants recommend specific criminal justice degrees and programs for some students after students tell Defendants' recruiters their career goals. Defendants' recommendations influence these students' decisions to enroll in Defendants' criminal justice programs. It is only after enrolling, and in some cases, after graduating, that some students find out that Defendants' criminal justice degrees will not qualify them to become police officers in Minnesota, nor will its associate criminal justice degree qualify them to find jobs as probation officers. Some of Defendants' criminal justice graduates do not get the kind of jobs advertised by Defendants, but only qualify for low-paying entry level jobs that require no college education.

A. Defendants Mislead Some Minnesota Students Into Believing That They Can Become Police Officers With A Criminal Justice Degree From Defendants.

59. A person who wishes to become licensed as a peace officer in Minnesota must: (1) earn a law enforcement or criminal justice degree through a Professional Peace Officer Education ("PPOE") program approved by the Minnesota Peace Officer Standards and Training ("POST") Board; or (2) earn a college degree in any discipline from a regionally accredited college or university and then complete a POST Board-approved PPOE program, which includes hands-on law enforcement certificate courses (often called "Skills Training"). *See* Minn. R. 6700.0100, subps. 5a, 7, 20, 24. Regional accreditation means the college or university is accredited by one of six regional accrediting associations.

60. Defendants are not regionally accredited institutions and do not offer a PPOE that is approved by the POST Board. As a result, graduation from Defendants' criminal justice programs does not satisfy the educational requirements for a person to become a licensed police officer under Minnesota law.

61. Through their websites, advertisements, and sales presentations, Defendants mislead some students into believing they can become a licensed police officer in Minnesota with Defendants' criminal justice degrees. In one advertisement, Defendants feature a woman in a police uniform with a badge and state: "MAKE THE WORLD A BETTER PLACE Earn a criminal justice degree." In another advertisement, Defendants state, "ADVANCING A CAREER IN LAW ENFORCEMENT Starts with the right degree. For over 125 years, we've provided hands-on career training to countless students like you." In yet another advertisement, Defendants feature a police officer performing a sobriety test.

62. On May 6, 2014 Defendants posted an entry on their blog entitled "A Graduate's Road to the Realization of A Dream Career in Law Enforcement." It describes a graduate of Defendants' criminal justice degree program who "pursued his dream of becoming a police officer" by obtaining an associate's degree in criminal justice from MSB. The advertisement does not disclose that a person cannot become a police officer in Minnesota with such a degree or that the graduate obtained his employment in another state. Another blog posting dated June 19, 2014 entitled, "Do You Have What It Takes to Work in Criminal Justice?" features a photograph of a police officer walking a handcuffed person to a squad car.

63. When individuals search the internet for information on "police courses," "law enforcement schools," "college degree police officer" and similar phrases, Defendants pay search engines such as Google to direct these inquiries to Defendants' Minnesota criminal justice webpages.

64. From at least 2011 to 2013, Defendants' course catalogs and website included links to occupations that included police sergeant, police captain, police lieutenant, sergeant, and

patrol sergeant as examples of jobs that graduates "typically find employment within a few years after completing the program."

65. Defendants' website states: "If you're interested in working in law enforcement, the court system or corrections, the multidisciplinary team of criminal justice can lead you down many different career paths. A degree in criminal justice is useful in a wide variety of positions," including "police officer," "crime scene investigator," and "probation officer." Defendants tell students in enrollment presentations that criminal justice students will "study the theories underlying the 3 main components of the Criminal Justice System": police, courts and corrections.

66. Defendants promote a degree in criminal justice as a way to earn an enhanced living. For example, their website states: "Make a difference. The safety and well-being of our citizens will always be a public priority…the field of criminal justice offers a variety of secure career paths. A degree in criminal justice provides the industry knowledge and credentials potential employers seek." In fact, some students who earn a criminal degree from Defendants are unable to find a job that is different or better than they had or would have had with no degree.

67. Even though it is not possible for a person who graduates from Defendants' criminal justice programs to become licensed as a police officer in Minnesota without obtaining at least an associate's degree from an acceptable institution, Defendants have recommended and enrolled students in their criminal justice programs who told Defendants they wanted to become police officers.

68. For example, 19-year-old **D.Z.**, whose parents had not attended college, decided as a boy that he wanted to be a police officer. D.Z. researched college law enforcement programs online and discovered that MSB offered a criminal justice program close to his home.

He visited MSB three times and discussed his desire to become a police officer with MSB's recruiters. MSB recommended its criminal justice program and told D.Z. it was accredited, which would allow him to become a police officer. D.Z. later learned from a substitute instructor that a degree from MSB did not satisfy POST Board requirements for D.Z. to become a police officer. D.Z. withdrew from MSB but MSB refused to refund his tuition. "I feel like [MSB] took advantage of my youth and my family's inexperience with the college application process," D.Z. states. "Students have enough roadblocks to overcome when pursuing higher education, and misrepresentations by colleges should not be one of them." D.Z. now attends Normandale Community College.

69. When **K.A.** told MSB's recruiter that she wanted to be a police officer, "he praised me for my interest in public service and recommended MSB's criminal justice program," K.A. explains. Halfway through her criminal justice program, K.A. met with a local police officer and was surprised to be told that she could not become a police officer with an MSB degree because MSB was not properly accredited. K.A. earned her bachelor's degree in criminal justice in 2013, and has applied to at least 20 criminal justice-related positions without receiving any job offers. She says: "I have $70,000 in student loans from MSB, and I am unable to pursue my dreams of becoming a police officer."

70. **J.L.**, who is 38 and has two children, has worked as a domestic violence advocate for over a decade. J.L. visited with an MSB recruiter and said that she wanted to become a police officer to help battered women. MSB told J.L. that its criminal justice associate's degree program would give her the skills and training she needed to become a police officer. A few quarters into her program, a new instructor, himself a former police officer, told J.L.'s class that an MSB degree did not qualify individuals to become Minnesota police officers. J.L.'s

associate's degree cost her over $40,000. She tried to transfer her credits to a MnSCU university, but was told that her credits would not transfer. She works in the same job as before enrolling in MSB. She states: "My MSB diploma is nothing more than a $40,000 piece of paper. My MSB education has not allowed me to pursue my dreams of becoming a police officer as promised, nor has it provided me with a better life or career."

71. **K.M.** was busy working full-time and raising two children on her own when she decided to pursue her dream of becoming a crime scene investigator. MSB told her that to be a crime scene investigator, K.M. needed to become a police officer first and recommended MSB's criminal justice associate degree program. MSB also told K.M. that its courses were taught by industry professionals with real-world experience. K.M. enrolled in MSB's criminal justice program, and most of her courses were taught by a state trooper. Around graduation, K.M. discovered that MSB was not certified by the Minnesota POST Board, and enrolled in Bemidji State University's bachelor degree criminal justice program. "Instead of starting my career in 2009 as planned, I am spending thousands more dollars than anticipated repeating many of my MSB courses, and have not yet found work in the criminal justice field," K.M. states.

72. When 29-year-old **T.O.** of North Branch shared her dream of becoming a police officer with MSB's recruiter, the recruiter recommended MSB's criminal justice associate degree program and told T.O. that her job opportunities would include police officer, crime scene investigator, and probation officer. T.O. enrolled in MSB's associate degree criminal justice program. In one MSB criminal justice course, T.O.'s class toured a police station to learn about police work. After graduating, T.O. was troubled to discover that she could not become a police officer with an MSB degree when she contacted a local police department about police officer

employment opportunities. She works as a real estate agent and struggles to make her MSB student loan payments.

73. **C.O.** is the first in her family to go to college. Her grandparents agreed to pay for her education. C.O. told MSB she wanted to be a police officer, and MSB told her its criminal justice program was a good option for her. She later learned from a classmate that she could not become a police officer with a degree from MSB. Her grandparents paid over $33,000 for her degree, which C.O. says "proved useless in finding a criminal justice-related job." She currently works as a housecleaner making $10.50 per hour.

74. 35-year-old **B.E.** incurred over $40,000 in loans to obtain an associates' degree in criminal justice from MSB. He told MSB prior to his enrollment that he was interested in becoming a police officer. He states: "*It was deceitful for MSB not to inform me that becoming a police officer was not an option with MSB's criminal justice associate's degree.*"

75. **S.C.** visited MSB with her father, who never attended college. She told MSB that she wanted to be a police officer or state trooper. MSB recommended MSB's criminal justice program. S.C. states that she would not have enrolled in MSB had she known its degree would not make her eligible to become a police officer or state trooper.

76. Before she enrolled, **C.S.** was told by MSB that a criminal justice degree would open up "a world of employment opportunities" including security guard, police officer, and probation officer. Several quarters into her program, C.S. was disturbed to learn that MSB graduates could not become police officers when one of her instructors, a retired police chief, told her class that the Minnesota POST Board would not accept MSB degrees. "*At that point, I was concerned about MSB's misrepresentations and no longer trusted the school*," C.S. says. She withdrew from MSB.

77. A former law enforcement instructor and POST Coordinator for one Minnesota community college states that over the past several years, he has been contacted by many current students and graduates of MSB's criminal justice program who say that they enrolled in MSB's criminal justice program after MSB told them that they could become police officers with a criminal justice degree from MSB. These students called looking to transfer into the community college's law enforcement program, which is not possible because the students have not earned a regionally accredited college degree, nor does the community college have an articulation agreement with MSB. He states: "It is especially troubling [to receive these calls] because over the years, I have had multiple communications with [MSB] and told them that because MSB is not regionally accredited, [the community college] will not enter into an articulation agreement with MSB, nor will [it] allow MSB students to transfer into [the community college's] law enforcement program."

78. Defendants' purported written disclaimers are not sufficient to adequately advise students that completion of an associate's or bachelor's degree from Defendants' criminal justice programs will not make them eligible to become a licensed peace officer in Minnesota, even with completion of additional "Skills Training" from a POST Board-approved program.

B. Defendants Misrepresent Other Career Opportunities Available To Their Criminal Justice Graduates.

79. The Minnesota Department of Corrections requires that probation officer applicants have a bachelor's degree and related experience. Most, if not all, counties in Minnesota similarly require that probation officers have at least a bachelor's degree in criminal justice, corrections or a closely related field, including the counties in which Defendants' campuses are located. Many require related experience or a master's degree.

80. On their website, Defendants state: "Job opportunities are expected to be excellent" for probation officers. In documents that Defendants produced to the State, however, Defendants acknowledge graduates' difficulty obtaining probation or parole officer jobs, noting that Minnesota counties require a bachelor's, if not a master's degree, and "TONS of experience."

81. Despite this, Defendants have recommended their criminal justice associate's degree to prospective students who told Defendants they wished to become a probation officer before enrolling, even after telling students that they would recommend one of Defendants' programs "only if both you and I believe that you can benefit from career training and that it would put your career in the direction you would like to see it go."

82. One former recruiter explains that Defendants' recruiters often recommended that students enroll in a diploma or associate degree program even if they needed a bachelor's degree or higher to achieve their career goals because student "leads" stayed with recruiters through graduation, which gave them the opportunity to convince graduates to continue their education with Defendants and earn another "enrollment" to help them meet their sales goals. "This was concerning because students trusted [Defendants] to advise them on their best educational option given their career goals," the former MSB recruiter says. Another former MSB recruiter states: "MSB did not train us on the degrees required for different careers, so we recommended programs that appeared to fit a student's interests or attributes without regard to whether the career required a particular degree or a more advanced degree than MSB offered."

83. For example **K.P.**, a 26-year-old single mother, told MSB that she wanted to be a probation officer, and it recommended the school's criminal justice associate's degree. K.P., the first in her family to attend college, later learned that employers require a bachelor's degree to be

a probation officer and that her credits would not transfer to another school. She spent $60,000 to attend MSB. She works as a waitress. She states: "I feel conned by MSB. I trusted MSB to give me accurate and complete information as I made the biggest investment in my life."

84. 33-year-old **T.P.** thought it would be challenging and rewarding to work with offenders and asked MSB whether it had a program that would qualify her to become a probation officer. MSB recommended its criminal justice associate degree program. After graduating, T.P. found out that she did not qualify for probation officer positions in Minnesota because she did not have a bachelor's degree. She remains employed in the same job as she did before enrolling and has over $75,000 in loans from attending MSB.

85. **E.C.** wanted to make a difference and be a positive role model for troubled youths. When she told Globe she was interested in becoming a probation officer, Globe recommended its associate degree criminal justice program, telling E.C. that Globe provided extra help to non-traditional students like her and would help her land the career of her dreams at graduation. It was only when E.C. interviewed a probation officer near graduation that she was told she needed a bachelor's degree to work as a probation officer in Minnesota. "By that point, I was over $40,000 in debt as a result of my associate's degree and could not afford to take on any more loans to complete a bachelor's degree," E.C. states. E.C. currently works a banking job that does not require a college degree.

86. 25-year-old **M.F.**, who lives with her mother and 2-year-old son in St. Paul, was told by Globe that its criminal justice associate's degree would qualify her to work as a probation officer or social worker. Near the end of her program, M.F. asked an instructor for advice on applying for these jobs. She was told she could not work as a probation officer with an associate's degree, nor could she work as a social worker without a social work degree, which

Globe does not offer. She is liable for tens of thousands of dollars of loans, which her mom co-signed for her.

87. 39-year-old **M.A.** was interested in becoming a probation officer because of her experience as a group home manager. When she told MSB about her career goal, MSB recommended its associate degree criminal justice program. Around graduation, MSB for the first time informed M.A. that probation officer work required a bachelor's degree. Not wanting to lose her credits, M.A. enrolled in MSB's bachelor degree criminal justice program only to be informed by MSB that her financial aid had run out and she would not qualify for any bank loans without a cosigner. M.A. was forced to take out a high interest institutional loan from MSB called the Educational Opportunities loan. When M.A. fell behind on her payments, MSB cut off her access to her online classes and told her she could not graduate until she became current on her loan payments. She owes $80,000 in loans from attending MSB and is working in the same type of job as before she attended MSB.

88. **J.L.** thought she needed a bachelor's degree to become a probation officer, but MSB assured her that she could accomplish her career goal of becoming a probation officer with a criminal justice associate's degree. A quarter or two before graduating from MSB with her criminal justice associate's degree, J.L. was told by an Olmsted County probation officer that she needed a bachelor's degree to be a probation officer in Minnesota. "I remain troubled by MSB's aggressive and deceitful recruiting practices, and feel like MSB robbed me of my chance to pursue my career goals," says J.L., who works as a dental office secretary.

89. After enrolling in MSB's paralegal program, **N.R.** decided that he wanted to become a probation officer and consulted with his academic advisor about switching into a program that fit this career goal. N.R.'s MSB advisor recommended that N.R. enroll in MSB's

criminal justice associate degree program. During N.R.'s last quarter at MSB, he discovered that probation officer jobs required at least a bachelor's degree. N.R., who took out over $55,000 in student loans to attend MSB, works as a house painter. He states: "[I] remain troubled that MSB's academic advisor, whom I trusted to provide me with accurate information, misled me into thinking that I could become a probation officer with an associate's degree."

90. **S.S.** had always had an interest in probation work, and visited MSB's Rochester campus after receiving an MSB brochure that stated that job opportunities for MSB's criminal justice associate degree graduates included probation officer. "I was excited about becoming a probation officer in two short years," S.S. states. When S.S. said that she was interested in becoming a probation officer, MSB's recruiter recommended MSB's criminal justice associate degree program and told S.S. there was no time like the present to pursue her career goals. About a year into her program, S.S. discovered that she needed a bachelor's degree to become a probation officer.

91. **D.M.** told an MSB recruiter that she was interested in working as a probation officer. MSB told D.M. that MSB's criminal justice associate's degree would give her the skills and degree she needed for such a job. After graduating, D.M. learned that such jobs required a bachelor's degree. D.M. obtained loans of $45,000 to attend MSB and is unemployed.

92. "It troubled me that MSB recommended its associate degree program knowing it would not allow me to accomplish my career goals," said 22-year-old **E.T.** E.T. told MSB that she wanted to be a juvenile parole officer. MSB's recruiter recommended MSB's associate degree criminal justice program. E.T. told several instructors about her career goal before finding out on her own that she could not work as a parole officer with an associate's degree.

93. Defendants advertise that their criminal justice graduates can obtain careers as crime scene investigators, emergency management personnel, FBI agents and Customs/Border Patrol agents. From January 1, 2009 through June 14, 2013, however, no graduate has obtained employment in any of these careers, according to Defendants' job placement reports produced by Defendants to the State. Defendants recognize in internal communications graduates' difficulties obtaining many of these positions indicating: "Federal Agencies: FBI, [Bureau of Alcohol, Tobacco, Firearms, and Explosives], [Drug Enforcement Agency], Customs/Border Patrol—most want a TON of experience or a special language."

94. When graduates request assistance finding the jobs that Defendants advertise are possible with their criminal justice degrees, Defendants sometimes disclose for the first time that their criminal justice program prepares individuals for entry-level security jobs, which are generally low paying and require no college education.

IV. Defendants Tell Some Students That Their Credits Are Transferable When Most Colleges, Including Public Colleges And Universities In Minnesota, Do Not Recognize Or Accept Most Of Defendants' Credits, Leaving Some Students And Graduates Deep In Debt And Unable To Continue Their Education.

95. The U.S. Department of Education requires postsecondary institutions to be accredited to access federal financial aid. There are two types of accreditation: regional and national. Regional accreditors accredit most public and non-profit universities, while national accreditors accredit mainly for-profit schools. Historically, national accreditation was created to oversee non-degree granting programs, which allowed access to federal financial aid. As many for-profit colleges have begun offering degree-granting programs, national accreditation now provides for-profit colleges with federal financial aid without requiring them to meet the same academic quality standards as public and non-profit colleges.

96. Most credits from nationally accredited schools like Defendants are typically not accepted by regionally accredited schools, like the University of Minnesota or colleges or universities within the MnSCU system. Defendants, however, deceptively blur the distinction between national and regional accreditation and use their national accreditation as a selling point to recruit and enroll students. For example, one of their solicitations to prospective students states:

> "Top 10 Reasons to Attend [Globe]: #1—Accredited College: This means that our degree programs and our school meet the standards set by [Globe's] accrediting bodies. That carries weight when students put it on their resume."

97. Creating more misunderstanding by prospective students, Defendants aggressively promote their *own* accreditation.

98. When prospective Minnesota students search the internet for "regionally accredited colleges," Defendants' internet marketing campaign directs them to Defendants' webpages. Defendants accomplish this by paying money to search engine companies like Google. As recently as July, 2014, typing the search term "Minnesota regionally accredited colleges" into the search engine Google from a computer located in St. Paul, Minnesota produced a link to a MSB website titled "An Accredited College" as one of the first search results.

99. On their website, Defendants state the following:

> "There is some confusion about the distinction between national and regional accreditation. The Department of Education makes it clear that neither is better than the other. Globe University chooses national accreditation, a process that aligns closely with our career-focused mission and our historic business school status."

***

> "National and regionally accredited institutions [] have all met the same standards of quality."

100. Defendants train their recruiters to emphasize the benefits of national accreditation and avoid disclosing to prospective students that most regionally accredited schools do not accept credits from Defendants. As one recruiter explained: "If students asked how MSB's accreditation would affect their ability to transfer credits, we were taught to deflect these questions by asking, "why would you want to go elsewhere when you can continue here at MSB?" or "Are you planning on leaving? MSB students start and finish here.""

101. Recruiters' feedback after attending Defendants' accreditation training further underscores Defendants' efforts to train their recruiters to present national accreditation as equal or superior to regional accreditation:

- "Knowing that Regionally accredited universities do accept our credits is a big help."
- "…National accreditation actually holds a school more responsible for their students [sic] successes than schools that have regional accreditation."
- "Regional Accreditation isn't necessarily better—only requires updates every 10 years compared to national which requires annual activity."
- "There is no difference in Regional and National accreditation besides which schools implement it. Both are great ways to prove they offer a quality education, but schools don't need 1 or the other to be successful."
- "There is no difference in quality or difficulty in obtaining/maintaining regional versus national accreditation…Globe University **chooses** to be nationally accredited."
- "National—more get a job, graded on our enrolls, placement, retention all by program…Regional—education for the sake of education. Don't care or look at placement…Have to have a mission but it doesn't matter what it is."

102. Defendants sometimes orally misrepresent to prospective and current students that their credits will transfer to other post-secondary institutions in Minnesota, when in fact, they

know that few schools accept all or most of their credits. Some students enrolled in Defendants' programs after Defendants represented that they could transfer their credits to a different post-secondary institution.

103. For instance, when **K.P.** enrolled in MSB criminal justice program in Shakopee, it did not yet have a bachelor degree program. MSB assured K.P. that if she wanted to get her bachelor's degree, she could transfer her credits to a school with a four-year program. After K.P. received her associate's degree and could not find an in-field job, MSB convinced her to take more advanced criminal justice courses, telling her that it would give her an advantage over other associate degree holders, and she could transfer them to another school to complete a bachelor's degree. Several colleges in Minnesota that K.P. contacted to discuss completing her bachelor's degree all told her, however, that they would not accept MSB credits. After spending $60,000 at MSB, K.P. has since enrolled at Normandale Community College (Normandale) and is re-taking her general courses because Normandale would not accept her MSB credits.

104. As a result of medical issues, 57-year-old **B.B.** found herself unable to continue working in the restaurant industry where she had been employed for over 20 years. B.B. visited MSB after deciding the only way to get out of debt and better her future was with a college degree. MSB recommended its business administrative assistant diploma as a great option for non-traditional students like B.B. with no experience in an office setting. MSB said that if B.B. wanted to earn an associate's or bachelor's degree elsewhere, she would have no problem transferring her credits to another school. When B.B. tried to transfer to Rochester Technical and Community College ("RCTC"), she was told that the school would not take MSB credits because MSB was not properly accredited. "I feel like MSB cheated me out of my one chance to

better my life with an education," B.B. says. "I am now in my late 50s with over $40,000 in student loan debt and nothing to show for it."

105. MSB told **J.G.** that because it was accredited, he could transfer an MSB associate's degree to another college to complete a bachelor's degree. After earning his business associate degree, J.G. transferred to Metropolitan State University to complete a bachelor's degree and was advised that the school did not accept MSB's credits. J.G., who had $30,000 in student loans from MSB, had to start his business courses all over at Metro State.

106. Before enrolling, **S.R.** asked MSB's Rochester campus if other colleges accepted MSB's credits, because S.R. knew her employer may transfer her out of Rochester. MSB assured S.R. that MSB's credits would transfer anywhere because MSB was accredited. Disappointed in the quality of MSB's courses after she enrolled, S.R. contacted RCTC and asked about transferring her credits. RCTC told S.R. that because MSB was not properly accredited, RCTC would not accept any MSB credits. "I have $50,000 in student loans and cannot advance [at my employer] without a bachelor's degree," S.R. explains. "Other schools will not accept MSB's credits, but I refuse to return to MSB because of MSB's poor course quality and wrongful practices."

107. **R.G.** enrolled at MSB after it told her that because it was accredited, its credits would transfer to most colleges. R.G. has since been told by several colleges that they will not accept her MSB credits because MSB is not properly accredited.

108. MSB assured **J.L.** that after earning an MSB associate's degree, she could either complete a bachelor's degree at MSB or transfer to another school. When J.L. tried to transfer her associate degree credits to a MnSCU school, she was told that the school would not accept MSB credits and if she wanted to pursue a degree, she would have to start all over.

109. Defendants' purported written disclaimers do not sufficiently disclose to and apprise students that credits from Defendants will likely not transfer to most other institutions.

COUNT I
PREVENTION OF CONSUMER FRAUD ACT
MINN. STAT. § 325F.69

110. Plaintiff re-alleges all prior paragraphs of this Complaint.

111. Minn. Stat. § 325F.69, subdivision 1 (2013) provides:

> The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoinable as provided in section 325F.70.

112. The term "merchandise" within the meaning of Minn. Stat. § 325F.69 includes services. *See* Minn. Stat. § 325F.68, subd. 2 (2013).

113. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.69, subd. 1. Defendants have engaged in deceptive and fraudulent practices, and have made false and misleading statements, with the intent that others rely thereon in connection with the sale of Defendants' post-secondary education services. For example, Defendants use high-pressure sales tactics to solicit and enroll students, and promise them career opportunities that are unattainable with Defendants' criminal justice degrees in violation of Minn. Stat. § 325F.69. Another example of Defendants' fraudulent practices in violation of the Consumer Fraud Act is their false representation to prospective students that other colleges will accept Defendants' credits when they know this is not the case. By failing to disclose and omitting material facts which Defendants had a duty to disclose, Defendants have further engaged in deceptive and fraudulent practices in violation of the Consumer Fraud Act. Among other things, Defendants have failed to sufficiently disclose that a person who graduates from

Defendants' criminal justice programs cannot become a licensed peace officer in Minnesota, that a person who graduates with an associate's degree in criminal justice is unlikely to be hired as a probation officer in Minnesota, and that Defendants' credits are unlikely to transfer to most other institutions, including most public and non-profit colleges and universities in Minnesota.

COUNT II
VIOLATIONS OF THE UNIFORM DECEPTIVE TRADE PRACTICES ACT
MINN. STAT. § 325D.44

114. Plaintiff re-alleges all prior paragraphs of this Complaint.

115. Minn. Stat. § 325D.44, subdivision 1 (2013) provides, in part:

> A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:
>
> (2) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;
>
> (5) represents that goods or services have…approval, characteristics…[or] benefits that they do not have…;
>
> (7) represents that goods or services are of a particular standard, quality, or grade…if they are of another;
>
> (9) advertises goods or services with intent not to sell them as advertised;
>
> (13) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

116. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325D.44, subd. 1. For example, by representing that Defendants' criminal justice degrees can lead to students becoming Minnesota police officers when the POST Board does not recognize Defendants' degrees, Defendants caused a likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of their post-secondary education services; represented that their services have characteristics and benefits that they do not have; represented that their services are of a particular standard, quality, or grade when they

are of another; and engaged in other conduct which similarly creates a likelihood of confusion or of misunderstanding. Defendants further engaged in deceptive and fraudulent practices in violation of the Uniform Deceptive Trade Practices Act by:

- Misrepresenting the employment opportunities available to their criminal justice graduates, including recommending that students who want to be probation officers obtain an associate's degree in criminal justice; and
- Blurring the distinction between national and regional accreditation and falsely representing to students that other post-secondary education institutions would accept their credits.

117. By failing to disclose and omitting material facts which Defendants had a duty to disclose, Defendants have further engaged in deceptive and fraudulent practices in violation of the Uniform Deceptive Trade Practices Act. Among other things, Defendants have failed to sufficiently disclose that a person who graduates from Defendants' criminal justice program cannot become a licensed peace officer in Minnesota, that a person who graduates with an associate's degree in criminal justice is unlikely to be hired as a probation officer in Minnesota, and that most if not all of Defendants' credits are unlikely to transfer to other institutions, including most public and non-profit colleges and universities in Minnesota.

RELIEF

WHEREFORE, the State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against Defendants as follows:

1. Declaring that Defendants' actions, as set forth above, constitute multiple, separate violations of Minn. Stat. §§ 325F.69, subd. 1, and 325D.44, subd. 1;

2. Enjoining Defendants and their employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parents or controlling entities, subsidiaries, and all other persons acting in concert or participation with them, from engaging in

deceptive practices, or making false or misleading statements, in violation of Minn. Stat. §§ 325F.69, subd. 1, and 325D.44, subd. 1;

3. Awarding judgment against Defendants for civil penalties pursuant to Minn. Stat. §§ 8.31, subd. 3, for each separate violation of Minn. Stat. §§ 325F.69, subd. 1, and 325D.44, subd. 1;

4. Awarding judgment against Defendants for restitution under the *parens patriae* doctrine, the general equitable powers of this Court, Minn. Stat. § 8.31, and any other authority, for all persons injured by Defendants' acts described in this Complaint;

5. Awarding Plaintiff its costs, including costs of investigation and attorneys' fees, as authorized by Minn. Stat. § 8.31, subd. 3a; and

6. Granting such further relief as provided by law and/or as the Court deems appropriate and just.

Dated: July 22, 2014

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

ALAN GILBERT
Solicitor General
State of Minnesota

/s/ Kirsi L. Poupore
KIRSI L. POUPORE
Assistant Attorney General
Atty. Reg. No. 0390562

445 Minnesota St., #1200
St. Paul, MN 55101-2130
(651) 757-1354 (Voice)
(651) 296-1410 (TTY)
(651) 296-7438 (Fax)

ATTORNEYS FOR PLAINTIFF
STATE OF MINNESOTA

MINN. STAT. § 549.211
ACKNOWLEDGMENT

The party or parties on whose behalf the attached document is served acknowledge through their undersigned counsel that sanctions may be imposed pursuant to Minn. Stat. § 549.211 (2013).

Dated: July 22, 2014

/s/ Kirsi L. Poupore
Kirsi L. Poupore

STATE OF MINNESOTA **District Court**

Hennepin County	Judicial District:	Fourth
	Court File Number:	
	Case Type:	OTHER CIVIL

State of Minnesota by its Attorney General,
Lori Swanson,

Plaintiff,

vs.

Minnesota School of Business, Inc. d/b/a Minnesota School of Business and Globe University, Inc. d/b/a Globe University,

Defendants.

Civil Cover Sheet (Non-Family Case Type)

Minn. R. Gen. Prac. 104

Date Case Filed: July 22, 2014

ATTORNEY FOR PLAINTIFF	ATTORNEY(S) FOR DEFENDANTS
Kirsi Poupore Attorney Name	Unknown at this time Attorney Name
445 Minnesota Street, Suite 1200 Postal Address	Postal Address
St. Paul MN 55101 City State Zip Code	City State Zip Code
(651) 757-1354 Telephone Number	Telephone Number
kirsi.poupore@ag.state.mn.us E-mail address	E-mail address
0390562 Minnesota Attorney License No.	Minnesota Attorney License No.

PLAINTIFF, Self-represented	DEFENDANTS, Self-represented
N/A Name	Unknown at this time Name
Postal Address	Postal Address
City State Zip Code	City State Zip Code
( ) Telephone Number	( ) Telephone Number
E-mail address	E-mail address

1. Provide a concise statement of the case including facts and legal basis:

Minnesota School of Business and Globe University hold themselves out as higher education institutions that train students for employment in particular careers. They aggressively solicit prospective students through "admissions representatives" who are trained to engage in high pressure and misleading recruiting practices. Defendants misrepresent, among other things, the employability of their criminal justice graduates and the transferability of their credits to other institutions. For example, students have told Defendants they wanted to become police officers, and Defendants recommended and enrolled these students in their criminal justice programs, even though they do not satisfy State criteria for graduates to become licensed police officers in Minnesota. Other students have told Defendants they wanted to become probation officers, and Defendants recommended and enrolled these students in their associate's degree program in criminal justice, even though probation officers generally must have at least a bachelor's degree to be hired in Minnesota. Defendants have told prospective students that their credits would transfer to other institutions, even though most if not all of Defendants' credits typically do not transfer to most other institutions. Defendants lead students to believe that their recruiters are academic personnel with expertise in and the goal of assisting students in selecting the best type of degree based on that student's skills and interests. Some students place a high level of trust and confidence in their recommendations and enroll in one of Defendants' programs. The State of Minnesota, by its Attorney General, brings this enforcement action to stop Defendants' illegal practices and to obtain restitution for Minnesota consumers.

2. Date Complaint was served: Service pending July 22, 2014.

3. For Expedited Litigation Track (ELT) Pilot Courts only:

   a. ☐ the parties jointly and voluntarily agree that this case shall be governed by the Special Rules for ELT Pilot. Date of agreement: ________________

   b. ☐ The court is requested to consider excluding this case from ELT for the following reasons: ____

   Note: ELT is mandatory in certain cases, and where mandatory, exclusion may also be sought by timely motion under the Special Rules for ELT Pilot.

   c. Anticipated number of trial witnesses: ______________________

   d. Amount of medical expenses to date: ______________________

   e. Amount of lost wages to date: ______________________

   f. Identify any known subrogation interests: ______________________

4. Estimated discovery completion within 9 months from the date of this form.

5. Disclosure / discovery of electronically stored information discussed with other party?

   X No ☐ Yes, date of discussion: ______________________

   If Yes, list agreements, plans, and disputes: ______________________

6. Proposed trial start date: August 3, 2015.

7. Estimated trial time: 8 days _______ hours (estimates less than a day must be stated in hours).

8. Jury trial is: No right to jury trial exists in a consumer enforcement action such as this. *See State by Humphrey v. Alpine Air Prods., Inc.*, 490 N.W.2d 888 (Minn. App. 1992).

   ☐ waived by consent of ______________________ pursuant to Minn. R. Civ. P. 38.02.
   (specify party)

   ☐ requested by ______________________ (NOTE: Applicable fee must be enclosed)
   (specify party)

9. Physical/mental/blood examination pursuant to Minn. R. Civ. P. 35 is requested:

   ☐ Yes X No

10. Identify any party or witness who will require interpreter services, and describe the services needed (specifying language, and if known, particular dialect): None known.

11. Issues in dispute: Defendants' aggressive and misleading sales practices to enroll students in its postsecondary education programs.

12. Case Type / Category: 14/Other Civil (NOTE: select case type from Form 23, Subject Matter Index for Civil Cases, appended to the Minnesota Rules of Civil Procedure).

13. Recommended Alternative Dispute Resolution (ADR) mechanism: Mediation.
(See list of ADR processes set forth in Minn. Gen. R. Prac. 114.02(a))
Recommended ADR provider (known as a "neutral"): To be determined.
Recommended ADR completion date: March 2, 2015
If applicable, reasons why ADR not appropriate for this case: __________

By signing below, the attorney or party submitting this form certifies that the above information is true and correct.

Submitted by:

LORI SWANSON
Attorney General
State of Minnesota

ALAN GILBERT
Solicitor General
State of Minnesota

/s/ Kirsi L. Poupore
KIRSI L. POUPORE
Assistant Attorney General
Atty. Reg. No. 0390562

445 Minnesota St., #1200
St. Paul, MN 55101-2130
(651) 757-1354 (Voice)
(651) 296-1410 (TTY)
(651) 296-7438 (Fax)

ATTORNEYS FOR PLAINTIFF
STATE OF MINNESOTA

Date: July 22, 2014

From:	Mitchell Peterson <mitchellpeterson@globeuniversity.edu>
Sent:	3/23/2015 3:50:38 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject:	Re: Attorney General Action Against GU/MSB

Dear Dr. Gray,

As you are aware, the Minnesota Attorney General has a current lawsuit filed against Globe University and Minnesota School of Business. Last week, the Attorney General amended her complaint to add claims related to student lending. Our attorneys had previously contacted the Attorney General's office to determine the scope of the concern and what type of statutory oversight should be considered. She would not discuss a resolution with them, filed her amended complaint and once again reached out to the media without discussing the issue with us first.

We will continue to defend the integrity of our schools and the students we have the privilege to serve. We are working diligently to respond to the accusations detailed in the Attorney General's suit, and will keep ACICS apprised of the status of this case.

Please do not hesitate to reach out to me directly should you have any questions regarding this case.

Sincerely,

GLOBE UNIVERSITY

Mitchell H. Peterson, Ph.D.

Director of Institutional Quality and Effectiveness

Corporate Offices - Operations

8089 Globe Dr.

Woodbury, MN 55125

Direct: 651.332.8237

Mobile: (b)(6)

Main: 651.332.8000

Fax: 651.332.8001

http://www.globeuniversity.edu/about-us

From:	Eddie Colon <eddie.colon@acot.edu>
Sent:	12/8/2014 1:53:03 PM -0500
To:	Ms. Jeanne Herrmann <jherrmann@globeuniversity.edu>
CC:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; John Euliano <jeuliano@gkbinvestments.com>; Dr. Edward G. Thomas <e.thomas@csuohio.edu>; Eddie Colon <eddie.colon@abtu.edu>; Dr. Lawrence Leak (b)(6)@gmail.com>
Subject:	Re: CCI

Jeannie

I think there focus are going to be the schools that are bring bought not the ones in CA

Eddie Colon

On Dec 8, 2014, at 1:11 PM, Jeanne Herrmann <JHerrmann@globeuniversity.edu> wrote:

> How confident are we that CCi will provide a teach-out agreement for the CA schools? Recent news appears as if the closure is imminent and could be immediate upon reaching the deadline of the Department.
>
> http://www.buzzfeed.com/mollyhensleyclancy/corinthian-colleges-campuses-in-california-will-likely-be-sh
>
> But there is also a chance that the California schools, or some portion of them, would shut down immediately. That would happen if Corinthian does not have the means to operate the campuses through teach-out and declares bankruptcy, said Smith, the National Consumer Law Center attorney. "There could suddenly be padlocks on the doors," Smith said.
>
> **Jeanne Herrmann**
> Chief Operating Officer
> Globe University/Minnesota School of Business
> Minnesota School of Cosmetology
> Broadview University and IPR
> Phone 651-332-8012
> Fax 651-332-8001
> jherrmann@globeuniversity.edu
>
> 8089 Globe Drive
> Woodbury, Minnesota 55125

From: John Euliano <jeuliano@GKBInvestments.com>
Sent: 12/9/2014 11:46:00 AM -0500
To: Ms. Jeanne Herrmann <jherrmann@globeuniversity.edu>
CC: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject: Re: FW: Fwd:

I'm ok with this ....

John

Sent from my iPad

On Dec 9, 2014, at 11:30 AM, Jeanne Herrmann <JHerrmann@globeuniversity.edu> wrote:

Proposed draft:

Mary Anne,

We are cognizant of the of the current concerns you are facing with your family and your health. We fully respect the priority you have placed on the welfare of you and your family. And while we appreciate the service you have extended to the Council in your position as a board member and found you to be a competent and intelligent colleague, we will accept your resignation effective today, December 9, 2014. We wish in your well in all future endeavors.

Jeanne Herrmann
Chief Operating Officer
Globe University/Minnesota School of Business
Minnesota School of Cosmetology
Broadview University and IPR
Phone 651-332-8012
Fax 651-332-8001
jherrmann@globeuniversity.edu

8089 Globe Drive
Woodbury, Minnesota 55125

From: John Euliano <jeuliano@GKBInvestments.com>
Sent: Monday, December 8, 2014 4:31 PM
To: Albert C. Gray; Jeanne Herrmann
Subject: RE: Fwd:

Al,

You said it exactly as it should have been said and the point was made. My only issue is that Julie Blake and Shon were not there to hear it. Perhaps we should repeat it on Thursday. I can tell you that the commissioners that were in attendance today were all nodding their head in agreement.

I like Mary Ann and I think she is very intelligent. The problem is that the other Council members see what is happening and they start to think they don't have to attend either. It is no surprise to me that one of our new commissioners (Julie Blake) is out today while they work on their budgets at their school. She sees that other commissioners can come late and leave early and just figures it is ok.

It really is not fair that some commissioners have to block out their schedules and others do not feel like they need to.

As you can probably tell, I have a very low tolerance for no shows at meetings. It drives me nuts.

John

From: Albert C. Gray [mailto:agray@acics.org]
Sent: Monday, December 8, 2014 5:22 PM
To: Ms. Jeanne Herrmann; John Euliano
Subject: RE: Fwd:

Should we meet right after the full Council meeting tomorrow? Around 11. I am not entirely surprised by Mary Anne's reaction but while I tried to be objective I may have been too harsh; I don't know how you sugar coat that message. I feel badly that Mary Anne has personalized this as " Al's comments".

From: Jeanne Herrmann [mailto:JHerrmann@globeuniversity.edu]
Sent: Monday, December 08, 2014 4:41 PM
To: John Euliano; Albert C. Gray
Subject: Fwd:

We should talk

Jeanne Herrmann

Chief Operating Officer

Globe University

Sent on a Sprint Samsung Galaxy S® 5

-------- Original message --------
From: Mary Anne Rea-Ramirez <(b)(6) [redacted]@gmail.com>
Date:12/08/2014 3:56 PM (GMT-05:00)
To: Jeanne Herrmann <JHerrmann@globeuniversity.edu>
Subject:

Jeanne, after today's meeting and Al's comments I am thinking that it is best if I resign. I can't help the issues of health and family that have occurred this fall. It does not show any signs of stopping as my mom is touch and go and we just don't know what will happen or when. And my daughter is due to deliver mid to late Feb and I am her only support. I need to be with her for the delivery and for a month afterwards. I don't feel I can ignore my family at this time. On top of that being so sick has left me very tired. I felt I was doing my best. I completed all my files for review and attended remotely. I thought I would let you know since I am pushing it a lot just to be there Wed through Friday. I am not happy with Al's comments and don't see any other option.

--

Dr. Mary Anne Ramirez
4407 Grove Ave
Richmond, VA 23221

(b)(6)@gmail.com
804-3398117

From: John Euliano <jeuliano@GKBInvestments.com>
Sent: 7/23/2014 11:32:40 AM -0400
To: Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
Subject: RE: Globe

Did you hear about Bryman?

I think they are all ACCSC but heard they filed for Chapter 11?

John

From: Albert C. Gray [mailto:agray@acics.org]
Sent: Wednesday, July 23, 2014 9:16 AM
To: John Euliano
Subject: RE: Globe

John,

I agree that the state AG lawsuits have become a major problem for the sector and the accreditors and it is a shame that it now affects Jeanne directly. I don't know of another situation where the state AGs have formed a coalition to go after an entire sector as they have for proprietary education. It is gaining momentum and it is driven by politics to a significant extent.

ACICS was officially notified by Globe yesterday (see below). I have directed Globe to send us a copy of the AG filing. Our standard procedure on these AG actions is to open an adverse file, require updates from the institution, and report to Council at the BPC meeting. Of course if the AG suit results in findings that warrant further action (e.g. CEC) the Council will make the appropriate decisions. As you know the typical AG lawsuit involves much discovery and goes on for months or years and ends with a settlement without proof or admission of wrongdoing by the institution. But of course we don't know where this one will go so our process will track it closely.

Al

Dear Dr. Gray,

Today, we learned that the Attorney General of the State of Minnesota filed a lawsuit with the Hennepin County Fourth Judicial District Court against Globe University and Minnesota School of Business. The lawsuit was filed, and local media outlets notified, with no prior notice to our institutions. We regret that the Attorney General's decision to release the details of the lawsuit in this manner prevented us from providing you with an advanced notification of this action against our institutions.

We will continue to defend the integrity of our schools and the students we have the privilege to serve. We are working diligently to respond to the accusations detailed in the Attorney General's suit, and will keep ACICS apprised of the status of this case.

Please do not hesitate to reach out to me directly should you have any questions regarding this case.

Sincerely,

GLOBE UNIVERSITY

Mitchell H. Peterson, Ph.D.

Director of Institutional Quality and Effectiveness

Corporate Offices - Operations

8089 Globe Dr.

Woodbury, MN 55125

Direct: 651.332.8237

Mobile: (b)(6)

Main: 651.332.8000

Fax: 651.332.8001

http://www.globeuniversity.edu/about-us

From: John Euliano [mailto:jeuliano@GKBInvestments.com]
Sent: Wednesday, July 23, 2014 8:35 AM
To: Albert C. Gray
Subject: Globe

Al,

It's horrible what is happening all over the country. How depressing! And now I feel really bad for Jeanne.

What is the usual process when an institution has a lawsuit filed against it by the attorney general? Is that just a BPC adverse situation or is there something additional we should be considering?

Thanks,

John

From:	Joseph Gurubatham <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/2839EEC7707F4128A4DE87103ED162F4-JGURUBATHAM>
Sent:	12/28/2015 2:58:25 PM -0500
To:	Mitchell Peterson <mitchellpeterson@globeuniversity.edu>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC:	Ian Harazduk <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/653bda8a64144114820bfcbf53b7514e-IHarazduk>; Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>; Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>
Subject:	RE: Minnesota School of Business/Globe University - Moorhead (00023885) Notification

Dear Dr. Peterson:

Thank you very much for keeping the Council informed of your plans to teach out and ultimately close the Minnesota School of Business (Globe University_--Moorhead. Thank you also for alerting us of possible media attention.

Joseph

Joseph E. Gurubatham, Ed.D.

Executive 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: Mitchell Peterson [mailto:mitchellpeterson@globeuniversity.edu]
Sent: Monday, December 28, 2015 2:10 PM
To: Albert C. Gray
Cc: Ian Harazduk; Susan Greer; Joseph Gurubatham
Subject: Minnesota School of Business/Globe University - Moorhead (00023885) Notification

Dear Dr. Gray,

Please consider this message as formal notification of Minnesota School of Business's plans to begin the process teaching-out and ultimately closing the Minnesota School of Business (D.B.A., Globe University) – Moorhead (00023885) campus location. While we fully intend to initiate the formal application processes necessary to complete this transition in a manner compliant with the requirements of the Council and the *Criteria* as soon as possible, we were recently made aware of at least one local media outlet's intent to run a story on the campus closure early this week. Given this, we felt it appropriate to make you aware of the impending media attention.

We are committed to working closely with the Council, and our other regulatory entities, to complete a transition that we firmly believe to be in the best long-term interests of our institution and student body. Currently, our intent is to carry out a teach-out at the Moorhead location through the end of 2016 or early 2017. If you have any questions, concerns, or require any additional information from our institution at this time, please do not hesitate to contact me.

Sincerely,

Mitchell H. Peterson, Ph.D.

Director of Institutional Quality & Effectiveness

Corporate Offices - Operations

Phone: 651.332.8000

Direct: 651.332.8237

Mobile: (b)(6)

Email: mitchellpeterson@globeuniversity.edu

http://www.globeuniversity.edu

GLOBE EDUCATION NETWORK

CONFIDENTIALITY STATEMENT: This electronic message contains information

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	9/1/2015 7:50:29 AM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC:	Leadership Group <Leadership@acics.org>
Subject:	Re: No Love for Accreditation, but No Alternative / Different Findings on Sex Assaults / Ban on Banning Words -- September 1, 2015 Daily Update

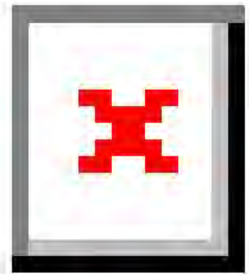
Required reading for new employees. Good primer on the history and contemporary issues.

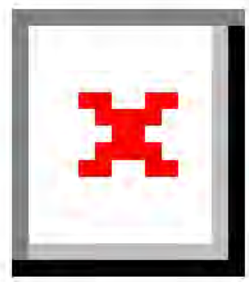
Sent from my iPad

On Sep 1, 2015, at 7:32 AM, Albert C. Gray <agray@acics.org> wrote:

> Lead article in IHE this morning on accreditation.
>
> Sent from my iPad
>
> Begin forwarded message:
>
> > **From:** Inside Higher Ed <newsroom@insidehighered.com>
> > **Date:** September 1, 2015 at 4:41:52 AM EDT
> > **To:** <agray@acics.org>
> > **Subject: No Love for Accreditation, but No Alternative / Different Findings on Sex Assaults / Ban on Banning Words -- September 1, 2015 Daily Update**
> > **Reply-To:** Inside Higher Ed <newsroom@insidehighered.com>

Problems viewing this e-mail? **Click here to view this e-mail with your browser.**





Hello. Here's what's new on our site today:

[illegible]

01

2015

NEWS (View all)

No Love, But No Alternative

Critics blame accreditation for many of the (often conflicting) problems they see in higher education. But the agencies will likely endure, in large part because any replacement would give the feds much more power.

Different Conclusions on Sex Assaults

U of Kentucky did survey in which 80 percent of the student body participated and the definition of sexual assault was much more narrow than that used elsewhere. The finding: a significant number, but far lower than on other campuses, reporting assaults.

Ban on Banning Words

Washington State U overrules instructor, and says she may not have "blanket" bans on use of certain words or phrases, or punish those who violate such bans with lower grades or failure.

Humanities Paradox

New analysis seeks to explain the declining interest of high school students in studying the humanities in college, and a reversal once they arrive.

Newly Tenured ... at Clarkson, Frostburg State, McDaniel, Saint Peter's, SUNY Delhi, Trinity

The following individuals have recently been awarded tenure by their colleges: **Clarkson University** Costel C. Darie, chemistry and biomolecular science **Frostburg State University**

QUICK TAKES **(View all)**

» Survey Finds More Students Are Using Pot Daily
» Harvard Responds to Faculty Criticism of Health Plan
» PubPeer Creators Launch Foundation, Reveal Identities (Sort Of)
» Study: Appalachian Students Mask Dialects in Class
» Academic Minute: Battling Earthly Plagues From Space

VIEWS (View all)

Redecorating the Presidential Mansion, Er, House

Garrison Walters offers colleges and their leaders some things to think about as they weigh presidential perks. To wit, rationalization is the road to ruin, and if you really want art, buy it yourself. You can afford it.

A Work in Progress

K. Jamie Rogers says critics have misunderstood proposed changes in engineering accrediting standards, and that the possible shifts are still being modified.

BLOG U (View all)

Applying Microeconomic Theory to Marketing Practice
Call to Action: Marketing and Communications in Higher Education

If you think the cost of developing a shared brand across your campus is pricey, consider the opportunity cost of not doing so.

Navigation as a New Gen Ed
Confessions of a Community College Dean

What skills do students need, regardless of major or career? What skills do we just expect all educated adults to have?

Graduate School for the College Athlete
GradHacker

How to apply the lessons learned during an undergraduate athletic career to the pursuit of the Ph.D.

3 Higher Ed Lessons From Chelsea Market
Technology and Learning

Quality, space and wealth

Cultivating MOOCs One Learner at a Time
Higher Ed Beta

Spreading the word.

FEATURED JOBS

Director of Housing and Residence Life
Saint Augustine's University

Under administrative direction from the dean of Men and Dean of Women, the Director provides visionary leadership and direction for the department; administers and manages the student housing program for the University; directs departmental operations; oversees the department budget; sets department...

Center Director & Aso or Full Professor
University of Florida

Classification Title: Ctr Director & Aso/Full Prof Job Description: ...

Assistant/Associate/Full Professor - Organizational Behavior
University of Massachusetts Lowell

The Management Department at the Robert J. Manning School of Business (MSB), University of Massachusetts Lowell is seeking a tenure-track Assistant, Associate or Full Professor in Organizational Behavior to engage in teaching, research and service....

Assistant/Associate/Full Professor of Accounting, Department of Business, Accounting & Economics

Otterbein University

Otterbein University, a comprehensive liberal arts institution in the suburban Columbus area, invites immediate applications for an Assistant or Associate Professor position in Accounting with the appointment beginning in August 2016....

Specialist, Donor Relations

Harrisburg Area Community College

The prospect and donor relations specialist performs activities related to the identification, research, cultivation, solicitation and stewardship of prospects and donors, providing vital information to fundraisers and maintaining accurate information in Banner....

Assistant Professor, Environmental Toxicology, Biology

University of North Texas

University of North Texas Assistant Professor, Environmental Toxicology, Biology Location – Denton Job Summary/Basic Function:...

From:	Robin Shapiro at HQ <RShapiro@itt-tech.edu>
Sent:	3/7/2016 12:28:09 PM -0500
To:	Tiffany.Hill@ed.gov; Byron.Scott@ed.gov
CC:	michael.Frola@ed.gov; Kevin Modany at HQ <KModany@ittesi.com>; Ryan Roney at HQ <RRoney@ittesi.com>; Shawn Crawford at HQ <SCrawford@itt-tech.edu>; Butner, Blain (bbutner@cooley.com); Rocco Tarasi III at HQ <rtarasi@itt-tech.edu>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Mick Lindvay at HQ <MLindvay@itt-tech.edu>; Steve.Finley@ed.gov
Subject:	ITT Educational Services, Inc. – Additional Reporting (Sent on behalf of Kevin M. Modany)
Attachments:	Cover Letter 3-7-16 (#38).pdf; Student Roster 3-7-16.xls; ITT Student Disbursement Roster - February 2016.zip; ITT Student Disbursement Roster Certification Covering the Month of February 2016.pdf

Dear Ms. Hill and Mr. Scott,

Please find attached our thirty-eighth report of additional information from ITT Educational Services, Inc. as requested in Michael Frola's May 20, 2015 and October 19, 2015 letters. The following documents are attached:

- Cover Letter
- Student Roster in Excel Format - **The file is encrypted. I will send you the password for the file in a separate e-mail.**
- Title IV Disbursement & Refund Activity Rosters for ITT and DWC in Excel Format – **The files are encrypted. I will send you the password for the files in a separate e-mail.**
- Disbursement Roster Certification signed by Mick Lindvay, Senior National Director, Student Financial Services

Please do not hesitate to contact me or Mick if you have any questions.

Mick Lindvay

Vice President, Student Financial Services

ITT Educational Services, Inc.

317-706-9227

mlindvay@itt-tech.edu

Sincerely,

Robin M. Shapiro

Director, Regulatory Affairs

ITT Educational Services, Inc.

317-706-9276

rshapiro@itt-tech.edu

ITT Technical Institute ITT

ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404

(317) 706-9200
(877) 310-7054
www.itt-tech.edu

March 7, 2016

Ms. Tiffany Hill, Financial Analyst
Mr. Byron Scott, Case Manager
Multi-Regional and Foreign Schools Participation Division
Federal Student Aid
U.S. Department of Education
830 First Street, N.E.
Union Center Plaza, 7th Floor
Washington, D.C. 20202-5340

Re: Additional Reporting Requirements for OPE IDs: 00732900 – ITT Technical Institute; 03071800 – ITT Technical Institute; 00473100 – Daniel Webster College

Dear Ms. Hill and Mr. Scott:

ITT Educational Services, Inc. ("ITT") is providing its thirty-eighth report of additional information to the U.S. Department of Education as requested in Michael Frola's May 20, 2015 and October 19, 2015 letters.

Attached in Excel format is a student roster of all students currently registered at any of our institutions, as of March 3, 2016.

Also attached in Excel format is ITT's listing of all Title IV disbursement and refund activity in the month of February for ITT Tech-Indianapolis, ITT Tech-Spokane and Daniel Webster College.

The attachments are encrypted, and I will send you the password for all Excel files in a separate email. Also attached is the signed Student Disbursement Roster Certification. Please contact me if you have any questions. I can be reached at kmodany@ittesi.com or (317) 706-9201.

Sincerely,

(b)(6)

Kevin M. Modany
Chief Executive Officer

ITT Technical Institute ITT

ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404

(317) 706-9200
(877) 316-7054
www.itt-tech.edu

Date: March 7, 2016

To: U.S. Department of Education

From: Mick Lindvay, as an authorized agent and representative of ITT Educational Services, Inc. ("ITT")

Subject: ITT Student Disbursement Roster Certification Covering the Month of February, 2016

Attached hereto are queries that include information on all Title IV funds disbursements and refunds made by ITT during the month of February, 2016.

By submitting this information, I certify to the best of my knowledge and belief that the information contained herein is true, complete, and accurate. I further certify that ITT has verified the eligibility of each individual to receive a disbursement of the Title IV funds provided. I further certify that, beginning October 20, 2015, ITT did not disburse Title IV, HEA funds to or for the benefit of any student listed on this roster until ITT had verified that student's attendance in the payment period for which the disbursement was intended. I further certify that ITT is and will remain in compliance with the terms and conditions of the Program Participation Agreement under which these funds have been provided. I am aware that the provision of any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me and/or ITT to criminal, civil, or administrative penalties for fraud, false statements, false claims, or other violations. (U.S. Code Title 18, Section 1001; Title 20, Section 1097; and Title 31, Sections 3729-3730 and 3801-3812).

Authorized Signature: (b)(6)

Print Name: Mick Lindvay

Title: Vice President, Student Finance

Date: 3/7/16

From:	Robin Shapiro at HQ <RShapiro@itt-tech.edu>
Sent:	11/16/2015 4:19:45 PM -0500
To:	Byron.Scott@ed.gov
CC:	michael.Frola@ed.gov; Kevin Modany at HQ <KModany@ittesi.com>; Rocco Tarasi III at HQ <rtarasi@itt-tech.edu>; Ryan Roney at HQ <RRoney@ittesi.com>; Shawn Crawford at HQ <SCrawford@itt-tech.edu>; Butner, Blain (bbutner@cooley.com); Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Steve.Finley@ed.gov; Mick Lindvay at HQ <MLindvay@itt-tech.edu>
Subject:	ITT Educational Services, Inc. – Additional Reporting (Sent on behalf of Kevin M. Modany)
Attachments:	ED Submission 11-16-15 (Reporting Requirements of Bank Conditions).pdf; Cover Letter 11-16-15 (#21).pdf

Dear Mr. Scott,

Please find attached our twenty-first report of additional information from ITT Educational Services, Inc. as requested in Michael Frola's May 20, 2015 and October 19, 2015 letters. The following documents are included:

- Cover Letter
- Additional Reporting of Bank Conditions - **The files is encrypted. I will send you the password for the file in a separate e-mail.**

Please do not hesitate to contact me if you have any questions.

Sincerely,

Robin M. Shapiro

Director, Regulatory Affairs

ITT Educational Services, Inc.

317-706-9276

rshapiro@itt-tech.edu

ITT Technical Institute ITT

ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404

(317) 706-9200
(877) 316-7054
www.itt-tech.edu

November 16, 2015

Mr. Byron Scott, Case Manager
Multi-Regional and Foreign School Participation Division
Federal Student Aid
U.S. Department of Education
830 First Street, N.E.
Union Center Plaza, 7th Floor
Washington, D.C. 20202-5340

Re: Additional Reporting Requirement of Bank Conditions
OPE IDs:
00732900 – ITT Technical Institute
03071800 – ITT Technical Institute
00473100 – Daniel Webster College

Dear Mr. Scott:

ITT Educational Services, Inc. ("ITT") is providing its twenty-first report of additional information to the U.S. Department of Education as requested in Michael Frola's May 20, 2015 and October 19, 2015 letters.

