

## NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT

***IF YOU PURCHASED OR ACQUIRED THE COMMON STOCK OF ITT EDUCATIONAL SERVICES, INC. BETWEEN APRIL 24, 2008 AND FEBRUARY 25, 2013, BOTH DATES INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.***

*A Federal Court authorized this Notice. This is not a solicitation from a lawyer.*

This Notice explains important rights you may have, including your possible receipt of cash from the Settlement.  
***Your legal rights will be affected*** whether or not you act.

### PLEASE READ THIS NOTICE CAREFULLY!

1. **Securities and Time Period:** ITT Educational Services, Inc. (“ITT” or the “Company”) common stock (ticker symbol: ESI) purchased or acquired between April 24, 2008 and February 25, 2013, both dates inclusive.

2. **Description of the Action and the Class:** The Settlement<sup>1</sup> resolves class action litigation over whether ITT, and certain of ITT’s executives, allegedly made or were otherwise liable for material misrepresentations and omissions concerning the Company’s obligations under certain risk-sharing agreements it had entered into in connection with certain third-party private student loan programs for ITT students. The Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund were appointed by the Court to represent all Class Members and were designated as the Lead Plaintiffs and as class representatives for the case. Cohen Milstein Sellers & Toll PLLC (“Cohen Milstein”) was appointed by the Court to serve as Lead Counsel. The “Class” consists of:

all persons or entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive. Excluded from the Class are: Defendants; members of the immediate family of any Defendant; any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest during the Class Period; the officers and directors of ITT during the Class Period; and legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person or entity.

3. **Statement of Class’s Recovery:** Subject to Court approval, and as described more fully in ¶¶ 17-19 below, Lead Plaintiffs, on behalf of themselves and the Class, have agreed to settle all Released Claims against the Defendants and other Released Parties in exchange for a settlement payment of \$16,962,500.00 in cash (the “Settlement Amount”) to be deposited into an interest-bearing escrow account (the “Settlement Fund”) and certain other terms. The Settlement Fund less all Taxes, Tax Expenses, Notice and Administration Costs, and attorneys’ fees and Litigation Expenses awarded to Lead Counsel (the “Net Settlement Fund”) will be distributed to members of the Class in accordance with a plan of allocation (the “Plan of Allocation”) that will be submitted to and approved by the Court. The proposed Plan of Allocation is included in this Notice, and may be modified by the Court without further notice.

4. **Statement of Estimated Average Amount of Recovery:** Your recovery will depend on the number of shares of ITT common stock that you purchased or acquired during the Class Period, the price(s) at which those shares were purchased or acquired, the timing of your purchases, and any sales. Depending on the number of eligible shares of common stock that participate in the Settlement, and when and at what price that common stock was purchased or acquired and sold, the estimated average recovery per share of ITT common stock will be approximately \$0.47 before deduction of Court-approved fees and expenses and any other awards or payments.

5. **Statement of the Parties’ Position on Damages:** The Defendants deny all claims of wrongdoing and affirm that they have acted properly and lawfully at all times. Defendants further deny that they are liable to the Lead Plaintiffs and/or the Class or that Lead Plaintiffs or other members of the Class suffered any injury. Moreover, the parties do not agree on the likelihood that Lead Plaintiffs and/or the Class would be able to prevail at trial or the

<sup>1</sup>This Notice incorporates by reference the definitions in the Stipulation and Agreement of Settlement, dated November 2, 2015 (the “Settlement”), and all capitalized terms used, but not defined herein, shall have the same meanings as in the Settlement. A copy of the Settlement can be obtained at <http://www.ITTSecuritiesSettlement.com>.

amount of damages that potentially would be recoverable if Lead Plaintiffs and/or the Class were to prevail on any or all of their claims. The issues on which the parties disagree include, but are not limited to: (1) whether certain public statements made by Defendants were materially false or misleading; (2) whether the Defendants are liable under the federal securities laws for any statements or alleged omissions; and (3) whether all or part of the damages allegedly suffered by Lead Plaintiffs or members of the Class were caused by any alleged misstatements or omissions.

6. **Statement of Attorneys’ Fees and Expenses Sought:** Lead Counsel has litigated this case on a contingent basis. They have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund. This is customary in this type of litigation. Prior to final distribution of the Net Settlement Fund, Lead Counsel will apply to the Court for an award of attorneys’ fees from the Settlement Fund in an amount not to exceed 28% of the Settlement Fund (or \$4,749,500.00), plus interest earned at the same rate and for the same period as earned by the Settlement Fund. In addition, Lead Counsel also will apply for the reimbursement of expenses paid or incurred in connection with the prosecution and resolution of the Action in an amount not to exceed \$750,000.00 plus interest earned at the same rate and for the same period as earned by the Settlement Fund. In addition, Lead Counsel also may apply for reimbursement of the expenses of Lead Plaintiffs in accordance with 15 U.S.C. §78u-4(a)(4) not to exceed approximately \$40,000.00. If the Court approves Lead Counsel’s fee and expense application, the estimated average cost per share of common stock is \$0.15.