In response to Item 4 in the October 19, 2015 letter, attached is a description of the conditions related to ITT's participation in the Title IV programs that have been established in the Financing Agreement, as amended, between ITT and Cerberus Business Finance, LLC and the other lender parties. This is the only agreement ITT currently has with any banks, lenders or other creditors that contains conditions related to ITT's participation in the Title IV programs. Additional information about the terms of the Financing Agreement with Cerberus and the other lenders is provided in our periodic reports submitted to the U.S. Securities and Exchange Commission.

The attachment is password protected, and I will send you the password in a separate email. Please contact me if you have any questions. I can be reached at kmodany@ittesi.com or (317) 706-9201.

Sincerely,

(b)(6)

Kevin M. Modany
Chief Executive Officer

From:	Robin Shapiro at HQ <RShapiro@itt-tech.edu>
Sent:	2/5/2016 3:25:33 PM -0500
To:	Tiffany.Hill@ed.gov; Byron.Scott@ed.gov
CC:	michael.Frola@ed.gov; Kevin Modany at HQ <KModany@ittesi.com>; Ryan Roney at HQ <RRoney@ittesi.com>; Shawn Crawford at HQ <SCrawford@itt-tech.edu>; Butner, Blain (bbutner@cooley.com); Rocco Tarasi III at HQ <rtarasi@itt-tech.edu>; Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Mick Lindvay at HQ <MLindvay@itt-tech.edu>; Steve.Finley@ed.gov
Subject:	ITT Educational Services, Inc. – Additional Reporting (Sent on behalf of Kevin M. Modany)
Attachments:	Cover Letter 2-5-16 (#33).pdf; Student Roster 2-5-16.xls

Dear Ms. Hill and Mr. Scott,

Please find attached our thirty-third report of additional information from ITT Educational Services, Inc. as requested in Michael Frola's May 20, 2015 and October 19, 2015 letters. The following documents are attached:

- Cover Letter
- Student Roster in Excel Format - **The file is encrypted. I will send you the password for the file in a separate e-mail.**
- Title IV Disbursement & Refund Activity Rosters for ITT and DWC in Excel Format - **The files are encrypted. I will send you the password for the files in a separate e-mail. I am sending the Disbursement zip file in a separate email as it may exceed the 25MB capacity if I include it with the Student Roster.**
- Disbursement Roster Certification signed by Mick Lindvay, Senior National Director, Student Financial Services

Please do not hesitate to contact me or Mick if you have any questions.

Mick Lindvay

Vice President, Student Financial Services

ITT Educational Services, Inc.

317-706-9227

mlindvay@itt-tech.edu

Sincerely,

Robin M. Shapiro

Director, Regulatory Affairs

ITT Educational Services, Inc.

317-706-9276

rshapiro@itt-tech.edu

ITT Technical Institute ITT

ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404

(317) 706-9200
(877) 310-7054
www.itt-tech.edu

February 5, 2016

Ms. Tiffany Hill, Financial Analyst
Mr. Byron Scott, Case Manager
Multi-Regional and Foreign Schools Participation Division
Federal Student Aid
U.S. Department of Education
830 First Street, N.E.
Union Center Plaza, 7th Floor
Washington, D.C. 20202-5340

Re: Additional Reporting Requirements for OPE IDs: 00732900 – ITT Technical Institute; 03071800 – ITT Technical Institute; 00473100 – Daniel Webster College

Dear Ms. Hill and Mr. Scott:

ITT Educational Services, Inc. ("ITT") is providing its thirty-third report of additional information to the U.S. Department of Education as requested in Michael Frola's May 20, 2015 and October 19, 2015 letters.

Attached in Excel format is a student roster of all students currently registered at any of our institutions, as of February 4, 2016.

Also attached in Excel format is ITT's listing of all Title IV disbursement and refund activity in the month of January for ITT Tech-Indianapolis, ITT Tech-Spokane and Daniel Webster College.

The attachments are encrypted, and I will send you the password for all Excel files in a separate email. Also attached is the signed Student Disbursement Roster Certification. Please contact me if you have any questions. I can be reached at kmodany@ittesi.com or (317) 706-9201.

Sincerely,

(b)(6)

Kevin M. Modany
Chief Executive Officer

From: ANTHONY BIEDA <anthonysb34@msn.com>
Sent: 8/12/2014 9:25:58 AM -0400
To: Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>
Subject: FW: ESI: ITT Education Services Plummets: Investors Should Take Their Schooling Elsewhere

---

Date: Tue, 12 Aug 2014 08:20:11 -0400
From: account@seekingalpha.com
To: anthonysb34@msn.com
Subject: ESI: ITT Education Services Plummets: Investors Should Take Their Schooling Elsewhere

ITT Education Services Plummets: Investors Should Take Their Schooling Elsewhere by Don Dion
This article was published on Tue, Aug. 12, 8:19 AM ET
Read the full article now »

From:	ANTHONY BIEDA <anthonysb34@msn.com>
Sent:	8/12/2014 9:24:56 AM -0400
To:	Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>
Subject:	FW: LINC: Lincoln Educational Services' (LINC) CEO Shaun McAlmont on Q2 2014 Results - Earnings Call Transcript

---

Date: Wed, 6 Aug 2014 14:30:17 -0400
From: account@seekingalpha.com
To: anthonysb34@msn.com
Subject: LINC: Lincoln Educational Services' (LINC) CEO Shaun McAlmont on Q2 2014 Results - Earnings Call Transcript

Lincoln Educational Services' (LINC) CEO Shaun McAlmont on Q2 2014 Results - Earnings Call Transcript by SA Transcripts
This article was published on Wed, Aug. 6, 2:30 PM ET
Read the full article now »

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	8/25/2014 3:17:48 PM -0400
To:	Jeff Olszewski <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/5b5c75d2faf243ad81863a2950d5c8f9-JOlszewski>
CC:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject:	Another source of information about CCi, ITT-ESI, FYI

Earnings Preview: Corinthian Colleges Is Flunking Out

Aug. 25, 2014 10:41 AM ET | 1 comment | About: Corinthian Colleges, Inc. (COCO), Includes: ESI, STRA

Disclosure: The author has no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. **(More...)**

Summary

- Corinthian Colleges is set to report earnings Aug. 25.
- The government is investigating the company over whether it misled investors and students over its finances and job placement rates.
- Without government support for student loans, Corinthian's going concern value is in question.
- Whether or not it survives could be a harbinger for the for-profit college industry.

A few years ago I shorted Corinthian Colleges, Inc. (NASDAQ:COCO) with the thesis that [i] for-profit colleges were saddling people with student loans without improving their job prospects after graduation, and [ii] the government would eventually remove their accreditation. The more money I lost, the more I shorted the stock. I may have been three years too early. That said, the company is set to announce its quarterly earnings on Aug. 25 and the stock - $0.18 per share - is priced for bankruptcy.

Corinthian is one of the largest post-secondary career education companies in North America. As of March 31, 2014, Corinthian had nearly 75,000 students, and operated 93 colleges in 25 states and Ontario, Canada. The company operates under the Everest College, Wyotech and Heald brand names. Corinthian's U.S. schools are accredited and grant diplomas or degrees pursuant to four primary concentrations: allied health, business, criminal justice, and automotive and construction trades. All of the Canadian schools grant diplomas and are regulated by the provincial ministry for education. The company also offers an online learning alternative available to students seeking an online education. Analysts are expecting revenue of $337.42 million and earnings per share ("EPS") of $0.11 per share. Below are the company's historical financial results:

(click to enlarge)

Corinthian Colleges (in thousands, except share amounts)							
	% Growth		Three Months March 31,		Years Ended June 30		
	Y/Y	LTM 0314	2014	2013	2013	2012	2011
Net revenues	-12%	$ 1,554,071	$ 349,751	$ 395,885	$ 1,600,205	$ 1,581,933	1,750,734
Operating expenses							
Educational services		952,739	207,796	238,573	983,516	955,660	1,022,985
General and administrative		163,628	39,097	41,013	165,544	175,572	205,123
Marketing and admissions		386,743	91,701	100,997	396,039	391,007	382,903
Impairment, facility closing, severance		9,962	7,676	1,279	3,565	15,644	220,058
Total operating expenses	-9%	1,513,072	346,270	381,862	1,548,664	1,537,883	1,831,069
Income from operations		40,999	3,481	14,023	51,541	44,050	(80,335)
Interest income		602	102	154	654	1,772	878
Interest expense		(4,818)	(970)	(1,336)	(5,184)	(9,128)	(8,530)
Other expense, net		(23,780)	(6,330)	(6,353)	(23,803)	(11,631)	3,426
Income from continuing operations		13,003	(3,717)	6,488	23,208	25,063	(84,561)
Income (loss)		(80,238)	(79,598)	(1,020)	(1,660)	(10,245)	(3,112)
Per share		$ (0.92)	$ (0.91)	$ (0.01)	$ (0.02)	$ (0.12)	$ (0.04)
Diluted shares		87,278	87,507	87,097	86,868	85,581	85,388
% of Revenue							
Educational services		61%	59%	60%	61%	60%	58%
General and administrative		11%	11%	10%	10%	11%	12%
Marketing and admissions		25%	26%	26%	25%	25%	22%
Impairment, facility closing, severance		1%	2%	0%	0%	1%	13%

Revenue

- The lion's share of Corinthian's revenue consist of tuition and fees paid by students. Most students in the U.S. rely on funds received from federal financial aid programs under Title IV of the Higher Education Act of 1965.
- Revenue declined 12% Y/Y from $396 million from three months ended March 31, 2013 to three months ended March 31, 2014.
- Revenue declines are partially due to a decline in student population. At June 30, 2013, student population was 81,284. In January 2013, the company sold four Everest schools which also caused the student population to decrease.
- The company is currently party to a government probe over whether it misled students and investors about its finances and job placement. The company has since struck an agreement with the Department of Education to sell many of its campuses or close them down.
- About 85 of its 107 campuses are on the block, but the company has been unable to find a buyer.
- Analysts' revenue estimates of $337 million for the current quarter imply a 4% decline sequentially.

Earnings

- Corinthian's operating income margin declined to 2% in the quarter-ended March 31, 2014 from 4% a year ago, rendering the company unable to cover its other expense items.
- The company had a loss of $0.91 per share in the quarter-ended March 31, 2014. Analysts are expecting EPS of $0.11 in the current quarter.

Conclusion

Corinthian has a market capitalization of $16 million and the stock is priced for bankruptcy. Whether or not the company survives may be a harbinger of things to come for competitors like Strayer Education (NASDAQ:STRA) and ITT Educational Services (NYSE:ESI). I would advise investors to avoid the stock.

Editor's Note: This article covers a stock trading at less than $1 per share and/or with less than a $100 million market cap. Please be aware of the risks associated with these stocks.

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:	Shawn Crawford at HQ <SCrawford@itt-tech.edu>
Sent:	1/21/2016 3:52:41 PM -0500
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>
CC:	Anthony Bieda <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/3625966aa21b477ea17337561576fd9f-ABieda>
Subject:	DOJ Investigation Closed
Attachments:	ESI (ITT Educational Services Inc.) (8-K) 2016-01-21.pdf

Dr. Gray:

I wanted to update you on developments related to the DOJ's issuance of a CID last year.

ITT Educational Services, Inc. announced the following information today, in a Form 8-K filing with the SEC:

> As previously disclosed in September 2015, ITT Educational Services, Inc. (the "Company") received a Civil Investigative Demand ("CID") from the U.S.
>
> Department of Justice ("DOJ"). The Company believed that the CID was principally related to the Company's compliance with the U.S. Department of
>
> Education's compensation regulations and likely related to a sealed qui tam action. 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 of the Company. 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 False Claims Act complaint alleges,
>
> among other things, that the defendants violated the False Claims Act by receiving Title IV federal financial aid in violation of various Title IV rules and
>
> regulations, and also asserts a claim of retaliation. The complaint has not been served on the defendants. The Company vehemently denies the allegations in
>
> the qui tam action and intends to vigorously defend itself against those claims.

A copy of our filing is attached for your reference.

Please let me know if you have any questions.

Shawn J. Crawford

SVP, Chief Compliance Officer

ITT Educational Services, Inc.

13000 N. Meridian Street

Carmel, IN 46032

(317) 582-0720

FORM 8-K

ITT EDUCATIONAL SERVICES INC - ESI

Filed: January 21, 2016 (period: January 15, 2016)

Report of unscheduled material events or corporate changes.

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): **January 15, 2016**

ITT EDUCATIONAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-13144**	**36-2061311**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

13000 North Meridian Street
Carmel, Indiana 46032-1404
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(317) 706-9200**

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 (see General Instruction A.2. below):

☐ 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 8.01 Other Events.

As previously disclosed in September 2015, ITT Educational Services, Inc. (the "Company") received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ"). The Company believed that the CID was principally related to the Company's compliance with the U.S. Department of Education's compensation regulations and likely related to a sealed qui tam action. 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 of the Company. 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 False Claims Act complaint alleges, among other things, that the defendants violated the False Claims Act by receiving Title IV federal financial aid in violation of various Title IV rules and regulations, and also asserts a claim of retaliation. The complaint has not been served on the defendants. The Company vehemently denies the allegations in the qui tam action and intends to vigorously defend itself against those claims.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 21, 2016

ITT Educational Services, Inc.

By: /s/ Ryan L. Roney
Name: Ryan L. Roney
Title: Executive Vice President, Chief Administrative and Legal Officer and Secretary

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	10/20/2015 4:45:40 PM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Jeff Olszewski <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/5b5c75d2faf243ad81863a2950d5c8f9-JOlszewski>
CC:	Susan Greer <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/c539aa149ae54c71a8d2bc2d86525db6-sgreer>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject:	Draft ITT Adverse
Attachments:	ITT.Oct.20.FSA.CID.docx

Let me know your thoughts, edits.

Regards,

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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October 20, 2015 ID Code 00015354

VIA E-MAIL ONLY

Mr. Shawn J. Crawford
SVP, Chief Compliance Officer
ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032

Dear Mr. Crawford:

The Council has been informed that ITT Educational Services, Inc., is subject to additional restrictions on its access to Federal Student Aid, an action taken by the U.S. Department of Education due to alleged "failure by ITT to meet its fiduciary obligations, to properly and timely reconcile Title IV program funds as per the regulations and Federal Student Aid guidance, and to meet the standards of administrative capability required of institution's participating in Title IV, HEA programs."

Furthermore, the Council has received information that ESI is the subject of a Civil Investigative Demand by the U.S. Department of Justice regarding ESI's compliance with regulations regarding compensation.

Regarding the fiduciary obligations of institutions participating in Federal Student Aid, the ACICS *Accreditation Criteria* stipulates:

> **3-1-434. *Administration of Student Financial Aid.*** Participation in state or federal student financial aid programs requires serious administrative responsibility. The Council expects all institutions participating in such programs to be knowledgeable of and in compliance with applicable laws and regulations.

Regarding the integrity and the administrative and organizational capacity of the institution, the *Criteria* require:

> ***3-1-200 – Organization***
> Each institution should have an organizational structure designed to promote among all staff and faculty a spirit of understanding, cooperation, and responsibility. Performance standards and monitoring controls need to be employed to insure adequate administrative functioning.

3-1-202. ***Integrity.*** The integrity of an institution is manifested by the professional competence, experience, personal responsibility, and ethical practices demonstrated by all individuals comprising the ownership, control, or management.

An institution must assume full responsibility for the actions, statements, and conduct of its representatives and must, therefore, select each of them with the utmost care, provide them with adequate training, and arrange for constant and proper supervision and evaluation of their work. The Council considers the following to be important:

(a) Emphasis shall be placed upon the efficiency and effectiveness of the overall administration of the institution. Attention shall be given to educational activities, admissions, student financial aid, financial operations, plant and equipment, student services, and compliance with applicable local, state, and federal laws.

3-1-303. ***Records.*** Careful recordkeeping is crucial to the smooth day-to-day operation of an institution. The data from these records are important to the institution for future planning, to students for informational purposes, and to evaluation teams during school visits. All such records should be maintained at each institutional site or shall be available at each site during evaluation visits. The Council expects at least the following:

(a) Adequate records shall be kept by each institution relative to administrative operations. These include financial aid activities, admissions, curriculum, accreditation and licensure, guidance, instructional resources, supplies and equipment, school plant, faculty and staff, student activities, and student personnel.

Regarding the institution's compliance with applicable federal requirements regarding compensation paid to admissions and enrollment personnel:

1-2-100 – Minimum Eligibility Requirements
To be eligible for consideration for accreditation, an institution or entity must satisfy the following minimum requirements.
(f) It shall be in compliance with all applicable laws and regulations.

The Council is required to review any adverse information regarding an institution once such information becomes known. Further, it may it may direct "a currently accredited institutions to provide a school closure plan or a formal teach-out agreement in response to adverse information." (**Section 2-2-303, *Teach-Out.***)

Therefore, ESI is directed to provide the following:

1. An explanation of the basis for the findings of the U.S. Department of Education:

   (a) Since at least the 2009-2010 award year, ITT failed to timely reconcile its Title IV, HEA program accounts;
   (b) Prior to August 27, 2015, ITT had no written policy or procedure in place to guide the reconciliation of Title IV funds; and
   (c) ITT has requested to reopen prior award years to correct additional reconciliation issues with a frequency substantially greater than that of comparable institutions.

2. Detailed remedies undertaken, if any, by ESI to remedy the findings and to bring the institution's administration of Federal Student Aid in compliance with Sections **3-1-434, 3-1-200, 3-1-202 and 3-1-303** of the ACICS *Accreditation Criteria*.

3. An explanation of the circumstances that led to the Department of Justice's Civil Investigative demand regarding compensation paid by ESI to admissions and recruitment personnel.

4. ESI's response to the DOJ's CID.

5. A contingency plan outlining the options that ESI will develop and provide to students enrolled in programs currently eligible for Federal Student Aid if the institution's participation in FSA is further constrained or terminated.

Please provide this information, including copies of appropriate materials to support your statements. The Council will expect your response on or before **Friday, Nov. 6, 2015.**

Your immediate attention to this matter is appreciated. If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

Anthony S. Bieda
Vice President of External Affairs

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	8/5/2014 6:36:45 AM -0400
To:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
CC:	Jeff Olszewski <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/5b5c75d2faf243ad81863a2950d5c8f9-JOlszewski>; Katy Fisher <kfisher@acics.org>
Subject:	ESI 10ks
Attachments:	ESI 10K Filings August 2014.docx

Attached. And anticipate we will be getting inquiries from the Department very soon about what we plan to do with ESI. Let me know when we can assemble this morning. --Tony

ESI 10K Filings August 2014

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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): August 4, 2014

ITT EDUCATIONAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation)**	**001-13144** **(Commission File Number)**	**36-2061311** **(IRS 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

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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Management Changes

On August 4, 2014, ITT Educational Services, Inc. (the "Company") announced the following management changes:

Kevin M. Modany notified the Board of Directors of the Company (the "Board") that he intended to resign as Chief Executive Officer of the Company, effective February 4, 2015. Following Mr. Modany's notice to the Board, the Company entered into a letter agreement with Mr. Modany on August 4, 2014, pursuant to which Mr. Modany will remain Chief Executive Officer for a period ending on February 4, 2015 (the "Applicable Period"). The Company may extend the Applicable Period by up to three months and may terminate it at any time upon notice to Mr. Modany. In addition, during the Applicable Period, the Company is permitted to change Mr. Modany's role to that of Senior Advisor. Under the terms of the letter agreement, Mr. Modany will resign his position as Chief Executive Officer of the Company on the last day of the Applicable Period. In addition, Mr. Modany resigned as a director and Chairman of the Board of Directors of the Company (the "Board"), effective on August 4, 2014.

On August 4, 2014, the Board also established a new office of Executive Chairman of the Board, until a new Chief Executive Officer is hired, after which the office of Chairman of the Board will be filled by an independent Director. John E. Dean, age 64, who has served as a member of the Board since 1994, was appointed Executive Chairman of the Board. Mr. Dean is an attorney who has specialized in higher education law since April 1985. Mr. Dean has been a partner at the Law Offices of John E. Dean since June 2005. Mr. Dean has also served as a principal of Washington Partners, LLC, a public affairs firm, since June 2002. In connection with Mr. Dean's appointment as Executive Chairman, he resigned as a member and Chairman of the Audit Committee of the Board and as a member of the Nominating and Corporate Governance Committee of the Board. Thomas I. Morgan will succeed Mr. Dean as Chairman of the Audit Committee. Mr. Morgan has served as a member of the Board and a member of the Audit Committee since January 2013, and previously served as a member of the Board and a member of the Audit Committee from May 2006 to June 2008.

Eugene W. Feichtner, age 58, who had served as the Company's Executive Vice President and President, ITT Technical Institute Division since April 2009, will no longer serve in such roles and instead was appointed President and Chief Operating Officer of the Company, effective August 4, 2014. Mr. Feichtner served as the Company's Senior Vice President, Operations from March 2004 through March 2009.

A copy of the press release announcing these management changes is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Certain Compensatory Arrangements

Kevin M. Modany. The letter agreement with Mr. Modany provides that during the Applicable Period, Mr. Modany will continue to receive his current cash compensation and participate in the Company's employee benefit plans but will not receive any further grants of equity-based compensation. Furthermore, if the Company terminates the Applicable Period before February 4, 2015, Mr. Monday will be entitled to the cash compensation he would have been paid through that date.

During the 18-month period following the Applicable Period, Mr. Modany will serve as a consultant to the Company in exchange for a monthly fee equivalent to his current monthly base salary and continued vesting of his equity-based awards. Pursuant to the letter agreement, Mr. Modany has agreed that during such 18-month period, he will not compete with the Company or solicit its customers or employees. The letter agreement also includes confidentiality and cooperation provisions and requires Mr. Modany to execute a release of claims against the Company. Mr. Modany will not be entitled to receive any severance pay or other separation benefits in connection with his resignation, but the Company will pay him a lump sum equal to the cost of 18 months of COBRA coverage following his execution of the release.

The foregoing description is qualified in its entirety by reference to the actual letter agreement with Mr. Modany, which is attached as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

John E. Dean. In connection with his appointment as Executive Chairman, the Company entered into a letter agreement with Mr. Dean which provides for an annual base salary of $575,000 and a grant of restricted stock units on August 4, 2014, that have a value of $1,000,000, based on the closing price of the Company's common stock on the date of grant. The restricted stock units will vest, subject to Mr. Dean's continued service as Executive Chair or as a member of the Board, on the first anniversary of the grant date or, if earlier, upon his termination of employment due to death or disability. Mr. Dean will receive no other compensation for his service as Executive Chairman but will continue to vest in the equity-based awards granted to him in connection with his service as a non-employee director. The letter agreement provides that after the Company eliminates the role of Executive Chairman (which is expected to occur when the Company hires a new Chief Executive Officer), Mr. Dean will remain on the Board as a non-employee director for the remainder of his term.

The foregoing description is qualified in its entirety by reference to the actual letter agreement with Mr. Dean, which is attached as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by reference.

Eugene W. Feichtner. In connection with Mr. Feichtner's appointment as President and Chief Operating Officer, Mr. Feichtner's annual base salary will be increased to $400,000, effective as of the date in 2015 that other employees at the Company's headquarters receive compensation adjustments. In addition, Mr. Feichtner's target percentage under the Company's 2015 Short-Term Compensation Parameters will be 70% of his annualized base salary.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

Exhibit No.	**Description**
10.1	Letter Agreement, dated August 4, 2014, by and between ITT Educational Services,

	Inc. and Kevin M. Modany
10.2	Letter Agreement, dated August 4, 2014, by and between ITT Educational Services, Inc. and John E. Dean
99.1	Press release dated, August 4, 2014, issued by ITT Educational Services, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 4, 2014

ITT Educational Services, Inc.

By: /s/ Ryan L. Roney
Name: Ryan L. Roney
Title: Executive Vice President, Chief Administrative and Legal Officer

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EXHIBIT INDEX

Exhibit No.	Description

10.1	Letter Agreement, dated August 4, 2014, by and between ITT Educational Services, Inc. and Kevin M. Modany
10.2	Letter Agreement, dated August 4, 2014, by and between ITT Educational Services, Inc. and John E. Dean
99.1	Press release, dated August 4, 2014, issued by ITT Educational Services, Inc.

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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 30, 2014**

ITT EDUCATIONAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-13144**	**36-2061311**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

13000 North Meridian Street
Carmel, Indiana 46032-1404
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(317) 706-9200**

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 (see General Instruction A.2. below):

☐ 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.

On July 30, 2014, ITT Educational Services, Inc. (the "Company") entered into a Fourth Amendment to Credit Agreement, Consent and Waiver (the "Fourth Amendment") with the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent. The Fourth Amendment provides for certain amendments to and waivers of certain covenant defaults under the Credit Agreement dated as of March 21, 2012, as amended by the First Amendment thereto dated as of March 31, 2014, the Second Amendment thereto dated as of May 29, 2014 and the Third Amendment to Credit Agreement, Consent and Waiver dated as of June 30, 2014 (the "Credit Agreement"), among the Company, the lenders from time to time 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. Capitalized terms used in this Form 8-K and not defined herein have the meanings ascribed to such terms in the Credit Agreement.

The Fourth Amendment provides that:

- Not later than September 28, 2014, or such later date as is agreed to by the administrative agent, the obligations of the Company under the Credit Agreement and for certain related bank products must be secured by mortgages on all of the real property owned by the Company as of the date of the Fourth Amendment, which consists of 30 separate parcels of land with improvements and fixtures thereon (along with real property described in the next paragraph, the "Mortgaged Property").

- In the event that, after the date of the Fourth Amendment, the Company or a Subsidiary Guarantor acquires a fee ownership interest in any real property that has a fair market value in excess of $1.0 million, the Company or subsidiary, as applicable, must provide a mortgage on that property to secure the obligations of the Company under the Credit Agreement.

- Section 6.03(b)(iii) of the Credit Agreement is amended such that the exception to the limitation on asset dispositions not otherwise permitted by that section is reduced from $75.0 million in the aggregate during the term of the Credit Agreement to $5.0 million in the aggregate during the period from July 30, 2014 through the remaining term of the Credit Agreement and such asset dispositions must be for fair market value and adequate cash purchase consideration as reasonably determined by the administrative agent; provided, that such limitations do not apply to an asset disposition of Mortgaged Property to the extent such asset disposition generates net cash proceeds of at least 75% of the appraised value of such Mortgaged Property.

- In addition to the existing limitation on Sale and Leaseback Transactions that net cash proceeds received in respect of which may not exceed $125.0 million in the aggregate during the term of the Credit Agreement, Section 6.11 is amended such that any Sale and Leaseback Transaction be for fair market value and adequate cash purchase consideration as reasonably determined by the Administrative Agent, provided that any Sale and Leaseback Transaction of Mortgaged Property shall be deemed to be for fair market value and adequate cash purchase consideration if it generates net cash proceeds of at least 75% of the appraised value of such Mortgaged Property.

- Section 6.01(m) of the Credit Agreement is amended such that the permitted Indebtedness consisting of secured Indebtedness at any time outstanding (and not otherwise permitted by that section) is reduced from $25.0 million to $5.0 million in aggregate principal amount.

- Section 6.02(l) of the Credit Agreement is amended such that permitted Liens to secure Indebtedness, obligations or liabilities at any one time outstanding (which Liens are not otherwise permitted by that section) may not secure debt in excess of $5.0 million in aggregate principal amount, rather than the original $25.0 million.

- In the event that any net cash proceeds are received by the Company or a Material Subsidiary in connection with any sale, transfer, lease or other disposition of Mortgaged Property, including in connection with any Sale and Leaseback Transaction, or any mortgage financing or similar transaction with respect to Mortgaged Property, such net cash proceeds shall (a) first, be delivered to cash collateralize all then outstanding letters of credit under the Credit Agreement until such time as the administrative agent holds cash collateral equaling 103% of the face amount of such letters of credit; and (b) second, be used to repay outstanding borrowings under the Credit Agreement, which repayments shall be accompanied by a corresponding pro rata reduction of the commitment of each lender under the Credit Agreement.

- If any collateral is sold in a transaction permitted under the Credit Agreement or is financed by Indebtedness permitted under the Credit Agreement, the administrative agent will release the mortgage or other security interest in such collateral.

- The definition of "Significant Regulatory Event" in the Credit Agreement is amended to include a delay of more than five days in receipt of funding under Title IV of the Higher Education Act of 1965, as amended, following notice to the Company from the U.S. Department of Education ("DOE") that the DOE intends to implement funding delays.

- The portion of the commitments of the lenders available for letters of credit is increased from $80.0 million to $98.0 million. The aggregate commitment of the lenders remains at $135.0 million, unless the Company has not caused the issuance of a letter of credit to the DOE (a "DOE Letter of Credit") by October 31, 2014, in which case the aggregate commitments of the lenders will be reduced to $100.0 million, and the availability for letters of credit will revert to $25.0 million. Certain letters of credit in an aggregate amount of approximately $2.3 million previously issued by JPMorgan Chase Bank, N.A. are deemed to be letters of credit issued pursuant to the Credit Agreement.

- Up to $98.0 million in cash posted as cash collateral for a DOE Letter of Credit will be treated as cash for purposes of determining the Company's compliance with the minimum Liquidity covenant of the Credit Agreement.

- The Company is required to deliver projected cash flow budgets to the administrative agent on a monthly basis.

- The audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Company, and the certificate of a financial officer of the Company as described in Section 5.01(c) of the Credit Agreement, in each case, as of and for the fiscal year ending December 31, 2013, required to be furnished by the Company, are required to be furnished by September 15, 2014, instead of July 31, 2014 (the date established by the Third Amendment to Credit Agreement).

- The internally prepared consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Company, and the certificate of a financial officer of the Company as described in Section 5.01(c) of the Credit Agreement, in each case, as of and for the fiscal quarter ending March 31, 2014, required to be furnished by the Company, are required to be furnished by September 15, 2014, instead of July 31, 2014 (the date established by the Third Amendment to Credit Agreement).

- The internally prepared consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Company, and the certificate of a financial officer of the Company as described in Section 5.01(c) of the Credit Agreement, in each case, as of and for the fiscal quarter ending June 30, 2014, required to be furnished by the Company, are required to be furnished by September 30, 2014, instead of August 14, 2014 (the original date required pursuant to the Credit Agreement).

Under the Fourth Amendment, the administrative agent and lenders waive the following Defaults or Event of Defaults:

(i) any violation of the covenants in Section 5.01(b), Section 5.06, and Section 5.07 of the Credit Agreement, and any Event of Default under Article VII (c) and (e) of the Credit Agreement, solely to the extent that such violations or Events of Default relate to or arise from inaccuracies in, or adjustments to, the financial statements for the fiscal quarters ending March 31, 2013, June 30, 2013, and September 30, 2013 delivered pursuant to Section 5.01(b) of the Credit Agreement;

(ii) any violation of the covenants in Section 5.03 and Section 5.07 of the Credit Agreement, and any Event of Default under Article VII (c) and (e) of the Credit Agreement with respect thereto, solely to the extent that such violations or Events of Default relate to or arise from the Company's failure to file audited financial statements for the fiscal year ending December 31, 2013 and compliance audits of its institutions' administration of federal student financial aid programs with the DOE on or before June 30, 2014;

(iii) any violation of the covenant in Section 5.01(c) of the Credit Agreement and any Event of Default under Article VII(c) and (d) of the Credit Agreement with respect thereto, solely to the extent it results from or is related to the matters described in clauses (i) or (ii) above; and

(iv) any violation of Section 5.02(b) of the Credit Agreement and any Event of Default under Article VII(c) and (d) of the Credit Agreement with respect thereto, solely to the extent it results from or is related to the matters described in clauses (i) through (iii) above.

As disclosed in the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 2, 2014, due to the inability of the Company to submit its audited consolidated 2013 financial statements and the compliance audits of its institutions' administration of federal student financial aid programs to the DOE by June 30, 2014, the DOE may determine that the Company's institutions are not financially responsible, which could result in, among other things, the Company being required to post a letter of credit to the DOE, for a period of not less than five years, in an amount equal to at least 10% of the total Title IV Program funds received by the Company's institutions during the Company's most recently completed fiscal year. The increase in the portion of the commitments of the lenders available for letters of credit under the Credit Agreement to $98.0 million in the Fourth Amendment was due to a re-evaluation of the face amount of any DOE Letter of Credit that the Company may be required to post. Based on a more recent evaluation, the Company currently estimates that the DOE Letter of Credit may need to have a face amount of at least approximately $95.4 million, based on the approximately $954 million of gross funds disbursed to the Company's institutions in 2013, prior to refunds. There can be no assurance that the Company will not be required to post a letter of credit in excess of the amount permitted by the Fourth

Amendment, or that the Company will be able to provide the full amount of required cash collateral related to any letter of credit.

The above summary of the Fourth Amendment is qualified in its entirety by the full text of the Fourth Amendment, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference. The Credit Agreement was filed by the Company as Exhibit 10.1 to its Current Report on Form 8-K filed on March 27, 2012, the First Amendment was filed by the Company as Exhibit 10.1 to its Current Report on Form 8-K filed on April 4, 2014, the Second Amendment was filed by the Company as Exhibit 10.1 to its Current Report on Form 8-K filed on June 4, 2014, and the Third Amendment was filed by the Company as Exhibit 10.1 to its Current Report on Form 8-K filed on July 2, 2014, all of which are also incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement.

On July 29, 2014, the Company received a notice of termination of the Agreement for Purchase and Sale of Real Estate (the "Sale Leaseback Agreement") from College Portfolio Buyer LLC ("CPB"). The Sale Leaseback Agreement, dated as of May 8, 2014, between the Company and CPB provided that at the closing, the Company would sell up to 24 parcels of real property and related buildings, fixtures, other improvements, rights and interests that it owns to CPB, and the Company would enter into one or more master leases with CPB to lease the properties sold. The Sale Leaseback Agreement was amended by that First Amendment to Agreement for Purchase and Sale of Real Estate (the "First Amendment"), dated as of June 4, 2014, to provide that the period within which CPB had to conduct its due diligence was extended to 5:00 p.m. on July 31, 2014.

CPB offered to the Company a proposed Second Amendment to Agreement for Purchase and Sale of Real Estate (the "Second Amendment") that would have extended the period within which CPB had to conduct its due diligence to 5:00 p.m. on September 15, 2014. Because the extension of the due diligence period would have extended the period of time during which the Company would have been obligated to sell and lease the properties under the Sale Leaseback Agreement and would have prohibited the Company from entering into other potential financing arrangements with respect to those properties during that time, the Company determined not to execute the Second Amendment. The Company decided that, during that time period, it would prefer to have the flexibility to negotiate with other third parties and potentially enter into other arrangements regarding sale or financing transactions involving the Company's real property. As a result of the Company not executing the Second Amendment, and therefore the due diligence period not being extended, CPB would have forfeited its deposit of $1.0 million had it not terminated the Sale Leaseback Agreement prior to 5:00 p.m. on July 31, 2014. The Company did not incur any early termination penalties related to the termination of the Sale Leaseback Agreement.

There can be no assurance that the Company will be able to negotiate and/or enter into other sale or financing transactions related to its real property on terms satisfactory to it or at all. There are also limitations under the Credit Agreement on the Company's ability to enter into financing transactions involving its real property. See the description of the Fourth Amendment above.

See the Current Report on Form 8-K filed by the Company on May 14, 2014 for a summary of the terms of the Sale Leaseback Agreement, and the Current Report on Form 8-K filed by the Company on June 4, 2014 for a summary of the terms of the First Amendment.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

The following exhibit is being filed herewith:

Exhibit No.	**Description**
10.1	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

Forward-Looking Statements

Except for the historical information contained herein, the matters discussed in this Current Report on Form 8-K 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 inability of the company to file its 2013 Form 10-K during any available New York Stock Exchange ("NYSE") cure period; the NYSE's failure to grant a further extension of time in which the company can file the 2013 Form 10-K; any actions by the DOE related to the company's failure to submit its 2013 audited financial statements and compliance audits with the DOE by the due date; the impact of the Consolidation on the company and the regulations, requirements and obligations that it is subject to; the failure of the company to obtain further required amendments or waivers of noncompliance with covenants under its credit 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 and growth 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 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 collect internally funded financing from its students; the company's exposure under its guarantees related to private student loan programs; the company's ability to successfully defend litigation and other claims brought against it; 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.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 1, 2014

ITT Educational Services, Inc.

By: /s/ Daniel M. Fitzpatrick
Name: Daniel M. Fitzpatrick
Title: Executive Vice President, Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	**Description**
10.1	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

From:	Anthony Bieda <EXCHANGELABS/EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/RECIPIENTS/3625966AA21B477EA17337561576FD9F-ABIEDA>
Sent:	6/1/2015 5:07:48 PM -0400
To:	Katy Fisher <kfisher@acics.org>; Jeff Olszewski <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/5b5c75d2faf243ad81863a2950d5c8f9-JOlszewski>
CC:	Albert C. Gray <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/a1a35d9f738542d48eb5f1ddabe428e0-agray>; Joseph Gurubatham <ExchangeLabs/Exchange Administrative Group (FYDIBOHF23SPDLT)/Recipients/2839eec7707f4128a4de87103ed162f4-JGurubatham>
Subject:	ESI 2014 Financials & Market Reaction
Attachments:	ESI.10K.May29.2015.docx

FYI.

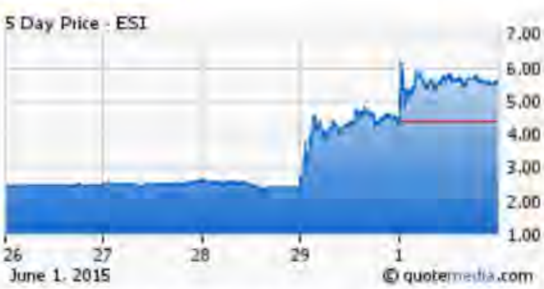
–

ITT Educational Services Inc. (ESI)

- NYSE

$5.57 = Up $1.20 (27.46%)

3:59 PM, 06/01



Today**5d**1m3m1y5y10y

52wk high:18.83

52wk low:1.93

EPS:-3.56

PE (ttm):N/A

Div Rate:N/A

Yield:N/A

Market Cap:$102.93m

Volume:8,987,447

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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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, 2014

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

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 ☒

$387,786,692

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, 2014 (assuming solely for the purposes of this calculation that all Directors and executive officers of the registrant are "affiliates").

23,552,426

Number of shares of Common Stock, $.01 par value, outstanding at April 30, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

None

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ITT EDUCATIONAL SERVICES, INC.
Carmel, Indiana

Annual Report to Securities and Exchange Commission
December 31, 2014

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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 lawsuits against us, our failure to submit our 2013 audited financial statements and 2013 compliance audits to it by the due date, and any failure to submit our 2014 audited financial statements and 2014 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*;
- *our failure to comply with the extensive education laws and regulations and accreditation standards that we are subject to;*
- *actions by the New York Stock Exchange to delist our common stock;*
- *our inability to remediate material weaknesses, or the discovery of additional material weaknesses, in our internal control over financial reporting;*
- *the impact of our late filings with the U.S. Securities and Exchange Commission;*
- *issues related to the restatement of our financial statements for the first three quarters of 2013;*
- *our exposure under our guarantees related to private education loan programs;*
- *the outcome of litigation, investigations and claims against us;*
- *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.

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, 2014, we were offering:

- master, bachelor and associate degree programs to approximately 53,000 students; and
- short-term information technology and business learning solutions for career advancers and other professionals.

As of December 31, 2014, we had 144 college locations in 39 states. In addition, during 2014 we offered one or more of our online programs to students who are located in all 50 states. All of our college 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 2014, 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 2014, we:

- relocated three of our campuses into existing facilities of other ITT Technical Institute campuses;
- converted one of our learning sites into an ITT Technical Institute campus;
- closed one of our learning sites;
- closed four of our ITT Technical Institute campuses; and
- decreased the number of our campuses that offer bachelor degree programs from 134 to 130.

In 2014, 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 2014, we continued to develop and offer training programs to career advancers and other professionals through the CPD.

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 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.

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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;
- 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.

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 2014, we added a total of 146 associate and bachelor degree programs among 84 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.

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.

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In August 2014, we became the education management organizer ("EMO") for a public charter high school in Michigan, which offers high school students an opportunity to concurrently earn both a high school diploma and an associate degree. These services are being offered under The Early Career Academy @ ITT Technical Institute ("Early Career Academy") name.

Programs of Study

As of December 31, 2014, the ITT Technical Institutes were offering 51 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
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

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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 2014 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. Gross tuition for a student entering an undergraduate residence education program at DWC in September 2014 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 gross tuition amounts discussed above do not reflect institutional scholarships and awards, which reduce the amount of gross tuition that students pay to attend our institutions. In the academic year beginning in December 2014 and ending in September 2015, we believe that institutional scholarships and awards for ITT Technical Institute students will average approximately $1,169 per student, based on the number of students estimated to be enrolled in education programs in each of the three months ended March 31, 2015, June 30, 2015 and September 30, 2015. 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 2015. The majority of students attending residence programs at our campuses lived in that campus' metropolitan area prior to enrollment. The only student housing that we provide is at the Nashua, New Hampshire campus of DWC.

As of December 31, 2014, the CPD was offering 2,690 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.

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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, 2014, we employed approximately 1,350 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.

The following table sets forth the demographics of students at the ITT Technical Institutes as of the dates indicated:

	Approximate Percent of Student Census	
Student Demographics	**December 31, 2014**	**December 31, 2013**
Age		
19 or less	3%	3%
20 through 24	23%	25%
25 through 30	29%	29%
31 or over	45%	43%
Gender		
Male	55%	72%
Female	45%	28%
Race		
Caucasian	42%	43%
Other (1)	58%	57%

(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.

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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 70% of the Employable Graduates (as defined below) in 2013 had obtained employment by April 30, 2014 in positions that required the direct or indirect use of skills taught in their education programs, compared to approximately 66% of the Employable Graduates in 2012 who had obtained employment by April 30, 2013.

"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 $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, compared to approximately $32,612 for the Employable Graduates in 2012 who, as of April 30, 2013, 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.

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.

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, 2014, we had approximately 4,400 full-time and 4,500 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

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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 2014, 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 (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 2014 included:

- the William D. Ford Federal Direct Loan (the "FDL") program, which represented, in aggregate, approximately 57% of our cash receipts; and
- the Federal Pell Grant (the "Pell") program, which represented, in aggregate, approximately 24% of our cash receipts.

Other sources of financial aid used by our students in 2014 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 1% of our cash receipts.

Institutional scholarships and awards, which our students use to help reduce their educational expenses, amounted to, in aggregate, approximately $261.2 million in 2014. Institutional scholarships and awards for ITT Technical Institute students averaged approximately $1,177 per student in the year ended December 31, 2014, based on the number of students enrolled in education

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programs in each of the three months ended March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014. We also provided internal student financing to our students in 2014, which consists of non-interest bearing, unsecured credit extended to our students. The amount of internal student financing that we have provided has decreased and will continue to decrease significantly, as the amount of institutional scholarships and awards that our students receive increases.

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.

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, 2014, 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, 2014, one ITT Technical Institute institution had 139 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, 2014, all 144 of our campuses participated in Title IV Programs.

Each of the campuses that we added from 2010 through 2012 constitutes an additional location under the ED's regulations. The HEA requires a proprietary institution to operate for two years before it can qualify to participate in Title IV Programs. If an

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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;
- 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 — *Our institutions' failure to submit their 2013 audited consolidated financial statements and 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 post a letter of credit, being placed on heightened cash monitoring and being provisionally certified."*

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 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.

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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. Any institution provisionally certified by the ED, however, 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 expansion 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, or 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 $20,235.02 for the 2014-2015 year. Veterans pursuing a program of education on a more than half-time basis at an 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;

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- 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 Department of Defense ("DoD"), or DoD tuition assistance programs. Each institution participating in 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 ED, approved for funding by the VA, and a participant in the Title IV programs administered by ED.

On January 30, 2014, the DoD, VA, ED, and Federal Trade Commission, in collaboration with the CFPB and Department of Justice, announced a new online student complaint 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 complaint system is designed to help the government identify and address unfair, deceptive, and misleading practices. The complaint system was developed pursuant to EO 13607, which requires federal agencies to create a centralized complaint 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.

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.

Effective May 11, 2015, the California State Approving Agency for Veterans Education ("CSAAVE"), a division of the California Department of Veterans Affairs, gave notice to all of our campuses in California, suspending the approval of their courses for receipt of veterans' educational program benefits under the GI Bill Programs. The basis for the suspension was CSAAVE's determination that the campuses did not fully comply with the financial stability standards for accreditation published by the ACICS. The notice of suspension precludes our California campuses from future enrollment or re-enrollment of veterans or their dependents intending to utilize the GI Bill Programs' education benefits to pay in whole or in part for their enrollment in the institution. We have been in contact with CSAAVE, which requested that we submit additional financial information, including a statement of determination from the ACICS that all of our California campuses fully comply with the financial stability standards and requirements for accreditation. We have submitted the requested information to CSAAVE. If CSAAVE does not lift the suspension order, CSAAVE says that the approval of our California campuses to train veterans will be withdrawn no later than July 13, 2015. Although we have provided the requested information and do not believe there is a basis for and will continue to dispute CSAAVE's action, we cannot assure you that the suspension of our California campuses will be lifted.

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Effective May 18, 2015, the New York State Approving Agency for Veterans Education ("NYSAA"), a division of the New York Department of Veterans Affairs, gave notice to all of our campuses in New York, suspending the approval of their courses for receipt of veterans' educational program benefits under the GI Bill Programs. The basis for the suspension was NYSAA's determination that the campuses did not fully comply with the financial stability standards for accreditation published by ACICS. The notice of suspension precludes our New York campuses from future enrollment of veterans or their dependents intending to utilize the GI Bill Programs' education benefits to pay in whole or in part for their enrollment in the campus. The notice of suspension specifically allows the certification of benefits for re-enrollments. NYSAA has directed that we submit, among other things, evidence of current financial stability, consistent with the ACICS standards, as well as documentation that the campuses in New York were not participating in practices asserted by the CFPB. We have submitted the requested information to NYSAA. If NYSAA does not lift the suspension order, NYSAA says that the approval of our New York campuses to train veterans will be withdrawn no later than July 17, 2015. Although we do not believe there is a basis for and intend to dispute NYSAA's action, we cannot assure you that the suspension of our New York campuses will be lifted.

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, 2014, 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, 2014, 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 13 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

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- 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 extends through July 31, 2015. 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.*"

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. Our learning sites, if any, are classified as additional locations of the main campus under the ED's regulations, as campus additions under the ACICS accreditation standards, and as instructional locations of the main or branch campus under the NEASC accreditation standards. Under the ACICS criteria, the ACICS has classified one of our ITT Technical Institute institutions, which consists of a main campus and 139 additional locations, as a centrally controlled institution (the "Centrally Controlled Institution"). During 2013, the ACICS evaluated the Centrally Controlled Institution for a renewal grant of accreditation. In April 2013, the ACICS extended the Centrally Controlled Institution's current grant of accreditation through December 31, 2017. In 2014, the ACICS also approved one ITT Technical Institute location for inclusion in the Centrally Controlled Institution's grant of accreditation.

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 compliance 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 compliance 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 compliance 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 compliance standards is required to obtain permission from the ACICS prior to applying to add a new program offering.

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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") and/or its Institutional Effectiveness Plan. 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). 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:

- 69 ITT Technical Institute locations are subject to a campus Improvement Plan and Student Achievement Monitoring with respect to the locations' Student Retention Rates (as defined below);
- 25 ITT Technical Institute locations are subject to a campus Improvement Plan and Student Achievement Monitoring with respect to the locations' Graduate Placement Rates (as defined below);
- 19 ITT Technical Institute locations are subject to a campus Improvement Plan and Student Achievement Monitoring and need to raise their Student Retention Rate to at least 60% by November 1, 2015, or the ACICS may withdraw those locations' inclusion in the institution's grant of accreditation (although we are no longer enrolling new students at five of these locations);
- four ITT Technical Institute locations are subject to a campus Improvement Plan and Student Achievement Monitoring and need to raise their Graduate Placement Rates to at least 60% by November 1, 2015, or the ACICS may withdraw those locations' inclusion in the institution's grant of accreditation;
- a total of 149 program offerings at 94 ITT Technical Institute locations are subject to a program Improvement Plan with respect to the Student Retention Rates of those program offerings;
- a total of 85 program offerings at 62 ITT Technical Institute locations are subject to a program Improvement Plan with respect to the Graduate Placement Rates of those program offerings;
- a total of eight program offerings at eight ITT Technical Institute locations are subject to a program Improvement Plan with respect to the Licensure Examination Pass Rates of those program offerings;
- a total of 250 program offerings at 103 ITT Technical Institute locations are subject to a campus Improvement Plan and Student Achievement Monitoring and need to raise their Student Retention Rates to at least 60% by November 1, 2015, or the ACICS may withdraw its authorization of those program offerings (although we have discontinued and are no longer enrolling new students in 45 of those program offerings);
- a total of 94 program offerings at 62 ITT Technical Institute locations are subject to a campus Improvement Plan and Student Achievement Monitoring and need to raise their Graduate Placement Rates to at least 60% by November 1, 2015, or the ACICS may withdraw its authorization of those program offerings (although we have discontinued and are no longer enrolling new students in 50 of those program offerings); and
- a total of 14 program offerings at 14 ITT Technical Institute locations are subject to a campus Improvement Plan and Student Achievement Monitoring and need to raise their Licensure Examination Pass Rates to at least 60% by November 1, 2015, or the ACICS may withdraw its authorization of those program offerings (although we have discontinued and are no longer enrolling new students in two of those 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.

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- "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 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 expansion plans, financial condition, results of operations and cash flows.

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, attended the NEASC April 2015 meeting and is currently awaiting receipt of a formal letter from the NEASC with its recommendations. DWC cannot predict when or how the NEASC will rule on the subject of its financial condition.

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 this Annual Report on Form 10-K was filed with the SEC after the applicable filing deadline. In addition, our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2014, June 30, 2014 and September 30, 2014 were each filed with the SEC after its applicable filing deadline, and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 will be filed after its filing deadline. Failure to timely file our reports with the SEC may have negative consequences. See "Risk Factors – Risks Related to Recent Developments."

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").

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, 2014, 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 2015 and beyond could differ materially from those expressed in, or implied by, those forward-looking statements.

Risks Related to Recent Developments

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, 2014, our management identified material weaknesses in our ICFR 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 relating to property, plant, and equipment, including logical access controls related to information systems relevant to property, plant, 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.

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, 2014. This is the second 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. The unremediated material weakness was the one related to data obtained from third parties related to private education loans, as 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 weaknesses, if our remedial measures are insufficient to address the material weaknesses, 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 two consecutive years.

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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."

Matters relating to or arising from our review of accounting matters related to the PEAKS Program and the CUSO Program may adversely affect our business, results of operations and cash flows. As previously disclosed, a number of factors, including the SEC's investigation of us related to our actions and accounting associated with, among other things, the PEAKS Program and the CUSO Program, have led to us conducting additional analyses and reviews with respect to accounting matters related to those programs. As a result of such additional analyses and reviews, the Audit Committee of our Board of Directors concluded that the PEAKS Trust should have been consolidated in our consolidated financial statements beginning on February 28, 2013, and that our previously issued 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 should be restated. Further, our more recent accounting analyses and reviews of the CUSO Program have resulted in our conclusion to consolidate the CUSO in our consolidated financial statements beginning on September 30, 2014. To date, we have incurred significant expenses related to legal, accounting and other professional services in connection with the SEC's investigation of us, the accounting analyses and the restatement and related matters, and may continue to incur significant additional expenses with regard to those matters and our remediation efforts. In addition, our Chief Executive Officer and Chief Financial Officer, as well as senior members of our finance and accounting departments, have spent substantial amounts of time and effort with regard to all of those matters. The significant amount of time and effort spent by our management team on those matters has diverted, and is expected to continue to divert, their attention from the operation of our business. The expenses incurred, and expected to be incurred, on those matters, and the diversion of the attention of the management team which has occurred and is expected to continue, have had, and could continue to have, a material adverse effect on our business, financial condition, results of operations and/or cash flows.

The New York Stock Exchange could commence procedures to delist our common stock. As a result of our failure to timely file this Annual Report on Form 10-K with the SEC, on March 16, 2015, we received a notice from the New York Stock Exchange ("NYSE") that we were subject to the procedures set forth in the NYSE's listing standards related to late filings. In accordance with the NYSE's procedures, we had six months following March 16, 2015 to file this Annual Report on Form 10-K with the SEC. Although we have filed this Annual Report on Form 10-K with the SEC within the applicable period, the listing standards of the NYSE provide the NYSE with broad discretion regarding delisting matters. One of the factors described in the NYSE's listing standards that could lead to a company's delisting is the failure of the company to make timely, adequate and accurate disclosures of information to its shareholders and the investing public. We 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. In addition, our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2014 ("2014 First Quarter Form 10-Q"), June 30, 2014 ("2014 Second Quarter Form 10-Q") and September 30, 2014 ("2014 Third Quarter Form 10-Q") were each filed after their respective due dates. Additionally, we will be filing our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 ("2015 First Quarter Form 10-Q") after its due date, and therefore we will continue to be subject to the procedures set forth in the NYSE's listing standards related to late filings and subject to the risk of delisting. We cannot assure you that the NYSE will not commence delisting procedures with respect to our common stock as a result of those and other factors related to us. If the NYSE were to delist our common stock, the delisting could further:

- decrease trading in our common stock;
- adversely affect the market liquidity of our common stock;
- decrease the trading price of our common stock;
- increase the volatility of our common stock price;
- decrease analyst coverage of our common stock;
- decrease investor demand and information available concerning trading prices and volume of our common stock;
- make it more difficult for investors to buy or sell our common stock; and
- harm our ability to obtain financing on acceptable terms.

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, and could have negative consequences related to our financing agreement. We did not file our 2013 Form 10-K, our 2014 First Quarter Form 10-Q, our 2014 Second Quarter Form 10-Q, our 2014 Third Quarter Form 10-Q and this Annual Report on Form 10-K within the timeframes required by the SEC. We also have not yet filed our 2015 First Quarter Form 10-Q, and therefore it is delinquent. 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 regain compliance with our SEC reporting obligations. Further, pursuant to the Financing Agreement (as defined below), we must provide to our lenders our annual and quarterly financial information of the type required to be filed with our periodic reports with the SEC within 90 and 45 days, respectively, after the end of the relevant period, or certain monthly financial information within 30 days after the end of each month, subject to the extension described below.

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On December 4, 2014, we entered into a financing agreement (the "Original Financing Agreement") with Cerberus Business Finance, LLC ("Cerberus"), as administrative agent and collateral agent, the lenders party thereto and certain of our subsidiaries. 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") and on May 26, 2015, we entered into a Limited Consent to Financing Agreement (the "FA Consent"). The Original Financing Agreement, as amended by Amendment No. 1 and Amendment No. 2 and including the FA Consent, is referred to herein as the "Financing Agreement." The FA Consent provides for an extension to June 15, 2015 of the deadline by which we are required to deliver to the lenders our financial statements and related information for the fiscal quarter ended March 31, 2015. If we are not able to deliver our financial statements for the fiscal quarter ended March 31, 2015 by June 15, 2015, or for future periods by the applicable due dates, then we would be in breach of the Financing Agreement, which could give rise to material adverse consequences to us. See "*—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.*"

As a result of the PEAKS Consolidation, our consolidated financial statements are materially different from those that we previously issued, which could have negative implications for our Financing Agreement and

guarantee obligations and regulatory compliance. Prior to the PEAKS Consolidation, the PEAKS Trust was not included in our consolidated financial statements. As a result of the PEAKS Consolidation, beginning on February 28, 2013, our consolidated financial statements are substantially different from the consolidated financial statements that we would present, if we were not required to consolidate the PEAKS Trust. We cannot assure you that the financial impact of the PEAKS Consolidation on our consolidated financial statements in future periods will not violate the covenants under the Financing Agreement. We may not be able to obtain amendments to, or waivers of, those covenants. The PEAKS Consolidation also 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 SAs. The financial impact of the PEAKS Consolidation on our consolidated financial statements in future periods could also negatively impact our compliance with those measurements and requirements in the future. See "—Risks Related to Our Highly Regulated Industry – *We may be subject to sanctions, including, without limitation, an increase in the amount of the ED Letter of Credit 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*," for a discussion of the impact of the PEAKS Consolidation on our consolidated financial statements. Further, the PEAKS Consolidation negatively impacted the financial metrics to which we are subject under the private education loan programs under which we have provided guarantees, resulting in materially increased payment amounts. The financial impact of the PEAKS Consolidation on our consolidated financial statements in future periods could negatively impact our compliance with those financial metrics in the future, resulting in materially increased payment amounts and/or the loss of our protective rights under those programs. Any of these factors could have a material adverse effect on our results of operations, financial condition and/or cash flows.

The CUSO Consolidation could have a material adverse effect on our consolidated financial statements and our compliance with covenants and metrics to which we are subject. Prior to September 30, 2014, the CUSO was not included in our consolidated financial statements because we concluded we were not the primary beneficiary of the CUSO prior to that time. The CUSO Consolidation results in a different presentation in our consolidated financial statements of our transactions with the CUSO. We cannot assure you that the CUSO Consolidation, in combination with other factors, will not have a material negative impact in future periods on our ability to comply with our covenants under the Financing Agreement, the ED's financial responsibility measurements, the financial requirements of the SAs or the financial metrics to which we are subject under the CUSO RSA and the PEAKS Guarantee (as defined below), which could result in a material adverse effect on our results of operations, financial condition and/or cash flows. See "—Risks Related to Our Highly Regulated Industry – *We may be subject to sanctions, including, without limitation, an increase in the amount of the ED Letter of Credit 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*," for a discussion of the impact of the CUSO Consolidation on our consolidated financial statements.

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

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- 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 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, except that, pursuant to Amendment No. 2, the deadline by which we must provide our financial statements related to the fiscal year ended December 31, 2014 was extended to May 31, 2015 and pursuant to the FA Consent, the deadline by which we must provide our financial statements related to the fiscal quarter ended March 31, 2015 was extended to June 15, 2015. If we are not able to deliver our financial statements for the fiscal quarter ended March 31, 2015 by June 15, 2015, or 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.

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.

In addition, based on our current estimates, we believe that we may make guarantee payments of approximately $29.8 million in 2015 under our guarantee under the PEAKS Program. This guarantee consists of our guarantee of the payment of the principal, interest and, prior to February 2013, certain call premiums owed on the senior debt issued by the PEAKS Trust in the aggregate principal amount of $300.0 million (the "PEAKS Senior Debt") to investors, 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 "PEAKS Guarantee"). The $29.8 million estimated payment amount would have exceeded the annual payment limitation of $20.0 million related to payments under the PEAKS Program contained in the Original Financing Agreement covenant, but the covenant was modified in Amendment No. 2. However, we may be required to make payments under the PEAKS Program and/or the CUSO RSA in 2015 or future years that exceed our current estimates and the modified guarantee payment limitation amount. 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 PEAKS Guarantee and the CUSO RSA (collectively, 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 that our institutions are not financially responsible;
- 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.

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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 existing letters of credit;
- 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 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 recent filing of an enforcement action by the SEC against us, our CEO and our 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 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. 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.

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 notification 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 must 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.

We intend to compile the requested information and submit it to the ED according to the schedule specified by the ED. We cannot assure you that the ED will not impose further sanctions on us in light of the SEC Litigation and other matters.

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 or credit or increase the amount of or extend the duration of the letter of credit that we have already posted with the ED;
- 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 13 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 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."

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The following are some of the specific risk factors related to our highly regulated industry:

Our institutions' failure to submit their 2013 audited consolidated financial statements and 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 post a letter of credit, being placed on heightened cash monitoring and being provisionally certified. 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");

- 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. The term of the ED Letter of Credit is for a period that ends on November 4, 2019. We will be required to adjust the amount of the ED Letter of Credit annually to 10% of the Title IV Program funds received by our institutions in the immediately preceding fiscal year. The ED may 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.

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 are satisfied, our institutions may 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, and believe that compliance with those requirements will not impact the timing of our institutions' receipt of Title IV Program funds by more than one business day, 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;
- 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.

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. 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. 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.*"

Our institutions will remain provisionally certified by the ED to participate in Title IV Programs 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;

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- 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. 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 expansion 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 notification 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 must 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.

We intend to compile the requested information and submit it to the ED according to the schedule specified by the ED. We cannot assure you that the ED will not impose further sanctions on us in light of the SEC Litigation and other matters.

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 obtain any required increases in the amount of the ED Letter of Credit. Our provision of the cash required by the issuing bank to collateralize the ED Letter of Credit and the other outstanding letters of credit has had, and will continue to have, a material adverse effect on our liquidity, and significantly reduced the amount of cash that we will have available for other purposes, including to satisfy our future payment obligations under the RSAs. The fact that a significant amount of our cash is being held in connection with the ED Letter of Credit could also negatively affect our ability to satisfy the financial metrics of the ED, SAs and ACs to which we are subject. See *"—We have a significant amount of cash held as collateral for outstanding letters of credit, which has a continuing material adverse effect on our cash flows and liquidity*."

If our institutions were to fail to timely submit their 2014 audited consolidated financial statements and Compliance Audits to the ED by the 2015 due date, this could result in more severe sanctions being imposed on our institutions by the ED, SAs and ACs. If our institutions were to fail to timely submit their 2014 audited consolidated financial statements and Compliance Audits to the ED by the June 30, 2015 due date, we could face additional sanctions by the ED and other regulatory agencies. For example, the ED could require that we increase the amount of the ED Letter of Credit, could extend the time period for which the ED Letter of Credit must remain in effect, and could increase the level of our existing HCM for Title IV funds or place our institutions on the reimbursement system, either of which would significantly delay our institutions' receipt of Title IV Program funds. Any significant delay in our institutions' receipt of Title IV Program funds could adversely affect our financial condition, results of operations and cash flows, and could cause us to be in default of 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. 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."* Since the ED's regulations and policies do not envision institutions submitting their audited financial statements and Compliance Audits late two years in a row, they do not prescribe specific penalties if that situation should occur. However, the ED has a wide range of sanctions available to it for institutions that commit what the ED determines are significant violations of the ED regulations, and therefore the ED could attempt to impose additional sanctions on our institutions, including, for example, concluding that our institutions lack "administrative capability" under the ED's regulations, which could lead to:

- the imposition of an administrative fine or penalty;

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- a requirement to repay Title IV funds;
- placing 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 we can award Title IV funds;
- denying applications for our institutions to obtain Title IV eligibility for new educational programs or new campuses or educational sites;
- transferring our institutions to a stricter form of HCM or the reimbursement system;
- initiating additional program reviews or other compliance reviews at our institutions;
- more closely scrutinizing our 90/10 calculations, including the impact of our private loan programs on those calculations;
- placing other limits on or terminating our institutions' eligibility to participate in Title IV Programs; and
- other sanctions.

In addition, the ACs and SAs to which we are subject could impose additional penalties on our institutions, which may vary from state to state, but which could include in some states such sanctions as having to post an additional letter of credit or surety bond with the state, limiting our institutions' ability to add new programs or open new campuses, initiating more frequent reviews of our institutions including on-site visits, requiring our institutions to submit additional information and reports, or suspending or terminating our campuses' authority to operate. Any of the sanctions by the ED, SAs or ACs could materially adversely affect our financial condition, results of operations and cash flows, and impose significant operating restrictions on us.

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 2015, 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.

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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 *"—Our institutions' failure to submit their 2013 audited financial statements and 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 post a letter of credit, being placed on heightened cash monitoring and being provisionally certified,"* for further information concerning the impact on an institution of being placed on provisional certification by the ED.

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
2012 (a)	18.8%
2011 (b)	22.1%
2010	28.5%
2009	32.9%(c)

(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 draft Three-Year CDRs before those rates are official.
(b) The most recent year for which the ED has published official Three-Year CDRs.
(c) Reduced by the ED from 34.2% as a result of an uncorrected data adjustment.

We believe that the higher Three-Year CDR average for FFY 2010 compared to the official Three-Year CDR average for FFY 2011 and the preliminary Three-Year CDR average for 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. We appealed the ITT Technical Institute institutions' official Three-Year CDRs for FFY 2009 on the basis that those Purchased Loans were improperly serviced. We have not yet received the ED's final determination of the ITT Technical Institute institutions' Three-Year CDRs for FFY 2009 in response to our loan servicing appeal, but we anticipate that the result of this appeal will not significantly change the average Three-Year CDR for FFY 2009 shown above. Further, because none of our institutions had a Three-Year CDR for FFY 2010 of 30% or greater, the fact that the Three-Year CDRs for FFY 2009 was greater than 30% does not impact our institutions' eligibility to participate in the FDL program or the Pell program. We did not appeal the ITT Technical Institute institutions' official Three-Year CDRs for FFYs 2010 or 2011, and do not intend to appeal for FFY 2012.

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 programs 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 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.

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If the ED's new gainful employment regulations withstand legal challenges in court, and if any of our programs of study fail to qualify as programs that lead to gainful employment in a recognized occupation under those 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 will become effective on 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.

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.

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 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. 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, which represents more than 1,400 for-profit institutions nationwide, and the other lawsuit was filed by the Association of Proprietary Colleges, which

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represents more than 20 for-profit colleges in the state of New York. The lawsuits allege, among other things, that the New GE Rule exceeds the ED's statutory authority, violates institutions' constitutional rights, and is arbitrary and capricious. We cannot predict when or how the courts will rule on these lawsuits.

We may be subject to sanctions, including, without limitation, an increase in the amount of the ED Letter of Credit, 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.

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 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, 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. 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. Based on our fiscal year consolidated financial statements at the parent company level, our institutions' Composite Score was above 1.5 in 2014.

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 the composite score calculation for fiscal year ended December 31, 2013 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 April 20, 2015, we provided the ED with a notice of our intent to appeal the April 15, 2015 letter from the ED addressing our institutions' 2013 Composite Score and reiterated our offer to meet with the ED to discuss the calculation. We cannot assure you that the ED will agree with our position on this matter.

The letter of credit that the ED has already required us to post 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 any then-existing letter of credit based on our institutions' 2013 Composite Scores. 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 our letter of credit payable to the ED, we cannot assure you that we would be able do so, or that we would be able to provide the cash collateral necessary to maintain any 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

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current liabilities. In addition, some of the ACs and SAs to which we are subject could impose sanctions and penalties against us and our institutions as a result of a 2013 Composite Score 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;
- 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 13 campuses in Florida from an annual

license to a provisional license, through July 31, 2015;

  - 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;

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    - change our West Virginia campus' authorization to operate in West Virginia to a probationary authorization;
    - 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 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, 2014, 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. 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 can 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 2014 fiscal year, none of our institutions derived more than approximately 81% 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 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 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.

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;
- 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. Those sanctions and lawsuits could have a material adverse effect on our financial condition, results of operations, cash flows and future growth.

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 expansion 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 expansion plans.

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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 expansion 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. See "Business – Highly Regulated Industry."

Due to our institutions' failure to submit their 2013 audited consolidated financial statements and Compliance Audits to the ED by June 30, 2014, all of our institutions are provisionally certified to participate in Title IV Programs. See "*—Our institutions' failure to submit their 2013 audited consolidated financial statements and 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 post a letter of credit, being placed on heightened cash monitoring and being provisionally certified.*" 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.

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 reported in recent compliance audits and ED program reviews.

See "Business – Highly Regulated Industry," for a further discussion of the ED's provisional certification of an institution to participate in Title IV Programs. See also "*—If the ED's new gainful employment regulations withstand legal challenges in court, and if any of our programs of study fail to qualify as programs that lead to gainful employment in a recognized occupation under those 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 compliance 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 compliance 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 compliance 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

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- of a program offering at a campus falls below the ACICS compliance 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 compliance 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 expansion 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, as opposed to credit hours, are complex. Students attending credit hour programs of study that are required to be measured in clock hours for Title IV purposes may likely 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, 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 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. 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 or investigations 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.

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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. Effective May 11, 2015, CSAAVE, a division of the California Department of Veterans Affairs, gave notice to all of our campuses in California, suspending the approval of their courses for receipt of veterans' educational program benefits under the GI Bill Programs. The basis for the suspension was CSAAVE's determination that the campuses did not fully comply with the financial stability standards for accreditation published by the ACICS. The notice of suspension precludes our California campuses from future enrollment or re-enrollment of veterans or their dependents intending to utilize the GI Bill Programs' education benefits to pay in whole or in part for their enrollment in the campus. We have been in contact with CSAAVE, which requested that we submit additional financial information, including a statement of determination from the ACICS that all of our California campuses fully comply with the ACICS financial stability standards and requirements for accreditation. We have submitted the requested information to CSAAVE. If CSAAVE does not lift the suspension order, CSAAVE says that the approval of our California campuses to train veterans will be withdrawn no later than July 13, 2015. If the suspension order is not lifted on a timely basis or if the approval to train veterans is withdrawn, our enrollments, results of operations and financial condition could be materially and adversely affected.

Effective May 18, 2015, NYSAA, a division of the New York Department of Veterans Affairs, gave notice to all of our campuses in the New York, suspending the approval of their courses for receipt of veterans' educational program benefits under the GI Bill Programs. The basis for the suspension was NYSAA's determination that the campuses did not fully comply with the financial stability standards for accreditation published by the ACICS. The notice of suspension precludes our New York campuses from future enrollment of veterans or their dependents intending to utilize the GI Bill Programs' education benefits to pay in whole or in part for their enrollment in the campus. The notice of suspension specifically allows certification of benefits for re-enrollments. NYSAA has directed that we submit, among other things, evidence of current financial stability, consistent with the ACICS standards, as well as documentation that the campuses in New York were not participating in practices claimed by the CFPB. We have submitted the requested information to NYSAA. If NYSAA does not lift the suspension order, NYSAA says that the approval of our New York campuses to train veterans will be withdrawn no later than July 17, 2015. If the suspension order is not lifted on a timely basis or if the approval to train veterans is withdrawn, our enrollments, results of operations and financial condition could be materially and adversely affected.

Our campuses in 36 states in addition to New York and California are approved to receive veterans' educational program benefits under the GI Bill Programs. Based on the recent actions by the state approving agencies in California and New York, we believe that state approving agencies in other states may take similar actions 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 *"—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."*

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 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 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 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.

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.

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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. A recent amendment to 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 the new 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.

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 one public charter high school. 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.

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 2014.

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 2015 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. 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

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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. 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.

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 $9.2 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, as a result of the Consolidations, the liabilities of the PEAKS Trust and the CUSO are recorded on our consolidated balance sheet. See "*—As a result of the PEAKS Consolidation, our consolidated financial statements are materially different from those that we previously issued, which could have negative implications for our Financing Agreement and guarantee obligations and regulatory compliance*" and "*—The CUSO Consolidation could have a material adverse effect on our consolidated financial statements and our compliance with covenants and metrics to which we are subject.*"

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 make Discharge Payments (as defined below) to the fullest extent possible in 2018 and later years. If we do not make the Discharge Payments as assumed in 2018 and later years, due to an inability to make payments in those amounts or for any other reason, we estimate that we will have to pay significantly larger amounts under the CUSO RSA over the remaining term of that agreement.

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.

If we fail to effectively identify, establish and operate new campuses, our growth may be slowed. 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 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, either before or after it starts disbursing Title IV

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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 expansion opportunities or that we will be able to 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 slow our growth, make any newly established campuses more costly to operate than we had planned and have a material adverse effect on our expansion 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 expansion plans and results of operations. See "Business – Business Strategy – *Enhance Results at Each Institution*," *"—If the ED's new gainful employment regulations withstand legal challenges in court, and if any of our programs of study fail to qualify as programs that lead to gainful employment in a recognized occupation under those 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 compliance 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.*"

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 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 2014 and, we believe, may continue to decrease in 2015.

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

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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. This change in the timing of payments had a material adverse effect on our cash flows from operations in 2012 and 2013. In addition, we have the risk of collection with respect to our internal student financing, which caused us to increase our allowance for doubtful accounts in 2013 and 2014 and resulted in an increase in our bad debt expense as a percentage of revenue in 2013 and 2014. 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 as collateral for outstanding letters of credit, which has a continuing material adverse effect on our cash flows and liquidity. We were required to deposit $89.3 million to be held as cash collateral for outstanding letters of credit for our account. Our collateralization of the letters of credit had, and continues to have, a material adverse effect on our liquidity, and significantly reduced the amount of cash that we have available for other purposes, including to satisfy our future payment obligations under the RSAs. The funds held as cash collateral are not available for use by us, and could be paid to the issuing bank for the letters of credit if the letters of credit are drawn upon. The fact that a significant amount of our cash is held in connection with the letters of credit could also negatively affect our ability to satisfy the financial metrics of the ED, 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 cash collateral as a result of an increase in required amounts of the letters of credit or a requirement for an additional letter of credit, which deposit could have a material adverse effect on our cash flows and liquidity.

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. These balances have increased significantly in the last few years as a result of the number of our students who did not qualify for private education loans from third parties due to their prior credit history and the limited funding available under private education loan programs for which those students could qualify. 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

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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 expansion plans and results of operations.

The search for, and transition of, a new chief executive officer and a new chief financial officer could adversely affect us, and 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. As previously disclosed, on August 4, 2014, in connection with the notification by Kevin M. Modany, our Chief Executive Officer, to our Board of Directors of his intention to resign as our Chief Executive Officer, we entered into a letter agreement with Mr. Modany (the "Modany Letter Agreement"), pursuant to which Mr. Modany agreed to remain our Chief Executive Officer for a period ending on February 4, 2015, which period has been extended to August 31, 2015 (as so extended, the "Applicable Period"), most recently pursuant to a second amendment to the Modany Letter Agreement entered into on May 26, 2015. Also as previously disclosed, on April 27, 2015, Daniel M. Fitzpatrick, our Chief Financial Officer, notified us of his plan to retire, and on April 29, 2015, we entered into a letter agreement with Mr. Fitzpatrick (the "Fitzpatrick Letter Agreement"), pursuant to which he will remain our Chief Financial Officer for a period ending on October 29, 2015, as extended by us for up to four months (as so extended or earlier terminated, the "Transition Period").

The planned resignations of Messrs. Modany and Fitzpatrick may cause disruption in our business, strategic and employee relationships, which may significantly delay or prevent the achievement of our business objectives, and may cause a loss of key employees or declines in the productivity of existing employees. The search for a permanent Chief Executive Officer and a permanent Chief Financial Officer may take many months or more, further exacerbating these factors. Competition for senior management personnel is intense and we cannot assure you that we will be able to select and employ a new Chief Executive Officer or a new Chief Financial Officer in a timely manner. Identifying and hiring an experienced and qualified Chief Executive Officer and Chief Financial Officer are typically difficult, and may be even more difficult under the circumstances affecting us at this time. Further, we may not be able to effectively compete with compensation packages offered by other companies that are recruiting senior executive officers, due to the limitations imposed on us by the Incentive Compensation Prohibition. We may be unable to attract a suitably qualified individual for either the Chief Executive Officer position or the Chief Financial Officer position, or we may be required to pay increased base salary compensation in order to do so. Any or all of these risks could adversely affect our business, operating results or financial condition.

Our search for a new Chief Executive Officer and a new Chief Financial Officer may also adversely affect our business or impose additional risks, such as the following:

- disruption of our business or distraction of our employees and management;
- difficulty recruiting, hiring, motivating and retaining other talented and skilled personnel;
- increased stock price volatility; and
- difficulty in establishing, maintaining or negotiating business or strategic relationships or transactions.

We cannot assure you that the transition to a new Chief Executive Officer or a new Chief Financial Officer will be smooth or successful. Leadership transitions can be inherently difficult to manage and may cause uncertainty or a disruption to our business or may increase the likelihood of turnover in other key officers and employees. Changes to strategic or operating goals with the appointment of new executives may, themselves, prove to be disruptive. Periods of transition in senior management leadership are often difficult as the new executives gain detailed knowledge of the company's operations and may result in cultural differences and friction due to changes in strategy and style. During the transition periods, there may be uncertainty among investors, employees, creditors and others concerning our future direction and performance. Any disruption or uncertainty could have a material adverse effect on our results of operations and financial condition and the market price of our common stock.

During our search for, and transition to, a new Chief Executive Officer and a new Chief Financial Officer, it is important that we retain key personnel. All of our officers and other employees are at-will employees, which means they can terminate their employment relationship with us at any time, and their knowledge of our business and industry would be difficult to replace. If we lose the services of key personnel, especially during this period of leadership transition, or do not hire or retain other personnel for key positions, including the Chief Executive Officer or Chief Financial Officer positions, our business, results of operations and stock price could be adversely affected.

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, especially during this period of leadership transition, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could impair our ability to successfully manage our business.

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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.

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, including a new Chief Executive Officer or a new Chief Financial Officer. Our key executives may be more inclined to leave us, because the exercise prices of their stock options are significantly below 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. In August 2013, we acquired Cable Holdings, and in January 2014, we acquired Great Equalizer, Inc. and CompetenC Solutions, Inc. We may consider additional selective acquisitions of schools or education-related businesses in the future. 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.

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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.

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 post-secondary and other 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.

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;
- 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;
- failed to timely regain eligibility to participate in Title IV Programs from the ED or receive temporary certification to continue to participate in Title IV Programs pending further review by the ED; or

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- 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 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, 2014, we:

- leased 114 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 nine facilities that are not expected to be used as a campus or learning site, four of which have leases that expire in 2015.

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 two 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 "Litigation" and "Government Investigations," for information regarding certain lawsuits and investigations affecting us.

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Item 4. Mine Safety Disclosures.

Not Applicable.

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.

	2014		2013	
Fiscal Quarter Ended	**High**	**Low**	**High**	**Low**
March 31	$45.80	$26.73	$19.49	$11.69
June 30	$29.89	$16.20	$28.52	$11.95
September 30	$17.17	$ 4.07	$31.85	$23.82
December 31	$14.10	$ 3.66	$42.80	$27.97

There were 82 holders of record of our common stock on May 22, 2015.

We did not pay a cash dividend in 2014 or 2013. 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, 2014 that were not registered under the Securities Act.

In the three months ended December 31, 2014, 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, 2014. 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, 2009 through December 31, 2014. 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., Corinthian Colleges, Inc., 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 Education Management Corporation was included in the former peer issuer group, but was removed from the Peer Issuer Group due to its common stock being delisted and deregistered in 2014.

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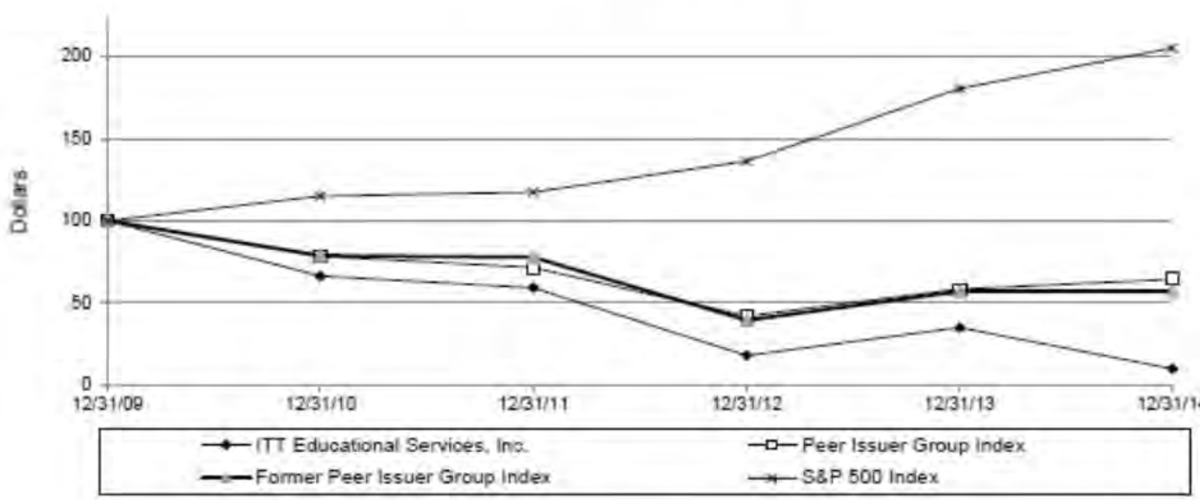
Cumulative Total Return
(Based on $100 invested on December 31, 2009 and assumes the reinvestment of all dividends)



	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
ITT Educational Services, Inc.	100.00	66.37	59.29	18.04	34.99	10.01
Peer Issuer Group Index	100.00	78.52	71.54	42.02	58.39	64.48

Former Peer Issuer Group Index	100.00	78.94	77.94	39.55	57.10	57.12
S&P 500 Index	100.00	115.06	117.49	136.30	180.44	205.14

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.

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.

	Year Ended December 31,				
	2014 (a)	2013 (a)	2012	2011	2010
	(Dollars in thousands, except per share data)				
Statement of Operations Data:					
Revenue	$961,783	$1,072,311	$1,286,633	$1,499,977	$1,573,123
Cost of educational services	460,782	486,353	538,350	553,065	537,855
Student services and administrative expenses	389,116	397,541	400,856	414,156	415,189
Goodwill and asset impairment	2,454	0	15,166	0	0
Legal and professional fees related to certain lawsuits, investigations and accounting matters (b)	32,008	6,923	873	0	0
Loss related to loan program guarantees (c)	2,019	90,964	101,025	23,500	5,650
Provision for private education loan losses	14,150	29,349	0	0	0
Total costs and expenses	900,529	1,011,130	1,056,270	990,721	958,694
Operating income	61,254	61,181	230,363	509,256	614,429
Gain (loss) on consolidation of variable interest entities	16,631	(73,248)	0	0	0

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	2014 (a)	2013 (a)	2012	2011	2010
Interest income (expense), net	(28,235)	(25,169)	(2,375)	1,077	586
Income (loss) before provision for income taxes	49,650	(37,236)	227,988	510,333	615,015
Provision (benefit) for income taxes	20,397	(10,212)	89,018	201,247	240,314
Net income (loss)	$ 29,253	$(27,024)	$138,970	$309,086	$374,701
Earnings (loss) per share: (d)					
Basic	$ 1.25	$ (1.15)	$ 5.82	$ 11.27	$ 11.30
Diluted	$ 1.23	$ (1.15)	$ 5.79	$ 11.18	$ 11.18
Other Operating Data (e):					
Capital expenditures, net (f)	$ 6,092	$ 5,147	$ 18,250	$ 30,900	$ 32,989
Number of students at end of period	53,646	57,542	61,059	73,255	84,686
Number of campuses at end of period	144	147	147	141	130
Number of learning sites at end of period	0	2	2	3	4

As of December 31,				
2014 (a)	2013 (a)	2012	2011	2010
(Dollars in thousands)				

Balance Sheet Data:					
Cash and cash equivalents and investments	$135,937	$215,771	$243,465	$379,609	$313,194
Total current assets	$291,414	$434,616	$386,580	$456,790	$412,419
Property and equipment, less accumulated depreciation	$157,072	$168,509	$189,890	$201,257	$198,213
Total assets	$749,160	$806,851	$675,204	$729,320	$673,102
Total current liabilities	$322,630	$473,777	$327,023	$345,243	$355,501
Total long-term debt (g)	$125,372	$ 71,341	$140,000	$150,000	$150,000
CUSO secured borrowing obligation, excluding current portion	$100,194	$ 0	$ 0	$ 0	$ 0
Total liabilities	$601,155	$691,205	$549,439	$560,215	$546,060
Shareholders' equity	$148,005	$115,646	$125,765	$169,105	$127,042

(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) 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 PEAKS Consolidation and Note 15– Commitments and Contingencies of the Notes to Consolidated Financial Statements, for a further discussion of the Consolidations, 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.

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(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, 2011 and 2010, have been combined and are shown as Capital expenditures, net in this table.

(g) Total long-term debt for the years ended December 31, 2014 and 2013 represent the amounts shown on our Consolidated Balance Sheet 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.

Executive Summary

In 2014, 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:

- we made payments aggregating $170.3 million related to the PEAKS Program and the CUSO Program;
- the ED Letter of Credit was issued for our account, and we provided approximately $89.3 million in cash collateral for the ED Letter of Credit and other outstanding letters of credit, which funds are not available for use by us and could be paid to the issuing bank for the letters of credit if the letters of credit are drawn upon;
- we borrowed $100.0 million under the new Financing Agreement, and utilized all of the funds from that borrowing to repay outstanding borrowings under the Amended Credit Agreement, to provide a portion of the cash collateral required related to the letters of credit and to pay fees in connection with the Financing Agreement;
- the amount of institutional scholarships and awards provided to our students increased significantly, and new and total student enrollment in education programs decreased, in each case, compared to the prior year; and
- the PEAKS Trust was consolidated in our consolidated financial statements for the entire year, and the CUSO was consolidated in our consolidated financial statements beginning on September 30, 2014.

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.

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:

- $29.8 million in 2015;
- $4.3 million in 2016; and
- $15.3 million in 2020.

Based on various assumptions, including the historical and projected performance and collections of the CUSO Student Loans, the following table sets forth, in the periods indicated, our projections of the estimated amount of Regular Payments and Discharge Payments that we expect to pay (or that we expect will be owed by us, which amounts could be reduced prior to payment thereof by the amount of recoveries from charged-off loans owed to us) and the estimated amount of recoveries from charged-off loans that we expect to be paid to us by the CUSO (or that we may utilize to offset a portion of the amounts of Regular Payments or Discharge Payments owed by us):

Year	Estimated	Estimated	Estimated	Estimated

	Regular Payments	Discharge Payments	Total Payments	Recoveries
		(Dollar amounts in thousands)		
2015	$ 11,723	$ 2,709[1]	$ 14,432	$ (1,393)
2016	15,895	0	15,895	(1,479)
2017	17,615	0	17,615	(1,545)
2018 and later	0	78,747	78,747	(1,580)
	$ 45,233	$ 81,456	$126,689	$ (5,997)

(1) Represents the Discharge Payment of $2.7 million that we made on March 19, 2015 pursuant to the terms of the Fifth Amendment to CUSO RSA.

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We believe that the vast majority of the $78.7 million of estimated payments projected to be paid after 2017 will be made by us in 2018. The estimated future payment amounts and timing related to the CUSO RSA assume, among other factors, that we do not make any Discharge Payments in 2015, 2016 or 2017 (other than the Discharge Payment made in March 2015 pursuant to the terms of the Fifth Amendment to CUSO RSA) and do make Discharge Payments to the fullest extent possible in 2018 and later years. If we do not make the Discharge Payments as assumed in 2018 and later years, we estimate that we would make approximately $100.3 million of Regular Payments in 2018 through approximately 2026. Of this amount, approximately $18.6 million to $20.0 million would be paid annually in each of 2018 through 2021, and approximately $22.7 million in the aggregate, would be paid in 2022 through 2026.

We also have debt service and principal repayment obligations under the Financing Agreement. We estimate that in 2015, the amount of those cash payment obligations will be approximately $19.3 million. 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, 2014 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. We determined that the activities that most significantly impact the economic performance of the CUSO involve the servicing (which includes the collection) of the private education loans made under the CUSO Program (the "CUSO Student Loans"). We were considered to have the power to direct the servicing activities of the CUSO Student Loans as a result of our substantive ability to terminate the servicing agreement that governs the servicing activities of the CUSO Student Loans (the "CUSO Servicing Agreement"). Pursuant to the CUSO Servicing Agreement, if the entity that performs the servicing activities on behalf of the CUSO (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 believe that the CUSO Program Servicer failed to meet the performance criteria specified in the CUSO Servicing Agreement on September 30, 2014, and that it was not reasonably possible that the CUSO Program Servicer would be able to affect a cure during the 90-day cure period. Because we believe that the cure period was not substantive, we were deemed, for accounting purposes, to have the right to terminate the CUSO Servicing Agreement as of September 30, 2014. As a result, we effectively had the power to direct the servicing activities of the CUSO as of September 30, 2014 and, therefore, were required to consolidate the CUSO in our consolidated financial statements as of that date. While our consolidated financial statements for periods after September 30, 2014 reflect the results of operations, financial condition and cash flows of the CUSO, we do not 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, as discussed further in Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

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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 of the PEAKS Trust that most significantly impact the economic performance of the PEAKS Trust. We determined that the activities that most significantly impact the economic performance of the PEAKS Trust involve the servicing (which includes the collection) of the private education loans made under the PEAKS Program (the "PEAKS Trust Student Loans") and believe that February 28, 2013 was the first date that 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.

While our consolidated financial statements for periods after February 28, 2013 reflect the results of operations, financial condition and cash flows of the PEAKS Trust, we do not 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, as discussed further in Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

In periods prior to the respective dates of the Consolidations, we concluded that we were not required to consolidate the CUSO and PEAKS Trust in our consolidated financial statements, because we believed we did not have the power to direct the activities that most significantly impacted the economic performance of the CUSO and the PEAKS Trust and, therefore, we were not the primary beneficiary of the CUSO and the PEAKS Trust. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a further discussion of the PEAKS Consolidation and the CUSO Consolidation.

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, financial condition and cash flows 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, financial condition and cash flows;
- 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, financial condition and cash flows.

The following tables set forth selected data from our balance sheets, statements of operations and statements of cash flows as of and for the years ended:

- 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 PEAKS Trust and Core Operations, and the elimination of transactions between the CUSO and Core Operations, in each case as a result of the applicable Consolidation; and
  - the Core Operations, the CUSO and the PEAKS Trust 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; and
- December 31, 2012.

The information presented related to 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. For the years ended December 31, 2014 and 2013, all income tax amounts related to the PEAKS Trust and CUSO have been included in Core Operations.

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	As of December 31, 2014				
	Core Operations	PEAKS Trust	CUSO	Eliminations	GAAP Consolidated
	(Dollar amounts in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$135,937	$ 0	$ 0	$ 0	$ 135,937
Restricted cash	1,967	1,556	2,517	0	6,040
Accounts receivable, net	46,383	0	0	0	46,383
Private education loans, current portion, less allowance for loan losses of $0	0	7,169	3,415	0	10,584
Deferred income taxes	34,547	0	0	0	34,547
Prepaid expenses and other current assets	61,096	0	0	(3,173)	57,923
Total current assets	279,930	8,725	5,932	(3,173)	291,414
Property and equipment, net	157,072	0	0	0	157,072
Private education loans, excluding current portion, less allowance for loan losses of $44,392	0	59,902	20,390	0	80,292
Deferred income taxes	68,041	0	0	0	68,041
Collateral deposits	97,932	0	0	0	97,932
Other assets	54,125	0	284	0	54,409
Total assets	$657,100	$68,627	$ 26,606	$ (3,173)	$ 749,160
Current portion of long-term debt	$ 9,635	$ 0	$ 0	$ 0	$ 9,635
Current portion of PEAKS Trust senior debt	0	37,545	0	0	37,545
Current portion of CUSO secured borrowing obligation	0	0	20,813	0	20,813
Accounts payable	67,848	0	0	0	67,848
Accrued compensation and benefits	12,264	0	0	0	12,264
Other current liabilities	37,034	199	179	(10,362)	27,050
Deferred revenue	147,475	0	0	0	147,475
Total current liabilities	274,256	37,744	20,992	(10,362)	322,630
Long-term debt, excluding current portion	86,714	0	0	0	86,714
PEAKS Trust senior debt, excluding current portion	0	38,658	0	0	38,658
CUSO secured borrowing obligation, excluding current portion	0	0	100,194	0	100,194
Other liabilities	152,049	0	1,073	(100,163)	52,959
Total liabilities	513,019	76,402	122,259	(110,525)	601,155
Total shareholders' equity	144,081	(7,775)	(95,653)	107,352	148,005
Total liabilities and shareholders' equity	$657,100	$68,627	$ 26,606	$ (3,173)	$ 749,160

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As of December 31, 2013

	As of December 31, 2012	Core Operations	PEAKS Trust	Eliminations	GAAP Consolidated
			(Dollar amounts in thousands)		
Balance Sheet Data:					
Cash and cash equivalents	$ 243,465	$215,771	$ 0	$ 0	$ 215,771
Restricted cash	3,478	3,043	2,593	0	5,636
Accounts receivable, net	78,928	99,530	0	0	99,530
PEAKS Trust student loans, current portion, net	0	0	7,730	0	7,730
Deferred income taxes	44,547	77,549	0	0	77,549
Prepaid expenses and other current assets	16,162	27,827	573	0	28,400
Total current assets	386,580	423,720	10,896	0	434,616
Property and equipment, net	189,890	168,509	0	0	168,509
PEAKS Trust student loans, excluding current portion, net	0	0	76,479	0	76,479
Deferred income taxes	57,471	68,324	0	0	68,324
Other assets	41,263	67,354	0	(8,431)	58,923
Total assets	$ 675,204	$727,907	$ 87,375	$ (8,431)	$ 806,851
Current portion of long-term debt	$ 0	$ 50,000	$ 0	$ 0	$ 50,000
Current portion of PEAKS Trust senior debt	0	0	157,883	0	157,883
Accounts payable	63,304	58,021	0	0	58,021
Accrued compensation and benefits	21,023	18,107	0	0	18,107
Other current liabilities	106,796	33,366	11,830	(3,060)	42,136
Deferred revenue	135,900	147,630	0	0	147,630
Total current liabilities	327,023	307,124	169,713	(3,060)	473,777
Long-term debt, excluding current portion	140,000	0	0	0	0
PEAKS Trust senior debt, excluding current portion	0	0	71,341	0	71,341
Other liabilities	82,416	213,343	1,684	(68,940)	146,087
Total liabilities	549,439	520,467	242,738	(72,000)	691,205
Total shareholders' equity	125,765	207,440	(155,363)	63,569	115,646
Total liabilities and shareholders' equity	$ 675,204	$727,907	$ 87,375	$ (8,431)	$ 806,851

In accordance with ASC 810, the assets and liabilities of the CUSO were treated as having been acquired by us at their fair values as of September 30, 2014. The carrying values of the assets and liabilities of the CUSO are included on our Consolidated Balance Sheet as of December 31, 2014. The assets of the CUSO consist primarily of cash and the CUSO Student Loans. The liabilities of the CUSO consist primarily of the CUSO secured borrowing obligation, which is discussed further below under "Critical Accounting Policies and Estimates—*CUSO Secured Borrowing Obligation*." The carrying values of the assets and liabilities related to the CUSO Program that had been included as balance sheet items related to our Core Operations and consisted of the Revolving Note, other receivables (which consisted of recoveries from charged-off CUSO Student Loans that were owed to us, but were not paid to or offset by us) and the contingent liability, were eliminated from our Consolidated Balance Sheet as of December 31, 2014.

Although the assets and liabilities of the CUSO are presented on our Consolidated Balance Sheets following the CUSO Consolidation, the assets of the CUSO can only be used to satisfy the obligations of the CUSO.

In accordance with ASC 810, the assets and liabilities of the PEAKS Trust were treated as having been acquired by us at their fair values as of February 28, 2013. The carrying values of the assets and liabilities of the PEAKS Trust are included on our Consolidated Balance Sheets as of December 31, 2014 and 2013. The assets of the PEAKS Trust consist primarily of cash and the PEAKS Trust Student Loans. The liabilities of the PEAKS Trust consist primarily of the PEAKS Senior Debt. The assets of the

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PEAKS Trust serve as collateral for, and are intended to be the principal source of, the repayment of the PEAKS Senior Debt. The carrying values of the assets and liabilities related to the PEAKS Program that had been included as balance sheet items related to our Core Operations and consisted of the Subordinated Note, a guarantee receivable and a contingent liability, were eliminated from our Consolidated Balance Sheets as of December 31, 2014 and 2013.

Although the assets and liabilities of the PEAKS Trust are presented on our Consolidated Balance Sheets following the PEAKS Consolidation, the assets of the PEAKS Trust can only be used to satisfy the obligations of the PEAKS Trust.

In estimating the carrying value of the PEAKS Trust Student Loans and the CUSO Student Loans, we made various assumptions, including, but not limited to, the amount of recoveries that would be realized from loans that had defaulted. The recovery assumption used in determining the carrying value of the PEAKS Trust Student Loans and the CUSO Student Loans as of December 31, 2014 was approximately 2%, which was based on the information and collections on the PEAKS Trust Student Loans and CUSO Student Loans that had defaulted prior to that date. If the actual recoveries from the Private Education Loans are more or less than the assumption utilized, a resulting adjustment will be reflected in earnings. Each 1% change in the recovery assumption would have resulted in a change in the carrying value of the Private Education Loans of approximately $2.0 million as of December 31, 2014.

	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
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)	(20,814)	(3,725)	0	(28,300)
Income (loss) before provision for income taxes	64,017	(25,933)	(100,035)	111,601	49,650
Provision for income taxes	20,397	0	0	0	20,397
Net income (loss)	$ 43,620	$(25,933)	$(100,035)	$ 111,601	$ 29,253

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	Year Ended December 31, 2012	Year Ended December 31, 2013 Core Operations	PEAKS Trust	Eliminations	GAAP Consolidated
		(Dollar amounts in thousands)			
Statement of Operations Data:					
Revenue	$ 1,286,633	$1,059,315	$ 12,996	$ 0	$1,072,311
Costs and expenses:					
Cost of educational services	538,350	486,353	0	0	486,353
Student services and administrative expenses	400,856	392,253	5,288	0	397,541
Goodwill and asset impairment	15,166	0	0	0	0
Legal and professional fees related to certain lawsuits, investigations and accounting matters	873	6,923	0	0	6,923
Loss related to loan program guarantees	101,025	115,503	0	(24,539)	90,964
Provision for private education loan losses	0	0	29,349	0	29,349
Total costs and expenses	1,056,270	1,001,032	34,637	(24,539)	1,011,130
Operating income (loss)	230,363	58,283	(21,641)	24,539	61,181
(Loss) on consolidation of variable interest entities	0	0	(112,748)	39,500	(73,248)
Interest income	1,348	578	0	(470)	108
Interest (expense)	(3,723)	(3,989)	(21,288)	0	(25,277)
Income (loss) before provision for income taxes	227,988	54,872	(155,677)	63,569	(37,236)
Provision (benefit) for income taxes	89,018	(10,212)	0	0	(10,212)
Net income (loss)	$ 138,970	$ 65,084	$(155,677)	$ 63,569	$ (27,024)

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 2012, the contingent liability accruals that we recorded related to the PEAKS Guarantee and the CUSO RSA;

- 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, 2014 or 2013, as applicable.

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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 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.

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	Year Ended December 31, 2014				
	Core Operations	PEAKS Trust	CUSO	Eliminations	GAAP Consolidated
	(Dollar amounts in thousands)				
Statement of Cash Flows Data:					
Cash flows from operating activities:					
Net income (loss)	$ 43,620	$ (25,933)	$(100,035)	$ 111,601	$ 29,253
Adjustments to reconcile net income to net cash flows from operating activities:					
Depreciation and amortization	26,456	0	0	0	26,456
Provision for doubtful accounts	63,928	0	0	0	63,928
Deferred income taxes	41,969	0	0	0	41,969
Stock-based compensation expense	10,336	0	0	0	10,336
Goodwill and asset impairment	2,454	0	0	0	2,454
Accretion of discount on private education loans	0	(11,471)	(699)	0	(12,170)
Accretion of discount on long-term debt	118	0	0	0	118
Accretion of discount on PEAKS Trust senior debt	0	6,712	0	0	6,712
Accretion of discount on CUSO secured borrowing obligation	0	0	231	0	231
Provision for private education loan losses	0	12,111	2,039	0	14,150
(Gain) on consolidation of variable interest entities	0	0	94,970	(111,601)	(16,631)
Other	(613)	0	0	0	(613)
Changes in operating assets and liabilities:					
Restricted cash	1,076	1,037	221	0	2,334
Accounts receivable	(10,010)	0	0	0	(10,010)

Private education loans	0	16,499	2,053	0	18,552
Accounts payable	9,591	0	0	0	9,591
Other operating assets and liabilities	(211,426)	159,713	2,986	0	(48,727)
Deferred revenue	(1,156)	0	0	0	(1,156)
Net cash flows from operating activities	(23,657)	158,668	1,766	0	136,777
Net cash flows from investing activities	(100,325)	0	0	0	(100,325)
Cash flows from financing activities:					
Debt issue costs	(4,938)	0	0	0	(4,938)
Proceeds from term borrowings	100,000	0	0	0	100,000
Repayment of revolving borrowings	(50,000)	0	0	0	(50,000)
Repayment of PEAKS Trust senior debt	0	(158,668)	0	0	(158,668)
Repayment of CUSO secured borrowing obligation	0	0	(1,766)	0	(1,766)
Repurchase of common stock and shares tendered for taxes	(914)	0	0	0	(914)
Net cash flows from financing activities	44,148	(158,668)	(1,766)	0	(116,286)
Net change in cash and cash equivalents	(79,834)	0	0	0	(79,834)
Cash and cash equivalents at beginning of period	215,771	0	0	0	215,771
Cash and cash equivalents at end of period	$ 135,937	$ 0	$ 0	$ 0	$ 135,937

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	Year Ended December 31, 2012	Year Ended December 31, 2013			
		Core Operations	PEAKS Trust	Eliminations	GAAP Consolidated
	(Dollar amounts in thousands)				
Statement of Cash Flows Data:					
Cash flows from operating activities:					
Net income (loss)	$ 138,970	$ 65,084	$(155,677)	$ 63,569	$ (27,024)
Adjustments to reconcile net income to net cash flows from operating activities:					
Depreciation and amortization	29,350	27,252	0	0	27,252
Provision for doubtful accounts	56,818	67,640	0	0	67,640
Deferred income taxes	(59,571)	(54,102)	0	0	(54,102)
Excess tax benefit from stock option exercises	(1,382)	0	0	0	0
Stock-based compensation expense	16,658	11,638	0	0	11,638
Settlement cost	21,750	(46,000)	0	0	(46,000)
Goodwill and asset impairment	15,166	0	0	0	0
Accretion of discount on private education loans	0	0	(12,996)	0	(12,996)
Accretion of discount on PEAKS Trust senior debt	0	0	4,926	0	4,926
Provision for private education loan losses	0	0	29,349	0	29,349
Loss on consolidation of variable interest entities	0	0	112,748	(39,500)	73,248

Other	6,992	315	0	0	315
Changes in operating assets and liabilities:					
Restricted cash	3,794	435	(890)	0	(455)
Accounts receivable	(87,138)	(87,225)	0	0	(87,225)
Private education loans	0	0	11,554	0	11,554
Accounts payable	(15,572)	(5,574)	0	0	(5,574)
Other operating assets and liabilities	72,429	85,017	12,932	(24,069)	73,880
Deferred revenue	(90,643)	11,299	0	0	11,299
Net cash flows from operating activities	107,621	75,779	1,946	0	77,725
Net cash flows from investing activities	123,164	(13,078)	0	0	(13,078)
Cash flows from financing activities:					
Excess tax benefit from stock option exercises	1,382	0	0	0	0
Proceeds from exercise of stock options	8,345	0	0	0	0
Debt issue costs	(1,525)	0	0	0	0
Proceeds from revolving borrowings	175,000	0	0	0	0
Repayment of revolving borrowings	(185,000)	(90,000)	0	0	(90,000)
Repayment of PEAKS Trust senior debt	0	0	(1,946)	0	(1,946)
Repurchase of common stock and shares tendered for taxes	(209,371)	(395)	0	0	(395)
Net cash flows from financing activities	(211,169)	(90,395)	(1,946)	0	(92,341)
Net change in cash and cash equivalents	19,616	(27,694)	0	0	(27,694)
Cash and cash equivalents at beginning of period	223,849	243,465	0	0	243,465
Cash and cash equivalents at end of period	$ 243,465	$215,771	$ 0	$ 0	$ 215,771

Although the cash flows of the PEAKS Trust are presented in our Consolidated Statements of Cash Flows following the PEAKS Consolidation, the cash resulting from the cash flows from operations and financing activities of the PEAKS Trust can only be used to satisfy the obligations of the PEAKS Trust. Although the cash flows of the CUSO are presented in our Consolidated Statements of Cash Flows following the CUSO Consolidation, the cash resulting from the cash flows from operations and financing activities of the CUSO can only be used to satisfy the obligations of the CUSO.

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General

As of December 31, 2014, we had 144 college locations in 39 states, which were providing education programs to approximately 53,000 students. In 2014, 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;
- 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.

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 2014, 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 2014, 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 2014, we:

- relocated three of our campuses into existing facilities of other ITT Technical Institute campuses;
- converted one of our learning sites into an ITT Technical Institute campus;
- closed one of our learning sites;
- closed four of our ITT Technical Institute campuses; and
- decreased the number of our campuses that offer bachelor degree programs from 134 to 130.

The following table sets forth select operating statistics for the periods indicated:

	Year Ended December 31,		
	2014	2013	2012
Additional education program offerings	146	348	272
Additional training program offerings	2,397	293	N/A
Number of locations with additional education program offerings	84	104	62
Began operations at new campuses	0	0	6
Campuses offering bachelor degree programs	130	134	133

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In 2015, we intend to add more of our current education program offerings among most of 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 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. 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. While our growth strategy continues to include opening new campuses, we do not expect to begin operations at any new campuses in 2015. 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					
	2014		2013		2012	
Three Months Ended	Amount	Increase (Decrease) to Prior Year	Amount	Increase (Decrease) to Prior Year	Amount	Increase (Decrease) to Prior Year
March 31	$ 4,080	(12.2)%	$ 4,646	0.3%	$ 4,631	1.7%
June 30	4,111	(2.1)%	4,200	(8.9%)	4,613	0.4%

September 30	4,323	(0.9)%	4,360	(7.7%)	4,726	2.6%
December 31	4,198	(2.9)%	4,323	(7.1%)	4,654	(0.8%)
Total for Year	$16,712	(4.7)%	$17,529	(5.9%)	$18,624	1.4%

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.

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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,		
	2014	2013	2012
Revenue	100.0%	100.0%	100.0%
Cost of educational services	47.9%	45.4%	41.8%
Student services and administrative expenses	40.5%	37.1%	31.2%
Goodwill and asset impairment	0.3%	0.0%	1.1%
Legal and professional fees related to certain lawsuits, investigations and accounting matters	3.3%	0.6%	0.1%
Loss related to loan program guarantees	0.2%	8.5%	7.9%
Provision for private education loan losses	1.5%	2.7%	0.0%
Operating income	6.4%	5.7%	17.9%
Gain (loss) on consolidation of variable interest entities	1.7%	(6.8)%	0.0%
Interest income (expense), net	(2.9)%	(2.3)%	(0.2%)
Income (loss) before income taxes	5.2%	(3.5)%	17.7%

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) to Prior Year
2014	53,646	(6.8%)
2013	57,542	(5.8%)
2012	61,059	(16.6%)

Total student enrollment in education programs as of March 31, 2015 was 51,201, a decrease of 10.4% as compared to 57,125 as of March 31, 2014.

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.

The following table sets forth our new student enrollment in education programs in the periods indicated:

New Student Enrollment in Education Programs in the Three Months Ended:	2014 New Student Enrollment in Education Programs	2014 (Decrease) to Prior Year	2013 New Student Enrollment in Education Programs	2013 Increase (Decrease) to Prior Year	2012 New Student Enrollment in Education Programs	2012 (Decrease) to Prior Year
March 31	16,746	(3.8%)	17,412	(3.6%)	18,067	(17.0%)
June 30	15,523	(8.1%)	16,883	7.5%	15,698	(9.5%)
September 30	18,317	(9.8%)	20,307	5.2%	19,298	(15.8%)
December 31	12,639	(9.7%)	13,995	4.5%	13,398	(11.4%)
Total for the year	63,225	(7.8%)	68,597	3.2%	66,461	(13.9%)

New student enrollment in education programs in the three months ended March 31, 2015 was 14,104, a decrease of 15.8% as compared to the same prior year period.

We believe that the 9.7% decrease in new student enrollment in education programs in the three months ended December 31, 2014 compared to the three months ended December 31, 2013 was primarily due to:

- a decrease in the rate at which prospective students who inquired about our education programs actually applied for enrollment in the three months ended December 31, 2014 compared to the same prior year period; and
- a decrease in the number of admissions representatives in the three months ended December 31, 2014 compared to the same prior year period,

which were partially offset by an increase in the rate at which prospective students who applied for enrollment actually began attending classes in their education programs.

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We believe that the 9.8% decrease in new student enrollment in education programs in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 was primarily due to:

- a decrease in the rate at which prospective students who inquired about our education programs actually applied for enrollment in the three months ended September 30, 2014 compared to the same prior year period; and
- a decrease in the number of admissions representatives in the three months ended September 30, 2014 compared to the same prior year period,

which were partially offset by an increase in the rate at which prospective students who applied for enrollment actually began attending classes in their education programs.

We believe that the 8.1% decrease in new student enrollment in education programs in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, and the 3.8% decrease in new student enrollment in education programs in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 were primarily due to a decrease in the number of prospective students who inquired about our education programs in each of those periods, which was partially offset by:

- an increase in the rate at which prospective students who applied for enrollment actually began attending classes in their education programs; and
- increased availability to and use by our students of institutional scholarships and awards, which have

the effect of reducing the students' cost of our education programs.

We believe that the decreases in new student enrollment in education programs in the three months ended December 31, 2014, September 30, 2014, June 30, 2014 and March 31, 2014, compared to the same prior year periods were also due to our 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.

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:

- increasing 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; and
- refining our marketing, advertising and communications to focus more on the student value proposition and outcomes of an ITT Technical Institute education.

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**
2014	70.2%	70.0%	69.9%	71.8%
2013	71.5%	68.4%	69.4%	71.4%
2012	72.4%	71.3%	69.8%	72.6%

Student persistence was 69.2% as of March 31, 2015, a decrease of 100 basis points compared to March 31, 2014.

We believe that the increase in student persistence as of each of December 31, September 30 and June 30, 2014 compared to the same date in the prior year was primarily due to a decrease in graduates in each of the three months ended December 31, September 30 and June 30, 2014 compared to the same prior year period. We believe that the decrease in student persistence as of March 31, 2014 compared to March 31, 2013 was primarily due to a decrease in student retention in the three months ended March 31, 2014 compared to the same prior year period, primarily attributed to lower student retention in a few courses that are delivered in the early portions of certain associate degree programs of study.

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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.

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 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 $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.

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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.

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, 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.

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Interest income was less than $0.1 million in the year ended December 31, 2014 and approximately $0.1 million in December 31, 2013.

Interest expense increased $3.0 million, or 12.0%, to $28.3 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 $20.8 million on the PEAKS Senior Debt , which includes the contractual interest obligation and the accretion of the discount on the PEAKS Senior Debt in the year ended December 31, 2014, 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 41.1% 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.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012. Revenue decreased $214.3 million, or 16.7%, to $1,072.3 million in the year ended December 31, 2013 compared to $1,286.6 million in the year ended December 31, 2012. The primary factors that contributed to this decrease were:

- an increase in institutional scholarships and awards provided to our students, which reduced revenue by $108.3 million in the year ended December 31, 2013; and
- an average 9.9% decrease in total student enrollment.

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 attributable to the interest income on the PEAKS Trust Student Loans was approximately $13.0 million in the year ended December 31, 2013. No interest income on the PEAKS Trust Student Loans was included in revenue in the year ended December 31, 2012, because the PEAKS Consolidation was effective February 28, 2013. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a discussion of the PEAKS Consolidation.

Cost of educational services decreased $52.0 million, or 9.7%, to $486.4 million in the year ended December 31, 2013 compared to $538.4 million in the year ended December 31, 2012. The primary factors that contributed to this decrease included:

- a decrease in compensation costs and benefit costs resulting from fewer employees; and
- a decrease in course supply expenses, due to lower student enrollments in education programs.

Cost of educational services as a percentage of revenue increased 360 basis points to 45.4% in the year ended December 31, 2013 compared to 41.8% in the year ended December 31, 2012. The primary factor that contributed to this increase was a decline in revenue, which was partially offset by decreases in compensation costs and benefit costs and course supply expenses.

Student services and administrative expenses decreased $3.3 million, or 0.8%, to $397.5 million in the year ended December 31, 2013 compared to $400.9 million in the year ended December 31, 2012. The principal causes of this decrease were decreases in compensation and benefit costs and expenses related to student scholarships, which were partially offset by increases in media advertising expenses and bad debt expense. Approximately $5.3 million of expenses of the PEAKS Trust were included in student services and administrative expenses in the year ended December 31, 2013. Those expenses 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 are based on the outstanding principal balance of the PEAKS Senior Debt.

Student services and administrative expenses increased to 37.1% of revenue in the year ended December 31, 2013 compared to 31.2% of revenue in the year ended December 31, 2012. The principal cause of this increase was the decline in revenue, which was partially offset by decreases in compensation costs and benefit costs and expenses related to student scholarships. Bad debt expense as a percentage of revenue increased to 6.3% in the year ended December 31, 2013 compared to 4.4% in the year ended December 31, 2012, primarily as a result of an increase in student account balances that were determined to be uncollectible.

We recorded an expense of $15.2 million in the year ended December 31, 2012 related to the impairment of the Subordinated Note and Revolving Note. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a more detailed discussion of the impairment of the notes. No impairment of those notes was recorded in the year ended December 31, 2013.

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Legal and other professional fees related to certain lawsuits, investigations and accounting matters increased $6.1 million, or 693.0%, to $6.9 million in the year ended December 31, 2013, compared to $0.9 million in the year ended December 31, 2012. These expenses related primarily to legal fees associated with the investigation of us by the SEC, the CFPB investigation of us and the securities class action lawsuits filed against us. See "Legal Proceedings" and Note 15– Commitments and Contingencies of the Notes to Consolidated Financial Statements, for further information about these matters.

In the year ended December 31, 2013, we recorded a loss related to loan program guarantees of $91.0 million for the CUSO RSA compared to $101.0 million in the year ended December 31, 2012 for the RSAs. 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 an enhanced default rate methodology and more recent performance data that we obtained in the three months ended December 21, 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.

The loss recorded in the year ended December 31, 2012 included $79.2 million for additional contingent liabilities related to our guarantee obligations related to our guarantee obligations under the CUSO RSA and PEAKS Guarantee and $21.8 million related to the settlement of litigation and the resolution of our guarantee obligations under the 2007 RSA. 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 $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 PEAKS Trust in our consolidated financial statements in the year ended December 31, 2012, and, therefore, we did not include the

PEAKS Trust Student Loans in our consolidated financial statements or recognize any provision for private education loan losses in that year.

Operating income decreased $169.2 million, or 73.4%, to $61.2 million in the year ended December 31, 2013 compared to $230.4 million in the year ended December 31, 2012, 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, 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 decreased to 5.7% in the year ended December 31, 2013 compared to 17.9% in the year ended December 31, 2012, primarily due to the impact of the factors discussed above.

In the year ended December 31, 2013, we recorded a loss upon the PEAKS Consolidation of $73.2 million. This loss 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 PEAKS Consolidation.

Interest income decreased $1.2 million, or 92.0%, to $0.1 million in the year ended December 31, 2013 compared to $1.3 million in the year ended December 31, 2012, primarily due to discontinuing the amortization of the discount on the Subordinated Note. See Note 8 – Variable Interest Entities of the Notes to Consolidated Financial Statements, for a discussion of the Subordinated Note.

Interest expense increased $21.6 million, or 578.9%, to $25.3 million in the year ended December 31, 2013 compared to $3.7 million in the year ended December 31, 2012, primarily due to:

- interest expense of approximately $21.3 million on the PEAKS Senior Debt, which includes the contractual interest obligation and the accretion of the discount on the PEAKS Senior Debt, in the year ended December 31, 2013 as a result of the PEAKS Consolidation, during which the effective interest rate was 9.9%; 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 revolving credit facility.

Our combined federal and state effective income tax rate was 27.4% in the year ended December 31, 2013 compared to 39.0% in the year ended December 31, 2012. The primary factor that contributed to the decrease in the effective income tax rate in the year ended December 31, 2013 compared to the year ended December 31, 2012 was the recognition of certain losses related to the PEAKS Trust in our consolidated financial results for which an income tax benefit was not recognized.

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Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents were $135.9 million as of December 31, 2014 compared to $215.8 million as of December 31, 2013. The $79.8 million decrease in cash and cash equivalents as of December 31, 2014 compared to December 31, 2013 was primarily due to:

- payments totaling approximately $170.3 million related to our obligations under the PEAKS Guarantee and CUSO RSA, which included:
  - the $40.0 million payment we made in March 2014 pursuant to the PEAKS Letter Agreement,

which is considered to be a payment under the PEAKS Guarantee and reduced the outstanding balance of the PEAKS Senior Debt;

  - payments of approximately $116.6 million that we made to satisfy our obligations under the PEAKS Guarantee with respect to the minimum required Asset/Liability Ratio, which reduced the outstanding balance of the PEAKS Senior Debt;
  - payments of approximately $2.7 million that we made 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;
  - payments of approximately $1.8 million that we made on behalf of borrowers related to the PEAKS Program;
  - Regular Payments under the CUSO RSA, net of amounts recovered from charged-off loans that were owed to us, of approximately $6.6 million; and
  - Discharge Payments under the CUSO RSA of approximately $2.6 million.
- providing cash collateral of $89.3 million related to outstanding letters of credit issued for our account; and
- the repayment of $50.0 million of outstanding borrowings under the Amended Credit Agreement.

The reduction in cash and cash equivalents was partially offset by:

- proceeds from borrowings under the Financing Agreement of $100.0 million, excluding $3.0 million of commitment fees paid to the lender; and
- net cash flows generated from operating activities of $136.8 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 Amended Credit Agreement and the RSAs.

Our Consolidated Balance Sheet as of December 31, 2014 included the assets and liabilities of the PEAKS Trust and the CUSO. As of December 31, 2013, our Consolidated Balance Sheet included the assets and liabilities of the PEAKS Trust. The assets and liabilities of the CUSO were not included on our Consolidated Balance Sheet as of December 31, 2013 because we did not consolidate the CUSO in our consolidated financial statements until September 30, 2014. 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, 2014 included approximately $1.6 million of funds held by the PEAKS Trust and $2.5 million of funds held by the CUSO. Funds held by the PEAKS Trust shown as restricted cash on our Consolidated Balance Sheet as of December 31, 2013 were $2.6 million. Although the funds held by the PEAKS Trust and the CUSO are included on our Consolidated Balance Sheet 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.

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 2015 of approximately $29.8 million under the PEAKS Guarantee and approximately $13.0 million, net of $1.4 million in recoveries, under the CUSO RSA. As revised pursuant to Amendment No. 2, the Financing Agreement limits the aggregate amount of payments that we can make related to the PEAKS Guarantee and the CUSO RSA to $45.0 million under both programs in 2015, and to $35.0 million under both programs in any year after 2015 that the Financing Agreement is in effect. We expect to make significant payments after 2015 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, 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 program documents;
- could result in cross-defaults under the Financing Agreement; 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 will reduce the cash we have available to use for other purposes, including to make required payments under the Financing Agreement, 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 RSAs. 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. We also have other letters of credit outstanding for our account in the amount of $2.4 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. We satisfied that collateral obligation by providing approximately $89.3 million in cash collateral utilizing proceeds from the Term Loans and other funds in 2014. That amount is included in the line item Collateral deposits on our Consolidated Balance Sheet as of December 31, 2014. The funds held as cash collateral related to the letters of credit are not available for use by us, and could be paid to the issuing bank for the letters of credit if the letters of credit are drawn upon. The fact that a significant amount of our cash is held in connection with the letters of credit 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, 2014 and 2013, 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 Contingences of the Notes to Consolidated Financial Statements.

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 $29.0 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 $0.3 million for the ESI Excess Pension Plan, a nonqualified, unfunded retirement plan, on our Consolidated Balance Sheet as of December 31, 2014. 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.

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, 2014 was $4.6 million, compared to $2.1 million in the year ended December 31, 2013 and $0.2 million in the year ended December 31, 2012. In 2015, we do not expect that our total net pension benefit will be material.

We did not make any contributions to the Pension Plans in 2014 or 2013. We do not expect to make any material contributions to either of the Pension Plans in 2015.

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 57% of our cash receipts in 2014 and 58% of our cash receipts in 2013; and
- the Pell program, which represented, in aggregate, approximately 24% of our cash receipts in 2014 and 24% of our cash receipts in 2013.

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 2014 and approximately 13% in 2013.

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, 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 2014 and 2013 fiscal years, none of our institutions derived more than approximately 81% of its revenue from Title IV Programs under the 90/10 Rule calculation. In the aggregate, we derived approximately 80% of our revenue in 2014 and 82% of our revenue in 2013 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 ten days before the start of each academic term.

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 2014 and 2013, we received minimal cash payments from private education loan lenders related to our students' cost of education in 2014 and 2013.

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 and, therefore, the accounts receivable from students to us, as well as revenue, decreased in 2014 and 2013, as we began awarding the Opportunity Scholarship at all of our ITT Technical Institute campuses. The Opportunity Scholarships awarded in 2014 and 2013 and, to a lesser extent, other factors had the effect of reducing our Core Operations revenue per student by approximately 4.7% in 2014 compared to 2013.

Operations. Net cash flows from operating activities increased $59.1 million to $136.8 million in the year ended December 31, 2014 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 total student enrollment.

Accounts receivable less allowance for doubtful accounts was $46.4 million as of December 31, 2014 compared to $99.5 million as of December 31, 2013. Days sales outstanding decreased 16.8 days to 17.5 days at December 31, 2014 compared to 34.3 days at December 31, 2013. Our accounts receivable balance and days sales outstanding at December 31, 2014 decreased primarily due to, in order of significance:

- a decrease in internal student financing caused by an increase in 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 increased 52.6% to $261.2 million in 2014 compared to $171.1 million in 2013.

In the year ended December 31, 2013, net cash flows from operating activities decreased $29.9 million to $77.7 million compared to $107.6 million in the year ended December 31, 2012. The decrease in net cash flows from operating activities was primarily due to a decrease in funds received as a result of lower student enrollments and the $46.0 million payment that we made to settle the litigation and absolve us from any further obligations under the 2007 RSA. The decrease was partially offset by lower income tax and compensation-related payments.

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Investing. Capital expenditures, including expenditures for facility renovation, expansion and construction, totaled $6.1 million in 2014, $5.2 million in 2013 and $18.2 million in 2012. 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.

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.

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 Condensed Consolidated Financial Statements, for a further discussion of the CUSO Consolidation.

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. We believe that the amounts receivable from students to us has decreased, and will continue to decrease in future periods, as more students utilize the Opportunity Scholarship, instead of internal student financing.

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Our revenue decreased in the year ended December 31, 2014 compared to the prior year, primarily as a result of the increase in institutional scholarships and awards provided to our students. As a result of the increase in institutional scholarships and awards, our revenue decreased \$90.6 million in the year ended December 31, 2014 compared to the year ended December 31, 2013 and \$108.3 million in the year ended December 31, 2013 compared to the year ended December 31, 2012. We believe that the reduction in our Core Operations revenue per student in 2014 compared to 2013 was primarily attributable to the amount of institutional scholarships that we awarded in 2014 compared to 2013. The increase in institutional scholarships and awards in the year ended December 31, 2014 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.

In 2013 and 2012, we increased the amount of internal student financing that we provided to our students. 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 increased amount of internal student financing that we previously provided to our students has also exposed us to greater credit risk. In addition, we have the risk of collection with respect to our internal student financing which contributed to an increase in our bad debt expense as a percentage of revenue. 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.

The introduction and increased utilization of the Opportunity Scholarship has significantly decreased the need for us to provide internal student financing to our students. Days sales outstanding decreased 16.8 days to 17.5 days as of December 31, 2014, compared to 34.3 days at December 31, 2013. As of December 31, 2014, our accounts receivable less allowance for doubtful accounts decreased $53.1 million, or 53.4%, to $46.4 million compared to $99.5 million as of December 31, 2013, primarily due to:

- a decrease in internal student financing caused by an increase in the utilization of the Opportunity Scholarship by our students; and
- a decrease in total student enrollment.

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, 2014:

	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	$149,958	$ 41,207	$ 63,843	$ 36,764	$ 8,144
Term Loans[a]	123,178	19,291	103,887	0	0
PEAKS Senior Debt[b]	114,702	43,299	28,401	24,816	18,186
CUSO Secured Borrowing Obligation[c]	192,670	20,813	46,129	48,028	77,700
Total	$580,508	$124,610	$242,260	$109,608	$104,030
Other Commitments					
Letters of credit fees [d]	$ 21,203	$ 2,815	$ 8,063	$ 10,325	$ 0

(a) The Term Loans are our borrowings under the Financing Agreement. The amounts shown consist of the required quarterly principal payment amounts and quarterly administrative fees, as well as the required monthly interest payment amounts. It does not include any amounts that we may have to pay pursuant to the mandatory prepayment provision based on excess cash flow, as described in the Financing Agreement, because of the uncertainty of the amount of any excess cash flow. Interest payment amounts have been calculated based on their scheduled payment dates using the interest rate charged on our borrowings as of December 31, 2014. See Note 12 – Debt of the Notes to Consolidated Financial Statements, for a further discussion of the Financing Agreement.

(b) The PEAKS Senior Debt represents the PEAKS 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, 2014. There is no separate liability recorded on our Consolidated Balance Sheet as of December 31, 2014 for the PEAKS Guarantee, because this liability was eliminated upon the PEAKS

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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 interest rate charged on the PEAKS Senior Debt as of December 31, 2014. 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, 2014. There is no separate liability recorded on our Consolidated Balance Sheet as of December 31, 2014 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.

(d) Represents the estimated amount of fees that we believe we will be required to pay in each of the periods shown related to the letters of credit issued for our account that were outstanding as of December 31, 2014. We estimated the amount of fees due on the letters of credit in each of the periods assuming that the letters of credit that were outstanding as of December 31, 2014 will remain outstanding in the same amount over the next five years, except for the ED Letter of Credit, which we assumed would remain outstanding until November 4, 2019. The estimated fee amounts have been calculated using the rates specified in the Amended Credit Agreement under which they were issued. See Note 12 – Debt of the Notes to Consolidated Financial Statements, for a further discussion of these fees. As of December 31, 2014, the amount of the letters of credit that we had caused to be issued was $82.1 million. The face amounts of the letters of credit are not included in the amounts shown in the table because they do not constitute a type of contractual obligation that is required to be disclosed in the table, and we cannot reasonably predict if or when the letters of credit may be drawn upon. In addition, we have provided cash collateral in the amount of approximately $89.3 million related to the letters of credit. In the event that any of the letters of credit are drawn upon, the issuing bank would be able to access the related cash collateral to satisfy such draw. See "—Off-Balance Sheet Arrangements", below, for further discussion of the letters of credit.

The table above does not reflect unrecognized tax benefits of $24.9 million and accrued interest related to unrecognized tax benefits of $6.1 million, because we cannot reasonably predict the timing of the resolution of the related tax positions. We believe it is reasonably possible that we could pay approximately $1.0 million within the 12 months following December 31, 2014 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, 2014.

Off-Balance Sheet Arrangements

As of December 31, 2014, 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 nine 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.

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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 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, 2014, the total face amount of those surety bonds was approximately $19.0 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 have 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 is 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.

Beginning on September 30, 2014, our consolidated financial statements include the CUSO. 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 Sheet as of December 31, 2014. While we no longer record a contingent liability for the CUSO RSA on our Consolidated Balance Sheet beginning September 30, 2014, our obligations under the CUSO RSA remain in effect. See Note 8 – Variable Interest Entities and Note 15 – Commitments and Contingencies of the Notes to Consolidated Financial Statements, for a further discussion of the CUSO Consolidation. See also Part I, Item 1A "Risk Factors –Risks Related to Recent Developments –*The CUSO Consolidation could have a material adverse effect on our consolidated financial statements and our compliance with covenants and metrics to which we are subject.*"

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 the year ended December 31, 2014, and approximately 98% from tuition and approximately 2% from tool kit sales and student fees in each of the years ended December 31, 2013 and 2012. 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.

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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, 2014, institutional scholarships and awards amounted to, in aggregate, approximately $261.2 million, compared to approximately $171.1 million in the year ended December 31, 2013.

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.

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,		
	2014	2013	2012
		(In thousands)	
Cost of education services	$ 4,790	$ 4,799	$ 6,084
Student services and administrative expense	5,546	6,839	10,574
Total stock-based compensation expense	$10,336	$11,638	$16,658
Income tax (benefit)	(3,980)	(4,481)	(6,414)
	$ 6,356	$ 7,157	$10,244

As of December 31, 2014, we estimated that pre-tax compensation expense for unvested stock-based compensation grants in the amount of approximately $9.0 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 two 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 the students' credit profiles and our historical collection experience related to amounts owed by our students with similar credit profiles. 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.

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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, 2014 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 Sheet.

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 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.

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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.

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.

The following table sets forth information regarding the recurring fair value measurement of our financial assets 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**
		(In thousands)		
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 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. We consider a note receivable to be impaired when it is probable that we will be unable to collect all amounts of principal and interest owed to us under the terms of the underlying note. If the present value of the expected future cash flows from the note receivable is less than the carrying value of the note receivable, we recognize an impairment loss in the amount of the difference.

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.

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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 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 at a level rate of return over the 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 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 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

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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.

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 Amended Credit Agreement, 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, 2014.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item appears on pages F-1 through F-62 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, 2014. 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, 2014, because of material weaknesses (collectively, the "Material Weaknesses") in our ICFR described in Management's Report on Internal Control Over Financial Reporting included in this filing. Notwithstanding the Material Weaknesses, 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.

Management's Plan for Remediation

Our management and Board of Directors are committed to the remediation of the Material Weaknesses, 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 deficiencies that gave rise to the Material Weaknesses, which primarily include:

- 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 process, our income tax reporting process, and our accounting for leasehold improvements; and
- engaging supplemental internal and external resources.

We believe these measures will remediate the control deficiencies. 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 Weaknesses have been remediated. Therefore, the Material Weaknesses have not been remediated as of the date of this report. As we continue to evaluate and work to remediate the control deficiencies that gave rise to the Material Weaknesses, we may determine that additional measures are required to address the control deficiencies.

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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 Weaknesses 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 Weaknesses 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.

Prior Material Weaknesses and Remediation Measures

We disclosed in Management's Report on Internal Control Over Financial Reporting of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, that there were matters that constituted material weaknesses in our ICFR (the "2013 Material Weaknesses"). Specifically, we did not maintain effective internal controls related to:

- the assessment of events that could affect the determination of whether we are the primary beneficiary of VIEs in which we hold a variable interest;
- the assessment of the completeness and accuracy of the data maintained by the servicer of the private education loans that are owned by a variable interest entity that we were required to consolidate;
- the review of assumptions and methodologies developed by third-party consultants to project guarantee obligations under the CUSO RSA; and
- the timely identification and communication of information relevant to the private education loan programs to those members of our management who are responsible for our financial reporting processes.

We committed to remediating the control deficiencies that constituted the 2013 Material Weaknesses by implementing changes to our ICFR. In 2014, we implemented measures to remediate the underlying causes of the control deficiencies that gave rise to the 2013 Material Weaknesses, including, without limitation:

- establishing new roles in executive management and financial reporting;
- implementing additional oversight and review;
- engaging additional third-party consultants to assist with assessing the data received from the servicer of private education loans for the purpose of valuation of the loans and related obligations;
- engaging a third-party consultant to assist us in compiling and reviewing the financial reporting related to the VIEs that we consolidate; and
- establishing more formalized communications for matters related to the private education loan programs.

Our management concluded that the remedial measures were sufficient to remediate all but the deficiency related to the data maintained by the servicer of the private education loans. Because certain of the corrective actions specific to this deficiency have not been fully implemented as of the date of this report, this deficiency was not considered to be fully remediated as of December 31, 2014.

We continue to maintain appropriate focus on these critical accounting areas and believe that the measures that we have implemented have remediated the identified control deficiencies that constituted three of the four 2013 Material Weaknesses and have strengthened our ICFR.

Changes in Internal Control Over Financial Reporting

In addition to the changes noted above, we have evaluated the changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2014, and have concluded that the following changes to our ICFR that occurred during the quarter ended December 31, 2014 have materially affected, or are reasonably likely to materially affect, our ICFR:

- establishing new roles in executive management and financial reporting;
- implementing additional oversight and review;
- engaging additional third-party consultants to assist with assessing the data received from the servicer of private education loans for the purpose of valuation of the loans and related obligations;
- engaging a third-party consultant to assist us in compiling and reviewing the financial reporting related to the VIEs that we consolidate; and
- establishing more formalized communications for matters related to the private education loan

programs.

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, 2014 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* (1992) issued by The Committee of Sponsoring Organizations of the Treadway Commission, as stated in its report dated May 29, 2015, which appears on page F-3 of this Annual Report and is incorporated herein by reference.

Item 9B. Other Information.

Impairment Charge

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. See Note 11 – Goodwill and Other Intangibles to our Notes to Consolidated Financial Statements, for a further discussion of the impairment charges.

Amendment to Financing Agreement

On May 26, 2015, we entered into the FA Consent with Cerberus, as collateral agent and administrative agent, and the lenders party thereto. Pursuant to the FA Consent, Cerberus and the lenders under the Financing Agreement consent to an extension to June 15, 2015 of the deadline by which we are required to deliver to them the financial statements, projections and compliance certificate required under Sections 7.01(a)(ii) and 7.02(a)(iv) of the Financing Agreement for our fiscal quarter ended March 31, 2015. The foregoing description of the FA Consent is qualified in its entirety by reference to the FA Consent, a copy of which is filed herewith as Exhibit 10.46 and is incorporated herein by reference.

Amendment to CEO Letter Agreement

On May 26, 2015, we and Kevin M. Modany, our Chief Executive Officer, entered into a second amendment (the "Second Amendment") to the letter agreement between Mr. Modany and us dated August 4, 2014 (as amended, the "Modany Letter Agreement"). Pursuant to the Second Amendment, the parties agreed to extend the Applicable Period (as provided for and defined in the Modany Letter Agreement) to August 31, 2015. The foregoing description of the Second Amendment is qualified in its entirety by reference to the Second Amendment, a copy of which is filed herewith Exhibit 10.69 and is incorporated herein by reference.

2015 Annual Meeting of Shareholders

Our Board of Directors has established July 27, 2015 as the new date of our 2015 Annual Meeting of Shareholders (the "2015 Annual Meeting"). Because the date of the 2015 Annual Meeting has been changed by more than 30 days from the anniversary of the 2014 Annual Meeting of Shareholders, a different deadline applies for submission of proposals by shareholders intended to be included in our 2015 proxy statement and form of proxy. Shareholders who wish to have a proposal considered for inclusion in our proxy materials for the 2015 Annual Meeting pursuant to Rule 14a-8 under the Exchange Act, must ensure that such proposal is received by our Secretary, Ryan L. Roney, at 13000 N. Meridian Street, Carmel, Indiana 46032 on or before the close of business on June 8, 2015, which we have determined to be a reasonable time before we expect to begin to print and send our proxy materials. Any such proposal must also meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy materials for the 2015 Annual Meeting. The June 8, 2015 deadline will also apply in determining whether notice of a shareholder proposal is timely for purposes of exercising discretionary voting authority with respect to proxies under Rule 14a-4(c) of the Exchange Act.

In addition, in accordance with the requirements contained in our By-Laws, shareholders who wish to bring business before the 2015 Annual Meeting outside of Rule 14a-8 of the Exchange Act or to nominate a person for election as a director must ensure that written notice of such proposal (including all of the information specified in our By-Laws) is received by our Secretary, Ryan L. Roney, at the address specified above no later than the close of business on June 8, 2015. Any such proposal must meet the requirements set forth in our By-Laws in order to be brought before the 2015 Annual Meeting.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following is the biographical information with respect to our directors and our executive officers as of May 20, 2015. Unless otherwise specified, the occupation of each individual has been the same for the past five years.

C. David Brown, age 63, 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 63, 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,

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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 53, 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 64, 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 been a partner at the Law Offices of John E. Dean since June 2005. Mr. Dean has also served as a principal of Washington Partners, LLC, a public affairs firm, since June 2002. Mr. Dean has been a Director of ours since December 1994.

James D. Fowler, Jr., age 71, served as senior vice president and director, human resources of ITT Industries, Inc., an industrial, commercial machinery and equipment company, from November 2000 until his retirement in October 2002. Mr. Fowler has been a Director of ours since April 1994.

Joanna T. Lau, age 56, 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 61, 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 65, 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 62, 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.

John A. Yena, age 74, has served as chairman of the board, emeritus of Johnson & Wales University ("J&W"), a postsecondary educational institution, since November 2011. Mr. Yena served as chairman of the board of J&W from June 2004 until November 2011. During the past five years, he was also a director of Bancorp Rhode Island, Inc. Mr. Yena has been a Director of ours since May 2006.

Kevin M. Modany, age 48, has served as our Chief Executive Officer since April 2007. In August 2014, Mr. Modany notified our Board of Directors that he intended to resign as our Chief Executive Officer. Following Mr. Modany's notice, we entered into the Modany Letter Agreement, pursuant to which he would remain Chief Executive Officer during the Applicable Period. Mr. Modany will resign his position as our Chief Executive Officer on the last day of the Applicable Period. Mr. Modany served as a Director of ours from July 2006 until August 4, 2014 and as our Chairman from February 2008 until August 4, 2014. He also served as our President from April 2005 through March 2009.

Eugene W. Feichtner, age 59, 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.

Daniel M. Fitzpatrick, age 55, has served as our Executive Vice President, Chief Financial Officer since April 2009. In April 2015, Mr. Fitzpatrick notified us of his plan to retire as our Chief Financial Officer. Following Mr. Fitzpatrick's notice, we entered into the Fitzpatrick Letter Agreement, pursuant to which he would remain Chief Financial Officer during the Transition Period. Mr. Fitzpatrick will resign his positions with us on the last day of the Transition Period. Mr. Fitzpatrick served as our Senior Vice President, Chief Financial Officer from June 2005 through March 2009.

Gerald T. Hope, age 52, has served as our Executive Vice President, Chief Information Officer since September 2013. Mr.

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Hope served as global head, chief information officer of corporate systems of Thomson Reuters Corporation ("Thomson Reuters"), a leading source of intelligent information for the world's businesses and professionals, from February 2009 until September 2013. Prior to that, Mr. Hope served as general manager and vice president of operations of Thomson Reuters from May 2005 until November 2007.

Angela K. Knowlton, age 52, 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 42, 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 67, 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 43, has served as Senior Vice President, President – The Center for Professional Development since January 2013. 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.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and Directors, and persons who own more than 10% of our common stock, to file reports of ownership with the SEC. These persons also are required to furnish us with copies of all
Section 16(a) forms they file. Based solely on our review of copies of such forms received by us, or written representations from certain reporting persons that no Forms 5 were required for those persons, we believe that, during 2014, all of our executive officers, Directors and greater than 10% shareholders complied with all applicable filing requirements.

Code of Ethics

We have adopted a written Code of Business Conduct and Ethics (the "Code") in accordance with Item 406 of Regulation S-K under the Exchange Act that is applicable to our Directors and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. The Code is posted on our website at www.ittesi.com.

We also intend to promptly disclose on our website any amendments that we make to the Code. To the extent that our Board of Directors grants any waiver of the Code for any of our Directors or executive officers, we intend to disclose the waiver on our website within four business days following the grant of the waiver.

Audit Committee

Our Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Board of Directors has adopted a written charter for the Audit Committee, a current copy of which may be obtained from our website at www.ittesi.com. The functions of the Audit Committee are to assist the Board of Directors in its oversight of:

- the integrity of our financial statements and other financial information provided by us to any governmental body or the public;
- our compliance with legal and regulatory requirements;
- our systems of internal controls regarding finance, accounting, legal compliance and ethics that our management and the Board of Directors establish;
- our auditing, accounting and financial reporting processes generally;
- the qualifications, independence and performance of our independent registered public accounting firm; and
- the performance of our compliance and internal audit functions.

The Audit Committee also performs other functions as detailed in the Audit Committee's charter, including, without limitation, appointing, compensating, retaining and overseeing our independent registered public accounting firm and pre-approving all services to be provided to us by our independent registered public accounting firm.

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The Audit Committee held 11 meetings during 2014. The members of the Audit Committee in 2014 until August 4, 2014, were John F. Cozzi, John E. Dean (Chairperson), Joanna T. Lau and Thomas I. Morgan. From August 4, 2014 until October 6, 2014, the members of the Audit Committee were John F. Cozzi, Joanna T. Lau and Thomas I. Morgan (Chairperson). The current members of the Audit Committee are, and since October 6, 2014 have been, Jerry M. Cohen (Chairperson), John F. Cozzi, Joanna T. Lau and Thomas I. Morgan. Our Board of Directors has determined that Jerry M. Cohen is an "audit committee financial expert," as that term is defined in Item 407(d)(5) of Regulation S-K under the Exchange Act, and is independent pursuant to our categorical standards of independence, Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3 of the Exchange Act. Each of the current members of the Audit Committee is independent and each of the members of the Audit Committee in 2014 while serving as such was independent, pursuant to our categorical standards of independence, Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3 of the Exchange Act.

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Item 11. Executive Compensation.

Compensation Discussion and Analysis

This discussion explains the compensation program for our executives, including the Named Executive Officers. The individuals included as Named Executive Officers in this document are:

- Kevin M. Modany, who served as our Chief Executive Officer during all of 2014;
- Daniel M. Fitzpatrick, who served as our Chief Financial Officer during all of 2014; and
- John E. Dean, Eugene W. Feichtner and Ronald F. Hamm, who were our three other most highly

compensated executive officers during 2014.

Mr. Dean has been a Director of ours since 1994, and in August 2014, he became our Executive Chairman of the Board upon the resignation of Mr. Modany as Chairman and a Director, and Mr. Modany's notification of his intent to resign as our Chief Executive Officer in 2015. As Executive Chairman, Mr. Dean is an employee and executive officer of ours, and therefore he was considered along with our other executive officers in the determination of the Named Executive Officers for 2014. Mr. Dean's compensation as Executive Chairman was determined by the Compensation Committee separately from the compensation of the other Named Executive Officers, and he is not a participant in the short-term compensation element of our executive compensation program, he is not eligible for perquisites from us, and he is not a participant in any of our employee benefit programs or plans, other than the
ESI 401(k) Plan and statutorily-mandated employee benefits (such as worker's compensation coverage). As a result, in this discussion, Mr. Dean's compensation is described separately from the descriptions of the compensation programs and determinations applicable to our other executive officers, including the other Named Executive Officers.

Mr. Hamm resigned from our company effective May 15, 2015. This discussion provides information regarding Mr. Hamm to the extent it applies based on his status with our company at the applicable time.

This discussion describes the following:

- the objectives of our compensation program;
- what our compensation program is designed to reward;
- each element of compensation;
- why we choose to pay each compensation element;
- how we determine the amount to pay and, where applicable, the formula with respect to each compensation element;
- how each compensation element and our decisions regarding that element relate to our overall compensation objectives and affect our decisions regarding other compensation elements; and
- our consideration of the results of the most recent shareholder advisory vote on the compensation of our Named Executive Officers and any related effect on our executive compensation policies and decisions.

Executive Summary. Our executive compensation program is designed to attract, retain and motivate skilled executives. Based on its review of all of the elements of our executive officers' compensation, the Compensation Committee found that the compensation paid to our executive officers in 2014 was reasonable in light of market practices and effective in fulfilling the Committee's compensation objectives, as described below. See "—*Compensation Objectives*."

In 2011, the Compensation Committee was required to make changes to our executive compensation program as a result of the Incentive Compensation Prohibition affecting our industry that severely limits the types of, and bases for awarding, compensation to employees of postsecondary education institutions, like us. The ED has defined this prohibition on incentive compensation to include anything of value for services rendered (other than a fixed salary or wage) that is:

- based in any part, directly or indirectly, on activities engaged in at any point in time through the completion of an educational program for the purpose of enrollment of students for any period of time or the award of financial aid to students; and
- provided to any employee who undertakes recruiting or admitting of students, makes decisions about and awards federal student financial aid, or has responsibility for any such activities.

The limiting language of the Incentive Compensation Prohibition is very broad and the ED has not provided sufficient guidance on the breadth or scope of the regulations. As a result, we believe that the Incentive Compensation Prohibition can be interpreted to cover all of our employees (including our executive officers) and to prohibit the payment of compensation based on any performance-related metric, including common performance metrics such as earnings, earnings per share and total shareholder return since such metrics are driven by student enrollment and amounts received from financial aid. We reached this conclusion after consulting with regulatory counsel and considering that any alternative conclusion would involve a high level of risk for our company. An institution that is found to be in noncompliance with the Incentive Compensation Prohibition could face significant monetary penalties, limitations on its operations and/or termination of its eligibility to participate in all federal student financial aid programs.

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The Compensation Committee determined that, while it would prefer to continue to base executive compensation on performance-related metrics, the risk of violating the Incentive Compensation Prohibition prevented, and will prevent, the Committee from basing compensation amounts or adjustments on individual or company performance after the July 1, 2011 effective date of the Incentive Compensation Prohibition. The Compensation Committee recognized that, while the short- and long-term performance of both the individual executive officers and our company will no longer be used in compensation decisions, such performance will be reviewed by the full Board of Directors when evaluating the continued employment of each executive officer. The Compensation Committee determined that it would continue to be guided by the following objectives in determining the compensation of our executives:

- competition;
- alignment with shareholder interests; and
- focus.

As a result of the prohibition on basing any portion of the executives' compensation on performance, the Compensation Committee did not establish an annual bonus program for 2014, but it did establish a short-term compensation element based on certain management objectives in 2014. As a result, in order to achieve the objectives noted above, the Compensation Committee used the following compensation elements as part of the 2014 executive compensation program, as described in more detail below under "*—Compensation Elements*":

- base salary;
- short-term compensation;
- an annual grant of equity compensation;
- employee benefits;
- perquisites; and
- qualified retirement savings.

Compensation Objectives. The Compensation Committee is guided by the following objectives in determining the compensation of our executives:

- *Competition*. The Committee believes that compensation should reflect the competitive marketplace in order for us to attract, retain and motivate talented executives.
- *Alignment with Shareholder Interests*. Compensation should include equity-based compensation awards in order to align the executives' interests with those of our shareholders.
- *Focus*. The Committee believes that certain elements of compensation should provide some security

to our executives to allow them to continue to focus on our financial and operating results, their individual performance and their job responsibilities.

Compensation Elements. The elements of our compensation program, a description of the purpose of each element and the objectives that each element supports are shown in the table below. See "– *Compensation Objectives.*"

Compensation Element	Purpose	Link to Compensation Objectives
Base Salary	Fixed cash component used to help us attract, motivate and retain our executives.	• Competition • Focus
Short-Term Compensation	Variable cash component used to help us motivate and retain our executives.	• Competition • Focus
Equity-Based Compensation (e.g., Time-Based Stock Options and/or Restricted Stock Unit Awards)	Used to promote equity ownership by our executives. Aligns the executives' interests with those of our shareholders.	• Competition • Alignment with Shareholder Interests • Focus

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Qualified Retirement Savings (i.e., 401(k) Plan Contributions)	Used to help us provide stable compensation and some security to our executives, in order to help them save for retirement on a tax-deferred basis.	• Competition • Focus
Nonqualified Deferred Compensation	Provided some security to our executives and helped them save a portion of their compensation for retirement on a tax-deferred basis.	• Deferrals and contributions are no longer made under these plans.
Pension Benefits (i.e., Qualified and Nonqualified Retirement Plan Earnings)	Allowed executives to focus on their job responsibilities while employed and provided some security upon retirement.	• Benefit accruals under our pension plans were frozen as of March 31, 2006.
Employee Benefits	Provides stable compensation and some security to our executives, in order to allow them to focus on their job responsibilities.	• Competition • Focus
Perquisites	Used to recognize our executives based on their responsibilities and to help us attract, motivate and retain our executives.	• Competition
Potential Payments Upon Termination of Employment or a Change in Control of Us	Provides for payments in connection with a change in control and/or involuntary termination of employment.	• Competition • Alignment with Shareholder Interests • Focus

Provides some security to our executives to help them focus on their job responsibilities and to encourage them to remain employed with us during a critical time of a potential change in control.

2014 Compensation

Base Salary. Salaries provide a necessary element of stability in the total compensation program and, as such, are not subject to variability. Salaries are set and administered to reflect the value of the job in the marketplace. In January 2014, the Compensation Committee established the salary levels for the Named Executive Officers (other than Mr. Dean), that became effective on February 10, 2014, based on a review of:

- the base salaries of executives in the same or similar positions at the comparator companies that the Committee uses for benchmarking as described under "*—Process for Establishing Compensation—Benchmarking*";
- the area and level of job responsibilities of each executive;
- inflationary factors; and
- tenure and industry knowledge and experience.

The following table sets forth the annualized base salary information for each of the Named Executive Officers other than Mr. Dean as of February 10, 2014.

Named Executive Officer	2014 Annualized Base Salary	Dollar Increase Over Prior Year	Percentage Increase Over Prior Year
Kevin M. Modany	$ 824,076	$ 24,002	3.0%
Daniel M. Fitzpatrick	$ 412,000	$ 12,000	3.0%
Eugene W. Feichtner	$ 319,411	$ 9,303	3.0%
Ronald F. Hamm	$ 334,750	$ 9,750	3.0%

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In connection with his appointment as Executive Chairman in August 2014, the Compensation Committee approved an annual base salary for Mr. Dean of $575,000. At the request of the Compensation Committee, Towers Watson & Co. ("Towers Watson") conducted a market comparison review of the base salary amounts for similar executive chairman positions. Towers Watson advised the Compensation Committee that the base salary amount for Mr. Dean was reasonable and within the range of market comparisons.

Short-Term Compensation. In March 2014, the Compensation Committee established a short-term compensation element for our executive officers that would be payable in early 2015, if certain management objectives (the "2014 Management Objectives") were accomplished during 2014. The 2014 Management Objectives were not in any way related to the enrollment of students or the award of financial aid to avoid violating the Incentive Compensation Prohibition. Instead, the 2014 Management Objectives consisted of various business objectives that relate to certain initiatives that are part of our strategic plan. The 2014 Management Objectives and their relative weightings are as follows:

Management Objectives	Weight

1.	Obtain requisite state and accrediting commission authorizations for corporate training, continuing education and/or test preparation programs.	20%
2.	Design and implement an operational optimization plan to increase ITT/ESI's operational efficiencies for the corporation.	20%
3.	Obtain requisite federal, state and accrediting commission authorizations for additional health science, technology and/or engineering programs at the ITT Technical Institutes at both the associate degree and diploma levels.	20%
4.	Improve the 2014 ITT Technical Institute quarterly student evaluation average score.	10%
5.	Revise and begin teaching the six identified high volume, high-impact program courses at the majority of ITT Technical Institute campuses.	10%
6.	Acquire a training company to support strategic initiatives associated with The Center for Professional Development.	10%
7.	Obtain requisite federal, state and accrediting commission authorizations for a dual high school diploma and associate degree program at an ITT Technical Institute.	5%
8.	Obtain requisite federal, state and accrediting commission authorizations for additional nursing programs at the ITT Technical Institutes at both the associate and bachelor degree levels	5%

On January 26, 2015, the Compensation Committee reviewed the results of the 2014 Management Objectives and determined the extent to which each of the 2014 Management Objectives was accomplished by our executive officers in 2014. The Committee assigned one to five points to each 2014 Management Objective, based on its determination of the extent to which the objective was accomplished. The number of points assigned to each 2014 Management Objective was multiplied by the weight associated with that 2014 Management Objective, resulting in a weighted number of points for that 2014 Management Objective. The weighted number of points for all of the 2014 Management Objectives were added together, resulting in a total number of weighted points. The following table sets forth the maximum short-term compensation percentage associated with each range of the total number of weighted points that could be assigned to the 2014 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%

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Total Weighted Points	Maximum Short-Term Compensation Percentage
1.51 - 1.75	41.7%

1.26 - 1.50	33.3%
1.00 - 1.25	25.0%

Based on the Committee's determination of the extent to which each of the 2014 Management Objectives was accomplished, the total number of weighted points for the 2014 Management Objectives was 2.60. That total number of weighted points corresponds to a maximum short-term compensation percentage of 87.5%, based on the above table.

To determine the maximum short-term compensation amount that an officer could receive, the Committee multiplied the maximum short-term compensation percentage (determined as described above) by a standard short-term compensation percentage of annualized base salary, ranging from 32% to 100%, with the percentage depending on the officer's position, and then multiplied that result by the officer's annualized base salary. The Committee utilized the annualized base salary as of December 31, 2014 for Messrs. Modany, Fitzpatrick and Hamm, and as of February 9, 2015 for Mr. Feichtner. The Committee used Mr. Feichtner's base salary rate as of that date, because it reflected the increase in his base salary related to the increased duties and responsibilities assumed by him in connection with his appointment as our President and Chief Operating Officer in August 2014. The following table sets forth the 2014 standard short-term compensation percentage of annualized base salary, for Messrs. Modany, Fitzpatrick and Hamm, as of December 31, 2014, and for Mr. Feichtner, as of February 9, 2015:

Named Executive Officer	2014 Standard Short-Term Compensation Percentage of Annualized Base Salary
Kevin M. Modany	100%
Daniel M. Fitzpatrick	65%
Eugene W. Feichtner	60%
Ronald F. Hamm	55% (1)

(1) During 2014, the Compensation Committee reduced the 2014 standard short-term compensation percentage for Mr. Hamm from 60% to 55% in connection with the Committee's approval of the reimbursement of up to $30,000 in commuting expenses incurred by Mr. Hamm in 2014.

An executive officer's actual short-term compensation payment, however, could be more or less than the officer's potential short-term compensation amount as calculated as described above. An executive officer's actual short-term compensation amount also took into consideration the Compensation Committee's discretionary assessment of the officer's individual contribution toward accomplishing each 2014 Management Objective. The Committee did not make any further adjustments to any of the Named Executive Officers' 2014 short-term compensation from the amounts calculated as described above.

On January 26, 2015, the Compensation Committee approved the payment of the 2014 short-term compensation amount in cash to each of the Named Executive Officers, other than Mr. Dean, as follows:

Named Executive Officer	2014 Short-Term Compensation Payment	2014 Short-Term Compensation Payment as a Percentage of 2014 Annualized Base Salary
Kevin M. Modany	$ 721,067	87.5%
Daniel M. Fitzpatrick	$ 234,325	56.9%
Eugene W. Feichtner	$ 245,000	61.3%(1)
Ronald F. Hamm	$ 161,098	48.1%

(1) Represents the percentage of Mr. Feichtner's 2015 annualized base salary.

On January 26, 2015, the Compensation Committee also approved an additional bonus payment of $100,000 to Mr. Fitzpatrick in recognition of his significant efforts and time spent on company matters in 2014. That additional bonus payment amount is not included in the amount of Mr. Fitzpatrick's 2014 short-term compensation payment shown in the table above, because it was a discretionary payment that was not part of the 2014 short-term compensation element. Mr. Dean was not a participant in the 2014 short-term compensation element, and he did not receive any discretionary or other bonus payments from us related to 2014.

Equity-Based Compensation. The Compensation Committee believes that equity-based compensation should be a major component of the total compensation for executives. The Committee believes that the use of equity in the payment of compensation enhances our

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executives' commitment to our company over the long-term, because the value of equity-based compensation awards, such as time-based stock options, restricted stock and RSUs, helps align the executives' interests with those of our shareholders. The type and value of the equity-based compensation awards vary based on the executive's level and type of responsibilities.

In January 2014, the Compensation Committee reviewed market information regarding the form and grant value of equity awards granted at comparator companies and companies in the survey data provided by Towers Watson. Although the Committee did not change its philosophy regarding targeting the upper quarter of the range of equity-based compensation at comparator companies, in 2014 the Committee determined to grant the same number of shares to each executive that it had granted in the prior year, despite the decline in our stock price, knowing that it resulted in a grant value that was lower than in the prior year.

The following table sets forth information about the stock options and RSUs that were granted under the ITT Educational Services, Inc. Amended and Restated 2006 Equity Compensation Plan (the "Amended 2006 Plan") effective February 4, 2014 to each Named Executive Officer, other than Mr. Dean, as described above.

	Stock Options			RSUs		
Named Executive Officer	Number of Securities Underlying Option Granted	Exercise Price	Expiration Date	Number of RSUs	Grant Date (1)	Date Compensation Committee Took Action (2)
Kevin M. Modany	62,500 (3)	$ 27.94	02/04/21	28,125 (4)	02/04/14	01/20/14
Daniel M. Fitzpatrick	15,000 (3)	$ 27.94	02/04/21	6,750 (4)	02/04/14	01/20/14
Eugene W. Feichtner	10,000 (3)	$ 27.94	02/04/21	4,500 (4)	02/04/14	01/20/14
Ronald F. Hamm	10,000 (3)	$ 27.94	02/04/21	4,500 (4)	02/04/14	01/20/14

(1) The effective date of the stock option and RSU grants.
(2) The stock option and RSU grants were approved by the Compensation Committee during a Committee meeting on January 20, 2014, and had an effective grant date of February 4, 2014.
(3) Nonqualified stock option granted at 100% of the closing market price of a share of our common stock on February 4, 2014, the effective date of the grant. One-third of the option is exercisable on the anniversary date of the grant in each of the years 2015, 2016 and 2017.
(4) The period of restriction for this RSU grant lapses in thirds on the anniversary date of the grant in each of the years 2015, 2016 and 2017.

In connection with his appointment as Executive Chairman, the Compensation Committee approved a grant of RSUs to Mr. Dean on August 4, 2014. The RSUs had a value of $1,000,000, based on the closing price of the Company's common stock on the date of grant, which resulted in a grant of 129,534 RSUs to Mr. Dean. The value of the RSUs granted to Mr. Dean was included as part of the Towers Watson market comparison review of the compensation for similar executive chairman positions, and Towers Watson advised the Compensation Committee that the value of Mr. Dean's RSU award was reasonable and within the range of market comparisons. The RSUs will vest, subject to Mr. Dean's continued service as an employee and/or a member of our Board of Directors, on August 4, 2015 or, if earlier, upon his termination of employment due to death or disability. Mr. Dean will continue to vest in the equity-based awards granted to him in connection with his service as a non-employee Director of ours.

2015 Compensation

Base Salary. In January 2015, the Compensation Committee determined not to make any changes to the annual base salaries for any of the Named Executive Officers (other than Mr. Feichtner) based on the current market and business conditions and inflationary considerations. The Committee did not utilize or review specific peer group comparator information. As previously disclosed, the Compensation Committee had approved an increase in Mr. Feichtner's base salary from $319,411 in 2014 to $400,000 in 2015, to be effective as of February 9, 2015 (the date in 2015 that other employees at our headquarters received compensation adjustments), as a result of the increased duties and responsibilities assumed by Mr. Feichtner in connection with his appointment as our President and Chief Operating Officer in August 2014.

Short-Term Compensation. In January 2015, the Compensation Committee established a short-term compensation element for our executive officers (other than Mr. Modany, due to his previously-announced intention to resign from the company, and Mr. Dean) that will be payable in early 2016, if certain management objectives (the "2015 Management Objectives") are accomplished during 2015. As with the 2014 Management Objectives, the 2015 Management Objectives are not in any way related to the enrollment of students or the award of financial aid to avoid violating the Incentive Compensation Prohibition. Instead, the 2015 Management Objectives consist of various business objectives that relate to certain initiatives that are part of our strategic plan. The 2015 Management Objectives and their relative weightings are as follows:

	Management Objectives	Weight
1.	Resolve certain outstanding legal and regulatory matters involving the company.	20%
2.	Optimize the total number of contact hours in the first academic quarter of the ITT Technical Institutes' program offerings.	20%
3.	Effect matters relating to the third-party loan servicing organizations for the private education loan programs.	15%
4.	Improve the 2015 ITT Technical Institute quarterly student evaluation average score.	15%
5.	Reduce the current and future carrying cost and collateralization of the letter of credit that the company is required to post for the benefit of the U.S. Department of Education.	10%
6.	Improve the average NCLEX score of the 2015 graduates of the Breckinridge School of Nursing and Health Sciences nursing program.	10%
7.	Acquire a training company to support strategic initiatives associated with The Center for Professional Development at ITT Technical Institute.	5%
8.	Obtain requisite federal, state and accrediting commission authorizations for the ITT Technical Institutes to offer a dual high school diploma and associate degree program.	5%

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The determination of the extent to which the 2015 Management Objectives are accomplished by our executive officers will be made by the Compensation Committee in early 2016. The Committee intends to assign zero to five points to each 2015 Management Objective, based on the extent to which the Committee determines the objective was accomplished. The number of points assigned to each 2015 Management Objective will be multiplied by the weight associated with that 2015 Management Objective, resulting in a weighted number of points for that 2015 Management Objective. The weighted number of points for all of the 2015 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 each range of the total number of weighted points that are assigned to the 2015 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%

To determine the maximum short-term compensation amount that an 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, 2015, 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 2015 standard short-term compensation percentage of annualized base salary as of December 31, 2015 for each of the Named Executive Officers who currently are participants in the 2015 short-term compensation element:

Named Executive Officer	2015 Standard Short-Term Compensation Percentage of Annualized Base Salary
Daniel M. Fitzpatrick	65%
Eugene W. Feichtner	70%[1]

(1) Reflects an increase from the prior year, due to Mr. Feichtner's appointment as our President and Chief Operating Officer in August 2014.

An executive officer's actual short-term compensation payment, however, may be more or less than the officer's potential short-term compensation amount as calculated as described above. An executive officer's actual short-term compensation amount will be based

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on the Compensation Committee's discretionary assessment of the officer's individual contribution toward accomplishing each 2015 Management Objective. Any 2015 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.

Equity-Based Compensation. In January 2015, the Compensation Committee approved an award of the same number of shares subject to equity awards to each executive that it had awarded in the prior year, except in the cases of: (i) Mr. Modany, who did not receive a 2015 equity grant due to his previously-announced intention to resign from the company; (ii) Mr. Feichtner, whose 2015 equity grant was increased due to the increased duties and responsibilities assumed by him in connection with his appointment as our President and Chief Operating Officer in August 2014; and (iii) Mr. Dean, who did not receive a 2015 equity award in connection with his service as our Executive Chairman. Due to the fact that we were not current in our filings with the SEC at the time of the Committee's approval, the Committee determined that the effective grant date of the equity awards will be the third trading day following the date that we become current in our filings with the SEC (unless within that three trading day period, we again become no longer current in our filings with the SEC). Pursuant to the Committee's approval, the following equity awards will be granted to Messrs. Fitzpatrick and Feichtner:

- Mr. Fitzpatrick – 15,000 stock options and 6,750 RSUs;
- Mr. Feichtner – 17,500 stock options and 7,875 RSUs;
- the stock option awards will have a per share exercise price equal to the per share closing sale price of our common stock on the NYSE on the effective grant date, will have a term of seven years from the effective grant date and will vest in thirds on February 9, 2016, February 9, 2017 and February 9, 2018; and
- the RSUs will vest in thirds on February 9, 2016, February 9, 2017 and February 9, 2018.

Other Elements of Compensation

Retirement Plans

Qualified Retirement Savings. Our executives participate in our ESI 401(k) Plan, a qualified defined contribution plan, that is designed to provide substantially all of our employees with a tax-deferred, long-term savings vehicle. See "– Equity Compensation and Qualified Savings Plans – *ESI 401(k) Plan*."

Nonqualified Deferred Compensation. Due to federal limitations that preclude our highly-compensated employees from fully participating in the ESI 401(k) Plan, we established the ESI Excess Savings Plan, an unfunded, nonqualified deferred compensation plan for a select group of our management, including executive officers. We froze the ESI Excess Savings Plan, effective for plan years beginning on and after January 1, 2008, such that executives may no longer make elective deferrals and we no longer make contributions under the ESI Excess Savings Plan. Amounts previously credited to an executive under the ESI Excess Savings Plan, 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. See "– Nonqualified Deferred Compensation Plans – *ESI Excess Savings Plan*."

In addition, we established the ESI Executive Deferred Bonus Compensation Plan (the "Deferred Bonus Plan"), an unfunded, nonqualified deferred compensation plan, for a select group of our management and highly-compensated employees, including the Named Executive Officers. The Deferred Bonus Plan allows eligible employees to defer payment of all or a portion of his or her annual bonus compensation and to earn interest on any annual bonus compensation payable in the form of cash and deferred under the plan. Since the Committee did not establish an annual bonus award component of executive compensation for 2014, executives did not receive any compensation that they could elect to defer under the Deferred Bonus Plan with respect to 2014. See "– Nonqualified Deferred Compensation Plans – *Deferred Bonus Plan*."

The terms of the ESI Excess Savings Plan and the Deferred Bonus Plan, including the interest rate on the earnings on the Named Executive Officers' account balances under each plan, are based on common and typical terms and types of nonqualified deferred compensation plans that had been adopted by other publicly traded companies at the time that we adopted those plans.

Pension Benefits. Pension benefits provide retirement compensation that is based on the salary and bonus compensation paid to the employee during his or her employment. We froze the benefit accruals under the ESI Pension Plan and ESI Excess Pension Plan for all participants in the plans on March 31, 2006, such that no further benefits accrue under those plans after March 31, 2006. Participants do, however, continue to be credited with vesting service and interest credits according to the terms of those plans. See "– Pension Plans – *ESI Pension Plan*" and "– *ESI Excess Pension Plan*."

Employee Benefits and Perquisites

Employee Benefits. All of our executives, other than Mr. Dean, are eligible to participate in our employee benefits, which include medical and dental benefits, vision insurance, life insurance, flexible spending account, tuition reimbursement, disability insurance, vacation leave, sick leave, bereavement leave, ITT Technical Institute tuition discounts and an employee assistance program that can help employees find answers to various kinds of personal concerns by offering consultation, support, information, planning and referrals. The employee benefits are generally available on a non-discriminatory basis to all full-time and part-time regular employees.

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Perquisites. We also provide limited perquisites to our executives, including the Named Executive Officers, other than Mr. Dean, that vary based on the executive's level. The perquisites include use of a company car for Mr. Modany only, a tax return preparation and financial planning allowance, tickets to sporting, theater and other events, enhanced disability benefits, an annual physical examination and relocation assistance for newly-hired executive officers from outside the Indianapolis metropolitan area whom we ask to relocate. With respect to Mr. Hamm, in each of 2014 and 2015, the Compensation Committee approved the reimbursement of commuting expenses incurred by Mr. Hamm in each of those years, up to $30,000 per year. In connection with that approval, the Committee eliminated Mr. Hamm's perquisite related to tickets to sporting, theater and other events in each year, and reduced his standard short-term compensation percentage of annualized base salary from 60% to 55% under the short-term compensation element in each year.

The value and type of perquisites made available to our executives are based on the value and type of perquisites that had been made available to executives at other publicly-traded companies at the time that we began making those perquisites available, and at the time of each subsequent annual review by the Compensation Committee of those perquisites. The Compensation Committee believes that the limited perquisites assist in furthering the objectives of attracting, retaining and motivating executives, as well as helping our executives focus on their job responsibilities. The Compensation Committee also believes that our executives value the perquisites provided to them and, given that the cost to us of the perquisites is not significant, the Committee has determined to continue providing these perquisites to our executives.

The perquisites that we provided to our Named Executive Officers in 2014 are disclosed in the Summary Compensation Table and footnotes thereto. See "– Summary Compensation Table." In January 2015, the Compensation Committee approved the value and type of perquisites to be provided in 2015 to the Named Executive Officers, which are generally consistent with the value and type of perquisites provided to them in 2014. The aggregate incremental cost to us in 2015 for providing all of the 2015 perquisites to the Named Executive Officers is not expected to exceed $150,000.

Potential Payments Upon Termination of Employment or a Change In Control of Us

Modany Letter Agreement. On August 4, 2014, in connection with Mr. Modany's notification to our Board of Directors of his intention to resign as our Chief Executive Officer, we entered into the Modany Letter Agreement, pursuant to which Mr. Modany agreed to remain our Chief Executive Officer (or Special Advisor) through the Applicable Period, which subsequently has been extended to August 31, 2015. The Modany Letter Agreement provides that, subject to Mr. Modany's compliance with the release requirement and the restrictive covenants and cooperation provisions, Mr. Modany will provide consulting services to us during the 18 months following his resignation as Chief Executive Officer, and we will pay Mr. Modany a monthly fee equivalent to his current monthly base salary (which is $68,673) and there will be continued vesting of his equity-based awards. Mr. Modany will have continued use of the company-provided automobile during the consulting period. Further, we will pay Mr. Modany a lump sum of $20,598, which is equal to the cost of 18 months of coverage under the Consolidated Omnibus Budget Reconciliation Act of 1984, as amended ("COBRA"), for continued health, dental and vision coverage.

At the request of the Compensation Committee, Towers Watson conducted a market comparison review of the terms of the Modany Letter Agreement. Towers Watson advised the Compensation Committee that the terms of the Modany Letter Agreement were reasonable and within the range of market comparisons. The Compensation Committee also approved the payment by us of the fees and expenses of Mr. Modany's counsel incurred in connection with the negotiation of the Modany Letter Agreement.

Fitzpatrick Letter Agreement. On April 29, 2015, in connection with Mr. Fitzpatrick's notification to us of his plan to retire as our Chief Financial Officer, we entered into the Fitzpatrick Letter Agreement, pursuant to which Mr. Fitzpatrick agreed to remain our Chief Financial Officer (or Special Advisor) through the Transition Period. The Fitzpatrick Letter Agreement provides that subject to Mr. Fitzpatrick's compliance with the release requirement and the restrictive covenants and cooperation provisions, he will provide consulting services to us during the 18 months following his resignation as Chief Financial Officer, and we will pay Mr. Fitzpatrick a monthly fee equivalent to his current monthly base salary (which is $34,333) and there will be continued vesting of his equity-based awards. Further, we will pay Mr. Fitzpatrick a lump sum of $20,598, which is equal to the cost of 18 months of coverage under COBRA for continued medical, prescription drug, dental and vision coverage. The Compensation Committee also approved the payment by us of the fees and expenses of Mr. Fitzpatrick's counsel incurred in connection with the negotiation of the Fitzpatrick Letter Agreement.

Senior Executive Severance Plan. Our executive officers, including the Named Executive Officers (other than Mr. Dean), participate in the ITT Educational Services, Inc. Senior Executive Severance Plan (the "Senior Executive Severance Plan"), which provides for severance benefits if:

- we terminate the executive's employment, other than for cause, or when the executive terminates his or her employment for good reason, in each case within two years after the occurrence of a change in control of us; or
- we terminate the executive's employment, other than for cause, if a change in control of us is imminent.

The benefits vary depending on the executive's level and include, among other things, two or three times the executive's base salary and bonus and a stipend equal to two or three times the annual cost of certain employee benefits. See "– Potential Payments Upon Termination or Change in Control – *Senior Executive Severance Plan.*"

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The Compensation Committee believes that a change in control transaction, or potential change in control transaction, would create uncertainty regarding the continued employment of our executives. This is because many change in control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage our executives to remain employed with us during an important time when their continued employment in connection with or following a transaction is often uncertain and to help keep our executives focused on our business rather than on their personal financial security, we believe that providing certain of our executives with severance benefits upon the specified terminations of employment is in the best interests of our company and our shareholders.

The benefits under the Senior Executive Severance Plan are not payable merely because a change in control transaction occurs or is imminent. Instead, payment of the severance benefits is only triggered if a change in control has occurred or is imminent and certain types of termination of employment occur within certain limited time periods. The Compensation Committee has determined that this "double trigger" requirement is appropriate and reasonable.

If benefits are triggered under the Senior Executive Severance Plan, our Chief Executive Officer would be entitled to payments under the "three times" multiplier and the other covered executives would be entitled to payments under the "two times" multiplier. Our Chief Executive Officer would also be entitled to certain benefits that would not be available to the other covered executives, including that our Chief Executive Officer would receive a tax gross-up payment on any excise taxes and that his severance benefits would not be limited in the event of the imposition of an excise tax. The Compensation Committee believes that our Chief Executive Officer should receive the higher multiplier and the enhanced benefits given his high level of responsibility and the substantial duties that he has with us, as well as the fact that it is common market practice for a chief executive officer to receive a higher level of severance benefits than other executive officers.

The amount and type of severance pay made available to our executive officers are based on common and typical amounts and types of severance pay that were made available to executives by other publicly-traded companies at the time that these benefits were determined.

Other Plans. In addition, awards granted under our equity compensation plans and all or a portion of the contributions, benefits and earnings under our qualified savings plan, nonqualified deferred compensation plans and pension plans may vest and/or become payable to the participating employees, including the Named Executive Officers, if the participating employee's employment terminates in certain situations or we undergo a change in control. See "– Potential Payments Upon Termination or Change In Control." The accelerated vesting and payments are useful in providing security to our executives and helps them to focus on their job responsibilities, instead of the safety of compensation that they have previously been awarded or paid. Further, the accelerated vesting of equity compensation awards upon a change in control:

- provides employees with the same opportunities as shareholders, who are free to sell their equity at the time of the change in control event and thereby realize the value created at the time of the transaction;
- ensures that employees do not have the fate of their outstanding equity tied to the future success of the new and different company that results from the change in control;
- can be a strong retention device during change in control discussions, particularly for those employees whose equity represents a significant portion of their total pay package; and
- treats all employees the same regardless of their employment status after the transaction.

Process for Establishing Compensation. The Compensation Committee of our Board of Directors has overall responsibility and authority for approving and evaluating the compensation programs and policies pertaining to our executives and Directors. Each year, the Compensation Committee reviews all elements of all of our executive officers' compensation and the internal pay equity of our Chief Executive Officer's compensation compared to our other executive officers' compensation. The Compensation Committee also annually reviews the tally of total compensation of our executives in order to determine that the amount of compensation is within appropriate competitive parameters. The tally information is not, however, a key factor in the Committee's current compensation decisions, because the tally information is reflective of past competitive market practice.

The Compensation Committee has met, and will continue to meet, in executive sessions which are not attended by any of our employees. The Committee regularly reports its activities to our Board of Directors.

When making executive compensation decisions, the Compensation Committee also considers, for all executives other than our Chief Executive Officer, the recommendation of our Chief Executive Officer. Our Chief Executive Officer recommends salary levels, short-term compensation amounts, equity-based compensation awards and perquisites for our other executives based on their salary grade level. Our Chief Executive Officer's compensation is determined solely by the Compensation Committee with the assistance of the Committee's independent compensation consultant. The Compensation Committee applies the same principles for executive compensation in determining our Chief Executive Officer's compensation that it applies in determining the compensation of our other executive officers. The Compensation Committee has established a higher level of compensation for our Chief Executive Officer than the levels for our other executive officers, due to:

- the high level of responsibility that he has with us;
- the substantial duties and responsibilities that he has to us; and

- the fact that the market and comparator compensation information demonstrates higher levels of compensation for chief executive officers both within and outside of our industry.

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Independent Compensation Consultant. The Compensation Committee directly retains a consultant from an independent compensation consulting firm to provide advice on aspects of our executive and Director compensation programs. The Committee requests written reports and holds meetings with the consultant, which are not attended by any of our employees, in order to obtain independent opinions on compensation proposals. The independent compensation consultant helps the Committee determine the amount and, where applicable, the formula for each element of the compensation program for each executive. The independent compensation consultant also assists the Committee in selecting the companies used for benchmarking and comparison purposes in certain years. The Compensation Committee retained the independent compensation consulting firm Towers Watson to advise it on 2014 and 2015 compensation determinations.

Determinations. In determining and recommending the compensation of our executives, the Compensation Committee consults with its independent compensation consulting firm and, along with our Chief Executive Officer, makes assessments after deliberate and thorough review and consideration of various factors. In 2014 and 2015, these factors included:

- the level and area of job responsibilities of the executive;
- inflationary factors; and
- tenure and industry knowledge and experience.

In 2014, these factors also included the competitive marketplace and, in particular, how the level of an executive's compensation compares with the compensation paid to executives in the same or similar positions and with similar responsibilities at comparator companies. In 2015, the Compensation Committee did not review a detailed analysis of compensation paid to executives at comparator companies, but it did review a report from Towers Watson regarding executive compensation pay level trends, short- and long-term incentive plan design trends and other trends in executive compensation.

In January 2014, the Compensation Committee met in executive session to review a tally of the total compensation received by each of the executive officers in 2013 and information provided by Towers Watson. The Committee noted that there had not been any clarification by the ED regarding the types of compensation that are prohibited and which activities and employees are covered by the Incentive Compensation Prohibition and, therefore, it would continue to avoid basing executive compensation on performance-related metrics. In January 2014, the Committee determined to continue the short-term compensation element of executive compensation, and it established the management objectives for 2014 under such element. See "—*Compensation Elements—2014 Compensation*—Short-Term Compensation."

In January 2015, the Compensation Committee met in executive session to review a tally of the total compensation received by each of the executive officers in 2014 and information provided by Towers Watson. The Committee noted that there still had not been any clarification regarding the types of compensation that are prohibited and which activities and employees are covered by the Incentive Compensation Prohibition and, therefore, it would continue to avoid basing executive compensation on performance-related metrics. In January 2015, the Committee determined to continue the short-term compensation element of executive compensation, and it established the management objectives for 2015 under such element. See "—*Compensation Elements—2015 Compensation*—Short-Term Compensation."

Shareholder Feedback. In January 2015, the Compensation Committee considered the fact that, at the 2014 Annual Meeting of Shareholders, our shareholders approved the compensation paid to our Named Executive

Officers as disclosed in the Proxy Statement for our 2014 Annual Meeting, and that the votes cast for that advisory proposal totaled approximately 84% of the shares represented at the 2014 Annual Meeting and entitled to vote. The Committee noted that this level of support was significantly higher than the 54% level of support for the same proposal at the 2013 Annual Meeting Shareholders. As a result of the higher level of support at the 2014 Annual Meeting of Shareholders, the Committee believes that, overall, our shareholders are not dissatisfied with our executive compensation program in light of the limitations imposed by the Incentive Compensation Regulations. The Committee also considered discussions that our Chief Executive Officer and Chief Administrative and Legal Officer had prior to the 2014 Annual Meeting with certain of our shareholders that own a significant percentage of our common stock regarding our executive compensation program and any concerns that such shareholders had related to it. We were told by some of those shareholders that while they would prefer that we base executive compensation on performance-related metrics, as we did prior to 2011, they understand that we have concluded that to do so would present a significant risk of violating the Incentive Compensation Prohibition. Despite understanding these limitations on our executive compensation program, some of those shareholders may be required to follow formulaic internal or external voting guidelines and, therefore, may be forced to cast a vote against our executive compensation proposal when otherwise they may not have. In addition, some of the shareholders expressed their support for the Compensation Committee's objective that the compensation of executives be reflective of the competitive marketplace in an effort to attract, retain and motivate talented executives. The Compensation Committee evaluated the feedback received from these shareholders and reiterated that it too would prefer to include performance-based metrics in our executive compensation program, but that the risk of violating the Incentive Compensation Prohibition is too high. As a result, the Committee determined that it is not able to make changes to the program at this time to address concerns related to the lack of performance-based metrics. The Committee noted that it continues to monitor the ED for any guidance that might reduce the risk of certain types of performance-based compensation violating the Incentive Compensation Prohibition.

Equity-Based Compensation. The Compensation Committee is responsible for determining equity-based compensation paid to our executives. All equity-based compensation awards to our executives at the Senior Vice President level and above are granted exclusively by our Compensation Committee. The Compensation Committee has delegated limited authority to our Chief Executive Officer to grant equity-based compensation awards to our newly-hired executives below the Senior Vice President level and other key employees.

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Equity-based compensation is granted to our executives and other key employees under the following circumstances:

- the Compensation Committee has typically made grants to our executives and other key employees annually during its first regularly scheduled meeting of the calendar year, which grants become effective prospectively;
- the Compensation Committee has typically made grants to our newly-hired executives at the Senior Vice President level and above at a Committee meeting occurring either:
  - prior to the date that the executive's employment with us begins, in which case the effective date of the grant is typically the executive's first day of employment with us but, if the markets are closed on that day, is the next subsequent day that the markets are open; or
  - after the executive's employment with us begins, in which case the effective date of the grant is the date of the Committee meeting or a subsequent date specified by the Committee at its meeting; and
- pursuant to authority delegated to him by the Compensation Committee, our Chief Executive Officer typically grants equity-based compensation to our newly-hired executives below the Senior Vice President level and other key employees on the newly-hired employee's first day of employment with us.

In each of the above circumstances, the exercise price of any stock option granted is the closing market price of a share of our common stock on the effective date of the stock option grant. In addition, the number of any RSUs is either determined prior to the effective date of grant or is based on the closing market price of a share of our common stock on the effective date of the RSU grant. The grants of equity-based compensation to newly-hired employees that otherwise would have occurred after April 30, 2014 were postponed due to our company not being current in its filings with the SEC. Those grants will be made following our company becoming current in its SEC filings.

We do not time our release of material non-public information for the purpose of affecting the value of our executives' compensation, nor do we time our grants of equity-based compensation to take advantage of material non-public information. Nevertheless, our process for granting equity-based compensation (as described above) may result in equity-based compensation, including stock options, being granted to our executives and other key employees at times when our Board of Directors or the Compensation Committee is in possession of material non-public information about us. This possibility is not taken into account in determining whether to make the equity-based compensation awards or the amount or value of those awards.

Benchmarking. The Compensation Committee believes that compensation decisions are complex and from time to time it reviews the compensation levels paid to executives in the same or similar positions at other comparator companies. Although the Compensation Committee does not rely solely on benchmarking to determine any element of compensation or overall compensation, the Compensation Committee has utilized compensation data in connection with decisions regarding the competitive positioning of the Company's compensation levels.

In setting and administering the compensation program and policies for our executives, the Committee attempts to target:

- the cash portion of the compensation of our executives to the median of the range of the cash compensation provided to executives of comparator companies, based on the dollar amount of such compensation; and
- the equity-based compensation of our executives not to exceed the upper quarter of the range of equity-based compensation provided to executives of comparator companies, based on the number of shares awarded as a percentage of the number of shares outstanding.

This is intended to result in targeting the overall total direct compensation of our executives to the upper third of the range of compensation provided to executives of comparator companies. The Committee targets the upper third of the range, because it believes that part of the range will help us attract and retain a higher than average level of executive.

The companies used for the comparisons vary from time to time. For 2014 compensation determinations, the Compensation Committee reviewed compensation information provided by Towers Watson and contained in the 2013/2014 Towers Watson Compensation DataBank ("Towers Watson Survey") and the 2013/2014 Mercer Executive Compensation Database ("Mercer Survey"). The Towers Watson Survey consisted of 241 companies with less than $3 billion in annual revenue. The Mercer Survey consisted of 445 companies. The Compensation Committee did not select specific companies from among the survey participants. Information from the surveys was adjusted to our company's size by using regression analysis to reflect each executive's scope of revenue responsibility.

Additionally, our Compensation Committee used information from proxy statements of a company-specific peer group as a supplement to the general industry published survey data, which remains a primary data source given the similarity in size to our company of the companies included. The proxy peer group data was primarily used for the Chief Executive Officer and Chief Financial Officer positions, because these positions are most directly comparable to the positions at our company. The proxy peer group companies were used for industry financial comparison purposes and as a source of data for compensation plan design characteristics. In consultation with Towers Watson, the Compensation Committee considered the following characteristics in choosing which companies to include in the peer group:

- U.S.-based companies that either compete with our company for market share or operate in similar industries as our company;

- competitors for senior executive talent;
- revenue and market capitalization; and
- the degree to which certain companies list our company as a compensation peer.

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As a result, the Compensation Committee reviewed proxy data obtained from proxy materials of the following 13 companies in our industry:

- American Public Education, Inc.;
- Apollo Education Group, Inc.;
- Bridgepoint Education, Inc.;
- Capella Education Company;
- Career Education Corp.;
- Corinthian Colleges, Inc.;
- DeVry Education Group, Inc.;
- Education Management Corporation;
- Grand Canyon Education, Inc.;
- K12 Inc.;
- Lincoln Educational Services Corporation;
- Strayer Education, Inc.; and
- Universal Technical Institute, Inc.

For 2015 compensation determinations, the Compensation Committee did not utilize a company-specific peer group or other detailed comparator information. The Committee reviewed information from Towers Watson that reviewed trends in executive compensation pay levels, trends in short- and long-term incentive plan design and other executive compensation trends. That information contained data regarding the primary components of compensation from the 2014/2015 Towers Watson CDB General Industry Executive Compensation Survey for the chief executive officer position and aggregate top 20 highest paid executives. That survey consisted of 342 companies. Companies used in that analysis reflected the general industry, and the Compensation Committee did not select specific companies from among the survey participants. Data provided in the analysis reflected broad industry trends related to executive compensation. The information also included executive compensation trends in companies in the S&P 1500.

Additional Compensation Matters.

Clawback, Stock Ownership and Hedging Policies. We do not have any policies regarding automatic adjustment or recovery of compensation paid or awarded to our executives in the event any of the performance measures upon which that compensation was paid or awarded are restated or adjusted, such that the compensation paid or awarded would have been less under the restated or adjusted performance measures.

We do not impose any specific equity or security ownership requirements on our executives. We believe that the equity-based compensation paid to our executives serves to align their interests with those of our shareholders. We believe that it is improper and inappropriate for any employee or Director to engage in short-term or speculative transactions involving our securities. We have a policy that prohibits our officers and Directors from purchasing or selling any publicly-traded options for our securities. This includes the trading of any call or put, the writing of any call or put, hedging or the use of collars. Further, our officers and Directors are prohibited from purchasing any financial instruments (including without limitation prepaid variable forward contracts, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of equity securities granted to or held by such person. In addition, our officers and Directors are prohibited from holding our securities in a margin account or otherwise pledging our securities as collateral for a loan.

The Impact of Accounting and Tax Treatments on the Compensation. Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRC") limits the allowable deduction for compensation paid or accrued with respect to the chief executive officer and each of the three other most highly compensated executive officers (other than the chief financial officer) of a publicly held corporation to no more than $1 million per year. This limitation does not apply to compensation that meets the requirements under Section 162(m) and the regulations promulgated thereunder for "qualified performance-based" compensation. Our equity-based compensation plans have been approved by our shareholders and include a fixed limit on the number of stock options that may be granted to any individual in any given year, and the exercise price is based on the fair market value of our stock on the date of grant. As a result, any future gains that may be realized on the stock options granted under our equity-based compensation plans should be exempt from the $1 million limit on deductible compensation under Section 162(m). RSUs granted under our equity compensation plans, however, are subject to the 162(m) deduction limitation because the vesting of those RSUs is based on the passage of time instead of performance conditions. Further, the Committee's ability to maximize the tax deductibility of other forms of compensation beginning July 1, 2011 is limited by the Incentive Compensation Prohibition, because those regulations can be reasonably interpreted to prohibit the payment of performance-based compensation.

Section 409A of the IRC provides certain requirements for deferred compensation arrangements. Those requirements, among other things, limit flexibility with respect to the time and form of payment of deferred compensation. If a payment or award constitutes deferred compensation subject to Section 409A and the applicable requirements are not satisfied, the recipient could be subject to tax on the award and all other deferred compensation of the same type, and an additional 20% tax and interest at the underpayment rate plus 1%, at the time the legally binding right to the payment or award arises or, if later, when that right ceases to be subject to a substantial risk of forfeiture. Payments or awards under our plans and arrangements either are intended to not constitute "deferred compensation" for Section 409A purposes (and will thereby be exempt from Section 409A's requirements) or, if they constitute "deferred compensation," are intended to comply with the Section 409A statutory provisions and final regulations.

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K under the Exchange Act with our management. Based on that review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and in our Proxy Statement for our 2015 Annual Meeting of Shareholders for filing with the U.S. Securities and Exchange Commission.

Compensation Committee
John F. Cozzi
James D. Fowler, Jr.
Thomas I. Morgan, Chair
Samuel L. Odle
John A. Yena

Compensation-Related Risk Assessment

Our Compensation Committee conducted an assessment of the risks related to our compensation policies and practices in January 2015. In conducting this assessment, the Compensation Committee noted several features of our compensation programs that reduce the likelihood of excessive risk-taking, including the following:

- We have established internal controls, enterprise risk management and a compliance program to discourage and identify any excessive risk-taking by our employees.
- There is a balanced mix of cash, equity, annual and longer-term components in the compensation program for our executives.
- Due to the Incentive Compensation Prohibition, our compensation programs are not based on the performance of our employees.
- While our short-term compensation element is based on certain management objectives for a particular year:
    - the maximum short-term compensation percentage is capped at 200% of the standard short-term percentage of our executives' annualized base salary, to protect against disproportionately large shorter-term incentives;
    - the Compensation Committee has substantial discretion on which to base the actual amount of the short-term compensation payments, including the ability to consider and reduce a payment amount if the Committee determines that an executive caused us to incur unnecessary or excessive risk;
    - the management objectives include many different business objectives that are company-wide objectives, as opposed to individual objectives, which encourage decision-making that is in the best long-term interests of our company and shareholders; and
    - the management objectives are not unreasonable or clearly unattainable without excessive risk-taking.
- A significant portion of our executives' total compensation consists of equity-based long-term awards, most of which vest over a period of three years, which encourages our executives to focus on sustaining our long-term interests. The equity grants are also made annually, so executives always have unvested awards that could decrease in value if our business is not managed for the long term.
- Some of our non-executive employees are eligible to receive equity awards. For those non-executive employees who are eligible to receive equity awards, the equity awards encourage those employees to focus on our long-term interests.

Based on these factors, the Compensation Committee believes that our compensation policies and practices encourage behaviors that are aligned with our long-term interests, and that numerous factors, such as the lack of performance-related incentives, dissuade our employees from taking risks for short-term gain. As a result, the Compensation Committee determined that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on us.

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Summary Compensation Table

The following table sets forth information regarding the compensation of the Named Executive Officers for each of our last three completed fiscal years.

Summary Compensation Table for Fiscal Years 2014, 2013 and 2012

Name and Principal Position	Year	Salary [1]	Bonus [2]	Stock Awards [3]	Option Awards[4]	Non-Equity Incentive Plan	Change in Pension Value and	All Other Compensation[7]	Total [8]

						Compensation(5)	Non-qualified Deferred Compensation Earnings (6)		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Kevin M. Modany Chief Executive Officer	2014	$ 821,380	$ 0	$ 785,813	$ 788,750	$ 721,067	$ 11,908	$ 77,406	$ 3,206,324
	2013	$ 798,596	$ 0	$ 543,094	$ 572,500	$ 1,000,093	$ 3,011	$ 55,333	$ 2,972,627
	2012	788,250	$ 985,313	$ 4,962,439	$ 1,960,000	$ 0	$ 10,857	$ 56,525	8,763,384
Daniel M. Fitzpatrick Executive Vice President, Chief Financial Officer	2014	$ 410,652	$ 100,000	$ 188,595	$ 189,300	$ 234,325	$ 0	$ 13,792	$ 1,136,664
	2013	$ 391,915	$ 0	$ 130,343	$ 137,400	$ 325,000	$ 0	$ 19,468	$ 1,004,126
	2012	334,905	272,448	$ 930,556	$ 344,960	$ 0	$ 0	$ 15,722	1,898,591
John E. Dean (9) Executive Chairman	2014	$ 309,726	$ 0	$ 1,000,002	$ 0	$ 0	$ 0	$ 221	$ 1,309,949
Eugene W. Feichtner President and Chief Operating Officer	2014	$ 318,366	$ 0	$ 125,730	$ 126,200	$ 245,000	$ 93,530	$ 11,088	$ 919,914
	2013	$ 309,535	$ 0	$ 86,895	$ 91,600	$ 232,581	$ 214	$ 10,949	$ 731,774
	2012	305,147	$ 229,144	$ 846,903	$ 313,600	$ 0	$ 61,046	$ 11,454	$ 1,767,294
Ronald F. Hamm (10) Former Executive Vice President, President — Breckinridge School of Nursing and Health Sciences	2014	$ 333,655	$ 0	$ 125,730	$ 126,200	$ 161,098	$ 0	$ 37,701	$ 784,384
	2013	243,750	$ 0	$ 86,895	$ 91,600	$ 192,319	$ 0	$ 23,451	$ 638,015

(1) Amounts shown represent the dollar value of base salary earned during each of the years indicated. For Mr. Dean, the amount shown for 2014 consists of: (i) $75,000, which is the dollar value of the annual retainer that he received in early 2014 as a non-employee Director of ours in 2014; and (ii) $234,726, which is the base salary that he earned in 2014 following his appointment as the Executive Chairman of the Board on August 4, 2014. Mr. Dean elected to receive payment of his annual retainer in shares of our common stock, and to defer receipt of those shares, pursuant to the ESI Non-Employee Directors Deferred Compensation Plan (the "Directors Deferred Compensation Plan"). See "—Director Compensation—*Directors Deferred Compensation Plan*."

(2) Amounts shown represent the dollar value of discretionary bonus amounts earned in the stated year. Under Item 402(a) of Regulation S-K under the Exchange Act, any bonus award that is paid above the amounts earned by the Named Executive Officer under, or that is otherwise paid to the Named Executive Officer without regard to, pre-established targets is to be reported in this column. The amounts earned under pre-established targets are reported in column (g), "Non-Equity Incentive Plan Compensation," of the Summary Compensation Table. The amount shown for Mr. Fitzpatrick in 2014 represents a discretionary bonus payment made to him in recognition of his significant efforts and time spent on company matters in 2014, which was in addition to the amount paid to him under the short-term compensation element of the executive compensation program for 2014, shown in the "Non-Equity Incentive Plan Compensation" column. The amounts shown in this column for 2012 consist of amounts paid under the short-term compensation element of our executive compensation, based on certain management objectives for 2012 (the "2012 Management Objectives"). In December 2012, the Compensation Committee decided to assign zero to five points to each 2012 Management Objective based on the extent to which it was accomplished, instead of the previously-established determination to assign five points to each 2012 Management Objective only if it was fully accomplished. This change resulted in these payments being included in this column instead of in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

(3) Amounts shown represent the aggregate grant date fair value, computed in accordance with ASC 718, of all awards of RSUs granted to the Named Executive Officer in the year indicated. To determine the grant date fair value of RSU awards, we use the closing market price of a share of our common stock on the effective date of the RSU award. The amounts ultimately realized by the Named Executive Officers from the RSU awards will depend on the price of our common stock in the future and may be quite different from the values shown. For Mr. Dean, the amount shown includes the aggregate grant date fair value of the award of RSUs granted to him on August 4, 2014, but does not include the amount of the 2014 Director annual retainer paid in early 2014 that Mr. Dean elected to receive in the form of shares of our common stock. That amount is included in column (c) of the table, and the fair value of such common stock was $74,984.

(4) Amounts shown represent the aggregate grant date fair value, computed in accordance with ASC 718, of all awards of stock options granted to the Named Executive Officer in the year indicated. The option awards relate solely to shares of our common stock. None of the Named Executive Officers has received any stock appreciation rights ("SARs") from us. We did not adjust or amend the exercise price of any options previously awarded to any of the Named Executive Officers, whether through amendment, cancellation or replacement grants,

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or any other means (such as a repricing), or otherwise materially modify such awards, during any of the years indicated. We used a binomial option pricing model to determine the grant date fair value of the stock options granted in each of the years indicated, which 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.

The following table sets forth the assumptions supporting those variables that were used to determine the values reported with respect to the stock options granted to the Named Executive Officers in each of the years indicated:

	Assumptions Associated with Stock Options Granted In		
	2014	2013	2012
Volatility	55%	60%	51%
Expected life (in years)	4.7	4.6	4.5
Risk-free interest rate	1.3%	0.7%	0.7%
Dividend yield	None	None	None

The amounts ultimately realized by the Named Executive Officers from the option awards will depend on the price of our common stock in the future and may be quite different from the values shown.

(5) Amounts shown represent the dollar value of all amounts earned for services performed during each of the years indicated pursuant to awards under non-equity incentive plans. There were no earnings on any outstanding non-equity incentive plan awards during any of the years indicated. The amounts reported in this column for 2014 and 2013 consist of amounts earned under the short-term compensation element of our executive compensation, based on the management objectives for that year, and paid in the following year. Under Item 402(a) of Regulation S-K under the Exchange Act, our short-term compensation element is defined to be non-equity incentive plan compensation, instead of bonus compensation, to the extent that the outcome with respect to the relevant targets under our management objectives was substantially uncertain at the time the targets were established by the Compensation Committee and communicated to the participants. As a result, our short-term compensation element is intended to serve as an incentive to obtain results over a specified fiscal year, which caused it to be reported in this column. As described further in "—Compensation Discussion and Analysis—*Compensation Elements—2014 Compensation*—Short-Term Compensation," the amount shown in 2014 for Mr. Feichtner was based on his base salary rate as of February 9, 2015, instead of December 31, 2015 as initially contemplated, due to the fact that his base salary increase in connection with his appointment as our President and Chief Operating Officer in August 2014 was only delayed to February 2015 instead of being effective in August 2014 as a result of the Incentive Compensation Prohibition related to the number of permitted salary increases in a year. No changes were made to the 2014 Management Objectives applicable to Mr. Feichtner or any other Named Executive Officer. Amounts shown in this column include any portion of the award that may have been deferred by the Named Executive Officers under the Deferred Bonus Plan. See "– Nonqualified Deferred Compensation Plans – *Deferred Bonus Plan*."

(6) Amounts shown consist of:

- the aggregate change in actuarial present value of the Named Executive Officer's accumulated benefit on an annualized basis under all defined benefit and actuarial pension plans (including supplemental plans) from December 31 of the prior completed fiscal year to December 31 of the covered fiscal year, except that with respect to the 2013 aggregate change in actuarial present value for all Named Executive Officer participants, that aggregate change was a negative number (see table below), and therefore in accordance with the SEC rule, that negative change is not included in the amount reported in this column or in the "Total" column; and
- the above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified, including such earnings on nonqualified defined contribution plans.

The aggregate change in actuarial present value of the Named Executive Officer's accumulated benefit on an annualized basis under each of the following plans is presented in the table below:

- the Retirement Plan for Salaried Employees of ITT Corporation (the "Old Pension Plan"), a non-contributory defined benefit pension plan;
- the ESI Pension Plan, a cash balance defined benefit plan; and
- the ESI Excess Pension Plan, an unfunded, nonqualified retirement plan.

See "– Pension Plans."

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Named Executive Officer	Old Pension Plan Aggregate Change in Present Value of Accumulated Benefit	ESI Pension Plan Aggregate Change in Present Value of Accumulated Benefit	ESI Excess Pension Plan Aggregate Change in Present Value of Accumulated Benefit	Total
Kevin M. Modany				
2014	$ 0	$ 4,024	$ 5,188	$ 9,212
2013	$ 0	$ (1,612)	$ (2,078)	$ (3,690)
2012	$ 0	$ 3,619	$ 4,667	$ 8,286
Daniel M. Fitzpatrick				
2014	$ 0	$ 0	$ 0	$ 0
2013	$ 0	$ 0	$ 0	$ 0
2012	$ 0	$ 0	$ 0	$ 0
John E. Dean				
2014	$ 0	$ 0	$ 0	$ 0
Eugene W. Feichtner				
2014	$ 78,018	$ 12,312	$ 3,008	$ 93,338
2013	$ (36,285)	$ 11,788	$ 2,893	$(21,604)
2012	$ 46,795	$ 11,286	$ 2,782	$ 60,863
Ronald F. Hamm				
2014	$ 0	$ 0	$ 0	$ 0
2013	$ 0	$ 0	$ 0	$ 0

In addition, the above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified for the benefit of the Named Executive Officers under the ESI Excess Savings Plan, an unfunded, nonqualified retirement plan are specified in the table below. There were no above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified for the benefit of the Named Executive Officers under the Deferred Bonus Plan, an unfunded, nonqualified deferred compensation plan, in 2014, 2013 or 2012. See "– Nonqualified Deferred Compensation Plans."

Named Executive Officer	ESI Excess Savings Plan Above-Market or Preferential Earnings on Deferred Compensation (A)
Kevin M. Modany	
2014	$ 2,696
2013	$ 3,011
2012	$ 2,571
Daniel M. Fitzpatrick	
2014	$ 0
2013	$ 0
2012	$ 0
John E. Dean	
2014	$ 0
Eugene W. Feichtner	
2014	$ 192
2013	$ 214
2012	$ 183
Ronald F. Hamm	
2014	$ 0
2013	$ 0

(A) Interest is above-market only if the rate of interest exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under Section 1274(d) of the IRC), at the rate that corresponds most closely to the rate under the applicable plan at the time the interest rate or formula is set. In the event of a discretionary reset of the interest rate, the requisite calculation is made on the basis of the interest rate at the time of such reset, rather than when originally established. Only the above-market portion of the interest is included.

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(7) Amounts shown represent all other compensation for each of the years indicated that could not properly be reported in columns (c) through (h) of the Summary Compensation Table, as follows:

	Perquisites (A)								
Named Executive Officer	Use of a Company Car(B)	Tax Return and Financial Planning Allowance(C)	Event Tickets(D)	Enhanced Disability Benefits(E)	Annual Physical Examination(F)	Relocation Assistance(G)	Commuting Expenses(H)	Legal Expenses(I)	Perquisites Total
Kevin M. Modany									
2014	$ 25,607	$ 14,686	$3,511	$ 6,593	$ 2,801	$ 0	$ 0	$ 18,475	$71,673
2013	$ 25,261	$ 6,331	$6,487	$ 6,422	$ 3,182	$ 0	$ 0	$ 0	$47,683
2012	$ 25,280	$ 14,230	$2,334	$ 6,503	$ 2,665	$ 0	$ 0	$ 0	$51,012
Daniel M. Fitzpatrick									
2014	$ 0	$ 4,120	$ 643	$ 3,296	$ 0	$ 0	$ 0	$ 0	$ 8,059
2013	$ 0	$ 4,000	$2,056	$ 3,222	$ 2,540	$ 0	$ 0	$ 0	$11,818
2012	$ 0	$ 3,353	$ 436	$ 2,766	$ 1,667	$ 0	$ 0	$ 0	$ 8,222
John E. Dean									
2014	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Eugene W. Feichtner									
2014	$ 0	$ 3,194	$ 0	$ 2,555	$ 0	$ 0	$ 0	$ 0	$ 5,749
2013	$ 0	$ 3,101	$ 0	$ 2,502	$ 0	$ 0	$ 0	$ 0	$ 5,603
2012	$ 0	$ 3,055	$ 604	$ 2,521	$ 0	$ 0	$ 0	$ 0	$ 6,180
Ronald F. Hamm									
2014	$ 0	$ 2,223	$ 0	$ 2,678	$ 0	$ 9,145	$ 16,005	$ 0	$30,051
2013	$ 0	$ 0	$ 69	$ 2,622	$ 0	$ 19,072	$ 0	$ 0	$21,763

Named Executive Officer	ITT/ESI Contributions Under ESI	Perquisites Total	All Other Compensation(K)

	401(k) Plan[J]		
Kevin M. Modany			
2014	$ 5,733	$ 71,673	$ 77,406
2013	$ 7,650	$ 47,683	$ 55,333
2012	$ 5,513	$ 51,012	$ 56,525
Daniel M. Fitzpatrick			
2014	$ 5,733	$ 8,059	$ 13,792
2013	$ 7,650	$ 11,818	$ 19,468
2012	$ 7,500	$ 8,222	$ 15,722
John E. Dean			
2014	$ 221	$ 0	$ 221
Eugene W. Feichtner			
2014	$ 5,339	$ 5,749	$ 11,088
2013	$ 5,346	$ 5,603	$ 10,949
2012	$ 5,274	$ 6,180	$ 11,454
Ronald F. Hamm			
2014	$ 7,650	$ 30,051	$ 37,701
2013	$ 1,688	$ 21,763	$ 23,451

(A) Amounts shown represent the aggregate incremental cost to us for the perquisites provided to the Named Executive Officers in each of the years indicated.

(B) The methodology for computing the aggregate incremental cost to us for providing use of a company car involves compiling the expenses that were paid by us or reimbursed to the Named Executive Officer for the Named Executive Officer's use of the vehicle. Those expenses include:

- the amount of depreciation expense that we recognized on the company-owned car;
- the cost of insurance premiums relating to the car that were paid by us;
- the cost of gasoline used in the car that was paid or reimbursed by us; and
- the cost of maintenance and repairs of the car that was paid or reimbursed by us.

(C) The methodology for computing the aggregate incremental cost to us for providing a tax return and financial planning allowance involves determining the sum of all receipts for tax return and financial planning services that are submitted by and reimbursed to the Named Executive Officer up to the amount of the allowance authorized by the Compensation Committee (i.e., 2% of annualized base salary as of the effective date of any increase in base salary for that fiscal year for Mr. Modany, and 1% of annualized base salary as of the effective date of any increase in base salary for that fiscal year for each of the other Named Executive Officers).

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(D) The methodology for computing the aggregate incremental cost to us for providing event tickets involves identifying the specific events that the Named Executive Officer and his or her guests attended during the year and attributing the actual costs paid by us or reimbursed to the Named Executive Officer for the Named Executive Officer and his or her guests to attend the event. Those costs include:

- the portion of a license fee for a private suite and associated spectator seats used by the Named Executive Officer and his or her guests;
- the cost of food and beverages consumed by the Named Executive Officer and his or her guests in connection with the event;
- the cost of tickets used by the Named Executive Officer and his or her guests to attend the event; and
- the cost of parking fees incurred by the Named Executive Officer and his or her guests to attend the

event.

(E) The methodology for computing the aggregate incremental cost to us for providing enhanced disability benefits involves:

- multiplying the monthly charge to us per employee for the enhanced short-term disability benefits by the number of months;
- multiplying the annual charge to us per $100 of coverage for the enhanced long-term disability benefits by the number of $100 increments in the coverage; and
- adding together the sum of the amounts calculated in the prior two bullet points.

(F) The methodology for computing the aggregate incremental cost to us for providing annual physical examinations involves determining the expenses for such examination that have been paid by us directly to the provider or reimbursed to the Named Executive Officer.

(G) The methodology for computing the aggregate incremental cost to us for providing relocation assistance involves compiling all of the reimbursable expenses, as specified in our relocation assistance program, that have been paid by us or the Named Executive Officer with respect to the relocation.

(H) The methodology for computing the aggregate incremental cost to us related to commuting expenses involves compiling the expenses that were paid by us or reimbursed to the Named Executive Officer for certain costs incurred in connection with commuting to our headquarters, including mileage, meals and lodging.

(I) The methodology for computing the aggregate incremental cost to us related to legal expenses involves compiling the amounts paid or reimbursed by us related to the fees and expenses of Mr. Modany's counsel incurred in connection with the negotiation of the Modany Letter Agreement.

(J) Amounts shown represent our contributions or other allocations made under the ESI 401(k) Plan, a defined contribution plan, for the benefit of the Named Executive Officers in each of the years indicated. See "– Equity Compensation and Qualified Savings Plans – *ESI 401(k) Plan*."

(K) Amounts shown do not include our cost for employee benefits that do not discriminate in scope, terms or operation in favor of our executive officers and that are available generally to all full-time and part-time regular employees, including, without limitation, medical and dental benefits, vision insurance, life insurance, flexible spending account, business travel and accident insurance, and disability insurance.

(8) Amounts shown represent the sum of the dollar values for each compensation element in columns (c) through (i) in each of the years indicated.

(9) On August 4, 2014, our Board of Directors appointed Mr. Dean as Executive Chairman of the Board, in connection with Mr. Modany's resignation as Chairman and a Director, and Mr. Modany's notification of his intent to resign as our Chief Executive Officer in 2015. Mr. Dean has been a Director of ours since 1994, but prior to 2014, he had not been an employee or executive officer of ours. As permitted by the SEC, because this is Mr. Dean's first year as a Named Executive Officer, the compensation paid to Mr. Dean in years prior to 2014 is not included in this table. Mr. Dean's compensation as a non-employee Director of ours in prior years, however, has been disclosed in proxy statements we previously filed with the SEC.

(10) Mr. Hamm's employment with us began in March 2013 and ended on May 15, 2015.

Amount of Salary and Bonus in Proportion to Total Compensation

The salary, non-equity incentive plan and bonus compensation and salary, non-equity incentive plan and bonus compensation, as a percentage of each Named Executive Officer's total compensation, for the years indicated was as follows:

Named Executive Officer	Salary	Non-Equity Incentive Plan and Bonus Compensation (1)	Salary and No n- Equity Incenti ve Plan and Bonus Compensation(1)	Total Compensation (2)	Salary as a Percentage o f Total Compensatio n	Non-Equity Incentive Pla n and Bonus Compensatio n as a Percenta ge of Total Compensatio n	Salary and No n- Equity Incenti ve Plan and Bonus Compensation as a Percentag e of Total Compensation

Kevin M. Modany								
	2014	$ 821,380	$ 721,067	$ 1,542,447	$ 3,206,324	25.6%	22.5%	48.1%
	2013	$ 798,596	$ 1,000,093	$ 1,798,689	$ 2,972,627	26.9%	33.6%	60.5%
	2012	$ 788,250	$ 985,313	$ 1,773,563	$ 8,763,384	9.0%	11.2%	20.2%
Daniel M. Fitzpatrick								
	2014	$ 410,652	$ 334,325	$ 744,977	$ 1,136,664	36.1%	29.4%	65.5%
	2013	$ 391,915	$ 325,000	$ 716,915	$ 1,004,126	39.0%	32.4%	71.4%
	2012	$ 334,905	$ 272,448	$ 607,353	$ 1,898,591	17.6%	14.4%	32.0%
John E. Dean								
	2014	$ 309,726	$ 0	$ 309,726	$ 1,309,949	23.6%	N/A	23.6%
Eugene W. Feichtner								
	2014	$ 318,366	$ 245,000	$ 563,366	$ 919,914	34.6%	26.6%	61.2%
	2013	$ 309,535	$ 232,581	$ 542,116	$ 731,774	42.3%	31.8%	74.1%
	2012	$ 305,147	$ 229,144	$ 534,291	$ 1,767,294	17.3%	13.0%	30.2%
Ronald F. Hamm								
	2014	$ 333,655	$ 161,098	$ 494,753	$ 784,384	42.5%	20.5%	63.1%
	2013	$ 243,750	$ 192,319	$ 436,069	$ 638,015	38.2%	30.1%	68.3%

(1) The amounts of non-equity incentive plan and bonus compensation reported in this table include the amounts of such compensation as reported in the Non-Equity Incentive Plan Compensation and Bonus columns of the Summary Compensation Table for each of the years indicated.

(2) Amounts shown represent the sum of the dollar values for each compensation element that we are required to report in the Summary Compensation Table for each of the years indicated. See "– Summary Compensation Table."

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Generally in the years indicated, the amount of salary has represented less than 45%, and the amount of salary and non-equity incentive plan and bonus compensation combined has represented approximately 20% to 75%, of the Named Executive Officer's total compensation. In addition, depending on achievement of management objectives, the amount of non-equity incentive plan compensation in each year could have ranged from 15% to 200% of the Named Executive Officer's salary, depending on the Named Executive Officer's position. The increases in non-equity incentive plan and bonus compensation, and salary and non-equity incentive plan and bonus compensation, in each case as a percentage of total compensation, in 2013 compared to 2012 were primarily due to no supplemental equity awards being made in 2013.

Form W-2, Wage and Tax Statement Compensation Table

The Form W-2, Wage and Tax Statement Compensation Table below supplements the SEC-required disclosure in the Summary Compensation Table set forth above. The Form W-2, Wage and Tax Statement Compensation Table below sets forth the total taxable wages, tips and other compensation (collectively, "Wages") that we paid to the Named Executive Officers in each of the last five calendar years, as shown in Box 1 of the U.S. Internal Revenue Service's Form W-2, Wage and Tax Statement that we provided to the Named Executive Officers with respect to each of those calendar years. Total compensation as calculated under the SEC's rules and as shown in the Summary Compensation Table above and in prior year's Proxy Statements includes several items that are driven by accounting and actuarial assumptions, which are not necessarily reflective of the Wages that we paid to the Named Executive Officers in a particular calendar year.

Amounts shown in the Total Wages column below differ substantially from, and should not be considered a substitute for, the amounts shown in the Total column of the Summary Compensation Table. The Total Wages amounts in the table below represent:

- amounts paid as salary to the Named Executive Officer in the applicable year, less any tax-qualified deductions such as contributions or premiums paid by the Named Executive Officer to the ESI 401(k) Plan, certain health and welfare benefit plans and health savings accounts;
- amounts paid as bonus, non-equity incentive plan compensation and short-term compensation to the Named Executive Officer in the applicable year;
- the value realized from the exercise of stock options by the Named Executive Officer in the applicable year, determined by subtracting the exercise price of the option from the market price of a share of our common stock at exercise, and then multiplying that amount by the total number of shares acquired on exercise at that exercise price;
- the value realized from the vesting of RSUs held by the Named Executive Officer in the applicable year, determined, for stock-settled RSUs, by multiplying the number of RSUs vested by the market price of a share of our common stock on the vesting date, and for cash-settled RSUs, by multiplying the number of RSUs vested by the average of the closing market prices of our common stock over the 20 trading day period prior to the settlement date;
- the value of noncash payments, including certain fringe benefits, made to the Named Executive Officer in the applicable year;
- the taxable cost of group-term life insurance in excess of $50,000 for the Named Executive Officer in the applicable year; and
- the taxable amount of all other compensation paid to the Named Executive Officer in the applicable year.

Form W-2, Wage and Tax Statement Compensation Table

Name and Principal Position	Year	Total Wages (1)	Summary Compensation Table Total Compensation (2)	Difference (3)	Total Wages as a Percentage of Summary Compensation Table Total Compensation
Kevin M. Modany					
Chief Executive Officer	2014	$ 2,120,860	$ 3,206,324	$(1,085,464)	66.1%
	2013	$ 919,595	$ 2,972,627	$(2,053,032)	30.9%
	2012	$ 5,336,585	$ 8,763,384	$(3,426,799)	60.9%
	2011	$ 2,419,077	$ 6,412,454	$(3,993,377)	37.7%
	2010	$ 2,211,344	$ 6,745,967	$(4,534,623)	32.8%

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Name and Principal Position	Year	Total Wages [1]	Summary Compensation Table Total Compensation [2]	Difference [3]	Total Wages as a Percentage of Summary Compensation Table Total Compensation
Daniel M. Fitzpatrick	2014	$ 796,147	$ 1,136,664	$ (340,517)	70.0%
Executive Vice President, Chief	2013	$ 400,468	$ 1,004,126	$ (603,658)	39.9%
Financial Officer	2012	$ 1,259,366	$ 1,898,591	$ (639,225)	66.3%
	2011	$ 764,326	$ 1,527,927	$ (763,601)	50.0%
	2010	$ 698,426	$ 1,429,072	$ (730,646)	48.9%
John E. Dean					
Executive Chairman	2014	$ 221,416	$ 1,309,949	$(1,088,533)	16.9%
Eugene W. Feichtner	2014	$ 626,787	$ 919,914	$ (293,127)	68.1%
President and Chief Operating	2013	$ 323,208	$ 731,774	$ (408,566)	44.2%
Officer	2012	$ 1,542,401	$ 1,767,294	$ (224,893)	87.3%
	2011	$ 678,190	$ 1,453,708	$ (775,518)	46.7%
	2010	$ 1,409,800	$ 1,327,513	$ 82,287	106.2%
Ronald F. Hamm	2014	$ 523,626	$ 784,384	$ (260,758)	66.8%
Former Executive Vice President, President – Breckinridge School of Nursing and Health Sciences	2013	$ 251,439	$ 638,015	$ (386,576)	39.4%

(1) Amounts shown are described above the table.

(2) Amounts shown represent the amounts shown in, or calculated in accordance with the rules for, the Total column of the Summary Compensation Table.

(3) Amounts shown represent the difference between the Total Wages column and the Summary Compensation Table Total Compensation column.

Grants of Plan-Based Awards Table

The following table sets forth information regarding grants of plan-based awards in 2014 to each of our Named Executive Officers.

Grants of Plan-Based Awards in Fiscal Year 2014

Named Executive Officer	Grant Date[1]	Date Compensation Committee Took Action to Grant Awards	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2] Threshold[3]	Target[4]	Maximum[5]	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/sh)[6]	Grant Date Fair Value of Stock and Option Awards[7]
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

Kevin M. Modany									
Stock Option Award[8]	02/04/14	01/20/14[9]	N/A	N/A	N/A	N/A	62,500[10]	$ 27.94	$ 788,750
RSU Award[11]	02/04/14	01/20/14[9]	N/A	N/A	N/A	28,125[12]	N/A	N/A	$ 785,813
2014 Management Objectives[13]	N/A	01/20/14	$206,019	$824,076	$1,648,152	N/A	N/A	N/A	N/A
Daniel M. Fitzpatrick									
Stock Option Award[8]	02/04/14	01/20/14[9]	N/A	N/A	N/A	N/A	15,000[10]	$ 27.94	$ 189,300
RSU Award[11]	02/04/14	01/20/14[9]	N/A	N/A	N/A	6,750[12]	N/A	N/A	$ 188,595
2014 Management Objectives[13]	N/A	01/20/14	$66,950	$267,800	$535,600	N/A	N/A	N/A	N/A
John E. Dean									
Deferred Stock[14]	01/01/14	N/A	N/A	N/A	N/A	2,233	N/A	N/A	$ 74,984
RSU Award[11]	08/04/14	08/04/14	N/A	N/A	N/A	129,534[15]	N/A	N/A	$ 1,000,002
Eugene W. Feichtner									
Stock Option Award[8]	02/04/14	01/20/14[9]	N/A	N/A	N/A	N/A	10,000[10]	$ 27.94	$ 126,200
RSU Award[11]	02/04/14	01/20/14[9]	N/A	N/A	N/A	4,500[12]	N/A	N/A	$ 125,730

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Named Executive Officer	Grant Date[1]	Date Compensation Committee Took Action to Grant Awards	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2] Threshold[3]	Target[4]	Maximum[5]	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/sh)[6]	Grant Date Fair Value of Stock and Option Awards[7]

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
2014 Management Objectives[13]	N/A	01/20/14	$ 47,912	$ 191,647	$ 383,294	N/A	N/A	N/A	N/A
Ronald F. Hamm									
Stock Option Award[8]	02/04/14	01/20/14[9]	N/A	N/A	N/A	N/A	10,000[10]	$27.94	$ 126,200
RSU Award[11]	02/04/14	01/20/14[9]	N/A	N/A	N/A	4,500[12]	N/A	N/A	$ 125,730
2014 Management Objectives[13]	N/A	01/20/14	$ 50,213	$ 200,850	$ 401,700	N/A	N/A	N/A	N/A

"N/A" means not applicable.

(1) Defined as the date of the grant for financial statement reporting purposes pursuant to ASC 718.

(2) Amounts shown represent the dollar value of the estimated possible payout upon satisfaction of the conditions subject to the 2014 short-term compensation element.

(3) "Threshold" refers to the minimum amount payable for a certain level of results under the plan.

(4) "Target" refers to the amount payable, if the specified results target(s) are reached.

(5) "Maximum" refers to the maximum payout possible under the plan.

(6) Amounts shown represent the per-share exercise or base price of the options granted in the fiscal year.

(7) Amounts shown represent the grant date fair value, computed in accordance with ASC 718, of each stock and option award granted to the Named Executive Officer in 2014. There were no adjustments or amendments made in 2014 to the exercise price of any option awards held by any of the Named Executive Officers, whether through amendment, cancellation or replacement grants, or any other means (such as a repricing), or that otherwise materially modified any option awards.

(8) Represents a nonqualified stock option to purchase our common stock that was granted under the Amended 2006 Plan. See "– Equity Compensation and Qualified Savings Plans – *Amended 2006 Plan*."

(9) The awards were granted by the Compensation Committee during a Committee meeting on January 20, 2014 and had an effective grant date of February 4, 2014.

(10) Nonqualified stock option granted at 100% of the closing market price of a share of our common stock on the effective date of the grant. One-third of the shares subject to each option granted is exercisable on the anniversary date of the grant in each of the years 2015, 2016 and 2017.

(11) Represents a grant of RSUs that was made under the Amended 2006 Plan. See "—Equity Compensation and Qualified Savings Plans – *Amended 2006 Plan*."

(12) The period of restriction for this RSU grant lapses in thirds on the anniversary date of the grant in each of the years 2015, 2016 and 2017. These RSUs will be settled in shares of our common stock, one share for each RSU in the grant.

(13) Represents awards that could be earned pursuant to the 2014 Management Objectives under the short-term compensation element that were approved by the Compensation Committee on January 20, 2014. Amounts actually earned in 2014 are reported in the Summary Compensation Table for that year in the "Non-Equity Incentive Plan Compensation" column. See "– Summary Compensation Table." The amounts shown for Mr. Feichtner reflect the threshold, target and maximum amounts that would have been payable to him based on his base salary at the time the Compensation Committee established the 2014 Management Objectives; the Committee subsequently based Mr. Feichtner's payment amount on his base salary as of February 9, 2015, as described in "—Compensation Discussion and Analysis—*Compensation Elements—2014 Compensation—*Short-Term Compensation." The amounts shown for Mr. Hamm reflect the threshold, target and maximum amounts that would have been payable to him based on the short-term compensation percentage applicable to Mr. Hamm at the time the Compensation Committee established the 2014 Management Objectives; the Committee subsequently reduced his short-term compensation percentage in connection with their approval of the reimbursement of his commuting expenses in 2014, as described in "—Compensation Discussion and

Analysis—*Compensation Elements—2014 Compensation*—Short-Term Compensation."

(14) Represents shares of our common stock not yet issued but credited to Mr. Dean's deferred share account under the Directors Deferred Compensation Plan. In early 2014, while still a non-employee Director, Mr. Dean elected to receive payment of his 2014 annual retainer in shares of our common stock, and to defer receipt of those shares, pursuant to the Directors Deferred Compensation Plan. See "—Director Compensation—*Directors Deferred Compensation* Plan." The deferred shares of common stock will be paid to Mr. Dean following the termination of his services to us.

(15) The period of restriction for this RSU grant lapses in full on August 4, 2015. These RSUs will be settled in shares of our common stock, one share for each RSU in the grant.

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Employment Contracts

We have not entered into an employment contract, whether written or oral, with Mr. Feichtner or Mr. Hamm. We entered into the Modany Letter Agreement with Mr. Modany on August 4, 2014, pursuant to which Mr. Modany would remain our Chief Executive Officer (or, if so determined by us, Special Advisor) through the end of the Applicable Period. During the Applicable Period, Mr. Modany will continue to receive his current cash compensation and participate in our employee benefit plans, but will not receive any further grants of equity-based compensation. The Modany Letter Agreement provides that subject to Mr. Modany's compliance with the release requirement and the restrictive covenants and cooperation provisions, Mr. Modany will provide consulting services to us during the 18 months following the Applicable Period, and we will pay Mr. Modany a monthly fee equivalent to his current monthly base salary (which is $68,673) and there will be continued vesting of his equity-based awards. The Modany Letter Agreement provides that Mr. Modany will not, during the 18-month period, compete with us or solicit our customers or employees. Mr. Modany will have continued use of the company-provided automobile during the consulting period. Further, we will pay Mr. Modany a lump sum of $20,598 which equals the cost of 18 months of coverage under COBRA for continued health, dental and vision coverage.

We entered into the Fitzpatrick Letter Agreement with Mr. Fitzpatrick on April 29, 2015, pursuant to which Mr. Fitzpatrick agreed to remain our Chief Financial Officer (or Special Advisor) through the Transition Period. During the Transition Period, Mr. Fitzpatrick will continue to receive his current cash compensation and participate in our employee benefit plans. The only equity-based compensation Mr. Fitzpatrick will be entitled to receive during the Transition Period will be the awards previously approved by the Compensation Committee, which consist of a stock option grant to acquire 15,000 shares of our common stock and 6,750 RSUs, to be granted on the third trading day following the date that we become current in our filings with the SEC, unless within that three trading day period, we again become no longer current in our filings with the SEC.

The Fitzpatrick Letter Agreement provides that subject to Mr. Fitzpatrick's compliance with the release requirement and the restrictive covenants and cooperation provisions, he will provide consulting services to us during the 18 months following his resignation as Chief Financial Officer, and we will pay Mr. Fitzpatrick a monthly fee equivalent to his current monthly base salary (which is $34,333) and there will be continued vesting of his equity-based awards. The Fitzpatrick Letter Agreement provides that Mr. Fitzpatrick will not, during the 18-month period, compete with us or solicit our customers or employees. Further, we will pay Mr. Fitzpatrick a lump sum of $20,598, which is equal to the cost of 18 months of coverage under COBRA for continued medical, prescription drug, dental and vision coverage.

On August 4, 2014, John E. Dean was appointed our Executive Chairman and became an employee of ours. In connection with his appointment as Executive Chairman, we entered into a letter agreement with Mr. Dean which provides for him to receive an annual base salary of $575,000 and a grant of RSUs on August 4, 2014 that had a value of $1,000,000, based on the closing price of our common stock on the date of grant, which resulted in a grant of 129,534 RSUs to Mr. Dean on that date. The RSUs will vest, subject to Mr. Dean's continued service as Executive Chairman or as a member of the Board, on the first anniversary of the grant date or, if earlier, upon his termination of employment due to death or disability. Mr. Dean will receive no other compensation for his service as

Executive Chairman, but will continue to vest in the equity-based awards granted to him in connection with his service as a non-employee Director.

Non-Equity Incentive Plan Awards and Bonuses

The annual short-term compensation element for our executive officers relating to each of 2014 and 2013 was based on the 2014 Management Objectives and the 2013 Management Objectives, respectively. Pursuant to the SEC's regulations, the amounts paid pursuant to this compensation element are classified in the tables in this document as non-equity incentive plan compensation, due to the fact that the awards were based on pre-established objectives. The annual short-term compensation element for our executive officers relating to 2012 also was based on management objectives, but because the Compensation Committee determined in late 2012 to assign zero to five points to each 2012 Management Objective based on the extent to which it was accomplished (instead of the previously-established determination to assign five points to each 2012 Management Objective only if it was fully accomplished), the amounts paid pursuant to this compensation element are classified in the tables in this document as bonus compensation, pursuant to the SEC's regulations.

Under the Deferred Bonus Plan, each eligible employee may elect to defer payment of all or a portion of his or her annual bonus award in the same form that the bonus is otherwise payable, either in cash or shares of our common stock. See "– Nonqualified Deferred Compensation Plans – *Deferred Bonus Plan*." None of the Named Executive Officers deferred any amounts under the Deferred Bonus Plan in 2012, 2013 or 2014.

Equity Compensation and Qualified Savings Plans

Amended 2006 Plan. On May 9, 2006, our shareholders approved the 2006 ITT Educational Services, Inc. Equity Compensation Plan (the "2006 Equity Compensation Plan"). On January 21, 2013, based on the recommendation of our Compensation Committee, our Board of Directors approved the Amended 2006 Plan and on May 7, 2013, our shareholders approved the Amended 2006 Plan. On October 20, 2014, based on the recommendation of our Compensation Committee, our Board of Directors approved a First Amendment to the Amended 2006, which provides that the Plan Committee (as defined below) may determine to provide for a time-based period of restriction for an award of RSUs that is less than one year.

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Eligibility to Receive Awards. The approximate number of persons eligible to participate in the Amended 2006 Plan is 825.

Types of Awards. The Amended 2006 Plan permits the grant of the following types of awards:

- stock options (incentive and nonqualified);
- SARs;
- restricted stock;
- RSUs;
- performance shares;
- performance units; and
- other stock-based awards.

Duration of the Amended 2006 Plan. No award may be granted under the Amended 2006 Plan after May 7, 2023.

Administration. The Amended 2006 Plan is administered by a committee consisting of two or more members of our Board of Directors (the "Plan Committee"). It is intended that each member of the Plan Committee will be a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act, an "outside director" under regulations promulgated under Section 162(m) of the IRC, and an "independent director" under the NYSE listing standards. Our Board of Directors has currently designated the Compensation Committee as the Plan Committee for the Amended 2006 Plan; however, the entire Board will act as the Plan Committee with respect to awards to non-employee Directors. Subject to applicable law, the Plan Committee may delegate its authority under the Amended 2006 Plan.

Shares Subject to the Amended 2006 Plan. The total number of shares of our common stock available for awards under the Amended 2006 Plan is 7,350,000, subject to antidilution adjustments. Each share underlying stock options and SARs granted under the Amended 2006 Plan, and not forfeited or terminated, will reduce the number of shares available for future awards under the Amended 2006 Plan 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) will reduce the number of shares remaining for other awards by two shares.

The source of shares for issuance under the Amended 2006 Plan may be authorized and unissued shares or treasury shares.

If an award under the Amended 2006 Plan is forfeited or terminated for any reason before being exercised, fully vested or settled, as the case may be, then the shares underlying that award will be added back to the remaining shares and will be available for future awards under the Amended 2006 Plan. The number of shares available for future awards under the Amended 2006 Plan, however, will be reduced by: (a) any shares subject to an award that are withheld or otherwise not issued upon the exercise of the award to satisfy the participant's tax withholding obligations or to pay the exercise price of the award; and (b) shares subject to an award that is settled in cash in lieu of shares. In addition, any shares tendered by a participant in payment of the exercise price of an option may not be re-issued under the Amended 2006 Plan.

Pursuant to the Amended 2006 Plan, subject to antidilution adjustments:

- the maximum aggregate number of shares that may be delivered in connection with stock options intended to be incentive stock options under Section 422 of the IRC ("incentive stock options") may not exceed 7,350,000 shares;
- the maximum aggregate number of shares that may be granted to an individual participant during any calendar year pursuant to:
    - all forms of awards is 400,000 shares;
    - incentive stock options is 400,000 shares;
    - restricted stock and RSU awards is 250,000 shares; and
    - performance share awards is 250,000 shares;
- the aggregate fair market value of shares that may be granted to a non-employee director during any calendar year may not exceed $400,000; and
- the maximum aggregate compensation that may be paid pursuant to performance units awarded in any one calendar year to an individual participant is $2,000,000, or a number of shares having an aggregate fair market value not in excess of that amount.

Further, no incentive stock option will be granted to a participant if, as a result of such grant, the aggregate fair market value of shares with respect to which incentive stock options are exercisable for the first time in any calendar year would exceed $100,000.

No Repricing. The Amended 2006 Plan prohibits repricing of stock options or SARs, including by way of an exchange for another award with a lower exercise price, unless shareholder approval is obtained.

Stock Options. Stock options granted under the Amended 2006 Plan may be either nonqualified or incentive stock options. Each option grant will be evidenced by an award agreement between the optionee and us setting forth the terms and conditions of the option. The Plan Committee will set the exercise price of each option, provided that the exercise price may not be less than 100% of the fair market value of our common stock on the date the option is granted. The Amended 2006 Plan defines "fair market value" as the closing price of our common stock on the effective date of the option grant or, if that date is not a trading day, on the most recent trading day prior to the effective date of the option grant. In addition, in the case of an incentive stock option granted to a participant who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of our stock, the exercise price of the incentive stock option will not be less than 110% of the fair market value of our common stock on the effective date of the option grant.

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The Plan Committee will determine the term of each stock option that it grants under the Amended 2006 Plan; however, the term may not exceed seven years from the date of grant. Moreover, in the case of an incentive stock option granted to a participant who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of our stock, the term of the option may not exceed five years from the date of grant.

Unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service, if an optionee's employment or service terminates due to death or disability:

- all of the optionee's stock options with time-based vesting provisions will become immediately exercisable and will remain exercisable until the earlier of:
  - the date three years after the date of the optionee's death or disability, or
  - the date the options expire in accordance with their terms; and
- with respect to the optionee's options with performance-based vesting provisions:
  - the optionee will forfeit all such options that are not exercisable as of the date of death or disability; and
  - options that were exercisable as of the date of death or disability will remain exercisable until the earlier of (a) the date three years after such date, or (b) the date the options expire in accordance with their terms.

For stock options granted under the 2006 Equity Compensation Plan prior to November 24, 2010, termination of an optionee's employment or service due to retirement is treated in the same manner as termination of employment or service due to death or disability. In all cases, incentive stock options will not be exercisable for more than three months following an optionee's death or retirement or more than one year following the termination of an optionee's employment by reason of disability.

Unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service, upon termination by us of an optionee's employment or service without cause, or upon termination of employment or service by the optionee for a reason other than death or disability (or retirement for stock options granted prior to November 24, 2010):

- an optionee will forfeit all of his or her options that had not yet become exercisable; and
- options that were exercisable as of the date of the optionee's termination will remain exercisable until the earlier of (a) the date 90 days after the date of termination, or (b) the date the options expire in accordance with their terms.

Unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service, upon termination of employment or service for cause, an optionee will immediately forfeit all of his or her outstanding options.

SARs. SAR grants may be either freestanding or tandem with option grants. Each SAR grant will be evidenced by an agreement that will specify the number of shares to which the SAR pertains, the grant price, the term of the SAR and such other provisions as the Plan Committee shall determine. The grant price of a freestanding SAR will not be less than 100% of the fair market value of our common stock on the effective date of the SAR grant, and the grant price of a tandem SAR will equal the exercise price of the related option. The Plan Committee will determine the term of each SAR that it grants under the Amended 2006 Plan; however, the term may not exceed seven years from the date of grant.

Upon exercise of a SAR, the holder will receive payment from us in an amount equal to the product of (a) the excess of the fair market value of our common stock on the date of exercise over the grant price and (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Plan Committee, payment to the holder of a SAR may be in cash, shares of our common stock or a combination thereof.

If the employment or service of a holder of a SAR is terminated, the SAR will be treated in the same manner as options are treated.

Restricted Stock and Restricted Stock Units. Each restricted stock or RSU grant will be evidenced by an agreement that specifies the applicable period of restriction, the number of restricted shares or RSUs granted, the vesting or settlement date, and such other provisions as the Plan Committee determines.

The period of restriction applicable to an award of restricted stock or RSUs is at least one year for awards with a time-based period of restriction granted after November 24, 2010 (unless the Plan Committee determines otherwise with respect to an award of RSUs) and all awards with a performance-based period of restriction, and was at least three years for awards with a time-based period of restriction granted under the 2006 Equity Compensation Plan prior to November 24, 2010.

Participants holding restricted stock may exercise full voting rights and will receive all regular cash dividends paid with respect to those shares. Except as otherwise determined by the Plan Committee, all other distributions paid with respect to the restricted stock will be credited to the participant subject to the same restrictions on transferability and forfeitability as the underlying restricted stock.

When the applicable period of restriction on the restricted stock ends, the stock will become freely transferable, and the participant will receive those shares. When the applicable period of restriction ends, RSUs will be settled and paid. At the time of the grant, the Plan Committee shall determine whether the RSUs will be settled by delivery of shares, payment in cash of an amount equal to the fair market value of the shares on the settlement date or the average of the fair market value of the shares over a specified number of days prior to the settlement date, or a combination of shares and cash.

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With respect to restricted stock with a time-based period of restriction, unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service:

- upon a participant's death or disability, the period of restriction will lapse immediately; and
- upon termination of a participant's employment or service with us for any reason other than death or disability, the participant will forfeit all unvested restricted stock immediately after the termination of employment or service.

Unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service, with respect to restricted stock with a performance-based period of restriction, upon termination of a participant's employment or service with us for any reason, the participant will forfeit all unvested restricted stock immediately after the termination of employment or service.

With respect to RSUs with a time-based period of restriction, unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service:

- upon a participant's death or disability, the period of restriction will lapse immediately, and the RSUs will be settled immediately thereafter; and
- upon termination of a participant's employment or service with us for any reason other than death or disability, the participant will forfeit all of his or her unvested RSUs immediately after the termination of employment or service.

Unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service, with respect to RSUs with a performance-based period of restriction, upon termination of a participant's employment or service with us for any reason, the participant will forfeit all of his or her unvested RSUs immediately after the termination of employment or service.

Performance Shares and Performance Units. Each grant of performance shares and performance units will be evidenced by an agreement that specifies the number of shares or units granted, the applicable performance measures and performance periods, and such other provisions as the Plan Committee determines. Except as otherwise provided in the applicable award agreement, upon termination of employment or service or upon a change in control or subsidiary disposition, the performance period for performance shares and performance units must be at least one year.

A participant will not have voting rights or other rights as a shareholder with respect to the shares subject to an award of performance shares or performance units until the time, if at all, when shares are issued to the participant pursuant to the terms of the applicable award agreement.

As soon as practicable following the completion of the performance period applicable to outstanding performance shares or performance units, the Plan Committee will certify in writing the extent to which the applicable performance measures have been attained and the resulting final value of the award earned by the participant and to be paid upon its settlement. The Plan Committee, in its sole discretion as specified in the award agreement, may pay earned performance shares or performance units by delivery of shares or by payment in cash or a combination thereof.

Unless otherwise provided with respect to an award by a participant's award agreement or by written contract of employment of service, if a participant terminates employment or service with us for any reason prior to the end of the performance period respecting an award of performance shares or performance units, the participant will forfeit any and all right to payment under the performance shares or performance units.

Other Stock-Based Awards. The Plan Committee has the right to grant other stock-based awards that may include, without limitation, grants of shares based on attainment of performance measures, payment of shares as a bonus or in lieu of cash based on attainment of performance measures, and the payment of shares in lieu of cash under other of our incentive or bonus programs.

The Plan Committee may determine to pay a non-employee Director's regular annual retainer, retainer for Board committee memberships, retainer for chairperson duties, fees for attendance at Board or Board committee meetings, or any other retainers or fees in the form of another stock-based award under the Amended 2006 Plan. The Plan Committee may also determine to permit the non-employee Directors to elect whether to receive all or a portion of such retainers and fees in the form of other stock-based award. Any such other stock-based awards would not be subject to any restrictions (other than restrictions applicable to our "affiliates").

Performance-Based Awards. The Plan Committee may grant awards that are intended to qualify as "performance-based compensation" for purposes of deductibility under Section 162(m) of the IRC. For any such award, the Plan Committee will establish the goals to be used within 90 days after the commencement of the performance period, or, if the number of days in the performance period is less than 90, the number of days equal to 25% of the performance period applicable to such award. The Amended 2006 Plan sets forth certain performance measures from which the Plan Committee may select for these awards. The Plan Committee may establish performance measures, in its discretion, on a corporate-wide basis or with respect to one or more business units, divisions, subsidiaries, business segments, functions, salary grade levels, or positions, and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. In addition, unless otherwise determined by the Plan Committee, measurement of performance measures will exclude the impact of charges for restructurings, discontinued operations, extraordinary items, and other unusual or non-

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recurring items, as well as the cumulative effects of tax or accounting changes, each as determined in accordance with generally accepted accounting principles or identified in our financial statements, notes to the financial statements, management's discussion and analysis, or other filings with the SEC. As a result of the Incentive Compensation Prohibition and until there is further clarification of the scope and breadth of the Incentive Compensation Prohibition, the Plan Committee will not grant performance-based awards on or after July 1, 2011.

Change in Control, Cash-Out and Subsidiary Disposition. Except as otherwise provided in the applicable award agreement, if we experience a change in control:

- any and all outstanding stock options and SARs granted under the Amended 2006 Plan with time-based vesting provisions will become immediately exercisable;
- any restrictions imposed on restricted stock, RSUs and other stock-based awards granted under the Amended 2006 Plan with time-based vesting provisions will lapse; and
- any and all performance shares, performance units and other awards (if performance-based) granted under the Amended 2006 Plan will vest on a pro rata monthly basis, including full credit for partial months elapsed, and will be paid (a) based on the level of performance achieved as of the date of the change in control, if determinable, or (b) at the target level, if not determinable.

In addition, the Plan Committee may, in its sole discretion, determine that: (a) all outstanding stock options and SARs will be terminated upon the occurrence of a change in control and that each participant will receive, with respect to each share subject to the options or SARs, an amount in cash equal to the excess of the consideration payable with respect to one share in connection with the change in control over the option's exercise price or the SAR's grant price; and (b) options and SARs outstanding as of the date of the change in control may be cancelled and terminated without payment, if the consideration payable in connection with the change in control is less than the option's exercise price or the SAR's grant price.

Further, the Plan Committee has the authority to provide for the automatic full vesting and exercisability of one or more outstanding unvested awards under the Amended 2006 Plan and the termination of restrictions on transfer and repurchase or forfeiture rights on the awards, in connection with a disposition of a subsidiary of ours, but only with respect to those participants who are at the time engaged primarily in service with the subsidiary involved in the subsidiary disposition.

A change in control means the occurrence of one or more of the following:

- the acquisition by any person (within the meaning of Section 13(d) of the Exchange Act) or group (as used in Section 14(d)(2) of the Exchange Act), other than us, a subsidiary of ours or any employee benefit plan sponsored by us or a subsidiary of ours, of beneficial ownership (within the meaning of Section 13(d) of the Exchange Act) directly or indirectly of 25% or more of the outstanding shares of our common stock, provided that an increase in the percentage of the outstanding shares of our common stock beneficially owned by any person or group solely as a result of a reduction in the number of shares of our common stock then outstanding due to the repurchase by us of such common stock shall not constitute a change in control, however any subsequent acquisition of shares of our common stock by any person or group resulting in such person or group beneficially owning 25% or more of the outstanding shares of our common stock shall constitute a change in control;

- the consummation of any consolidation or merger of us or any sale, lease, exchange or other transfer of all or substantially all of our assets, unless, immediately following such consolidation, merger or sale,
  - all or substantially all the persons (within the meaning of Section 13(d) of the Exchange Act) who were the beneficial owners of the securities eligible to vote for the election of our Board of Directors ("company voting securities") outstanding immediately prior to the consummation of such consolidation, merger or sale continue to beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such consolidation, merger or sale in substantially the same proportions as their ownership, immediately prior to the consummation of such consolidation, merger or sale, of the outstanding company voting securities, subject to certain exceptions, and
  - no person (within the meaning of Section 13(d) of the Exchange Act) (excluding any employee benefit plan or related trust sponsored or maintained by the continuing company or any entity controlled by the continuing company) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding voting securities of the continuing company, and
  - at least a majority of the members of the board of directors of the continuing company were incumbent directors of ours (as defined below) at the time of the execution of the definitive agreement providing for such consolidation, merger or sale or, in the absence of such an agreement, at the time at which approval of our Board of Directors was obtained for such transaction;
- during any period of 12 consecutive calendar months, individuals who were directors of ours on the first day of such period ("incumbent directors") cease for any reason to constitute a majority of our Board of Directors; provided, that any individual becoming a director after the first day of such period whose election or nomination by our shareholders was approved by a vote of at least a majority of the incumbent directors shall be deemed to be an incumbent director (unless such individual's initial assumption of office occurs as a result of an actual or threatened proxy contest with respect to election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of any person); or
- the liquidation or dissolution of us.

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Notwithstanding any other provision of the Amended 2006 Plan, with respect to any provision or feature of the plan that constitutes or provides for a deferred compensation plan subject to IRC Section 409A, no event or transaction will constitute a change in control unless it is a change in control within the meaning of IRC Section 409A.

Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Plan Committee may make adjustments in the terms and conditions of, and the criteria included in, awards under the Amended 2006 Plan in recognition of unusual or nonrecurring events (including, without limitation, changes in capitalization) affecting us or our financial statements or of changes in applicable law, regulations, or accounting principles, whenever the Plan Committee determines that such adjustments are appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Amended 2006 Plan. With respect to any awards intended to comply with the performance-based exception under the Amended 2006 Plan, unless otherwise determined by the Plan Committee, any such exception will be specified at such times and in such manner as will not cause such awards to fail to qualify under the performance-based exception.

Recoupment of Awards. All awards granted under the Amended 2006 Plan will be subject to any company policy on recoupment of awards, as in effect from time to time, and all laws relating to the recoupment of equity-based awards.

Amendment, Suspension and Termination of the Amended 2006 Plan. The Board of Directors may amend, suspend or terminate the Amended 2006 Plan at any time; provided, however, that shareholder approval is required for any amendment to the extent necessary to comply with the NYSE listing standards or applicable laws. In addition, no amendment, suspension or termination may adversely impact an award previously granted without the consent of the participant to whom such award was granted unless required by applicable law.

See Exhibit 10.1 to our Current Report on Form 8-K, filed on May 7, 2013 with the SEC for a copy of the Amended 2006 Plan and Exhibit 10.10 to our Quarterly Report on Form 10-Q, filed on April 29, 2015 with the SEC for a copy of the First Amendment.

2014 Awards. During 2014, the following equity-based compensation awards were granted under the Amended 2006 Plan:

- nonqualified stock options to our key employees to purchase an aggregate of 168,500 shares of our common stock; and
- an aggregate of 402,890 RSUs to our key employees, which RSUs settle in shares of our common stock.

ESI 401(k) Plan. On May 16, 1998, we established the ESI 401(k) Plan, a qualified defined contribution plan. The ESI 401(k) Plan is designed to provide substantially all of our employees with a tax-deferred, long-term savings vehicle. Prior to July 1, 2013, for each payroll period, we made matching cash contributions in an amount equal to (a) 100% of the first 1% of the employee's salary that the employee contributed to the plan and (b) 50% of the next 4% of the employee's salary that the employee contributed to the plan. Beginning on July 1, 2013, for each payroll period, we make matching cash contributions in an amount equal to 50% of the first 6% of the employee's salary that the employee contributes to the plan. Our matching contributions vest 100% upon completion of the third full year that the employee is employed by us. Employees can elect to contribute from 1% to the maximum amount of their salaries that is permitted by federal law, and they have a choice of 23 investment funds in which to invest their contributions.

After age 59 ½, employees may withdraw most of their and our vested contributions, including rollover, matching, employee pre-tax and predecessor plan contributions, and the earnings thereon. Regardless of the employee's age, our retirement contributions made before January 1, 2002 and the earnings thereon may not be withdrawn while the employee is still employed by us. Prior to age 59 ½, withdrawals by an employee are limited to rollover and predecessor plan contributions, unless the employee qualifies for a financial hardship withdrawal or a withdrawal in connection with a leave to perform qualifying military service. Upon termination of employment, the employee may withdraw all amounts attributable to the employee's contributions and our vested contributions. Payments are normally made in a single lump sum, but if the employee's balance is above a threshold amount, the employee may elect to receive payment in annual or monthly installments over a period not to exceed 20 years.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information concerning the outstanding equity awards granted by us to the Named Executive Officers that were outstanding on December 31, 2014.

Outstanding Equity Awards at Fiscal Year-End 2014

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Option Exercise	Option Expiration	Number of Shares or Units of Stock that have Not	Market Value of Shares or Units of Stock that have
Named Executive Officer	**Exercisable[1]**	**Unexercisable[2]**	**Price**	**Date**	**Vested[3]**	**Not Vested[4]**
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Kevin M. Modany						
01/30/08 Award [5]	74,147	0	$ 88.38	01/30/15		
01/28/09 Award [6]	100,000	0	$121.56	01/28/16		
01/27/10 Award [7]	125,000	0	$113.41	01/27/17		
01/27/11 Award [8]	125,000	0	$ 69.43	01/27/18		
02/13/12 Award - Option [9]	41,666	20,834	$ 75.16	02/13/19		

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	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Option Exercise	Option Expiration	Number of Shares or Units of Stock that have Not	Market Value of Shares or Units of Stock that have
Named Executive Officer	**Exercisable[1]**	**Unexercisable[2]**	**Price**	**Date**	**Vested[3]**	**Not Vested[4]**
(a)	(b)	(c)	(d)	(e)	(f)	(g)
02/13/12 Award - RSUs [10]					7,266	$ 69,826
02/13/12 Award - RSUs [11]					44,229	$ 425,041
05/09/13 Award - Option [12]	20,833	41,667	$ 19.31	05/09/20		
05/09/13 Award - RSUs [13]					18,750	$ 180,183
02/04/14 Award - Option [14]	0	62,500	$ 27.94	02/04/21		
02/04/14 Award - RSUs [15]					28,125	$ 270,281
Daniel M. Fitzpatrick						
01/30/08 Award [5]	15,508	0	$ 88.38	01/30/15		
01/28/09 Award [6]	20,000	0	$121.56	01/28/16		
01/27/10 Award [7]	22,000	0	$113.41	01/27/17		
01/27/11 Award - Option [8]	16,500	0	$ 69.43	01/27/18		
02/13/12 Award - Option [9]	7,333	3,667	$ 75.16	02/13/19		
02/13/12 Award - RSUs [10]					1,279	$ 12,291
02/13/12 Award - RSUs [11]					8,545	$ 82,117
05/09/13 Award - Option [12]	5,000	10,000	$ 19.31	05/09/20		
05/09/13 Award - RSUs [13]					4,500	$ 43,245
02/04/14 Award -	0	15,000	$ 27.94	02/04/21		

Option [14]							
02/04/14 Award - RSUs [15]					6,750	$	64,868
John E. Dean							
05/22/12 Award - RSUs [16]					1,722	$	16,548
05/21/13 Award - RSUs [17]					3,598	$	34,577
08/04/14 Award - RSUs [18]					129,534	$	1,244,822
Eugene W. Feichtner							
01/30/08 Award [5]	15,508	0	$ 88.38	01/30/15			
01/28/09 Award [6]	17,500	0	$121.56	01/28/16			
01/27/10 Award [7]	20,000	0	$113.41	01/27/17			
01/27/11 Award - Option [8]	10,000	0	$ 69.43	01/27/18			
02/13/12 Award - Option [9]	6,666	3,334	$ 75.16	02/13/19			
02/13/12 Award - RSUs [10]					1,163	$	11,176
02/13/12 Award - RSUs [11]					7,780	$	74,766
05/09/13 Award - Option [12]	3,333	6,667	$ 19.31	05/09/20			
05/09/13 Award - RSUs [13]					3,000	$	28,830
02/04/14 Award - Option [14]	0	10,000	$ 27.94	02/04/21			
02/04/14 Award - RSUs [15]					4,500	$	43,245
Ronald F. Hamm [19]							
05/09/13 Award - Option [12]	3,333	6,667	$ 19.31	05/09/20			
05/09/13 Award - RSUs [13]					3,000	$	28,830
02/04/14 Award - Option [14]	0	10,000	$ 27.94	02/04/21			
02/04/14 Award - RSUs [15]					4,500	$	43,245

(1) Amounts shown represent on an award-by-award basis, the number of securities underlying unexercised options that were exercisable as of December 31, 2014.

(2) Amounts shown represent on an award-by-award basis, the number of securities underlying unexercised options that were unexercisable as of December 31, 2014. These options will become exercisable on their scheduled vesting dates as noted in the footnotes below, except that the options will become immediately exercisable upon the occurrence of an acceleration event or change in control, or upon termination of employment due to death, disability or, in the case of options granted prior to November 24, 2010, retirement.

(3) Amounts shown represent on an award-by-award basis, the total number of shares of our common stock that had not vested as of December 31, 2014. These awards will vest on their scheduled vesting dates as noted in the footnotes below, except that the RSUs will immediately vest upon the occurrence of a change in control or upon termination of employment due to death or disability.

(4) Amounts shown represent on an award-by-award basis, the aggregate market value of shares of our common stock that had not vested as of December 31, 2014. The aggregate market value is calculated by multiplying the number of shares or units by the closing market price of a share of our common stock on December 31, 2014.

(5) This stock option award vested in three equal installments on January 30, 2009, 2010 and 2011.

(6) This stock option award vested in three equal installments on January 28, 2010, 2011 and 2012.
(7) This stock option award vested in three equal installments on January 27, 2011, 2012 and 2013.

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(8) This stock option award vested in three equal installments on January 27, 2012, 2013 and 2014.
(9) This stock option award vests in three equal installments on February 13, 2013, 2014 and 2015.
(10) This RSU award vested in three equal installments on February 13, 2013, 2014 and 2015, and were settled in shares of our common stock.
(11) This RSU award vests in full on February 13, 2015, and will be settled in shares of our common stock.
(12) This stock option award vests in three equal installments on May 9, 2014, 2015 and 2016.
(13) This RSU award vests in three equal installments on May 9, 2014, 2015 and 2016, and will be settled in shares of our common stock.
(14) This stock option award vests in three equal installments on February 4, 2015, 2016 and 2017.
(15) This RSU award vests in three equal installments on February 4, 2015, 2016 and 2017, and will be settled in shares of our common stock.
(16) This RSU award vests in full on May 22, 2015.
(17) This RSU award vests in full on May 21, 2016.
(18) This RSU award vests in full on August 4, 2015.
(19) The vesting schedules and expiration dates shown in the table and footnotes associated with Mr. Hamm's awards reflect the vesting schedules and expiration dates as of December 31, 2014, which have subsequently been impacted by his resignation. As a result of Mr. Hamm's resignation effective May 15, 2015, all RSUs held by him were forfeited, and all outstanding stock options held by him either have terminated or will terminate 90 days after his resignation date.

Option Exercises and Stock Vested Table

The following table sets forth, on an aggregated basis, information concerning the exercise of stock options to purchase common stock by, and the vesting of RSUs held by, the Named Executive Officers during 2014.

Option Exercises and Stock Vested in Fiscal Year 2014

	Option Awards		Stock Awards	
Named Executive Officer	**Number of Shares Acquired on Exercise**	**Value Realized on Exercise**	**Number of Shares Acquired on Vesting (1)**	**Value Realized on Vesting (2)**
Kevin M. Modany	0	$ 0	16,640	$ 304,108
Daniel M. Fitzpatrick	0	$ 0	4,323	$ 91,094
John E. Dean	0	$ 0	1,412	$ 11,762
Eugene W. Feichtner	0	$ 0	4,106	$ 107,853
Ronald F. Hamm	0	$ 0	1,500	$ 12,495

(1) Amounts shown represent the number of shares of our common stock related to which RSUs vested during the fiscal year.
(2) Amounts shown represent the aggregate dollar amount realized by the Named Executive Officer upon vesting of the RSUs. The dollar amount realized upon vesting of RSUs in 2014 was determined by multiplying the number of RSUs vested by the market price of a share of our common stock on the vesting date. The dollar amounts realized upon vesting of all RSUs in 2014 held by the Named Executive Officer are then added together to obtain the aggregate dollar amount shown in this column.

Pension Benefits Table

The following table sets forth information concerning the Named Executive Officers' pension benefits under each pension plan in which we participated.

Pension Benefits

Named Executive Officer	Plan Name (1)	Number of Years of Credited Service (2)	Present Value of Accumulated Benefit (3)	Payments During Last Fiscal Year (4)
Kevin M. Modany				
	Old Pension Plan	0(5)	$ 0	$ 0
	ESI Pension Plan	13(6)	$ 38,932	$ 0
	ESI Excess Pension Plan	13(6)	$ 50,197	$ 0
Daniel M. Fitzpatrick				
	Old Pension Plan	0(5)	$ 0	$ 0
	ESI Pension Plan	0(5)	$ 0	$ 0
	ESI Excess Pension Plan	0(5)	$ 0	$ 0
John E. Dean				
	Old Pension Plan	0(5)	$ 0	$ 0
	ESI Pension Plan	0(5)	$ 0	$ 0

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Named Executive Officer	Plan Name (1)	Number of Years of Credited Service (2)	Present Value of Accumulated Benefit (3)	Payments During Last Fiscal Year (4)
	ESI Excess Pension Plan	0(5)	$ 0	$ 0
Eugene W. Feichtner				
	Old Pension Plan	20(7)	$ 348,733	$ 0
	ESI Pension Plan	36(6)	$ 292,109	$ 0
	ESI Excess Pension Plan	36(6)	$ 78,226	$ 0
Ronald F. Hamm				
	Old Pension Plan	0(5)	$ 0	$ 0
	ESI Pension Plan	0(5)	$ 0	$ 0
	ESI Excess Pension Plan	0(5)	$ 0	$ 0

(1) Includes each plan that provides for specific retirement payments and benefits, or payments and benefits that will be provided primarily following retirement, including, without limitation, tax-qualified defined benefit plans and supplemental executive retirement plans, but excluding tax-qualified defined contribution plans and nonqualified defined contribution plans.

(2) Computed as of December 31, 2014.

(3) Amounts shown represent the actuarial present value of the Named Executive Officer's accumulated benefit under the plan, computed as of December 31, 2014. The estimated amounts assume that the Named Executive Officer's retirement age is the normal retirement age as defined in the plan or, if not so defined, the earliest time at which a participant may retire under the plan without any benefit reduction due to age. The estimated amounts are based on the Named Executive Officer's most current compensation subject to the plan and, as such, future levels of the Named Executive Officer's compensation are not estimated for purposes of the

calculation. The estimated amounts used to quantify the present value of the accumulated benefit under the Old Pension Plan assume a normal retirement age of 65 using the RP-2000 mortality table and a 3.25% discount rate as of December 31, 2014 for each of the Named Executive Officers who participates in the plan. No mortality is assumed prior to age 65 for any of the Named Executive Officers in the estimated amounts shown for the Old Pension Plan. See Note 14 – Employee Benefit Plans of the Notes to Consolidated Financial Statements, for a discussion of the valuation method and all material assumptions applied in quantifying the present value of the accumulated benefit under the ESI Pension Plan and ESI Excess Pension Plan.

(4) Amounts shown represent the dollar amount of any payments and benefits paid to the Named Executive Officer under each plan identified during 2014.

(5) The Named Executive Officer's employment with us began after participation in the plan by new eligible employees had ended.

(6) The Named Executive Officer's number of years of credited service with respect to the ESI Pension Plan and the ESI Excess Pension Plan is different from the Named Executive Officer's number of actual years of service with us, because:

- any benefit service with ITT Corporation or any of its affiliated companies that was credited to the participating employee under the Old Pension Plan or the Retirement Plan for Salaried Employees of ITT Nevada (the "Nevada Pension Plan"), is treated as benefit service with us under the ESI Pension Plan and the ESI Excess Pension Plan;
- the ESI Pension Plan covers only most of our eligible salaried employees who were employed by us prior to June 2, 2003; and
- the ESI Excess Pension Plan covers only a select group of our management and highly-compensated employees who were employed by us prior to June 2, 2003.

The number of years of credited service attributed to each Named Executive Officer reflects the Named Executive Officer's actual service with us or an affiliated company under the ESI Pension Plan and the ESI Excess Pension Plan through the date that the plans were frozen. The number of years of actual service with us or an affiliated company by each Named Executive Officer who participates in the ESI Pension Plan or the ESI Excess Pension Plan and the difference between that Named Executive Officer's actual service and credited service under the ESI Pension Plan and the ESI Excess Pension Plan are as follows:

Named Executive Officer	Actual Years of Service With Us or an Affiliated Company (a)	Credit Years of Service Under the Plan (b)	Difference (b-a)
Kevin M. Modany	12.5	13	0.5
Eugene W. Feichtner	35.6	36	0.4

The number of actual years of service with us or an affiliated company under the ESI Pension Plan and the ESI Excess Pension Plan, rounded to the nearest whole year in accordance with each plan's terms, is the same as the number of credited years of

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service under the ESI Pension Plan and the ESI Excess Pension Plan and, therefore, no benefit augmentation resulted under the ESI Pension Plan or the ESI Excess Pension Plan to any of the Named Executive Officers as a result of the difference in the number of years of actual service from the number of years of credited service. The benefit accruals under the ESI Pension Plan and the ESI Excess Pension Plan for all participants in the plans were frozen on March 31, 2006, such that no further benefits accrue under those plans after March 31, 2006. See "– Pension Plans – *ESI Pension Plan*" and "– *ESI Excess Pension Plan*."

(7) The Named Executive Officer's number of years of credited service under the Old Pension Plan is different

from the Named Executive Officer's number of actual years of service with us, because our participation in the Old Pension Plan ended on December 19, 1995. The number of years of credited service attributed to each Named Executive Officer reflects the Named Executive Officer's actual service with a participating company under the Old Pension Plan through the end of our participation in the Old Pension Plan. See "– Pension Plans – *Old Pension Plan*." The number of years of actual service with us or an affiliated company by each Named Executive Officer who participated in the Old Pension Plan and the difference between that Named Executive Officer's actual service and credited service under the Old Pension Plan are as follows:

Named Executive Officer	Actual Years of Service With Us or an Affiliated Company (a)	Credit Years of Service Under the Plan (b)	Difference (b-a)
Eugene W. Feichtner	35.6	20	(15.6)

The number of actual years of service with us or an affiliated company is greater than the number of credited years of service under the Old Pension Plan and, therefore, no benefit augmentation resulted under the Old Pension Plan to any of the Named Executive Officers as a result of the difference in the number of years of actual service from the number of years of credited service.

Pension Plans

Old Pension Plan. Prior to December 19, 1995, we participated in the Old Pension Plan, a non-contributory defined benefit pension plan that covered substantially all of our eligible salaried employees, including our executive officers. We paid the entire cost of the Old Pension Plan with respect to our employees. Normal retirement age under the Old Pension Plan is 65.

The annual pension amounts to 2% of a participant's average final compensation (as defined below) for each of the first 25 years of benefit service, plus 1.5% of a participant's average final compensation for each of the next 15 years of benefit service prior to December 19, 1995, reduced by 1.25% of the participant's primary Social Security benefit for each year of benefit service to a maximum of 40 years; provided that no more than 50% of the participant's primary Social Security benefit is used for such reduction. A participant's average final compensation (including salary plus approved bonus payments) is defined under the Old Pension Plan as the total of (a) a participant's average annual base salary for the five calendar years of the last 120 consecutive calendar months of eligibility service affording the highest such average, plus (b) a participant's average annual compensation not including base salary (such as approved bonus compensation and overtime) for the five calendar years of the participant's last 120 consecutive calendar months of eligibility service affording the highest such average. The dollar value of base salary and approved bonus (which may include non-equity incentive plan compensation under Item 402(a) of Regulation S-K under the Exchange Act), whether cash and/or non-cash, are the components of the compensation that are used for purposes of determining "average final compensation" under the Old Pension Plan, but annual compensation in excess of $160,000 and compensation accrued after December 18, 1995 are not taken into account. The Old Pension Plan also provides for: (a) undiscounted early retirement pensions for participants who retire at or after age 60 and prior to normal retirement age following completion of 15 years of eligibility service; and (b) discounted early retirement pensions for participants who retire between ages 55 and 59 and whose age and years of eligibility service equate to at least 80. A participant is vested in benefits accrued under the Old Pension Plan upon completion of five years of eligibility service. A participant may receive a distribution in the form of a qualified joint and survivor annuity or a life annuity. The amount of the resulting monthly benefit under a joint and survivor annuity is typically less than a life annuity based solely on the participant's life expectancy. No extra years of credited service under the Old Pension Plan have been granted to any of the Named Executive Officers. As of December 31, 2014, Mr. Feichtner was the only Named Executive Officer participant who qualified for early retirement under the Old Pension Plan based on age and years of service, but he has not elected to receive the early retirement annual benefit under the Old Pension Plan. ITT Corporation is responsible for all benefits accrued under the Old Pension Plan and for administering those benefits with respect to its own employees as well as our retirees.

ESI Pension Plan. On June 9, 1998, we established the ESI Pension Plan that, prior to June 2, 2003, covered most of our eligible salaried employees, including our executive officers. The purpose for establishing the ESI Pension Plan was to replace the Nevada Pension Plan. We participated in the Nevada Pension Plan, which covered substantially all of our eligible salaried employees, including our executive officers, from December 20, 1995 to June 9, 1998. The Nevada Pension Plan was terminated and liquidated in June 2000 and is no longer in existence. Effective June 2, 2003, the ESI Pension Plan was amended to cover only most of our eligible salaried employees, including our executive officers, who were employed by us prior to June 2, 2003. The benefit accruals under the ESI Pension Plan for all participants in the plan were frozen on March 31, 2006, such that no further benefits accrue under that plan after March 31, 2006, other than interest credits described below.

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The ESI Pension Plan is a cash balance defined benefit plan, which provides a set benefit to participating employees at their retirement that is not affected by the amount of our contributions to the ESI Pension Plan trust or the investment gains or losses with respect to such contributions. The ESI Pension Plan credited a bookkeeping account associated with each participating employee with:

- an amount based on the employee's compensation, age and years of benefit service (the "Pay Credit") at the end of each plan year (i.e., January 1 through December 31, except for the first plan year of June 9, 1998 through December 31, 1998) through March 31, 2006 of the 2006 plan year;
- interest credits on the portion of the balance attributable to Pay Credits credited to the bookkeeping account for plan years prior to the 2002 plan year, calculated as of the end of each plan year at the fixed rate of 8% through December 31, 2010 and 5% beginning January 1, 2011, compounded annually; and
- interest credits on the portion of the balance attributable to Pay Credits credited to the bookkeeping account for the 2002 and subsequent plan years, calculated as of the end of each plan year at a variable rate ranging from 6% to 12% through December 31, 2010 and 4% to 12% beginning January 1, 2011, compounded annually.

The variable rate for a plan year is the average of the 30-year U.S. Treasury Bond (or a comparable instrument) rates on each of March 31, June 30 and September 30 of the immediately preceding plan year. At retirement, the participating employee will receive a benefit equal to the value of the bookkeeping account associated with such employee. We pay the entire cost of the ESI Pension Plan. The Pay Credit equals a percentage of the participating employee's compensation (consisting of base salary, overtime pay and bonuses (which may include non-equity incentive plan compensation under Item 402(a) of Regulation S-K under the Exchange Act) whether cash and/or non-cash) for the plan year and is determined under the following schedule according to points based on the participating employee's age and years of benefit service:

	Standard Schedule Allocation Percentage	
Points	**Prior to 2002**	**Beginning in 2002**
1-29	2.0	2.5
30-34	2.5	2.5
35-39	3.0	3.0
40-44	3.5	3.5
45-49	4.0	4.0
50-54	4.5	4.5
55-59	5.5	5.5
60-64	6.5	6.5
65-69	7.5	7.5
70-74	9.0	9.0
75-79	10.5	10.5

80+	12.0	12.0

Participating employees who met certain age and service requirements received Pay Credits under the following "Transition Schedule," which is more generous:

Transition Schedule Allocation Percentage

Points	Prior to 2002	Beginning in 2002
1-29	2.0	8.0
30-34	2.5	8.0
35-39	3.0	8.0
40-44	3.5	8.0
45-49	4.0	8.0
50-54	4.5	8.0
55-59	5.5	8.0
60-64	7.0	8.0
65-69	8.5	8.5
70-74	10.5	10.5
75-79	13.0	13.0
80+	16.0	16.0

Mr. Modany received Pay Credits under the "Standard Schedule," Mr. Feichtner received Pay Credits under the "Transition Schedule" and Messrs. Fitzpatrick, Dean and Hamm were ineligible to participate in the ESI Pension Plan.

The participating employee's points for a plan year equal the sum of the employee's age and years of benefit service as of the last day of the plan year. Any benefit service and vesting service with ITT Corporation or any of its affiliated companies that were credited to the participating employee under the Old Pension Plan as of December 19, 1995 or under the Nevada Pension Plan from December 20, 1995 through June 9, 1998 are treated as benefit service and vesting service, respectively, with us under the ESI Pension Plan. A participating employee who has completed three or more years of vesting service (or his or her beneficiary) is eligible to

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receive a distribution from the ESI Pension Plan upon the participating employee's retirement on or after age 55, disability, death or after the employee has both terminated employment and reached age 55. The form and timing of the distribution may vary depending on the reason the participant's employment ends, the participant's marital status, the present value of the bookkeeping account associated with the employee and the employee's election. An employee may receive a distribution in the form of a lump sum, qualified joint and survivor annuity (for married participants) or life annuity (for unmarried participants). The amount of the resulting monthly benefit under a joint and survivor annuity is typically less than for a life annuity based solely on the participant's life expectancy. We do not have a policy with regard to crediting extra years of benefit service under our pension plans, but no extra years of benefit service under the ESI Pension Plan have been credited to any of the Named Executive Officers. As of December 31, 2014, Mr. Feichtner was the only Named Executive Officer participant who qualified for retirement under the ESI Pension Plan based on age and years of service. If Mr. Feichtner's employment with us terminated as of December 31, 2014, he would receive his accrued benefit under the ESI Pension Plan as of that date, which was $292,109. An eligible employee's benefits under the ESI Pension Plan will be paid from the trust maintained for the ESI Pension Plan that has been funded by us.

ESI Excess Pension Plan. On June 9, 1998, we established, and effective January 1, 2008, we restated, the ESI Excess Pension Plan, an unfunded, nonqualified retirement plan for a select group of our management and highly compensated employees. The benefit accruals under the ESI Excess Pension Plan for all participants in the plan were frozen on March 31, 2006, such that no further benefits accrue under that plan after March 31, 2006. The purpose of the ESI Excess Pension Plan was to restore benefits earned, but not available, to eligible employees under the ESI Pension Plan due to federal limitations on the amount of benefits that can be paid and compensation that may be recognized under a tax-qualified retirement plan. The practical effect of the ESI Excess Pension Plan was to continue the calculation of retirement benefits to all employees on a uniform basis. The eligible employee's compensation upon which the benefits under the ESI Excess Pension Plan are based is the same as for that eligible employee's benefits under the ESI Pension Plan (but without regard to the IRC limit on includible compensation for qualified plans).

An eligible employee will receive his or her benefit under the ESI Excess Pension Plan in a lump sum cash payment within 60 days following his or her termination of employment. If an eligible employee is a "specified employee" as defined in Section 409A of the IRC, however, then his or her benefit will be paid on the first day that is six months after the eligible employee's termination of employment. If an eligible employee dies before the benefit due to the employee under the ESI Excess Pension Plan has been paid, then the benefit will be paid to the employee's beneficiary within 60 days after the employee's death. We do not have a policy with regard to crediting extra years of benefit service under our pension plans, but no extra years of benefit service under the ESI Excess Pension Plan have been credited to any of the Named Executive Officers. As of December 31, 2014, Mr. Feichtner was the only Named Executive Officer participant who qualified for retirement under the ESI Excess Pension Plan based on age and years of service. If Mr. Feichtner's employment with us terminated as of December 31, 2014, he would receive his accrued benefit under the ESI Excess Pension Plan as of that date, which was $78,226. An eligible employee's benefits under the ESI Excess Pension Plan will generally be paid directly by us. See "– *ESI Pension Plan*."

Nonqualified Deferred Compensation Plan Table

The following table sets forth information concerning the compensation of the Named Executive Officers in our 2014 fiscal year under the ESI Excess Savings Plan and the Directors Deferred Compensation Plan. None of the Named Executive Officers has deferred any bonus compensation under the Deferred Bonus Plan.

Nonqualified Deferred Compensation in Fiscal Year 2014

Named Executive Officer	Executive Contributions in Last Fiscal Year (1)	ITT/ESI Contributions in Last Fiscal Year (1)	Aggregate Earnings in Last Fiscal Year	Aggregate Balance at Last Fiscal Year-End
Kevin M. Modany				
ESI Excess Savings Plan	$ 0	$ 0	$ 4,542(2)	$ 59,279(3)
Daniel M. Fitzpatrick				
ESI Excess Savings Plan	$ 0	$ 0	$ 0	$ 0
John E. Dean				
ESI Excess Savings Plan	$ 0	$ 0	$ 0	$ 0
Directors Deferred Compensation Plan	$ 74,984	$ 0	$ (334,669)(4)	$ 155,634(5)
Eugene W. Feichtner				
ESI Excess Savings Plan	$ 0	$ 0	$ 321(2)	$ 4,192(3)
Ronald F. Hamm	$ 0	$ 0	$ 0	$ 0

ESI Excess Savings Plan	

(1) Effective for plan years beginning on and after January 1, 2008, we froze the ESI Excess Savings Plan, such that eligible employees may no longer make elective contributions and we no longer make contributions under the ESI Excess Savings Plan. See "—Nonqualified Deferred Compensation Plans—*ESI Excess Savings Plan*." The amount shown for Mr. Dean

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related to the Directors Deferred Compensation Plan represents the fair value of the shares of common stock that Mr. Dean elected to receive and defer under the Directors Deferred Compensation Plan in connection with the 2014 annual retainer paid to non-employee Directors in January 2014, prior to his appointment as Executive Chairman in August 2014. See "—Director Compensation—*Directors Deferred Compensation Plan*." The full amount shown for Mr. Dean in this column is reported as compensation to Mr. Dean in the Summary Compensation Table for 2014 in the "Salary" column. See "—Summary Compensation Table."

(2) Represents the dollar amount of the aggregate interest or other earnings accrued during 2014 to the Named Executive Officer's account under the ESI Excess Savings Plan. The only portion of these amounts that is reported as compensation to the Named Executive Officer in the Summary Compensation Table for the 2014 year is the above-market or preferential earnings in 2014 on the balance of the Named Executive Officer's account under the ESI Excess Savings Plan which are included in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table. See "– Summary Compensation Table."

(3) Represents the dollar amount of the total balance of the Named Executive Officer's account at the end of 2014 under the ESI Excess Savings Plan. The only portion of these amounts that is reported as compensation to the Named Executive Officer in the Summary Compensation Table for each of the 2013 and 2012 years is the above-market or preferential portion of aggregate earnings under the ESI Excess Savings Plan in 2013 and 2012, which contribute to the aggregate balance of the Named Executive Officer's ESI Excess Savings Plan account at year-end 2014. Those earnings are included in the amount of the Named Executive Officer's compensation for the particular year and are reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table for that particular year. The amount of those above-market or preferential earnings for each of the Named Executive Officers is specified in the table below.

	ESI Excess Savings Plan Above-Market Earnings in Fiscal Year	
Named Executive Officer	**2013**	**2012**
Kevin M. Modany	$ 3,011	$ 2,571
Daniel M. Fitzpatrick	$ 0	$ 0
John E. Dean	$ 0	$ 0
Eugene W. Feichtner	$ 214	$ 183
Ronald F. Hamm	$ 0	$ 0

(4) Represents the dollar amount of the stock price depreciation during 2014 attributable to the deferred shares credited to Mr. Dean's deferred stock account under the Directors Deferred Compensation Plan. None of this amount is reported as compensation to Mr. Dean in the Summary Compensation Table.

(5) Represents the fair value of the total balance of Mr. Dean's deferred stock account at the end of 2014 under the Directors Deferred Compensation Plan, calculated by multiplying the number of shares credited to Mr. Dean's deferred stock account by the closing price of a share of our common stock on December 31, 2014. The portion of this amount that relates to elections by Mr. Dean to receive and defer his annual retainer in shares of our

common stock in prior years was reported in the Directors Compensation Table in prior years' Proxy Statements.

Nonqualified Deferred Compensation Plans

ESI Excess Savings Plan. On June 9, 1998, we established, and effective January 1, 2008, we restated, the ESI Excess Savings Plan, an unfunded, nonqualified deferred compensation plan for a select group of our management and highly compensated employees. Effective for plan years beginning on and after January 1, 2008, we froze the ESI Excess Savings Plan, such that eligible employees may no longer make elective deferrals and we will no longer make contributions under the ESI Excess Savings Plan. The ESI Excess Savings Plan offered eligible employees, who were precluded by federal limitations from fully participating in the ESI 401(k) Plan, a means for:

- restoring their contributions lost under the ESI 401(k) Plan due to the federal limitations;
- restoring our matching and non-matching contributions lost under the ESI 401(k) Plan due to the federal limitations; and
- deferring a portion of their salaries equal to either 5% or the same deferral percentage that they elected under the ESI 401(k) Plan.

Any deferral of an eligible employee's salary under the ESI Excess Savings Plan applied only with respect to the salary that exceeded the federal limitations. See "– Equity Compensation and Qualified Savings Plans – *ESI 401(k) Plan*."

Prior to the freeze of the ESI Excess Savings Plan, we made matching contributions under the ESI Excess Savings Plan equal to 100% of the first 1% and 50% of the next 4% of the eligible employee's salary that the employee deferred under the ESI Excess Savings Plan. Any amounts credited to an eligible employee under the ESI Excess Savings Plan will accrue interest at the rate of 8% compounded monthly. This rate is determined by the Compensation Committee and may be changed at any time by that Committee.

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Our matching contributions vest 100% upon completion of the third full year that the employee is employed by us. The payment of the eligible employee's salary deferrals, our vested matching contributions and the attributable interest accrued thereon will be made in a single lump sum cash payment within 60 days following a Change in Control (as defined in the ESI Excess Savings Plan and below) or the eligible employee's termination of employment. If an eligible employee is a "specified employee" as defined in Section 409A of the IRC, however, then his or her amounts will be paid on the first day that is six months after his or her termination of employment. If an eligible employee dies before the amounts due to the employee under the ESI Excess Savings Plan have been paid, then those amounts will be paid to the employee's beneficiary within 60 days after the employee's death.

A Change in Control under the ESI Excess Savings Plan means one of the following events:

- the acquisition of ownership (other than by way of merger or consolidation with an entity that, immediately before the acquisition, was a Controlling Company (as defined in the ESI Excess Savings Plan and below)) during any 12 month period, by any one person or more than one person acting as a group, of all or substantially all of the assets of a Controlling Company;
- the acquisition (other than by a Controlling Company) by any one person or more than one person acting as a group, of ownership of more than 50% of the total fair market value or total voting power of the ownership interests of stock of a Controlling Company;
- the acquisition (other than by a Controlling Company) during any 12 month period, by any one person or more than one person acting as a group, of ownership of stock of a Controlling Company possessing 30% or more of the total voting power of stock of the Controlling Company; or

- the replacement of a majority of members of the board of directors or comparable governing body of a Controlling Company, during any 12-month period, by members whose appointment or election is not endorsed by a majority of the members of the Controlling Company's board of directors or comparable governing body prior to the date of the appointment or election.

A "Controlling Company" means:

- us;
- a related company that participates in the ESI Excess Savings Plan and employs the eligible employee;
- a related company that is the majority owner of us or a participating company that employs the eligible employee; or
- any related company in an uninterrupted chain of majority ownership culminating in the ownership of us or a participating company that employs the eligible employee.

Deferred Bonus Plan. On March 15, 2000, we established, and effective January 1, 2008, we restated, the Deferred Bonus Plan, an unfunded, nonqualified deferred compensation plan for a select group of our management and highly compensated employees. The Deferred Bonus Plan provides that each eligible employee may elect to defer payment of all or a portion of his or her annual bonus compensation in the same form that the bonus is otherwise payable, either in cash or shares of our common stock. The deferral of payment of cash or shares of our common stock can only be made in increments of 25%. Any deferred cash amounts will accrue interest at the rate of 6% compounded annually. This rate is determined by the Compensation Committee and may be changed at any time by that Committee. Any deferred shares of our common stock will be credited with any cash dividends on those shares and, on a semi-annual basis, those cash dividends will be converted to shares of our common stock, based on the fair market value at the time of the conversion.

An eligible employee under the Deferred Bonus Plan may elect, as part of his or her deferral election, to receive payment of the deferred portion of his or her annual bonus compensation (a) within 60 days after termination of his or her employment with us or (b) in January of a designated calendar year that is no earlier than the second calendar year after the year in which the deferred bonus compensation was determined. If an eligible employee is a "specified employee" as defined in Section 409A of the IRC, then any amounts payable to the eligible employee under the Deferred Bonus Plan on account of his or her termination of employment with us will be paid on the first day that is six months after termination of his or her employment. If an eligible employee dies before all amounts due to the employee under the Deferred Bonus Plan have been paid, the unpaid balance will be paid in a lump sum within 60 days following the eligible employee's death, regardless of the employee's election. Payment of cash amounts deferred are made in the form of cash, and payment of shares of our common stock deferred are made in the form of shares of our common stock, except that any cash dividends that have not been converted to shares of our common stock will be paid in cash.

None of the Named Executive Officers deferred any amounts under the Deferred Bonus Plan in 2014.

Directors Deferred Compensation Plan. Mr. Dean is the only Named Executive Officer with amounts deferred under the Directors Deferred Compensation Plan, due to his prior status as a non-employee Director of ours. See "—Director Compensation—*Directors Deferred Compensation Plan*" for a description of the Directors Deferred Compensation Plan.

<u>Potential Payments Upon Termination or Change In Control</u>

The amounts set forth or referenced in this section reflect amounts payable and the value of benefits under our plans and arrangements to each of the Named Executive Officers in the event of termination of such executive's employment and/or a change in control of us under various circumstances. The various types of circumstances that would trigger payments and benefits are specified in the discussion of each plan and arrangement under which benefits would be received. The following discussion is of plans and

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arrangements currently in effect, but it is always possible that different arrangements could be negotiated in connection with an actual termination of employment or change in control. Further, the amounts shown are estimates and are based on numerous assumptions, including that employment terminated or a change in control occurred on December 31, 2014, except as otherwise noted. Therefore, the actual amounts of the payments and benefits that would be received by the Named Executive Officers could be more or less than the amounts set forth below, and can only be determined at the time of an actual termination of employment or change in control event.

Senior Executive Severance Plan. On October 22, 2007, we established the Senior Executive Severance Plan, which provides severance benefits for a select group of our executives (including all of the Named Executive Officers other than Mr. Dean, due to his status as Executive Chairman, and Mr. Hamm, due to his resignation effective May 15, 2015) when:

- the covered executive's employment is terminated, other than for cause, or when the covered executive terminates his or her employment for good reason, in each case within two years after the occurrence of an acceleration event, as described below; or
- the covered executive's employment is terminated, other than for cause, during an imminent acceleration event period, as described below.

As a result, the benefits under the Senior Executive Severance Plan are not payable merely because a change in control transaction occurs or is imminent. Instead, payment of the severance benefits is only triggered if a change in control has occurred or is imminent and certain types of termination of employment occur. The Compensation Committee has determined that this "double trigger" requirement is in the best interests of our company and our shareholders.

The Senior Executive Severance Plan provides two levels of benefits for covered executives, based on the covered executive's position with us. Under the Senior Executive Severance Plan, Mr. Modany would receive the higher level of benefits and Messrs. Feichtner and Fitzpatrick would receive the lower level of benefits. If Mr. Modany's employment is terminated other than for cause during an imminent acceleration event period or within two years after an acceleration event, or if he resigns for good reason within two years after an acceleration event, he would be entitled to the following from us:

- three times his highest annual base salary rate paid and his highest bonus paid or awarded any time during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three-year period immediately preceding the first day of the imminent acceleration event period);
- a lump sum amount equal to three times the product of his highest annual base salary rate paid during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three-year period immediately preceding the first day of the imminent acceleration event period), multiplied by the highest percentage rate of our contributions with respect to him under the ESI 401(k) Plan at any time during that three year period;
- a lump sum stipend equal to 36 times the monthly premium that, as of the date of Mr. Modany's termination of employment, is charged to qualified beneficiaries for health care continuation coverage under COBRA, for the same coverage options and levels of medical, prescription drug, dental and vision coverage that he had in effect under our welfare plans immediately prior to his termination of employment;
- a lump sum stipend equal to 36 times the full monthly premium payable to our life insurance carrier for the type and level of life insurance coverage (including, if applicable, dependent life insurance

coverage) in effect for him immediately prior to his termination of employment; and

- a tax gross-up payment that covers any excise tax, interest and penalties under the IRC arising from the payment to him of any amount under the Senior Executive Severance Plan or otherwise as a result of an acceleration event.

If the employment of any of the other Named Executive Officers (other than Mr. Dean or Mr. Hamm) is terminated other than for cause during an imminent acceleration event period or within two years after an acceleration event, or if he resigns for good reason within two years after an acceleration event, he would be entitled to the following from us under the Senior Executive Severance Plan:

- two times his highest annual base salary rate paid and his highest bonus paid or awarded any time during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three-year period immediately preceding the first day of the imminent acceleration event period);
- a lump sum amount equal to two times the product of his highest annual base salary rate paid during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three-year period immediately preceding the first day of the imminent acceleration event period), multiplied by the highest percentage rate of our contributions with respect to that executive under the ESI 401(k) Plan at any time during that three year period;
- a lump sum stipend equal to 24 times the monthly premium that, as of the date of the executive's termination of employment, is charged to qualified beneficiaries for COBRA continuation coverage for the same coverage options and levels of medical, prescription drug, dental and vision coverage that the executive had in effect under our welfare plans immediately prior to his termination of employment; and

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- a lump sum stipend equal to 24 times the full monthly premium payable to our life insurance carrier for the type and level of life insurance coverage (including, if applicable, dependent life insurance coverage) in effect for him immediately prior to his or her termination of employment;

provided, however, that in the event that any payments to one of these other Named Executive Officers under the Senior Executive Severance Plan or otherwise in connection with an acceleration event would be subject to any excise tax under Section 4999 of the IRC, then those payments will be reduced to the extent necessary to prevent any portion of the payments from being subject to an excise tax under that section of the IRC, but only if such reduction would allow the executive to retain a greater net after-tax benefit than he or she would have received if the payments had not been reduced and the executive had paid all applicable income, employment and excise taxes.

The Senior Executive Severance Plan provides that, in order to receive any severance benefits under that plan, the covered executive must agree to comply with certain restrictive covenants, including that the covered executive:

- will not be employed by, work for, consult with, lend assistance to or engage in businesses competitive with ours for a period of one year after termination of employment;
- will not solicit or induce to leave any of our employees for a period of one year after the executive's termination of employment;
- will not urge or induce any of our customers or others with whom we have a business relationship to terminate or limit their business with us for a period of one year after termination of employment;
- will not disparage us for a period of one year after termination of employment; and

- will not disclose or use our confidential information for as long a period of time as permitted by applicable law, and in any event for a period of at least three years after termination of employment.

The covered executive must also execute a general release releasing us and certain related entities and individuals from all claims that he or she has or may have against us or them that arise on or before the date the executive signs the release.

The Senior Executive Severance Plan provides that the severance amounts will be paid by us in a lump sum cash payment within 30 calendar days following the covered executive's termination or, if later, on the first business day after expiration of the revocation period of the general release. Payment of any gross-up amount to Mr. Modany is to be made within five business days after a chosen accounting firm determines whether such a payment is due. In all cases, any amounts due under the Senior Executive Severance Plan must be paid no later than March 15 of the calendar year following the calendar year in which the executive's termination of employment occurs.

An "acceleration event" under the Senior Executive Severance Plan will occur if:

- a report on Schedule 13D is filed with the SEC disclosing that any person, other than us or one of our subsidiaries or any employee benefit plan that we or one of our subsidiaries sponsors, is the beneficial owner of 20% or more of the outstanding shares of our common stock, other than as a result of an increase in the percentage of the outstanding shares beneficially owned by such person solely as a result of a reduction in the number of shares then outstanding due to the repurchase by us of our common stock, provided that any subsequent acquisition of shares of our common stock by any person resulting in such person beneficially owning 20% or more of the outstanding shares of our common stock shall constitute an acceleration event;
- a person, other than us or one of our subsidiaries or any employee benefit plan that we or one of our subsidiaries sponsors, purchases shares of our common stock in connection with a tender or exchange offer, if after consummation of the offer the person purchasing the shares is the beneficial owner of 15% or more of the outstanding shares of our common stock;
- our shareholders approve:
  - any consolidation or merger of us in which we are not the continuing or surviving corporation or our common stock is converted into cash, securities or other property, unless the transaction was a merger in which our shareholders immediately prior to the merger would have the same proportionate ownership of common stock of the surviving corporation that they held in us immediately prior to the merger; or
  - any sale, lease, exchange or other transfer of all or substantially all of our assets; or
- a majority of the members of our Board of Directors changes within a 12-month period, unless the election or nomination for election of each of the new Directors by our shareholders had been approved by two-thirds of the Directors still in office who had been Directors at the beginning of the 12-month period.

An "imminent acceleration event period" under the Senior Executive Severance Plan means the period:

- beginning on the first to occur of:
  - a public announcement of a proposal or offer that, if consummated, would be an acceleration event;
  - a making to one or more of our Directors or executive officers of a written proposal that, if consummated, would be an acceleration event; or
  - approval by our Board of Directors or shareholders of a transaction that, upon closing, would be an acceleration event; and

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- ending upon the first to occur of:
  - a public announcement that the contemplated acceleration event has been terminated or abandoned;
  - the occurrence of the contemplated acceleration event; or
  - 18 months after the beginning of the imminent acceleration event period.

A resignation for "good reason" means:

- a material diminution in the covered executive's base compensation;
- a material diminution in the covered executive's authority, duties or responsibilities;
- a material diminution in the authority, duties or responsibilities of the person to whom the covered executive is required to report (including, for example, a requirement that a covered executive who previously reported to the Board of Directors instead report to a corporate officer or employee);
- a material diminution in the budget over which the covered executive retains authority;
- a material change in the geographic location at which the covered executive must perform services; and
- if the terms and conditions of a covered executive's employment are governed by an agreement, any other action or inaction that constitutes a material breach by us or any successor of the agreement.

A termination for "cause" means any action by a covered executive involving willful malfeasance or his or her failure to act involving material nonfeasance that would have a materially adverse effect on us. No act or omission on the part of the covered executive will be considered "willful," unless it is done or omitted in bad faith or without reasonable belief that the action or omission was in our interests.

If termination of employment and an acceleration event or imminent acceleration event under the Senior Executive Severance Plan occurred that entitled the Named Executive Officers to severance benefits under the Senior Executive Severance Plan, the value that could have been realized from those benefits as if employment terminated on December 31, 2014 is set forth in the following table for the Named Executive Officers other than Mr. Dean and Mr. Hamm. Mr. Dean is not eligible for benefits under the Senior Executive Severance Plan. Mr. Hamm did not receive any benefits or other payments under the Senior Executive Severance Plan in connection with his resignation effective May 15, 2015.

Value of Benefit that Could have been Realized by the Named Executive Officers under the Senior Executive Severance Plan as of December 31, 2014

Type of Benefit	Modany	Fitzpatrick	Feichtner
Salary	$2,472,229	$ 824,000	$ 638,822
Bonus	$3,000,279	$ 650,000	$ 465,162
Stipend in Lieu of Health Insurance Benefits[1]	$ 39,549	$ 26,366	$ 26,366
Stipend in Lieu of Life Insurance Benefits[1]	$ 18	$ 12	$ 12
Foregone Savings Plan Benefits[1]	$ 22,950	$ 15,300	$ 15,300
Tax Gross-Up Payment to Cover Excise Tax[2]	$ 0	N/A	N/A
Reduction to Limit Excise Taxes[2]	N/A	$ (0)	$ (0)
Total	$5,535,025	$1,515,678	$1,145,662

(1) The estimated value of the severance benefit is based on the cost to us using the assumptions used for financial reporting purposes under generally accepted accounting principles in the United States.
(2) The estimated value of any excise tax, and thereby the amount of any tax gross-up payment and the calculation of any reduction to limit excise taxes, are based on the highest marginal rate of federal, state and local taxes related to the severance benefits specified in the table and any other payments to the Named Executive Officer arising from an acceleration event. These amounts are also based on an assumption that, as a result of the covenant not to compete in the Senior Executive Severance Plan, the value of one year's base salary and target bonus would constitute "reasonable compensation" under Section 280G of the IRC and therefore would be excluded from the calculation of the amount of any excise tax, the amount of any tax gross-up payment and the reduction, if any, required to limit excise taxes.

Modany Letter Agreement. We entered into the Modany Letter Agreement with Mr. Modany on August 4, 2014. See "—Employment Contracts" for a further discussion of the Modany Letter Agreement. If we had terminated the Applicable Period on December 31, 2014 for any reason other than cause, Mr. Monday would have been entitled to the cash compensation he would have been paid through February 4, 2015, as the last day of the Applicable Period, as it existed as of December 31, 2014. During the 18-month period following the Applicable Period, Mr. Modany will serve as a consultant to us in exchange for a monthly fee equivalent to his current monthly base salary and continued vesting of his equity-based awards. Mr. Modany will not be entitled to receive any severance pay or other separation benefits in connection with his resignation, but we will pay him a lump sum cash payment equal to 18 times his monthly premium with respect to COBRA for continued health, dental and vision coverage.

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If we had terminated Mr. Modany's employment without cause on December 31, 2014, he would have been entitled to the following amounts:

- base salary amount through February 4, 2015, payable in a lump sum: $88,747;
- short-term compensation amount with respect to 2014, payable in a lump sum in late January 2015: $721,067;
- COBRA amount, payable in a lump sum: $20,170; and
- aggregate incremental value of continued use of company car through February 4, 2015: $2,105.

Further, subject to Mr. Modany's compliance with a release requirement and restrictive covenants and cooperation provisions, if we had terminated Mr. Modany's employment without cause as of December 31, 2014, he would have become a consultant to us for the 18 month period following his termination. Pursuant to that consulting arrangement, we would pay Mr. Modany a monthly fee equivalent to his current monthly base salary (which is $68,673), there would be continued vesting of his equity-based awards and he would have continued use of the company-provided automobile during the consulting period.

Amended 2006 Plan. If a Named Executive Officer's employment with us terminates as a result of the Named Executive Officer's death or disability:

- all outstanding stock options with time-based vesting restrictions granted to the Named Executive Officer under the Amended 2006 Plan will become exercisable immediately;
- all restrictions imposed on restricted stock and RSUs with time-based vesting restrictions granted to the Named Executive Officer under the Amended 2006 Plan will lapse immediately, and the RSUs will be settled immediately thereafter; and
- the Plan Committee will determine the extent to which a Named Executive Officer will have the right

to receive other stock awards granted to the Named Executive Officer under the Amended 2006 Plan.

In the event of a change in control of us under the Amended 2006 Plan:

- all outstanding stock options with time-based vesting restrictions granted to the Named Executive Officer under the Amended 2006 Plan will become exercisable immediately;
- all restrictions imposed on restricted stock and RSUs with time-based vesting restrictions granted to the Named Executive Officer under the Amended 2006 Plan will lapse immediately, and the RSUs will be settled immediately thereafter; and
- in the discretion of the Plan Committee, all outstanding stock options may be terminated and each participant may receive, with respect to each share subject to the options, an amount in cash equal to the excess of the consideration payable with respect to one share in connection with the change in control over the option's exercise price.

A change in control under the Amended 2006 Plan means the occurrence of one or more of the following:

- the acquisition by any person (within the meaning of Section 13(d) of the Exchange Act), other than us, a subsidiary of ours or any employee benefit plan sponsored by us or a subsidiary of ours, of a beneficial ownership directly or indirectly of 20% or more of the outstanding shares of our common stock, provided that an increase in the percentage of the outstanding shares of our common stock beneficially owned by any person (within the meaning of Section 13(d) of the Exchange Act) solely as a result of a reduction in the number of shares of our common stock then outstanding due to the repurchase by us of such common stock shall not constitute a change in control, however any subsequent acquisition of shares of our common stock by any person (within the meaning of Section 13(d) of the Exchange Act) resulting in such person beneficially owning 20% or more of the outstanding shares of our common stock shall constitute a change in control;
- the purchase by any person (within the meaning of Section 13(d) of the Exchange Act), other than us, a subsidiary of ours or any employee benefit plan sponsored by us or a subsidiary of ours, of shares pursuant to a tender offer or exchange offer to acquire our common stock (or securities convertible into common stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 15% or more of the outstanding shares of our common stock (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire common stock);
- our shareholders approve (a) any consolidation or merger of us in which we are not the continuing or surviving corporation or pursuant to which shares of our common stock would be converted into cash, securities or other property, other than a merger of us in which holders of our common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of our assets;
- a change in a majority of the members of our Board of Directors within a 12-month period, unless the election or nomination for election by our shareholders of each new Director during such 12-month period was approved by the vote of two-thirds of the Directors then still in office who were Directors at the beginning of such 12-month period; or
- the liquidation or dissolution of us.

In addition, one or more outstanding unvested awards under the Amended 2006 Plan may become fully vested and exercisable and the restrictions on the transfer and repurchase or forfeiture rights on the awards may be terminated in connection with a disposition of a subsidiary of ours, but only with respect to those participants who are at the time engaged primarily in service with the subsidiary involved in the subsidiary disposition. See "– Equity Compensation and Qualified Savings Plans – *Amended 2006 Plan*."

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If any of the following occurs:

- a Named Executive Officer's employment with us terminates as a result of the Named Executive Officer's death or disability;
- there is a change in control of us; or
- the Plan Committee determines to fully vest awards in a disposition of a subsidiary with which the officer was engaged primarily in service,

the value that could have been realized from the exercise or acceleration of unvested awards with time-based vesting restrictions granted to the Named Executive Officer under the Amended 2006 Plan as of December 31, 2014, is as follows:

	December 31, 2014 Value of Unvested Awards			
	Termination Due to Death or Disability		Change in Control	
Named Executive Officer	Stock Options[1]	RSUs[2]	Stock Options[1]	RSUs[2]
Kevin M. Modany	$ 0	$ 945,336	$ 0	$ 945,336
Daniel M. Fitzpatrick	$ 0	$ 202,521	$ 0	$ 202,521
John E. Dean	$ 0	$1,295,947	$ 0	$1,295,947
Eugene W. Feichtner	$ 0	$ 158,017	$ 0	$ 158,017

(1) Amounts shown represent the aggregate dollar amount that could be realized from all outstanding, unvested stock option awards granted to the Named Executive Officer under the Amended 2006 Plan, if those options became vested and were exercised by the Named Executive Officer on December 31, 2014.

(2) Amounts shown are calculated by multiplying the number of unvested RSUs held by the Named Executive Officer that would vest upon the specified event by the closing market price of a share of our common stock on December 31, 2014.

Mr. Hamm is not included in the table above because his resignation did not constitute any of the types of events that would have resulted in an acceleration of vesting of any of his equity-based compensation awards.

In addition, the Plan Committee, in its discretion, may amend the terms of any outstanding award granted under the Amended 2006 Plan in the event of a participant's termination of employment or service or in the event of a change in control of us, subject to certain limitations. See "– Equity Compensation and Qualified Savings Plans – *Amended 2006 Plan*."

ESI 401(k) Plan. If a Named Executive Officer's employment with us terminates, the Named Executive Officer may withdraw from his or her account under the ESI 401(k) Plan all of the Named Executive Officer's contributions, all of our vested contributions and all earnings on both types of contributions. Payments are normally made in a single lump sum, but if the Named Executive Officer's balance is above a threshold amount, he or she may elect to receive payments in annual or monthly installments. See "– Equity Compensation and Qualified Savings Plans – *ESI 401(k) Plan*."

If a Named Executive Officer's employment with us terminated, the amount that could have been realized from the distribution of the contributions and earnings thereon in the Named Executive Officer's account under the ESI 401(k) Plan as of December 31, 2014 is as follows:

Named Executive Officer	Amount of Employee

		Contributions, ITT/ESI Vested Contributions and Earnings on Those Contributions as of December 31, 2014
Kevin M. Modany	$	327,414
Daniel M. Fitzpatrick	$	318,202
John E. Dean	$	432
Eugene W. Feichtner	$	1,315,014
Ronald F. Hamm	$	28,474[(1)]

(1) Reflects the amount of employee contributions, vested company contributions and earnings thereon in Mr. Hamm's account under the ESI 401(k) Plan as of May 15, 2015, the effective date of his resignation.

ESI Excess Savings Plan. If the employment of a Named Executive Officer who is a participant in the ESI Excess Savings Plan terminates, all eligible employee salary deferrals, our vested contributions and the attributable interest accrued on those deferrals and contributions under the ESI Excess Savings Plan would be paid in a single lump sum cash payment to him on the first day that is six months following his termination of employment (because each Named Executive Officer participant is a "specified employee" within the meaning of Section 409A of the IRC), or within 60 days of his death if death occurs prior to payment. If a Change in Control

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occurs, the Named Executive Officer participants would receive the balance of their accounts under the ESI Excess Savings Plan in a single lump sum cash payment within 60 day after the Change in Control. See "– Nonqualified Deferred Compensation Plans – *ESI Excess Savings Plan*." If a Named Executive Officer participant's employment with us terminated or a Change in Control under the ESI Excess Savings Plan occurred, the amount that would have been realized from the distribution of the deferrals, contributions and interest thereon in the Named Executive Officer's account under the ESI Excess Savings Plan as of December 31, 2014 is as follows:

Named Executive Officer		Amount of Salary Deferrals, ITT/ ESI Vested Contributions and Accrued Interest as of December 31, 2014
Kevin M. Modany	$	59,279
Daniel M. Fitzpatrick	$	0
John E. Dean	$	0
Eugene W. Feichtner	$	4,192
Ronald F. Hamm	$	0

Deferred Bonus Plan. If a Named Executive Officer's employment with us terminates and he had elected to receive the deferred portion of his annual bonus compensation under the Deferred Bonus Plan following his termination, or the termination was a result of his death, the balance of the Named Executive Officer participant's account under the Deferred Bonus Plan will be paid in a lump sum on the first day that is six months following his termination of employment, or within 60 days of death if his death occurs prior to payment. See "– Nonqualified Deferred Compensation Plans – *Deferred Bonus Plan*." If a Named Executive Officer's employment with us terminated, triggering the payment of the balance of his account under the Deferred Bonus Plan, the Named Executive Officer would not have realized any amount as of December 31, 2014, because none of them had any amount in his account as of that date.

Directors Deferred Compensation Plan. If Mr. Dean's status as a Director and employee of ours terminated as of December 31, 2014, and he was no longer performing services for us in any capacity, he would have received payment of that number of shares of our common stock as were credited to his deferred stock account under the Directors Deferred Compensation Plan on that date. The number of deferred shares credited to Mr. Dean's account as of that date was 16,195, and the fair value of those shares as of that date was $155,634, calculated by multiplying that number of shares by the closing price of a share of our common stock on December 31, 2014.

ESI Pension Plan. If a Named Executive Officer participant has completed three or more years of vesting service, then upon his retirement on or after age 55, disability, death or after he has both terminated employment and reached age 55, a distribution of the Named Executive Officer participant's accrued benefit under the ESI Pension Plan will be paid to him in the form and on the date elected by him beginning on the first day of any month following the termination of employment after the participant becomes entitled to begin distribution. The Named Executive Officer participant can elect to receive payment of the distribution in the form of a lump sum, qualified joint and survivor annuity (if he is married on the annuity starting date) or life annuity (if he is not married on the annuity starting date). See "– Pension Plans – *ESI Pension Plan*." If one of the triggering events occurred and a Named Executive Officer participant elected a lump sum distribution under the ESI Pension Plan, the amount of the Named Executive Officer participant's benefit that would have been accrued and payable under the ESI Pension Plan as of December 31, 2014 is as follows:

Named Executive Officer	Balance of ESI Pension Plan Account as of December 31, 2014
Kevin M. Modany	$ 38,932 [(1)]
Daniel M. Fitzpatrick	$ 0
John E. Dean	$ 0
Eugene W. Feichtner	$ 292,109
Ronald F. Hamm	$ 0

(1) Benefit payable upon death or disability as of December 31, 2014. If the employment of Mr. Modany was terminated for any reason other than death or disability on December 31, 2014, his benefit would not be payable until he reaches age 55, because he was not at least age 55 as of that date.

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ESI Excess Pension Plan. Following the restatement of the ESI Excess Pension Plan effective January 1, 2008, upon a Named Executive Officer participant's death, retirement or other termination of employment, a distribution of the Named Executive Officer's accrued benefit under the ESI Excess Pension Plan will be paid to him in a lump sum on the first day that is six months following his termination of employment (because each Named Executive Officer participant is a "specified employee" within the meaning of Section 409A of the IRC), or within 60 days of his death if death occurs prior to payment. See "– Pension Plans – *ESI Excess Pension Plan*." If one of the triggering events occurred and a Named Executive Officer participant received a lump sum distribution under the ESI Excess Pension Plan, the amount of the Named Executive Officer participant's benefit that would have been accrued and payable under the ESI Excess Pension Plan as of December 31, 2014 is as follows:

Named Executive Officer	Balance of ESI Excess Pension Plan Account as of December 31, 2014
Kevin M. Modany	$ 50,197
Daniel M. Fitzpatrick	$ 0
John E. Dean	$ 0
Eugene W. Feichtner	$ 78,226

Ronald F. Hamm	$ 0

Old Pension Plan. If a Named Executive Officer participant's employment with us terminates and he qualifies for retirement under the Old Pension Plan, a distribution will be paid to him. The Named Executive Officer participant can elect to receive payment of the distribution of his accumulated benefit under the Old Pension Plan in the form of a qualified joint and survivor annuity or life annuity. See "– Pension Plans – *Old Pension Plan*." If a Named Executive Officer participant qualified for retirement under the Old Pension Plan, the actuarial present value of his accumulated benefit under the Old Pension Plan as of December 31, 2014 is set forth in the Pension Benefits Table. See "– Pension Benefits Table." As of December 31, 2014, Mr. Feichtner was the only Named Executive Officer participant who qualified for retirement under the Old Pension Plan, but he has not elected to receive the early retirement annual benefit under the Old Pension Plan. See "– Pension Benefits Table."

Director Compensation Table

The following table sets forth information concerning the compensation of our non-employee Directors in 2014 for their service on our Board of Directors in 2014. Mr. Modany was a Director of ours in 2014 until his resignation on August 4, 2014. Mr. Modany did not receive any compensation for his services as a Director of ours in 2014. Mr. Modany's compensation as an executive officer of ours is disclosed in previous sections of this document. Mr. Dean was a non-employee Director of ours in 2014 until August 4, 2014, when he was appointed Executive Chairman of the Board, at which time he became an employee of ours and remained a Director. Mr. Dean's compensation in 2014 in all capacities in which he served our company (employee, executive officer and Director) is disclosed in previous sections of this document.

Director Compensation Table for Fiscal Year 2014

Name (a)	Fees Earned or Paid in Cash (1) (b)	Stock Awards (2) (c)	Option Awards (3) (d)	Nonqualified Deferred Compensation Earnings (4) (e)	All Other Compensation (f)	Total (5) (g)
Jerry M. Cohen	$ 21,781	$ 0	$ 0	$ 0	$ 0	$21,781
John F. Cozzi	$ 75,000	$ 0	$ 0	$ 0	$ 0	$75,000
James D. Fowler, Jr.	$ 75,000	$ 0	$ 0	$ 0	$ 0	$75,000
Joanna T. Lau	$ 75,000	$ 0	$ 0	$ 0	$ 0	$75,000
Thomas I. Morgan	$ 75,000	$ 0	$ 0	$ 0	$ 0	$75,000
Samuel L. Odle	$ 75,000	$ 0	$ 0	$ 4,840	$ 0	$79,840
Vin Weber	$ 75,000	$ 0	$ 0	$ 0	$ 0	$75,000
John A. Yena	$ 75,000	$ 0	$ 0	$ 0	$ 0	$75,000

(1) Amounts shown represent the aggregate dollar amount of all fees earned or paid for services as a Director, which consists of an annual retainer. In 2014, the annual retainer was paid in cash, but each non-employee Director elected to receive payment of the annual retainer in cash or shares of our common stock, in increments of 25% each. See "– Director Compensation – *Directors Deferred Compensation Plan*." The full amount of the annual retainer that was paid to or deferred by a non-employee Director, whether in cash or shares of our common stock, is reported in this column. The grant date fair value of any portion of the annual retainer that a non-employee Director elected to receive in shares of our common stock is set forth in footnote (2) below. The amount of the annual retainer paid to Mr. Cohen in 2014 was pro-rated based on the date he was appointed to the Board, September 17, 2014.

(2) In 2014, the annual RSU awards to our non-employee Directors was postponed due to our company not being current in its filings with the SEC. As described below under "—Director Compensation—*Retainer and Fees*," the compensation program for our non-employee Directors includes an annual grant under the Amended 2006 Plan of RSUs that is effective

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on May 1 of each year. The 2014 grant, however, was postponed until the third business day following the date that we become current in our filings with the SEC. Because that date did not occur in 2014, the annual grant of RSUs also did not occur in 2014. In 2014, each non-employee Director elected to receive payment of the annual retainer in cash or shares of our common stock, in increments of 25% each. See "– Director Compensation – *Directors Deferred Compensation Plan.*" The amount related to any portion of the annual retainer that a non-employee Director elected to receive in shares of our common stock is included in column (b) of the table, but the grant date fair value of such shares is disclosed in the table below.

To determine the grant date fair value of stock awards, we use the closing market price of a share of our common stock on the effective date of the stock award. The amounts ultimately realized by the non-employee Directors from the stock awards will depend on the price of our common stock in the future and may be quite different from the value shown. The following table sets forth information regarding the fair value of the portion of the 2014 annual retainer that certain non-employee Directors elected to receive in the form of shares of our common stock:

Grant Date Fair Value of Stock Awards in Fiscal Year 2014

Name (a)	Grant Date Fair Value of Stock Award (b)
Jerry M. Cohen	
Portion of Retainer Payable in Stock	N/A
John F. Cozzi	
Portion of Retainer Payable in Stock	$ 74,984
James D. Fowler, Jr.	
Portion of Retainer Payable in Stock	$ 37,475
Joanna T. Lau	
Portion of Retainer Payable in Stock	N/A
Thomas I. Morgan	
Portion of Retainer Payable in Stock	N/A
Samuel L. Odle	
Portion of Retainer Payable in Stock	N/A
Vin Weber	
Portion of Retainer Payable in Stock	$ 74,984
John A. Yena	
Portion of Retainer Payable in Stock	N/A

"N/A" means not applicable.

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The following table sets forth information regarding the aggregate number of unvested stock awards granted by us to the non-employee Directors that were outstanding on December 31, 2014:

Outstanding Stock Awards at Fiscal Year-End 2014

Name	Number of Shares or Units of Stock that	Market Value of Shares or Units of Stock that

(a)	have Not Vested [A] (b)		have Not Vested [B] (c)
Jerry M. Cohen			
N/A			
John F. Cozzi			
05/22/12 Award [C]	1,722	$	16,548
05/21/13 Award [D]	3,598	$	34,577
James D. Fowler, Jr.			
05/22/12 Award [C]	1,722	$	16,548
05/21/13 Award [D]	3,598	$	34,577
Joanna T. Lau			
05/22/12 Award [C]	1,722	$	16,548
05/21/13 Award [D]	3,598	$	34,577
Thomas I. Morgan			
05/21/13 Award [D]	3,598	$	34,577
Samuel L. Odle			
05/22/12 Award [C]	1,722	$	16,548
05/21/13 Award [D]	3,598	$	34,577
Vin Weber			
05/22/12 Award [C]	1,722	$	16,548
05/21/13 Award [D]	3,598	$	34,577
John A. Yena			
05/22/12 Award [C]	1,722	$	16,548
05/21/13 Award [D]	3,598	$	34,577

(A) Amounts shown represent the total number of shares or units of our common stock that have not vested.

(B) Amounts shown represent the aggregate market value of RSUs that have not vested. The aggregate market value is calculated by multiplying the number of RSUs by the closing market price of a share of our common stock on December 31, 2014.

(C) This RSU award vests in full on May 22, 2015 or, if earlier, upon termination of the Director's service on our Board of Directors due to the expiration of the last term that the Director is permitted to serve pursuant to any then-effective term or age limitation contained in any of our guidelines, policies, principles or other corporate document that results in the Director not being able to be nominated to a new term on our Board of Directors.

(D) This RSU award vests in full on May 21, 2016 or, if earlier, upon termination of the Director's service on our Board of Directors due to the expiration of the last term that the Director is permitted to serve pursuant to any then-effective term or age limitation contained in any of our guidelines, policies, principles or other corporate document that results in the Director not being able to be nominated to a new term on our Board of Directors.

(3) In 2014, none of the non-employee Directors received any stock options or SARs from us. There were no adjustments or amendments made in 2014 to the exercise price of any option awards held by any of the non-employee Directors, whether through amendment, cancellation or replacement grants, or any other means (such as a repricing), or that otherwise materially modified any option awards. None of the non-employee Directors held any outstanding option awards at December 31, 2014.

(4) Amounts shown represent the above-market or preferential earnings on compensation deferred under the Directors Deferred Compensation Plan. See "—Director Compensation – *Directors Deferred Compensation Plan*." Interest is above-market only if the rate of interest exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under Section 1274(d) of the IRC), at the rate that corresponds most closely to the rate under the applicable plan at the time the interest rate or formula is set. In the event of a discretionary reset of the interest rate, the requisite calculation is made on the basis of the interest rate at the time of such reset, rather than when originally established. Only the above-market portion of the interest is included.

(5) Amounts shown represent the sum of the dollar values for each compensation element shown in columns (b) through (f).

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Director Compensation

Retainer and Fees. We do not compensate any Director who is an employee of ours for service as a member of our Board of Directors or any standing committee of our Board of Directors. The compensation for non-employee Directors consists of:

- an annual retainer of $75,000 payable in one installment on the first business day of each year, at the election of each non-employee Director, in cash or shares of our common stock in increments of 25% each;
- no separate meeting fees; and
- an annual grant under the Amended 2006 Plan of RSUs with a time-based period of restriction that:
  - has a value of $100,000, plus the value associated with any fractional RSU necessary to cause the grant to be for a whole number of RSUs, 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;
  - is effective on May 1 in each year (except with respect to the 2014 and 2015 RSU awards, the grant date has been postponed until the third trading day following the date that we become current in our filings with the SEC);
  - has a time-based period of restriction of one year, except that the grant of RSUs that was to occur in 2014, when granted, will be fully vested and the grant of RSUs that was to occur on May 1, 2015 will vest on May 1, 2016; and
  - is settled on the first business day following the last day of the period of restriction or as soon as practicable thereafter by the delivery of one share of our common stock for each RSU in the grant.

We also reimburse Directors for reasonable, out-of-pocket travel expenses related to attending our Board of Directors and its committee meetings and other business of the Board.

Mr. Cohen was appointed to our Board of Directors in September 2014. In May 2015, the Board of Directors determined to base the pro-rata calculation of the number of RSUs to be granted to him related to the 2014 equity award to outside directors on a May 1 to April 30 basis, instead of a calendar year basis. As a result, the value of the RSUs to be granted to Mr. Cohen pursuant to his pro-rated 2014 equity award will be $61,918.

Timing of Equity-Based Compensation Grants. The Compensation Committee makes recommendations to our Board of Directors regarding grants of equity-based compensation to our non-employee Directors. All equity-based compensation awards to our non-employee Directors are granted exclusively by our Board of Directors. Beginning in 2014, our Board of Directors established May 1 of each year as the effective date of grant of equity-based compensation to our non-employee Directors. The 2014 grant, however, has been postponed until the third business day following the date that we become current in our filings with the SEC. The exercise price of any stock options included in those equity-based compensation grants is the closing market price of a share of our common stock on the effective date of the grant. The number of RSUs included in those grants is based on the closing market price of a share of our common stock on the effective date of the grant.

We do not time our release of material non-public information for the purpose of affecting the value of our non-employee Directors' compensation. Nevertheless, our process for granting equity-based compensation may result in equity-based compensation, including stock options, being granted to our non-employee Directors at times when our Board of Directors or the Compensation Committee is in possession of material non-public information about us. This possibility is not taken into account in determining whether to make the equity-based compensation awards or the amount or value of those awards.

Directors Deferred Compensation Plan. On October 1, 1999, we established, and effective January 1, 2008, we restated, the Directors Deferred Compensation Plan, an unfunded, nonqualified plan covering all of our non-employee Directors. The Directors Deferred Compensation Plan provides that each non-employee Director may elect to receive payment of the annual retainer in cash or in shares of our common stock, in increments of 25% each. A non-employee Director who elects payment in shares of our common stock will receive that number of shares equal to the number obtained by dividing the dollar amount of the portion of the annual retainer to be paid in shares of our common stock by the fair market value of one share of our common stock determined as of the payment date. The value of any fractional share resulting from this calculation will be paid to the Director in cash.

The Directors Deferred Compensation Plan also provides that each non-employee Director may elect to defer payment of all or a portion of the annual retainer. The deferral of payment of cash or shares of our common stock can only be made in increments of 25%. Any deferred cash amounts will accrue interest at the rate of 6% compounded annually. Any deferred shares of our common stock will be credited with any cash dividends on those shares and, on a semi-annual basis, those cash dividends will be converted to shares of our common stock based on its fair market value at the time of the conversion.

No cash or shares of our common stock deferred by a non-employee Director under the Directors Deferred Compensation Plan will be paid to the non-employee Director until he or she is no longer a Director.

Non-Employee Director Participation in Pension Plans. None of our non-employee Directors participate in any of our defined benefit or actuarial pension plans (including supplemental plans). Mr. Fowler, however, participates in the Old Pension Plan as a result of his prior employment by ITT Corporation or one of its affiliated companies that participated in that plan. Any change in the actuarial present value of Mr. Fowler's accumulated benefit under the Old Pension Plan in 2014 was not affected by his service as a non-employee Director on our Board of Directors. See "– Pension Plans – *Old Pension Plan*."

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Compensation Committee Interlocks and Insider Participation

None of the Compensation Committee members during 2014 was:

- an officer or employee of ours;
- a former officer of ours; or
- involved in a relationship requiring disclosure as a related person transaction pursuant to Item 404 of Regulation S-K under the Exchange Act or as an interlocking executive officer/director pursuant to Item 407(e)(4)(iii) of Regulation S-K under the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table sets forth information, as of December 31, 2014, about shares of our common stock that may be issued under our equity compensation plans that (a) have been approved by our shareholders and (b) have not been approved by our shareholders.

Equity Compensation Plan Information

	Number of Securities to	Weighted Average	Number of Securities

Plan Category	be Issued Upon Exercise of Outstandin g Options, Warrants and Rights (a)	Exercise Price of Outstanding Options, Warrants and Rights (b)	Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders [1]	1,984,580	$ 76.92 [2]	2,817,686[3][4][5]
Equity compensation plans not approved by security holders [6]	55,635	N/A	N/A [7]
Total	2,040,215	$ 76.92 [2]	2,817,686

(1) Consists of the Amended 2006 Plan. The material terms of the Amended 2006 Plan are described above. See *"– Amended 2006 Plan."*

(2) The weighted average exercise price is calculated based on those awards included in column (a) that have a specified exercise price, namely, outstanding stock options. Since the outstanding RSUs and the shares credited under the Directors Deferred Compensation Plan that are included in column (a) have no exercise price, they have been excluded from the weighted average exercise price calculations in this column (b).

(3) The total number of shares of our common stock available for awards under the Amended 2006 Plan is 7,350,000, subject to antidilution adjustments. Each share underlying stock options and SARs granted under the Amended 2006 Plan, and not forfeited or terminated, will reduce the number of shares available for future awards under the Amended 2006 Plan 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) will reduce the number of shares remaining for other awards by three shares, if the full-value award was granted prior to May 7, 2013, and by two shares, if the full-value award was granted after that date.

(4) The aggregate fair market value (determined on the date of grant) of the shares subject to incentive stock options awarded to employees under the Amended 2006 Plan that become exercisable for the first time by the employee in any calendar year may not exceed $100,000.

(5) Securities remaining available for future issuance under the Amended 2006 Plan include stock options (incentive and nonqualified), SARs, restricted stock, RSUs, performance shares, performance units and other stock-based awards, or any combination of the foregoing, as the Compensation Committee and Board of Directors may determine. The maximum number of performance shares under the Amended 2006 Plan that may be granted to any eligible participant in any given calendar year is 250,000 shares.

(6) These equity compensation plans include the:

- Directors Deferred Compensation Plan; and
- Deferred Bonus Plan.

The material terms of each of these plans are described elsewhere in this document. See "– Director Compensation – *Directors Deferred Compensation Plan*" and "– Nonqualified Deferred Compensation Plans – *Deferred Bonus Plan*."

(7) There is no limit on the number of shares of our common stock available for future issuance under either the Directors Deferred Compensation Plan or the Deferred Bonus Plan.

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Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of May 15, 2015, the number of shares of our common stock beneficially owned by any person (including any group) known by management to beneficially own more than 5% of our common stock, by each Director, by each of the Named Executive Officers and by all of our current Directors and the executive officers as a group. Unless otherwise indicated in a footnote, each individual or group possesses sole voting and investment power with respect to all shares indicated as beneficially owned. None of the shares owned by our Directors and executive officers are pledged as security. No Director owns any "qualifying" shares.

	ITT/ESI Common Stock	
Name of Beneficial Owner	**Number of Shares Beneficially Owned**[1]	**Percent of Class**
Putnam Investments, LLC Putnam Investment Management, LLC The Putnam Advisory Company, LLC Putnam Voyager Fund One Post Office Square Boston, MA 02109	3,427,286 [2]	14.5%
Warburg Pincus Asset Management, Inc. 466 Lexington Avenue New York, NY 10017	2,933,150 [3]	12.4%
Select Equity Group, L.P. George S. Loening 380 Lafayette Street, 6th Floor New York, NY 10003	2,258,955 [4]	9.6%
Capital World Investors 333 South Hope Street Los Angeles, CA 90071	1,869,000 [5]	7.9%
Nantahala Capital Management, LLC 19 Old Kings Highway South, Suite 200 Darien, CT 06820	1,788,000 [6]	7.6%
Clifton Park Capital Management, LLC 2711 Centerville Road, Suite 400 Wilmington, DE 19808-1645	1,606,366 [7]	6.8%
Providence Equity Partners VI L.P. Providence Equity GP VI L.P. Providence Equity Partners VI L.L.C. Jonathan M. Nelson Glenn M. Creamer Paul J. Salem c/o Providence Equity Partners L.L.C. 50 Kennedy Plaza, 18th Floor Providence, RI 02903	1,483,610 [8]	6.3%
Barnstar Opportunities Master Fund, Ltd. Barnstar Asset Management, LP 2999 NE 191 Street, Suite PH8 Aventura, FL 33180	1,271,955 [9]	5.4%
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	1,259,813 [10]	5.3%

Kevin M. Modany	540,272 [11]	2.2%
John E. Dean	39,718 [12]	*
Eugene W. Feichtner	88,931 [13]	*
Daniel M. Fitzpatrick	99,007 [14]	*
Ronald F. Hamm	13,071 [15]	*
C. David Brown	0	*

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Name of Beneficial Owner	ITT/ESI Common Stock: Number of Shares Beneficially Owned[(1)]	ITT/ESI Common Stock: Percent of Class
Jerry M. Cohen	0	*
John F. Cozzi	26,149 [16]	*
James D. Fowler, Jr.	14,401 [17]	*
Joanna T. Lau	15,148 [18]	*
Thomas I. Morgan	0	*
Samuel L. Odle	10,414 [19]	*
Vin Weber	32,055 [20]	*
John A. Yena	12,387 [21]	*
All Directors and executive officers as of 5/15/15 as a group (20 individuals)	1,083,011[22]	4.4%

* Less than 1%.

(1) All shares of our common stock are owned directly except as otherwise indicated. Pursuant to the SEC's regulations, shares (a) receivable by Directors and executive officers upon exercise of stock options exercisable within 60 days after March 31, 2015, (b) receivable by Directors and executive officers upon vesting of RSUs within 60 days after March 31, 2015, (c) allocated to the accounts of certain Directors and executive officers under the ESI 401(k) Plan at March 31, 2015 or (d) credited to the accounts of certain Directors under the Directors Deferred Compensation Plan at March 31, 2015, are deemed to be beneficially owned by such Directors and executive officers.

(2) Based solely on information in reports filed by the beneficial owners under Section 13(d) or 13(g) of the Exchange Act. Putnam Investments, LLC, d/b/a Putnam Investments ("PI") wholly owns two registered investment advisers, Putnam Investment Management, LLC ("PIM") and the Putnam Advisory Company, LLC ("PAC"). Both subsidiaries have dispositive power over the shares as investment managers. Putnam Voyager Fund ("PVF") is part of the Putnam Family of Funds. PI possesses sole power to vote or to direct the vote of 2,988 shares and sole power to dispose or direct the disposition of 3,427,286 shares. PIM possesses sole power to dispose or direct the disposition of 3,423,794 shares. PAC possesses sole power to vote or to direct the vote of 2,988 shares and sole power to dispose or direct the disposition of 3,492 shares. PVF possesses sole power to vote or to direct the vote of, and sole power to dispose or direct the disposition of, 1,995,959 shares.

(3) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is a registered investment adviser and has (a) sole power to vote or direct the vote of 2,396,100 shares, (b) shared power to vote or direct the vote of 513,450 shares and (c) sole power to dispose or direct the disposition of 2,933,150 shares.

(4) Based solely on information in reports filed by the beneficial owners under Section 13(d) or 13(g) of the Exchange Act. George S. Loening is the majority owner of Select Equity Group L.P. ("Select LP") and the managing member of its general partner. Select LP is an investment adviser and George S. Loening is a control person, and they possess shared power to vote or direct the vote of, and shared power to dispose or direct the disposition of, 2,258,955 shares.

(5) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is an investment adviser and a division of Capital Research and

Management Company, which acts as an investment adviser to various investment companies. The beneficial owner indicates that it holds the shares on behalf of its client SMALLCAP World Fund, Inc. The beneficial owner possesses sole power to vote or to direct the vote of, and sole power to dispose or direct the disposition of, 1,869,000 shares.

(6) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is an investment adviser and possesses sole power to vote or to direct the vote of, and sole power to dispose or direct the disposition of, 1,788,000 shares.

(7) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner possesses shared power to vote or direct the vote of, and dispose or direct the disposition of, 1,606,366 shares.

(8) Based solely on information in reports filed by the beneficial owners under Section 13(d) or 13(g) of the Exchange Act. Providence Equity Partners VI L.P. ("PEP VI"), a partnership, is the record holder of 1,483,610 shares. Based on the following relationships, the beneficial owners reported shared voting and dispositive power over 1,483,610 shares: (a) Providence Equity GP VI L.P. ("PEP GP VI") is the sole general partner of PEP VI; (b) Providence Equity Partners VI L.L.C. ("PEP VI LLC") is the sole general partner of PEP GP VI; and (c) Messrs. Nelson, Creamer and Salem each are members of PEP VI LLC and partners of PEP GP VI. Each of PEP GP VI, PEP VI LLC and Messrs. Nelson, Creamer and Salem disclaims beneficial ownership of the shares reported, except to the extent of its or his pecuniary interest therein.

(9) Based solely on information in reports filed by the beneficial owners under Section 13(d) or 13(g) of the Exchange Act. The beneficial owners report that the shares are held by Barnstar Opportunities Master Fund, Ltd., a Cayman Islands exempted company, and managed by Barnstar Asset Management, LP, a Delaware limited partnership. The reporting persons possess shared power to vote or direct the vote of, and dispose or direct the disposition of, 1,271,955 shares.

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(10) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is a parent holding company or control person and possesses sole power to (a) vote or direct the vote of 1,200,743 shares, and (b) dispose or direct the disposition of 1,259,813 shares. The beneficial owner reported that the following of its subsidiaries acquired the shares: BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd., BlackRock Investment Management, LLC and BlackRock Life Limited.

(11) This number includes 65,048 shares owned directly, 225 shares owned under the ESI 401(k) Plan and 474,999 shares subject to presently exercisable options.

(12) This number includes 21,801 shares owned directly, 16,195 shares deferred under the Directors Deferred Compensation Plan and 1,722 RSUs that will vest within 60 days.

(13) This number includes 13,484 shares owned directly, 7,948 shares owned under the ESI 401(k) Plan and 67,499 shares subject to presently exercisable options.

(14) This number includes 14,507 shares owned directly and 84,500 shares subject to presently exercisable options.

(15) This number includes 3,072 shares owned directly and 9,999 shares subject to presently exercisable options.

(16) This number includes 9,297 shares owned directly, 2,000 shares owned by Mr. Cozzi's children, 13,130 shares deferred under the Directors Deferred Compensation Plan and 1,722 RSUs that will vest within 60 days.

(17) This number includes 9,072 shares owned directly, 3,607 shares held by a revocable trust for the benefit of Mr. Fowler and his spouse and 1,722 RSUs that will vest within 60 days.

(18) This number includes 10,877 shares owned directly, 2,549 shares deferred under the Directors Deferred Compensation Plan and 1,722 RSUs that will vest within 60 days.

(19) This number includes 5,835 shares owned directly, 2,857 shares deferred under the Directors Deferred Compensation Plan and 1,722 RSUs that will vest within 60 days.

(20) This number includes 11,797 shares owned directly, 18,536 shares deferred under the Directors Deferred Compensation Plan and 1,722 RSUs that will vest within 60 days.

(21) This number includes 8,297 shares owned directly, 2,368 shares deferred under the Directors Deferred Compensation Plan and 1,722 RSUs that will vest within 60 days.

(22) This number includes 204,714 shares owned directly, 5,607 shares owned indirectly, 8,173 shares owned under the ESI 401(k) Plan, 796,828 shares subject to presently exercisable options, 12,054 RSUs that will vest within 60 days and 55,635 shares deferred under the Directors Deferred Compensation Plan.

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Item 13. Certain Relationships and Related Transactions, and Director Independence.

Certain Relationships and Related Person Transactions

Our written policies and procedures for the review, approval or ratification of any current or proposed transaction potentially involving an amount in excess of $120,000 in which we are or will become a participant and in which any related person had, or will have, a direct or indirect material interest ("Transaction") are set forth in our Corporate Governance Guidelines and are posted on our website at www.ittesi.com. These policies and procedures are as follows:

- Our Board of Directors must be notified in advance or as soon as practicable of the Transaction.
- The notification to our Board should be in writing and contain the following information regarding the Transaction:
  - the name of the related person;
  - the basis on which the person is a related person;
  - a detailed description of the related person's interest in the Transaction, including the related person's position(s) or relationship(s) with, or ownership in, a firm, corporation or other entity that is a party to, or has an interest in, the Transaction;
  - the approximate dollar value of the amount involved in the Transaction;
  - the approximate dollar amount of the related person's interest in the Transaction, which must be computed without regard to the amount of profit or loss;
  - in the case of an indebtedness Transaction:
    - the largest aggregate amount of all indebtedness outstanding at any time since the beginning of our last fiscal year and all amounts of interest payable on the outstanding indebtedness during our last fiscal year (excluding amounts due from the related person for purchases of goods and services subject to usual trade terms, for ordinary business travel and expense payments and for other transactions in the ordinary course of business);
    - the largest aggregate amount of principal that could be outstanding;
    - a schedule specifying the principal amount that is anticipated to be outstanding from time to time during the Transaction;
    - the term of the indebtedness;
    - the repayment schedule of the principal amount;
    - the total amount of any interest that is anticipated to accrue on the principal amount;
    - the interest rate; and
    - the payment schedule of the interest that accrues on the principal amount;
  - in the case of a lease or other Transaction providing for periodic payments or installments, the

aggregate amount of all periodic payments or installments due on or after the beginning of our last fiscal year, including any required or optional payments due during or at the conclusion of the Transaction;

- in the case of a Transaction involving a purchase or sale of assets by or to us otherwise than in the ordinary course of business, the cost of the assets to the purchaser and, if acquired within two years of the Transaction, the cost of the assets to the seller and related information about the price of the assets; and
- any other information regarding the Transaction or related person in the context of the Transaction that a reasonable investor of ours would consider material in light of the circumstances of the Transaction.

- Upon receipt of the above information, all of the members of our Board of Directors (except for any Director who is the related person or whose immediate family member is the related person) will review and consider the information and determine whether it is in our and our shareholders' best interests for the Board to approve or ratify the Transaction.
- Our Board of Directors is of the general belief that, except in exceptional circumstances, we should try to avoid participating in any Transaction, regardless of the Transaction's merit or benefit to us or our shareholders, in order to avoid any appearance of a conflict of interest or impropriety that may be perceived from our participation in the Transaction.
- If our Board of Directors approves or ratifies our participation in a Transaction, we may participate in the Transaction.
- If our Board of Directors does not approve or ratify our participation in a Transaction:
    - we will not participate in the Transaction, if our participation has not yet begun; or
    - we will attempt to end or limit as much as possible our participation in the Transaction without breaching any of our obligations arising from the Transaction.
- We will disclose our participation in any Transaction in accordance with Item 404(a) of Regulation S-K under the Exchange Act.

A "transaction" includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships, except for:

- any indebtedness transaction in which the related person qualifies as such solely because he or she is a beneficial owner of more than 5% of any class of our voting securities or is an immediate family member of the beneficial owner;

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- any employment relationship or transaction involving any of our executive officers and any related compensation solely resulting from that employment relationship or transaction, if:
    - we report the compensation arising from the relationship or transaction to the SEC in accordance with Item 402 of Regulation S-K under the Exchange Act; or
    - the executive officer is not an immediate family member of the related person and we would have reported such compensation to the SEC in accordance with Item 402 of Regulation S-K under the Exchange Act as compensation earned for services to us if the executive officer was a "named executive officer" of ours (as that term is defined in Item 402(a)(3) of Regulation S-K under the Exchange Act) and such compensation had been approved as such by the Compensation Committee

of our Board of Directors;

- any compensation paid to any of our Directors, if the compensation is reported to the SEC in accordance with Item 402(k) of Regulation S-K under the Exchange Act;
- any transaction in which the rates or charges involved in the transaction are determined by competitive bids;
- any transaction that involves the rendering of services as a common or contract carrier or public utility at rates or charges fixed in conformity with law or governmental authority;
- any transaction that involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services; or
- any transaction in which the interest of the related person arises solely from the ownership of a class of our equity securities and all holders of that class of equity securities received the same benefit or a pro rata basis.

A "related person" means:

- any of our Directors or executive officers;
- anyone who has been nominated to be elected one of our Directors;
- any beneficial owner of more than 5% of any class of our voting securities; and
- any immediate family member of any of the foregoing persons.

An "immediate family member" means any child, stepchild, parent, stepparent, spouse, sibling, father and mother-in-law, son and daughter-in-law, brother and sister-in-law, and any person (other than a tenant or employee) who shares the household of a Director, executive officer, nominee for Director or beneficial owner of more than 5% of any class of our voting securities.

A person who has a position or relationship with a firm, corporation or other entity that engages in a transaction with us will not be deemed to have an "indirect material interest" where:

- the interest arises only:
    - from such person's position as a director of another corporation or organization that is a party to the transaction;
    - from the direct or indirect ownership by such person and all other related persons, in the aggregate, of less than a 10% equity interest in another person (other than a partnership) that is a party to the transaction; or
    - from both such position and ownership; or
- the interest arises only from such person's position as a limited partner in a partnership in which the person and all other related persons, in the aggregate, have an interest of less than 10%, and the person is not a general partner of and does not hold another position in the partnership.

There have been no such Transactions since January 1, 2014 and none are currently proposed.

Independent Directors

Our Board of Directors currently contains nine non-employee Directors: Messrs. Brown, Cohen, Cozzi, Fowler, Morgan, Odle, Weber and Yena, and Ms. Lau. Our Board of Directors has adopted categorical standards to assist it in making determinations of independence. Any transactions, relationships or arrangements that we may have with any of our Directors are immaterial, so long as none of those transactions, relationships or arrangements caused the Director to violate any of our categorical standards of independence. Our categorical standards of independence are contained in Section 5 of our Corporate Governance Guidelines and are posted on our website at www.ittesi.com. Our Board of Directors has determined that each of our current non-employee Directors is independent, and each of the non-employee Directors in 2014 was independent, pursuant to our categorical standards of independence and in accordance with Section 303A.02 of the NYSE Listed Company Manual. John E. Dean, a Director of ours since December 1994, was appointed our Executive Chairman and became an employee of ours on August 4, 2014. Prior to that date, Mr. Dean was a non-employee and independent Director. Due to the fact that Mr. Dean became an employee of ours on August 4, 2014 and was not independent at that time, on that date Mr. Dean resigned as a member and Chairman of the Audit Committee of our Board of Directors and as a member of the Nominating and Corporate Governance Committee of our Board of Directors. The letter agreement between us and Mr. Dean provides that after we eliminate the role of Executive Chairman (which is expected to occur when we hire a new Chief Executive Officer), Mr. Dean will remain on our Board of Directors as a non-employee Director for the remainder of his term. In the application of our categorical standards of independence to determine the independence of each non-employee Director for service on our Board of Directors and on its Audit, Compensation and Nominating and Corporate Governance Committees, there were no transactions, relationships or arrangements with our non-employee Directors that were required to be disclosed pursuant to Item 404(a) of Regulation S-K under the Exchange Act, or if not disclosed, that our Board considered.

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Item 14. Principal Accountant Fees and Services.

Audit, Audit-Related, Tax and All Other Fees

The following table sets forth fees for services provided by Deloitte related to 2014. Deloitte was engaged as our independent registered public accounting firm in 2014, and did not provide any services to us in, or related to, the year ended December 31, 2013. The following table also sets forth fees for services provided by PricewaterhouseCoopers LLP ("PWC"), our former independent registered public accounting firm, related to 2013 and 2014.

	Deloitte & Touche LLP	PricewaterhouseCoopers LLP	
Type of Service	2014	2014	2013
Audit	$ 1,760,000(1)	$ 250,000(2)	$ 5,798,603(3)
Audit-Related	$ 0	$ 0	$ 140,317(4)
Tax	$ 0	$ 339,845(5)	$ 264,532(5)
All Other	$ 0	$ 1,600(6)	$ 2,000(6)

(1) Represents fees for the following services associated with the audit or review of our financial statements:

- auditing our annual consolidated financial statements for our 2014 fiscal year;
- reviewing our consolidated financial statements included in our Quarterly Report on Form 10-Q for the third quarter of 2014;
- conducting reviews of our internal control over financial reporting and assisting with requirements related to internal control over financial reporting as of December 31, 2014;
- conducting statutory audits (such as federal and state student financial aid compliance audits) for 2014; and
- providing other audit services in connection with statutory and regulatory filings or engagements for our 2014 fiscal year.

Those services were rendered in both the 2014 and 2015 calendar years.

(2) Represents fees for services associated with the review of our consolidated financial statements included in our Quarterly Reports on Form 10-Q for the first and second quarters of 2014.

(3) Represents fees for the following services associated with the audit or review of our financial statements:

- auditing our annual consolidated financial statements for our 2013 fiscal year;
- reviewing our consolidated financial statements included in our Quarterly Reports on Form 10-Q and our amended Quarterly Reports on Form 10-Q/A for the quarters in our 2013 fiscal year;
- conducting reviews of our internal control over financial reporting and assisting with requirements related to internal control over financial reporting as of December 31, 2013;
- conducting statutory audits (such as federal and state student financial aid compliance audits) for 2013; and
- providing other audit services in connection with statutory and regulatory filings or engagements for our 2013 fiscal year.

Those services were rendered in both the 2013 and 2014 calendar years.

(4) Represents fees for services rendered in the period indicated that were related to the performance of the audit or review of our financial statements and were not reported as Audit services. The nature of those services included, without limitation:

- financial statement audits of our employee benefit plans; and
- assistance with respect to accounting, financial reporting and disclosure treatment of transactions or events, including:
  - consultations with us;
  - assistance with understanding and implementing related final and proposed rules, guidance, standards and interpretations from accounting rulemakers, the SEC and the NYSE;
  - helping us assess the actual or potential impact of final or proposed rules, guidance, standards and interpretations from accounting rulemakers, the SEC and the NYSE;
  - in 2013, review of our Registration Statement on Form S-8; and
  - in 2013, responding to a subpoena from the SEC related to the SEC's investigation of us.

(5) Represents fees for tax services rendered in the period indicated. The nature of those services included, without limitation:

- the preparation and/or review of original and amended income, franchise and other tax returns with respect to federal, state and local tax authorities;
- assistance with tax audits and appeals before federal, state and local tax authorities; and
- tax advice and assistance related to employee benefit plans and statutory, regulatory or administrative developments, and tax credits and refund opportunities.

(6) Represents fees for a subscription to PWC's accounting research tool.

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Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee has adopted a policy that sets forth the procedures and conditions pursuant to which services proposed to be performed by our independent registered public accounting firm may be pre-approved by the Audit Committee. Under the Audit Committee's policy, unless a type of service has received pre-approval by the Audit Committee without consideration of specific case-by-case services ("general pre-approval"), it requires specific pre-approval by the Audit Committee if it is to be provided by our independent registered public accounting firm.

For both types of pre-approval, the Audit Committee considers whether such services are consistent with the SEC's rules on auditor independence. The Audit Committee also considers whether our independent registered public accounting firm is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with our business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance our ability to manage or control risk or improve audit quality. All such factors are considered as a whole, and no one factor is necessarily determinative.

In deciding whether to pre-approve any audit and non-audit services, the Audit Committee is also mindful of the relationship between fees for audit and non-audit services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for audit, audit-related and tax services and the total amount of fees for certain permissible non-audit services classified as all other services.

The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise and except that the pre-approvals related to an audit of our annual consolidated financial statements will last until that audit is completed. The Audit Committee annually reviews and pre-approves the services that may be provided by our independent registered public accounting firm without obtaining specific pre-approval. The Audit Committee may add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The policy does not delegate the Audit Committee's responsibilities to pre-approve services performed by our independent registered public accounting firm to our management. The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee has delegated both types of pre-approval authority to the Chairperson of the Audit Committee with respect to any requests for services to be performed by our independent registered public accounting firm that cannot be delayed without inconvenience until the next scheduled Audit Committee meeting.

Pre-approval fee levels or budgeted amounts for all services to be provided by our independent registered public accounting firm are established annually by the Audit Committee. Any proposed services exceeding those levels or amounts require specific pre-approval by the Audit Committee.

All requests or applications for services to be provided by our independent registered public accounting firm that do not require specific approval by the Audit Committee are submitted to our Chief Financial Officer and must include a detailed description of the services to be rendered. Our Chief Financial Officer will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee.

Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both our independent registered public accounting firm and Chief Financial Officer.

All of the fees reported in the table above as "Audit," "Audit-Related," "Tax" and "All Other" services rendered by Deloitte in, and related to, 2014 were pre-approved by the Audit Committee.

The annual audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. Audit services include all services performed to comply with the standards of the Public Company Accounting Oversight Board, including, without limitation, the annual financial statement audit (including required quarterly reviews) and other procedures required to be performed by our independent registered public accounting firm to be able to form an opinion on our consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include services performed in connection with the independent registered public accounting firm's report on internal control over financial reporting. The Audit Committee monitors the audit services engagement as necessary and also approves, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, our structure or other items.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval of other audit services, which are those services that our independent registered public accounting firm reasonably can provide. Other audit services include:

- statutory audits (such as federal and state student financial aid compliance audits) or financial audits for our subsidiaries or affiliates;
- services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings; and
- consultations with our management concerning accounting, financial reporting or treatment of transactions or events.

Any audit services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All other audit services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or that are traditionally performed by the independent registered public accounting firm. Since the Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to audit-related services. Audit-related services include, among others:

- due diligence services pertaining to potential business acquisitions or dispositions;

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- consultations concerning accounting, financial reporting or disclosure treatment of transactions or events not classified as "audit services";
- assistance with understanding and implementing new and proposed accounting and financial reporting guidance from rulemaking authorities;
- financial statement audits of employee benefit plans;
- assistance with assessing the actual or potential impact of final or proposed rules, standards or interpretations from accounting authorities;
- agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters;
- attest services not required by statute or regulation;
- information systems reviews not performed in connection with the financial statement audit;
- subsidiary or equity investee audits not required by statute or regulation that are incremental to the audit of the consolidated financial statements;
- review of the effectiveness of the internal audit function;
- general assistance with understanding and implementing requirements of SEC rules and stock exchange listing standards; and
- consultations and audits in connection with acquisitions.

Any audit-related services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All other audit-related services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

Tax services include tax compliance, planning and advice, as well as tax only valuation services. Since the Audit Committee believes that the provision of tax services does not impair our independent registered public accounting firm's independence, and the SEC has stated that the independent registered public accounting firm may provide such services, the Audit Committee believes it may grant general pre-approval to tax services. The Audit Committee will not permit the retention of the independent registered public accounting firm in connection with a transaction initially recommended by our independent registered public accounting firm, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the IRC and related regulations. The Audit Committee will consult with our Chief Financial Officer or outside counsel to determine that the tax planning and reporting positions are consistent with the policy.

Any tax services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All tax services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

The Audit Committee believes, based on the SEC's rules prohibiting the independent registered public accounting firm from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as all other services that it believes are routine and recurring services, would not impair the independence of our independent registered public accounting firm and are consistent with the SEC's rules on auditor independence.

Any other services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All other services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements:

2. Financial Statement Schedules:

   Schedule II – Valuation and Qualifying Accounts of the Company for the years ended December 31, 2014, 2013 and 2012 appear on page F-61 of this Annual Report.

3. Quarterly Financial Results for 2014 and 2013 (unaudited) appear on page F-62 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-9 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, 2014. 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 1992 *Internal Control-Integrated Framework* 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 control deficiencies that constituted material weaknesses in our ICFR as of December 31, 2014, 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 were three material weaknesses in our ICFR as of December 31, 2014. 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 relating to property, plant, and equipment, including logical access controls related to information systems relevant to property, plant, 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.

Our management determined that these control deficiencies 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 these deficiencies constituted a material weakness in our ICFR as of December 31, 2014, and our ICFR was not effective as of that date.

The effectiveness of our ICFR as of December 31, 2014 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 sheet of ITT Educational Services, Inc. and subsidiaries (the "Company") as of December 31, 2014, and the related consolidated statement of operations, comprehensive income (loss), cash flows, and shareholders' equity for the year then ended. Our audit 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 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 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 audit provides 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, 2014, and the results of their operations and their cash flows for the year 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, 2014, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 29, 2015 expressed an adverse opinion on the Company's internal control over financial reporting because of material weaknesses.

/s/ Deloitte & Touche LLP

Indianapolis, Indiana
May 29, 2015

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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, 2014 based on criteria established in *Internal Control — Integrated Framework (1992)* 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 weaknesses have been identified and included in management's assessment. Management has identified material weaknesses in internal control over financial reporting 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 the Company was required to consolidate;
- The aggregation of design and operating effectiveness control deficiencies relating to property, plant, and equipment, including logical access controls related to information systems relevant to property, plant, 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;
- 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.

These material weaknesses were 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, 2014, 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 weaknesses 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, 2014, based on the criteria established in *Internal Control — Integrated Framework (1992)* 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, 2014, of the Company and our report dated May 29, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule 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
May 29, 2015

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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 balance sheet as of December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), cash flows and shareholders' equity for each of the two years in the period ended December 31, 2013 present fairly, in all material respects, the financial position of ITT Educational Services, Inc. and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for each of the two years in 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 each of the two years in the period 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,	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 135,937	$ 215,771
Restricted cash	6,040	5,636
Accounts receivable, less allowance for doubtful accounts of $2,351 and $9,174	46,383	99,530
Private education loans, less allowance for loan losses of $0 and $0	10,584	7,730
Deferred income taxes	34,547	77,549
Prepaid expenses and other current assets	57,923	28,400
Total current assets	291,414	434,616
Property and equipment, net	157,072	168,509
Private education loans, excluding current portion, less allowance for loan losses of $44,392 and $29,349	80,292	76,479

Deferred income taxes	68,041	68,324
Collateral deposits	97,932	8,626
Other assets	54,409	50,297
Total assets	$ 749,160	$ 806,851
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 9,635	$ 50,000
Current portion of PEAKS Trust senior debt	37,545	157,883
Current portion of CUSO secured borrowing obligation	20,813	0
Accounts payable	67,848	58,021
Accrued compensation and benefits	12,264	18,107
Other current liabilities	27,050	42,136
Deferred revenue	147,475	147,630
Total current liabilities	322,630	473,777
Long-term debt, excluding current portion	86,714	0
PEAKS Trust senior debt, excluding current portion	38,658	71,341
CUSO secured borrowing obligation, excluding current portion	100,194	0
Other liabilities	52,959	146,087
Total liabilities	601,155	691,205
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	198,883	200,040
Retained earnings	969,670	940,449
Accumulated other comprehensive income	1,201	3,146
Treasury stock, 13,619,010 and 13,698,716 shares, at cost	(1,022,120)	(1,028,360)
Total shareholders' equity	148,005	115,646
Total liabilities and shareholders' equity	$ 749,160	$ 806,851

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,		
	2014	2013	2012
Revenue	$961,783	$1,072,311	$1,286,633
Costs and expenses:			
Cost of educational services	460,782	486,353	538,350
Student services and administrative expenses	389,116	397,541	400,856
Goodwill and asset impairment	2,454	0	15,166
Legal and professional fees related to certain lawsuits, investigations and accounting matters	32,008	6,923	873
Loss related to loan program guarantees	2,019	90,964	101,025
Provision for private education loan losses	14,150	29,349	0
Total costs and expenses	900,529	1,011,130	1,056,270

Operating income	61,254	61,181	230,363
Gain (loss) on consolidation of variable interest entities	16,631	(73,248)	0
Interest income	65	108	1,348
Interest (expense)	(28,300)	(25,277)	(3,723)
Income (loss) before provision for income taxes	49,650	(37,236)	227,988
Provision (benefit) for income taxes	20,397	(10,212)	89,018
Net income (loss)	$ 29,253	$ (27,024)	$ 138,970
Earnings (loss) per share:			
Basic	$ 1.25	$ (1.15)	$ 5.82
Diluted	$ 1.23	$ (1.15)	$ 5.79
Weighted average shares outstanding:			
Basic	23,474	23,412	23,880
Diluted	23,762	23,412	23,999

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,		
	2014	**2013**	**2012**
Net income (loss)	$29,253	$(27,024)	$138,970
Other comprehensive income (loss), net of tax:			
Net actuarial pension (loss) gain, net of income tax of $683, $6,811 and $242	(1,077)	10,755	379
Net actuarial pension loss amortization, net of income tax of $0, $790 and $1,062	0	1,247	1,656
Prior service cost (credit) amortization, net of income tax of $603, $604 and $607	(952)	(951)	(948)
Pension settlement, net of income tax of $53, $17 and $309	84	25	483
Unrealized gains (losses) on available-for-sale securities, net of income tax of $0, $0 and $0	0	0	(21)
Other comprehensive income (loss), net of tax	(1,945)	11,076	1,549
Comprehensive income (loss)	$27,308	$(15,948)	$140,519

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, 2014	2013	2012
Cash flows from operating activities:			
Net income (loss)	$ 29,253	$ (27,024)	$ 138,970
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	26,456	27,252	29,350
Provision for doubtful accounts	63,928	67,640	56,818
Deferred income taxes	41,969	(54,102)	(59,571)
Excess tax benefit from stock option exercises	0	0	(1,382)
Stock-based compensation expense	10,336	11,638	16,658
Settlement cost	0	(46,000)	21,750
Goodwill and asset impairment	2,454	0	15,166
Accretion of discount on private education loans	(12,170)	(12,996)	0
Accretion of discount on long-term debt	118	0	0
Accretion of discount on PEAKS Trust senior debt	6,712	4,926	0
Accretion of discount on CUSO secured borrowing obligation	231	0	0
Provision for private education loan losses	14,150	29,349	0
(Gain) loss on consolidation of variable interest entities	(16,631)	73,248	0
Other	(613)	315	6,992
Changes in operating assets and liabilities, net of acquisition:			
Restricted cash	2,334	(455)	3,794
Accounts receivable	(10,010)	(87,225)	(87,138)
Private education loans	18,552	11,554	0
Accounts payable	9,591	(5,574)	(15,572)
Other operating assets and liabilities	(48,727)	73,880	72,429
Deferred revenue	(1,156)	11,299	(90,643)
Net cash flows from operating activities	136,777	77,725	107,621
Cash flows from investing activities:			
Capital expenditures, net	(6,092)	(5,147)	(18,250)
Acquisition of company, net of cash acquired	(5,220)	(7,150)	0
Collateralization of letters of credit	(89,304)	0	0
Proceeds from sales and maturities of investments and repayment of notes	293	461	217,301
Note advances and purchases of investments	(2)	(1,242)	(75,887)
Net cash flows from investing activities	(100,325)	(13,078)	123,164
Cash flows from financing activities:			
Excess tax benefit from stock option exercises	0	0	1,382
Proceeds from exercise of stock options	0	0	8,345
Debt issue costs	(4,938)	0	(1,525)
Proceeds from term and revolving borrowings	100,000	0	175,000
Repayment of revolving borrowings	(50,000)	(90,000)	(185,000)
Repayment of PEAKS Trust senior debt	(158,668)	(1,946)	0
Repayment of CUSO secured borrowing obligation	(1,766)	0	0
Repurchase of common stock and shares tendered for taxes	(914)	(395)	(209,371)
Net cash flows from financing activities	(116,286)	(92,341)	(211,169)
Net change in cash and cash equivalents	(79,834)	(27,694)	19,616
Cash and cash equivalents at beginning of period	215,771	243,465	223,849
Cash and cash equivalents at end of period	$ 135,937	$215,771	$ 243,465
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Income taxes (net of refunds)	$ 14,466	$ 61,131	$ 139,919
Interest	$ 20,897	$ 3,310	$ 3,047
Non-cash operating activities:			
Consolidation of variable interest entities assets	$ 30,136	$113,819	$ 0

Consolidation of variable interest entities liabilities	$ 2,564	$ 471	$ 0
Non-cash operating and investing activities:			
Accrued capital expenditures	$ 236	$ 0	$ 0
Non-cash financing activities:			
Issuance of treasury stock for Directors' compensation	$ 38	$ 0	$ 37
Consolidation of PEAKS Trust senior debt	$ 0	$226,096	$ 0
Consolidation of CUSO secured borrowing obligation	$ 122,542	$ 0	$ 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, 2011	37,069	$ 371	$ 184,207	$ 833,347	$ (9,479)	(10,969)	$ (839,341)	$ 169,105
Net income				138,970				138,970
Other comprehensive income, net of income tax					1,549			1,549
Equity award vesting and exercises			(4,224)	(4,843)		272	17,412	8,345
Tax benefit from equity awards			918					918
Stock-based compensation			16,212					16,212
Common shares repurchased						(3,026)	(207,918)	(207,918)
Shares tendered for taxes						(22)	(1,453)	(1,453)
Issuance of shares for Directors' compensati				(1)		1	38	37

on								
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				29,253				29,253
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	$ 969,670	$ 1,201	(13,619)	$ (1,022,120)	$ 148,005

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, 2014, we were offering:

- master, bachelor and associate degree programs to approximately 53,000 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, 2014, we had 144 college locations in 39 states. All of our college 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 offers short-term information technology and business learning solutions for career advancers and other professionals. See Note 3– Acquisitions, for additional discussion of the acquisition 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, 2014 and December 31, 2013. All significant intercompany balances and transactions are eliminated upon consolidation. Certain reclassifications have been made in the consolidated financial statements of prior years to conform to the current year presentation. These reclassifications have no impact on previously reported net income, total shareholders' equity or cash flows. 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, 2014, 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 \$1,967 as of December 31, 2014 and \$2,433 as of December 31, 2013.

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 Sheet, 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 \$4,073 as of December 31, 2014 and \$2,593 as of December 31, 2013.

Collateral Deposits. 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 that are included in the line item Collateral deposits on our Consolidated Balance Sheet was \$8,628 as of December 31, 2014 and \$8,626 as of December 31, 2013. The funds held in this escrow account are not available for use by us. See Note 15 – Commitments and Contingencies, for a further discussion of the collateral requirements associated with our guarantee obligation.

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 and 103% of the face amount of all other letters of credit issued for our account. The funds held as cash collateral are not available for use by us and could be paid to the issuing bank for the letters of credit if the letters of credit are drawn upon. The funds held as cash collateral will remain subject to such restriction and potential use until the cancellation, termination, expiration or reduction of the face amount of the outstanding letters of credit. As of December 31, 2014, the balance of this cash collateral was $89,304 and was included in the line item Collateral deposits on our Consolidated Balance Sheet. Of this amount, $86,882 related to the letter of credit that was issued on October 31, 2014 to the ED. See Note 15 – Commitments and Contingencies, for a further discussion of the letter of credit payable to the ED.

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 the students' credit profiles and our historical collection experience related to amounts owed by our students with similar credit profiles. 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").

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

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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, 2014 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 Sheet.

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 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.

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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.

We consider a note receivable to be impaired when, based on current information or events, it is probable that we will be unable to collect all amounts of principal and interest owed on the underlying note according to the terms of the note. If the present value of the expected future cash flows from the note receivable discounted at the underlying note's effective interest rate is less than the carrying value of the underlying note, we recognize an impairment loss in the amount of the difference. We evaluate each note receivable individually for impairment.

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.

Contingent Liabilities. We are subject to various claims and contingencies, including those related to litigation, government

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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.

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 at a level rate of return over the 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 Sheet and are amortized into interest expense using an effective interest rate 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 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 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.

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.

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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 $177,564 in the year ended December 31, 2014, $177,791 in the year ended December 31, 2013 and $174,009 in the year ended December 2012.

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.

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, 2014, approximately 13.6 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 2015.

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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 April 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," 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. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2016, with early adoption permitted. We are assessing the impact that this guidance may have 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 will be effective for our interim and annual reporting periods beginning January 1, 2016, with early adoption permitted. We are assessing the impact that this guidance may have 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 will be effective for our interim and annual reporting periods beginning January 1, 2016, with early adoption permitted. We are assessing the impact that this guidance may have 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 Recognition" ("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. This guidance will become effective for our interim and annual reporting periods beginning January 1, 2017. Early adoption is not permitted. 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, "Presentation of Financial Statements" ("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

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interim and annual reporting periods beginning January 1, 2015. Early adoption was permitted, but only for disposals that have not been reported in financial statements previously issued. We do not expect the adoption of ASU 2014-08 to have a material impact on our consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"), which is included in the Codification under ASC 740. This update provides guidance on the financial statement presentation of unrecognized tax benefits when net operating loss carryforwards, similar tax losses or tax credit carryforwards exist. This guidance became effective for our interim and annual reporting periods beginning January 1, 2014. The adoption of this guidance 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, 2013 and 2012 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, "Business Combinations" ("ASC 805"), which requires the use of the acquisition method of accounting for all business combinations. We considered the report of a third-party valuation firm in allocating the purchase price to identifiable net assets. 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.

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 years ended December 31, 2013, 2012 and 2011 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. We considered the report of a third-party valuation firm in allocating the purchase price to identifiable net assets. 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.

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The following table sets forth the estimated fair values to be 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

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, 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

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, 2013:

		Fair Value Measurements at Reporting Date Using		
Description	As of December 31, 2013	(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	$ 214,985	$ 214,985	$ 0	$ 0
Restricted cash:				
Money market fund	2,433	2,433	0	0
Collateral deposits:				
Money market fund	8,626	8,626	0	0
	$ 226,044	$ 226,044	$ 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, 2014 or 2013.

The carrying value of the Private Education Loans was $90,876 as of December 31, 2014 and $84,209 as of December 31, 2013. The estimated fair value of the Private Education Loans was approximately $101,623 as of December 31, 2014 and approximately $99,100 as of December 31, 2013. 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

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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.

Each of the carrying value and the estimated fair value of our debt under our Financing Agreement (as defined in Note 12—Debt) was approximately $96,349 as of December 31, 2014. The fair value of our debt under the Financing Agreement was estimated by discounting the future cash flows using current rates for similar loans with similar characteristics and remaining maturities. We utilized inputs that were unobservable to estimate the 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.

The carrying value of the PEAKS Senior Debt was $76,203 as of December 31, 2014 and $229,224 as of December 31, 2013. The estimated fair value of the PEAKS Senior Debt was approximately $85,248 as of December 31, 2014 and approximately $239,400 as of December 31, 2013. The fair value of the PEAKS Senior Debt was estimated using the income approach with estimated discounted 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 $121,007 as of December 31, 2014 and the estimated fair value of the CUSO Secured Borrowing Obligation was approximately $116,933. The fair value of the CUSO Secured Borrowing Obligation was estimated using the income approach with estimated discounted 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 utilized 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 2014, 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, we approved an amendment 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, 2014, restricted stock, RSUs and nonqualified stock options have been awarded under this plan.

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All awards granted under equity compensation plans other than the Plans expired in or prior to 2014.

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,		
	2014	2013	2012
Cost of educational services	$ 4,790	$ 4,799	$ 6,084
Student services and administrative expenses	5,546	6,839	10,574
Total stock-based compensation expense	$ 10,336	$ 11,638	$ 16,658
Income tax (benefit)	($ 3,980)	($ 4,481)	($ 6,414)

As of December 31, 2014, we estimated that pre-tax compensation expense for unvested stock-based compensation grants in the amount of approximately $9,000, 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 1.6 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, 2014				
	# of Shares	Weighted Average Exercise Price	Aggregate Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (1)
Outstanding at beginning of period	1,332,448	$ 81.77	$108,955		
Granted	168,500	$ 27.94	4,708		
Forfeited	(10,334)	$ 30.29	(313)		
Exercised	0	$ 0.00	0		
Expired	(337,341)	$ 73.04	(24,638)		
Outstanding at end of period	1,153,273	$ 76.92	$ 88,712	2.2 years	$ 0
Exercisable at end of period	848,098	$ 93.33	$ 79,153	1.8 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, 2014 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, 2014 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.

The following table sets forth information regarding the stock options granted and exercised in the periods indicated:

	Year Ended December 31,		
	2014	2013	2012
Shares subject to stock options granted	168,500	156,500	156,500
Weighted average grant date fair value	$ 12.62	$ 9.27	$ 31.36
Shares subject to stock options exercised	0	0	202,820
Intrinsic value of stock options exercised	$ 0	$ 0	$ 4,802
Proceeds received from stock options exercised	$ 0	$ 0	$ 8,345
Tax benefits realized from stock options exercised	$ 0	$ 0	$ 1,602

The intrinsic value of a stock option is the difference between the fair market value of the stock and the option exercise price.

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The fair value of each stock option grant was estimated on the date of grant using the following assumptions:

	Year Ended December 31,		
	2014	2013	2012
Risk-free interest rates	1.3%	0.7%	0.7%
Expected lives (in years)	4.7	4.6	4.5
Volatility	55%	60%	51%
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, 2014 have a time-based restriction period that ranges from ending on the first to the third anniversary of the date of grant.

The following table sets forth the number of RSUs that were granted, forfeited and vested in the period indicated:

	Year Ended December 31, 2014	
	# of RSUs	Weighted Average Grant Dat e Fair Value
Unvested at beginning of period	737,844	$ 39.96
Granted	402,890	$ 21.46
Forfeited	(188,887)	$ 30.09
Vested	(120,540)	$ 61.08
Unvested at end of period	831,307	$ 30.17

The total fair market value of the RSUs that vested and were settled in shares of our common stock was $2,512 in the year ended December 31, 2014, $1,241 in the year ended December 31, 2013 and $4,568 in the year ended December 31, 2012. Also, in the year ended December 31, 2012, 48,935 RSUs vested and were settled in cash for $3,073.

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,		
	2014	2013	2012
		(In thousands)	
Shares:			
Weighted average number of shares of common	23,474	23,412	23,880

stock outstanding			
Shares assumed issued (less shares assumed purchased for stock-based compensation)	288	Not Applicable	119
Outstanding shares for diluted earnings (loss) per share calculation	23,762	23,412	23,999

A total of approximately 1.3 million shares for fiscal year 2014, approximately 1.4 million shares for fiscal year 2013 and approximately 1.7 million shares for fiscal year 2012 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.

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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").

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 not, however, exercised our right to terminate the CUSO Servicing Agreement.

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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.

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 was recorded net of an unamortized discount based on an imputed interest rate of 9.0% prior to the PEAKS Consolidation. Prior to October 1, 2012, the discount was amortized and recognized in Interest income in our Consolidated Statements of Operations over the term of the Subordinated Note. The maturity date of the Subordinated Note is in March 2026 and 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 in the amount of approximately $10,300, which equaled the total carrying value of the Subordinated Note prior to recording the impairment charge. We did not recognize any interest income related to the Subordinated Note in our Consolidated Statements of Operations after September 30, 2012.

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.

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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

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 Sheet as of the dates indicated:

	As of December 31,	
	2014	2013

Assets		
Restricted cash	$ 1,556	$ 2,593
Current portion of PEAKS Trust student loans	7,169	7,730
PEAKS Trust student loans, excluding current portion, less allowance for loan losses of $42,353 and $29,349	59,902	76,479
Total assets	$68,627	$ 86,802
Liabilities		
Current portion of PEAKS Trust senior debt	$37,545	$157,883
Other current liabilities	199	697
PEAKS Trust senior debt, excluding current portion	38,658	71,341
Total liabilities	$76,402	$229,921

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,	
	2014	2013
Revenue	$ 11,471	$ 12,996
Student services and administrative expenses	4,479	5,288
Provision for private education loan losses	12,111	29,349
Interest expense	20,814	21,288
(Loss) before provision for income taxes	$ (25,933)	$ (42,929)

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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 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 financial statements as a reduction to our contingent liability. Following the PEAKS Consolidation, Payments on Behalf of Borrowers were not reflected on our financial statements, since those payments were intercompany transactions, which were eliminated from our 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.

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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	**2014**	**2013**
PEAKS Guarantee	$159,255	$ 2,413(1)
Payments on Behalf of Borrowers	1,832	11,499(2)

Total	$161,087	$13,912

(1) Of this amount, $854 was paid prior to the PEAKS Consolidation.
(2) Of this amount, $532 was paid prior to the PEAKS Consolidation.

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.

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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

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 Sheet as of the date indicated:

	As of December 31, 2014
Assets	
Restricted cash	$ 2,517
Current portion of CUSO Student Loans	3,415
CUSO Student Loans, excluding current portion, less allowance for loan losses of $2,039	20,390
Other assets	284
Total assets	$ 26,606
Liabilities	
Current portion of CUSO Secured Borrowing Obligation	$ 20,813
Other current liabilities	179
CUSO Secured Borrowing Obligation, excluding current portion	100,194
Other liabilities	1,073
Total liabilities	$ 122,259

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The assets of the CUSO can only be used to satisfy the obligations of the CUSO.

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, 2014
Revenue	$ 1,136
Student services and administrative expenses	437
Provision for private education loan losses	2,039
Interest expense	3,725
(Loss) before provision for income taxes	$ (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. 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 year ended December 31, 2014. We did not exercise this offset right in the year ended December 31, 2013.

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,	
	2014	2013
Regular Payments	$ 6,562[(1)(2)]	$ 1,791
Discharge Payments	2,577	912
Recoveries from Charged-Off Loans	0	(103)
	$ 9,139	$ 2,600

(1) 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.
(2) Of this amount, $4,556 was paid prior to the CUSO Consolidation.

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:

- $475 in the fiscal year ended December 31, 2014; and
- $574 in the fiscal year ended December 31, 2013.

We recorded the amount of recoveries from charged-off loans that were owed to us, but not paid or offset, as of December 31, 2013 in Prepaid expenses and other current assets on our Consolidated Balance Sheet. The amounts of recoveries from charged-off loans that were owed to us by the CUSO as of December 31, 2014 were not recorded on our financial statements, since those amounts were intercompany transactions that were eliminated from our financial statements as a result of the CUSO Consolidation.

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In the fiscal year ended December 31, 2013, we also 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 those amounts. Approximately $6,786 of the amount that we claimed as an offset against the Revolving Note represented Discharge Payments. We recorded the amounts that we claimed as offsets against amounts owed to us under the Revolving Note in Other current liabilities on our Consolidated Balance Sheet as of December 31, 2013. The amounts that we claimed as offset under the Revolving Note as of December 31, 2014 were not reflected in our 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 offset 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. We did not make any advances in the fiscal year ended December 31, 2013 to the CUSO under the Revolving Note that we were not contractually required to make. 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.

The amount owed to us under the Revolving Note, excluding the offsets described above, was approximately $8,200 as of December 31, 2013 and December 31, 2014. In the three months ended December 31, 2012, we determined it was probable that we would not collect the full carrying value of the Revolving Note and, therefore, recorded an impairment charge in the amount of $4,900, which equaled the amount that the carrying value of the Revolving Note exceeded the present value of the expected future cash flows from that note. The carrying value of the Revolving Note was approximately $2,500 as of December 31, 2013, and was included on our Consolidated Balance Sheet in Prepaid expenses and other current assets. The amount of the Revolving Note as of December 31, 2014 was not reflected in our financial statements, since that amount was an intercompany transaction that was eliminated from our 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 Sheet as of December 31, 2014. The assets and liabilities of the PEAKS Trust were included on our Consolidated Balance Sheet as of December 31, 2013.

As of December 31, 2014, the aggregate carrying amount of the Private Education Loans included under the Private education loan line items on our Consolidated Balance Sheet was $90,876. The outstanding principal balance of the Private Education Loans, including accrued interest, was approximately $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 not reported on our Consolidated Balance Sheets, but it 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, 2014	
	Total	ASC 310-30 Applied By Analogy
Balance as of January 1	$ 70,580	$42,274
Additions resulting from the PEAKS Consolidation	0	0
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

	Year Ended December 31, 2013	
	Total	ASC 310-30 Applied By Analogy
Balance as of January 1	$ 0	$ 0
Additions resulting from the PEAKS Consolidation	100,953	58,843
Accretion	(12,996)	(7,243)
Reclassification from nonaccretable difference and changes in expected cash flows	(17,377)	(9,326)
Balance as of December 31	$ 70,580	$42,274

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The following table sets 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, 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		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
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 Sheet.

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 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,	
	2014	2013
Balance at beginning of period	$29,349	$ 0
Loans charged off	(1,199)	0
Recoveries from charged off loans	2,092	0
Provision for loan losses	12,111	29,349
Balance at end of period	$42,353	$29,349

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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, 2014
Balance at beginning of period	$ 0
Loans charged off	0
Recoveries from charged off loans	0
Provision for loan losses	2,039
Balance at end of period	$ 2,039

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, 2014 and 2013 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,	
	2014	2013
Furniture and equipment	$ 161,994	$ 162,128
Buildings and building improvements	135,241	134,993
Land and land improvements	39,609	39,609
Leasehold improvements	35,738	20,953
Software	8,263	8,620
Construction in progress	766	156
	$ 381,611	$ 366,459
Less: Accumulated depreciation and amortization	(224,539)	(197,950)
Property and equipment, net	$ 157,072	$ 168,509

Software includes purchased and internally developed software.

The following table sets forth the depreciation and amortization expense for the assets listed above in the periods indicated:

	Year Ended December 31,		
	2014	2013	2012
Depreciation and amortization expense	$25,603	$27,007	$29,320

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.

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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, 2014			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Amorti-zation 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	

	As of December 31, 2013			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Amorti-zation Period (months)
Amortizable intangible assets:				
Customer relationships	$ 1,200	$ (100)	$ 1,100	60
Non-compete agreements	750	(63)	687	60
Training materials	440	(52)	388	42
Accreditation	210	(135)	75	84
	$ 2,600	$ (350)	$ 2,250	

All amortizable intangible assets are being amortized on a straight-line basis. Amortization expense for amortized intangible assets was:

- $851 in the year ended December 31, 2014;
- $245 in the year ended December 31, 2013; and
- $30 in the year ended December 31, 2012.

The following table sets forth our estimate of the amortization expense for our amortizable intangible assets in each of the next five fiscal years:

Fiscal Year Ending December 31,	Estimated Amortization Expense
2015	$ 880
2016	865
2017	734
2018	562
2019	28
	$ 3,069

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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, 2014		
	Gross Carrying Value	Impairment Charge	New Carrying Value
Indefinite-lived intangible assets:			
Goodwill	$ 7,290	$ (2,044)	$ 5,246
Trademark	660	(410)	250
	$ 7,950	$ (2,454)	$ 5,496

	As of December 31, 2013		
	Gross Carrying Value	Impairment Charge	New Carrying Value
Indefinite-lived intangible assets:			
Goodwill	$ 3,958	$ 0	$ 3,958
Trademark	660	0	660
	$ 4,618	$ 0	$ 4,618

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.

We performed our annual impairment test as of October 1, 2014 and determined that certain of our indefinite-lived intangible assets were impaired, because the carrying values of those assets exceeded their estimated fair value. In the fourth quarter of 2014, we recorded a $2,044 charge for the impairment of goodwill associated with the acquisitions of Cable Holdings and Ascolta and a $410 charge 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 and the carrying value of the applicable assets. The goodwill impairment was due to a decrease in the fair value of the forecasted cash flows, primarily resulting from lower projected revenue and margins. The impairment of the trademark was due to a decrease in projected revenue.

To calculate the amount of the goodwill impairment charge, we estimated the fair value of the 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 is allocated to all of its assets and liabilities, including certain unrecognized intangible assets, in order to determine the implied fair value of the 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. To calculate the amount of the trademark impairment charge, we estimated the fair value of the trademark using a discounted cash flow method. In applying this methodology, we made certain assumptions about future revenue, royalty rates and the risk-adjusted discount rate.

The assumptions and estimates underlying the fair value calculations used in our annual impairment test 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 goodwill and other intangible assets in future periods.

12. Debt

As of December 31, 2014, 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

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lenders party thereto. Under the 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") and on May 26, 2015, we entered into a Limited Consent to Financing Agreement (the "FA Consent"). The Original Financing Agreement, as amended by Amendment No. 1 and Amendment No. 2 and including the FA Consent, 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 do 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 will be deemed to have been \$5,000.

The FA Consent provides that our consolidated financial statements (and related certificates) as of and for the fiscal quarter ended March 31, 2015 do not have to be furnished by us to the lenders until June 15, 2015.

We believe that we will make payments of approximately \$29,800 under the PEAKS Guarantee and approximately \$13,000, net of approximately \$1,400 in recoveries, under the CUSO RSA in 2015. The Financing Agreement limits the aggregate amount of payments that we can make related to the PEAKS Guarantee and the CUSO RSA to \$45,000 under both programs in 2015 and 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 remain outstanding for our account, 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. See below for a further description of terms of the Amended Credit Agreement, including following the issuance of the Term Loans. 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.

The Term Loans will mature on December 4, 2017. 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 outstanding principal balance under the Financing Agreement must be repaid by us in quarterly installments on the first business day of each March, June, September and December, commencing March 1, 2015 and ending on the maturity date. Each installment payment must be in an amount equal to \$2,500 in each quarter of 2015, \$5,000 in each quarter of 2016, and \$7,500 in each quarter of 2017, provided the last such installment payment shall be in the amount necessary to repay the then outstanding principal balance in full. In addition, the Financing Agreement provides for mandatory prepayment of outstanding principal in an amount equal to 50% of Excess Cash Flow (as defined in the Financing Agreement) calculated based on our cash flows for the fiscal years ended December 31, 2015 and 2016. Any mandatory prepayment amounts due under this provision are payable with the scheduled principal payment due on the first business day of March of the following year.

The Financing Agreement provides that we must pay a premium on any prepayment of outstanding principal that we make during the first two years of the Financing Agreement that is not specifically required under the Excess Cash Flow mandatory prepayment provision. The premium for any such prepayment of principal is 2.0% of the amount of any prepayment we make through December 4, 2015, and 1.0% of the amount of any prepayment we make from December 5, 2015 through December 4, 2016.

We paid a one-time commitment fee of $3,000 in the fourth quarter of 2014 in connection with the Financing Agreement. Under the Financing Agreement, we are required to pay a quarterly administration fee to the Administrative Agent of $25, of which a ratable portion was paid by us on December 4, 2014 for the remainder of the 2014 calendar year.

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.

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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 (as defined in the Financing Agreement) and a Fixed Charge Coverage Ratio (as defined in the Financing Agreement), 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.

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 (the "Third Amendment"), July 30, 2014 (the "Fourth Amendment") and September 15, 2014 (the "Fifth Amendment"). We entered into a Consent to Credit Agreement effective October 15, 2014 (the "October Consent") and a Consent to Credit Agreement, as of November 14, 2014 (the "November Consent" and together with the October Consent, 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.

A portion of the initial borrowings under the Credit Agreement were 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.

Under the Amended Credit Agreement, the aggregate commitment of the lenders, effective June 30, 2014, was reduced to $135,000, and the portion of the commitments available for letters of credit was increased from $25,000 to $85,000. Certain letters of credit in an aggregate amount of approximately $2,352 previously issued by JPMorgan Chase Bank, N.A. are deemed to be letters of credit issued pursuant to the Amended Credit Agreement. We caused a letter of credit payable to the ED ("ED Letter of Credit") in the amount of $79,708 to be issued on October 31, 2014. The letters of credit for our account that were issued under the Amended Credit Agreement remain outstanding and a portion of the Term Loans was used to provide cash collateral for such letters of credit. See Note 15 – Commitments and Contingencies, for a further discussion of the ED Letter of Credit.

The ED Letter of Credit provides that the ED may draw on the 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 the expiration of the ED Letter of Credit, 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.

In addition to the participation fee required to be paid by us pursuant to the original terms of the Credit Agreement related to letters of credit, which accrues at the same rate used to determine the interest rate applicable to Eurodollar Revolving Loans (as defined in the Amended Credit Agreement), the Amended Credit Agreement provides that an additional participation fee is required to be paid by us related to the ED Letter of Credit, which accrues 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 is 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.

The Amended Credit Agreement contained, among other things, covenants, representations and warranties and events of default customary for credit facilities. We were required to maintain compliance with a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum liquidity amount, and several covenants related to the ED's regulations. In addition, the amendments to the Amended Credit Agreement, taken together:

- amended certain covenants to allow for the PEAKS Consolidation beginning on February 28, 2013, and for other factors; and
- waived certain defaults related to our financial reporting.

The Amended Credit Agreement was, but effective December 4, 2014, no longer is:

- secured by a pledge of the equity interests of our subsidiaries;
- guaranteed by one of our subsidiaries;
- secured by security interests in substantially all of our personal property and the personal property of the subsidiary guarantor; and
- secured by mortgages on 30 separate parcels of land owned by us, including all of the improvements thereto and fixtures thereon.

In connection with the termination of the commitments and payment of loans outstanding under the Amended Credit Agreement, our obligations under all affirmative and negative covenants in the Amended Credit Agreement, including financial covenants, were released and discharged, and representations and warranties and default provisions in the Amended Credit Agreement were terminated, all effective as of December 4, 2014.

Under 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) 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 may be released partially to us from time to time upon cancellation, termination, expiration or reduction of the face amount of any of the outstanding letters of credit, provided that the remaining cash collateral is not less than 103% of the amount available to be drawn under the letters of credit then remaining outstanding, except the ED Letter of Credit, for which the cash collateral must be not less than 109% of the amount available to be drawn.

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 Financing Agreement, the Amended Credit Agreement or the credit agreement that was in effect prior to the Amended Credit Agreement, as applicable, was approximately:

- 4.90% per annum in the year ended December 31, 2014;
- 3.60% per annum in the year ended December 31, 2013; and
- 2.40% per annum in the year ended December 31, 2012.

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The following table sets forth the total amount of interest expense and fees (including the commitment fee and amortized debt discount) that we recognized on our borrowings under the Financing Agreement, the Amended Credit Agreement or the credit agreement that was in effect prior to the Amended Credit Agreement, as applicable, in the periods indicated:

	Year Ended December 31,		
	2014	2013	2012
Interest expense and fees	$3,761	$3,424	$3,303

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 an accrued discount on our consolidated balance sheet and is being recognized as Interest expense in our Consolidated Statements of Operations using an effective interest rate method over the term of the PEAKS Senior Debt. As of December 31, 2014, the outstanding principal balance of the PEAKS Senior Debt was $96,918 and the carrying value was $76,203. We recorded $37,545 as a current liability as of December 31, 2014, 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, 2014.

The PEAKS Senior Debt matures in January 2020 and 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%. 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 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.

The following table sets forth the total amount of interest expense and discount accretion that we recognized on the PEAKS Senior Debt in the periods indicated:

	Year Ended December 31,	
	2014	2013
Interest expense	$ 20,814	$ 21,288
Discount accretion	$ 6,712	$ 4,926

The effective interest rate on the PEAKS Senior Debt was approximately:

- 10.30% per annum in the year ended December 31, 2014; and
- 9.90% per annum in the year ended December 31, 2013.

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. As a result of the PEAKS Consolidation and other factors, we were not in compliance with those metrics as of December 31, 2014. For purposes of computing the Asset/Liability Ratio, as of December 31, 2014, the amount of the assets of the PEAKS Trust was $127,652 and the amount of the liabilities was

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$96,918. The amounts used to calculate the Asset/Liability Ratio primarily include, for the assets, 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 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.

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 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.

In order to cause the PEAKS Trust to maintain the applicable required Asset/Liability Ratio, we made payments of approximately $156,600 in the year ended December 31, 2014 under the PEAKS Guarantee that were applied by the PEAKS Trust to reduce the amount of the PEAKS Senior Debt. That amount included the:

- $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);
- payments totaling approximately $51,700 that we made from July 2014 through September 2014 to satisfy our obligations under the PEAKS Guarantee with respect to the increased minimum required Asset/Liability Ratio in prior periods; and
- payments totaling approximately $64,900 that we made from October 2014 through December 2014 to satisfy our obligations under the PEAKS Guarantee with respect to the increased minimum required Asset/Liability Ratio in the current and prior periods.

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 year ended December 31, 2014.

The following table sets forth the estimated principal payments on the PEAK Senior Debt in the periods indicated:

Fiscal Year Ending December 31,	Amount
2015	$37,545
2016	12,226
2017	8,830
2018	9,678
2019	10,673
2020	17,966
Total	$96,918

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13. Income Taxes

The following table sets forth the components of the provision for income taxes in the periods indicated:

	Year Ended December 31,		
	2014	2013	2012
Current income tax expense:			
U.S. federal	$(21,345)	$ 39,279	$126,585
State and local	(227)	4,611	22,004
Total	$(21,572)	$ 43,890	$148,589
Deferred income tax (benefit):			
U.S. federal	$ 39,227	$(46,345)	$ (51,145)
State and local	2,742	(7,757)	(8,426)
Total	$ 41,969	$(54,102)	$ (59,571)
Total provision (benefit) for income taxes	$ 20,397	$(10,212)	$ 89,018

We recognized approximately $5,687 of state income tax benefit 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, 2014 and 2013. 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,	
	2014	2013
Deferral of book costs	$ (1,575)	$ (1,748)
Property and equipment	0	(1,807)
Pension	(11,113)	(10,566)
Other	(1,972)	(1,189)
Gross deferred tax (liabilities)	$ (14,660)	$ (15,310)
Deferred revenue	$ 10,082	$ 10,902
Accounts receivable	910	3,551
Property and equipment	2,495	0
Legal accrual	5,796	3,455
Compensation and benefits	2,410	3,316
Stock-based compensation	19,394	20,794
Operating leases	2,189	2,386
Other assets	9,736	8,356
Other contingent liabilities	64,236	108,423
Gross deferred tax assets	$117,248	$161,183
Net deferred income tax asset	$102,588	$145,873

Our deferred tax assets decreased primarily due to the payments that we made under the PEAKS Guarantee and CUSO RSA, which are deductible for income tax purposes when paid. As a result of these tax-deductible payments, we expect to report a net operating loss on our federal income tax return for the year ended December 31, 2014, which will be carried back to a prior year to reduce the amount of federal taxable income and the income tax liability in that year.

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,		
2014	2013	2012

	2014	2013	2012
U.S. federal statutory income tax rate	35.0%	(35.0%)	35.0%
Rate differential on VIEs	0.8%	11.9%	0%
State income taxes, net of federal benefit	3.1%	(5.6%)	3.4%
Permanent book/tax differences	2.5%	2.8%	0.9%
Other	(0.3%)	(1.5%)	(0.3%)
Effective income tax rate	41.1%	(27.4%)	39.0%

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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,		
	2014	2013	2012
Balance as of January 1	$22,291	$20,690	$22,050
Increases (decreases) from:			
Tax positions taken during a prior period	5,620	1,675	195
Tax positions taken during the current period	537	870	759
Settlements with taxing authorities	(2,551)	186	(1,027)
Lapse of statute of limitations	(997)	(1,130)	(1,287)
Balance as of December 31	$24,900	$22,291	$20,690

The amount of unrecognized tax benefits that, if recognized, would have affected our effective tax rate as of December 31, 2014 was $11,109. 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, 2014, we estimated that it was reasonably possible that unrecognized tax benefits, excluding interest and penalties, could decrease in an amount ranging from $0 to $6,932 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 $6,135 as of December 31, 2014 and $6,371 as of December 31, 2013. In each of the years ended December 31, 2014, 2013 and 2012, 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, 2014, our federal, state or local income tax returns were no longer subject to examination for tax years prior to 2010, except in nine states where our income tax returns are still subject to examinations for tax year 2009 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 an actuarial valuation date as of December 31, 2014 and 2013.

The following table sets forth the change in projected benefit obligation for the periods indicated:

	Year Ended December 31,	
	2014	2013
Projected benefit obligation at beginning of year	$ 49,412	$ 57,246
Service cost	0	0
Actuarial (gain) loss	4,742	(5,345)
Interest cost	1,993	1,756
Benefits paid	(3,727)	(4,245)
Plan amendments	0	0
Projected benefit obligation at end of year	$ 52,419	$ 49,412
Fair value of plan assets at end of year	81,130	76,710
Funded status at end of year	$ 28,711	$ 27,298

Our accumulated benefit obligation was $52,419 at December 31, 2014 and $49,412 at December 31, 2013.

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,	
	2014	2013
Non-current assets	$29,028	$27,584
Non-current (liabilities)	(317)	(286)
Total	$28,711	$27,298

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The weighted-average assumptions used to determine benefit obligations as of December 31, 2014 and 2013 are as follows:

	2014	2013
Discount rate	3.25%	4.25%
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,	
	2014	2013
Fair value of plan assets at beginning of year	$ 76,710	$ 64,390
Actual return on plan assets	8,147	16,565
Employer contributions	0	0
Benefits paid	(3,727)	(4,245)
Fair value of plan assets at end of year	$ 81,130	$ 76,710

The following tables set forth the fair value of total plan assets by major asset category as of the dates indicated:

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.

Asset Category	Total	Fair Value Measurements as of December 31, 2013 (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	$ 934	$ 934	$ 0	$ 0
Fixed income securities [a]	12,596	12,596	0	0
Equity securities:				
Domestic large cap	40,669	40,669	0	0
Mid cap value/growth [a]	12,610	12,610	0	0
Small cap value/growth [a]	7,163	7,163	0	0
Foreign equities	2,738	2,738	0	0
Total	$76,710	$ 76,710	$ 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.

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The following table sets forth the amounts in Accumulated other comprehensive income 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, 2014	2013
Net actuarial (loss)	$(2,169)	$ (546)
Prior service credit	4,023	5,578
Total accumulated other comprehensive income	$ 1,854	$ 5,032

Income tax (expense)	(653)	(1,886)
Total accumulated other comprehensive income, net of tax	$ 1,201	$ 3,146

The following table sets forth the changes in the components of Accumulated other comprehensive income on our Consolidated Balance Sheets in the fiscal years ended December 31, 2013 and 2014:

	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, 2012	$ (13,058)	$ 5,128	$ (7,930)
Net actuarial gain	17,566	(6,811)	10,755
Settlement gain	42	(17)	25
Amortization of:			
Actuarial (gains)/losses	2,037	(790)	1,247
Prior service costs/(credits)	(1,555)	604	(951)
Balance at December 31, 2013	$ 5,032	$ (1,886)	$ 3,146
Net actuarial (loss)	(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

The reclassification of prior service costs or credits, actuarial gains or losses and settlement gains or losses from Accumulated other comprehensive income 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, 2014 and 2013.

The following table sets forth the components of net periodic pension benefit (income) in the periods indicated:

	Year Ended December 31,		
	2014	2013	2012
Interest cost	$ 1,993	$ 1,756	$ 2,062
Expected return on assets	(5,164)	(4,344)	(4,231)
Recognized net actuarial loss	0	2,037	2,718
Amortization of prior service (credit) cost	(1,555)	(1,555)	(1,555)
Settlement loss	137	42	792
Total net periodic pension benefit (income)	$(4,589)	$(2,064)	$ (214)

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,		
	2014	2013	2012
Net actuarial (gain) loss	$ 1,760	$(17,566)	$ (621)
Amortization of net actuarial loss	0	(2,037)	(2,718)
Prior service cost (credit)	0	0	0
Amortization of prior service cost (credit)	1,555	1,555	1,555

Settlement	(137)	(42)	(792)
Other comprehensive (income) loss	$ 3,178	$(18,090)	$(2,576)
Total recognized in net periodic pension benefit (income) and other comprehensive (income) loss	$(1,411)	$(20,154)	$(2,790)

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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, 2015 is $0 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, 2015 is $1,555.

The weighted-average assumptions used to determine net periodic pension benefit cost in the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Discount rate	4.25%	3.25%	4.00%
Expected long-term return on plan assets	7.00%	7.00%	7.50%
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 2015	$ 4,291
Fiscal 2016	$ 4,266
Fiscal 2017	$ 4,115
Fiscal 2018	$ 3,775
Fiscal 2019	$ 3,416
Fiscal 2020 – 2024	$15,890

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 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 2014 and 2013, 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 2015.

Retirement Savings Plan. 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

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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:

- $3,073 in the year ended December 31, 2014;
- $3,454 in the year ended December 31, 2013; and
- $4,597 in the year ended December 31, 2012.

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, 2014, the total face amount of those surety bonds was approximately $19,000. As of December 31, 2014, we also had caused approximately $2,352 of letters of credit to be issued to our workers' compensation insurers and 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. The term of the ED Letter of Credit ends on November 4, 2019. As of December 31, 2014, the total amount of the outstanding letters of credit that we have caused to be issued was $82,060.

The ED Letter of Credit provides that the ED may draw on the 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 the expiration of the ED Letter of Credit, 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 nine 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.

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:

- $46,268 in the year ended December 31, 2014;
- $53,212 in the year ended December 31, 2013; and
- $50,817 in the year ended December 31, 2012.

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, 2014 are as follows:

2015	$ 41,207
2016	36,226
2017	27,617
2018	21,529
2019	15,235
2020 and thereafter	8,144
	$149,958

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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,	
	2014	2013
CUSO RSA	$ 0	$116,923
Other	15,574	8,957
Total	$15,574	$125,880
Other current liabilities	$14,976	$ 25,893
Other liabilities	598	99,987
Total	$15,574	$125,880

Other current liabilities primarily represented our estimate of the loss that we believed we would realize during the 12- month period following the dates indicated. The amounts included in Other liabilities primarily related to our estimated contingent liability for the CUSO RSA as of December 31, 2013 (prior to the CUSO Consolidation) and represented our estimate of the loss that we believed we would realize after the 12-month period following the dates indicated and over a period that could exceed ten years. See below for a discussion of the method by which we determined the amount of the contingent liability that we recorded related to our guarantee obligations under the CUSO RSA prior to the CUSO Consolidation.

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,	
	2014	2013
Balance as of January 1	$ 125,880	$126,978
Increases (decreases) from:		
Additional accruals:		
CUSO RSA	2,019	90,964
Other	36,634	18,768
Payments, other, net of recoveries owed of $475 and $574[1]	(29,542)	(14,730)
Payments under CUSO RSA, net of recoveries of $466 and $103[2]	(9,139)	(2,600)
Payments under PEAKS Guarantee, net of estimated recoveries of $0 and $1,408	(159,255)	(1,005)
Payments on Behalf of Borrowers	(1,832)	(11,499)
Settlement payment – 2007 RSA	0	(46,000)
Elimination of PEAKS Trust intercompany transactions [3]	161,087	11,118
Elimination of PEAKS Guarantee accrual [4]	0	(46,114)
Elimination of CUSO intercompany transactions [5]	4,583	0
Elimination of CUSO RSA accrual [6]	(114,861)	0
Balance as of December 31	$ 15,574	$125,880

(1) Consists of payments for legal and other contingencies, net of recoveries from charged-off loans made under the CUSO Program that were owed, but had not been remitted, to us.
(2) 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.
(3) We consolidated the PEAKS Trust in our consolidated financial statements as of February 28, 2013 and, as a result, we eliminated from our consolidated financial statements the amount of payments under the PEAKS Guarantee and Payments on Behalf of Borrowers that we made following the PEAKS Consolidation. See Note 8 – Variable Interest Entities, for a further discussion of the PEAKS Consolidation.
(4) As a result of the PEAKS Consolidation, we eliminated from our consolidated financial statements the contingent liability related to the PEAKS Guarantee that we had previously recorded.

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(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. See Note 8 – Variable Interest Entities, for a further discussion of 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.

We had guaranteed the repayment of private education loans made by a lender to our students in 2007 and early 2008 (the "2007 RSA") that the lender charged off above a certain percentage of the total dollar volume of private education loans made under the 2007 RSA. In January 2013, we paid $46,000 in a settlement to absolve us from any further obligations with respect to our guarantee obligations under the 2007 RSA, which amount is included in the Settlement payment – 2007 RSA line item in the year ended December 31, 2013 in the table above.

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 is 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, 2014 and 2013, 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;
- 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 legal and professional fees related to certain lawsuits, investigations and accounting matters as a separate line item in our Consolidated Statements of Operations. 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 relate primarily to services identified as relating to accounting for, and the audit work performed in connection with, the consolidation of the PEAKS Trust and the restatement of our 2013 quarterly consolidated financial statements.

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

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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, 2014 and 2013. 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 2014. In the year ended December 31, 2014, we made payments related to the PEAKS Program of approximately $161,100. 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 approximately $51,700 that we made from July 2014 through September 2014 to satisfy our obligation under the PEAKS Guarantee with respect to the increased minimum required Asset/Liability Ratio in prior periods;
- payments totaling approximately $64,900 that we made from October 2014 through December 2014 to satisfy our obligations under the PEAKS Guarantee with respect to the increased minimum required Asset/Liability Ratio in current and prior periods;
- payments totaling approximately $2,700 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 approximately $1,800 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 $29,800 in 2015, $4,300 in 2016 and $15,300 in 2020. The vast majority 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 $59,400 as of December 31, 2015 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 $47,000 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 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

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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, 2014 and 2013, the total collateral maintained in a restricted bank account was approximately $8,600. 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.

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, 2014 and 2013, 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 Sheet as of December 31, 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 2014. In the year ended December 31, 2014, we made payments under the CUSO RSA of approximately $9,139. Reflected in this amount were:

- Regular Payments of $7,028;
- a Discharge Payment of $2,577 that we made pursuant to the Fourth Amendment to CUSO RSA (as defined below); and

- $466 in recoveries from charged-off loans that were owed to us from the CUSO and that we applied to reduce the amount payable by us to the CUSO pursuant to our offset right.

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 are 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.

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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 are 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 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 have not been delivered as of that date, must 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.

Projected CUSO RSA Payments. We believe that it is probable that we will make additional payments 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 amounts 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. The following table sets forth, in the periods indicated, our projections of the estimated amount of Regular Payments and Discharge Payments that we expect to pay (or that we expect will be owed by us, which amounts could be reduced prior to payment thereof by the amount of recoveries from charged-off loans owed to us as described in the immediately preceding sentence) and the estimated amount of recoveries from charged-off loans that we expect to be paid to us by the CUSO (or that we may utilize to offset a portion of the amounts of Regular Payments or Discharge Payments owed by us):

Year	Estimated Regular Payments	Estimated Discharge Payments	Estimated Total Payments	Estimated Recoveries
2015	$ 11,723	$ 2,709(1)	$ 14,432	$ (1,393)
2016	15,895	0	15,895	(1,479)
2017	17,615	0	17,615	(1,545)
2018 and later	0	78,747	78,747	(1,580)
	$ 45,233	$ 81,456	$126,689	$ (5,997)

(1) Represents the Discharge Payment of $2,709 that we made on March 19, 2015 pursuant to the terms of the Fifth Amendment to CUSO RSA.

We believe that the vast majority of the $78,747 of estimated payments projected to be paid after 2017 will be made by us in 2018. The estimated future payment amounts and timing related to the CUSO RSA assume, among other factors, that we do not make any Discharge Payments in 2015, 2016 or 2017 (other than the Discharge Payment made in March 2015 pursuant to the terms of the Fifth Amendment to CUSO RSA) and do make Discharge Payments to the fullest extent possible in 2018 and later years. If we do not make the Discharge Payments as assumed in 2018 and later years, we estimate that we would make approximately $100,273 of Regular Payments in 2018 through approximately 2026. Of this amount, approximately $18,600 to $20,000 would be paid annually in each of 2018 through 2021, and approximately $22,700 in the aggregate, would be paid in 2022 through 2026.

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.

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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 and the amount of recoveries from charged-off loans paid to us by the CUSO, in the periods indicated:

Type of Payment (Receipt)	Year Ended December 31, 2014	2013
Guarantee:		
PEAKS Program	$159,255	$ 2,413(1)
CUSO RSA Regular Payments	6,562(2)(3)	1,791
CUSO RSA Discharge Payments	2,577	912

Payments on Behalf of Borrowers	1,832	11,499[4]
CUSO RSA-Recoveries from Charged-Off Loans	0	(103)
Total	$170,226	$16,512

(1) Of this amount, $854 was paid prior to the PEAKS Consolidation.
(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.
(4) Of this amount, $532 was paid prior to the PEAKS Consolidation.

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:

- $475 in the year ended December 31, 2014; and
- $574 in the year ended December 31, 2013.

We recorded the amount of recoveries from charged-off loans that were owed to us, but not paid or offset, as of December 31, 2013 in Prepaid expenses and other current assets on our Consolidated Balance Sheet. The amounts of recoveries from charged-off loans that were owed to us by the CUSO as of December 31, 2014 were not reflected 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.

We also offset the following amounts 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 those amounts:

- $0 in the year ended December 31, 2014; and
- $8,472 in the year ended December 31, 2013.

We recorded all of the amounts that we claimed as offsets against amounts owed to us under the Revolving Note in Other current liabilities on our Consolidated Balance Sheet as of December 31, 2013. The amounts that we claimed as offsets against amounts owed to us under the Revolving Note as of December 31, 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 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 loan and security agreement pursuant to which the Revolving Note was issued (the "CUSO Loan Agreement");
- as a result of that default, all amounts under the Revolving Note were immediately due and payable; and
- 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 Loan Agreement and the CUSO RSA 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 had defaulted under the CUSO Loan Agreement and, therefore, our ability to accelerate the payment of the Revolving Note; 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 under the CUSO Loan Agreement; and
- even if it had defaulted under the CUSO Loan Agreement, 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 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"). At that time, the amount of funds in that account was approximately $8,600. 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 Loan Agreement and the CUSO RSA does not constitute an event of default under the

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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 $9,200, 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.

Assessment of Guarantee Contingent Liability. At the end of each reporting period prior to the CUSO Consolidation, we assessed whether we should recognize a contingent liability related to our guarantee obligations under the CUSO RSA and, if so, in what amount. The contingent liability was calculated by estimating the amount and timing of projected future payments that we expected to make under the CUSO RSA and the projected future amounts that we expected to be repaid to us by the CUSO from recoveries of charged-off loans and the timing of those repayments. As with any estimate, as facts and circumstances changed, the recorded liability changed.

In order to estimate the amount of the contingent liability, we made certain assumptions with respect to the performance of the CUSO Student Loans over the life of those loans. The life of a CUSO Student Loan may be in excess of ten years from the date of disbursement. Therefore, our estimates were based on assumptions for periods in excess of ten years, and those assumptions included, among other things, the following:

- the repayment performance of the CUSO Student Loans, which includes both payments on non-defaulted loans and recoveries from defaulted, or charged-off, loans;
- the timing and rate at which the CUSO Student Loans will be paid;
- the changes in the variable interest rates applicable to the CUSO Student Loans;
- the amounts and timing of collections that will be collected in the future on CUSO Student Loans that have defaulted; and
- our ability to utilize the available options for payment of our obligations under the CUSO RSA.

Because the amount of the contingent liability takes into consideration the projected repayment performance of the CUSO Student Loans that could extend for ten or more years, and the repayment performance data develops over a period that is several years from the date the loans were originated, we continually refined our assumptions based on new data and information. We consulted with third-party consumer credit consulting firms in determining certain repayment performance assumptions.

The projected future payments that we expected to make under the CUSO RSA were based on a methodology to forecast future default rates and amounts, which methodology utilized the historical amount of CUSO Student Loans that had defaulted. The historical default experience by itself, however, may not be indicative of the future default performance of the CUSO Student Loans. Therefore, we made certain assumptions regarding the expected future default performance of the loans. In estimating the projected future amounts that we expected to be repaid to us by the CUSO from recoveries from charged-off loans, we considered the actual collections on defaulted loans made under the CUSO Program, as well as other factors. As the CUSO Student Loans matured, additional data related to the repayment performance of the loans and other information regarding the loans became available to us that we utilized to estimate the related contingent liability. The assumptions used for our projections of future payments and recoveries have changed significantly over time as actual repayment performance became known, which resulted in changes to the estimated contingent liability.

We also considered our ability to utilize Discharge Payments for payment of our obligations under the CUSO RSA in our estimates of the contingent liability. Making Discharge Payments results in an estimated contingent liability amount that is less than if we had assumed we would make Regular Payments in future periods. As circumstances and our future cash flow projections changed over time, we adjusted our assumptions related to our ability to make Discharge Payments, which resulted in an increase in our estimated contingent liability amount in certain periods.

In addition, in certain prior reporting periods, there were disruptions in the servicing of a portion of the CUSO Student Loans, as well as indications that servicing activities were not being performed as required by the applicable servicing agreement, which we believe had a negative impact on the repayment performance of those loans. We cannot predict with any certainty whether other servicing disruptions or servicing issues will occur in the future.

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,

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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 and two of our current 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 and two of our current 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 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