7. **Identification of Attorneys’ Representatives:** Lead Plaintiffs and the Class are being represented by Cohen Milstein Sellers & Toll PLLC. Any questions regarding the Settlement should be directed to Carol V. Gilden, 190 South LaSalle Street, Suite 1705, Chicago, IL 60603, cgilden@cohenmilstein.com.

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<b>YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:</b>	
<b>REMAIN A MEMBER OF THE CLASS AND FILE A PROOF OF CLAIM FORM.</b>	This is the only way to receive a payment. If you wish to obtain a payment as a member of the Class, you will need to file a proof of claim form (the “Proof of Claim Form”), which is included with this Notice, postmarked no later than March 22, 2016.
<b>EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN FEBRUARY 16, 2016.</b>	If you exclude yourself from the Class, you will receive no payment pursuant to this Settlement. You may be able to seek recovery against the Defendants or other Released Parties through other litigation.
<b>OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS RECEIVED NO LATER THAN FEBRUARY 16, 2016.</b>	Write to the Court and explain why you do not like the Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and reimbursement of Litigation Expenses. You cannot object to the Settlement unless you are a member of the Class and do not validly exclude yourself.
<b>GO TO THE HEARING ON MARCH 8, 2016 AT 11:00 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN FEBRUARY 23, 2016.</b>	You may attend the hearing to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, or Lead Counsel’s request for attorneys’ fees and reimbursement of Litigation Expenses. You cannot object to the Settlement unless you are a member of the Class and do not validly exclude yourself.
<b>DO NOTHING</b>	Receive no payment, remain a Class Member, give up your rights to seek recovery against the Defendants and the other Released Parties through other litigation and be bound by the Judgment entered by the Court if it approves the Settlement, including the release of the Released Claims.

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## WHY DID I GET THIS NOTICE?

8. This Notice is being sent to you pursuant to an order of the United States District Court for the Southern District of New York (the "Court" or "District Court") because you or someone in your family may have purchased or otherwise acquired ITT common stock as described above. The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options before the Court rules on the proposed Settlement of this case. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights.

9. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. In a class action lawsuit, the Court selects one or more people, known as class representatives or lead plaintiffs, to sue on behalf of all people with similar claims, commonly known as the class or the class members. Once the class is certified, the Court must resolve all issues on behalf of the class members, except for any persons who choose to exclude themselves from the class. (For more information on excluding yourself from the Class, please read "What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?" located below.) In the Action, the Court has directed that Lead Plaintiffs and Lead Counsel have primary responsibility for prosecuting all claims against Defendants on behalf of investors who purchased or acquired ITT common stock during the Class Period.

10. The Court in charge of this case is the United States District Court for the Southern District of New York, and the case is known as *In re ITT Educational Services, Inc. Securities Litigation*, Civil Action No. 13-cv-1620-JPO (the "Action"). The Judge presiding over this case is the Honorable J. Paul Oetken, United States District Judge. The person who is suing is called the plaintiff, and those who are being sued are called defendants. In this case, the Lead Plaintiffs are Plumbers and Pipefitters National Pension Fund and Metropolitan Water Reclamation District Retirement Fund, and the Defendants are ITT Educational Services, Inc.; Kevin M. Modany, the Company's CEO during the Class Period; and Daniel M. Fitzpatrick, the Company's CFO during the Class Period. This Settlement is with all Defendants: ITT Educational Services, Inc., Kevin M. Modany, and Daniel M. Fitzpatrick.

11. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of this case, that it is a class action, how you might be affected, and how to exclude yourself from the Settlement if you wish to do so. It also is being sent to inform you of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness and adequacy of the proposed Settlement and the application by Lead Counsel for reimbursement of expenses incurred to date (the "Final Approval Hearing").

12. The Final Approval Hearing will be held on March 8, 2016 at 11:00 a.m., before the Honorable J. Paul Oetken at the United States District Court for the Southern District of New York, 40 Foley Square, Courtroom 706, New York, New York 10007, to determine:

- (i) whether the proposed Settlement on the terms and conditions provided for in the Stipulation and Agreement of Settlement (the "Settlement") is fair, reasonable and adequate, and should be approved by the Court;

- (ii) whether a judgment should be entered dismissing the Action with prejudice, and whether the release by the Class Members of the Released Claims should be ordered;
- (iii) whether, for purposes of the Settlement, the Class should be certified; whether Lead Plaintiffs should be finally appointed as class representatives for the Class; and whether Lead Counsel should be finally appointed as class counsel for the Class;
- (iv) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court; and
- (v) whether Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses should be approved by the Court.

13. This Notice does not express any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement. Any distribution will not be paid until after the completion of all claims processing. Please be patient.

## WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

14. The complaint in this case asserts that in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), Defendants misled investors by allegedly misrepresenting the Company's obligations under certain risk-sharing agreements that the Company had entered into in connection with certain third-party, private student loan programs for ITT's students. Under those agreements, the Company would be liable to the third-parties if the Company's students were to default on their student loans received under those programs beyond a certain threshold. The Action alleged that the Company knowingly or recklessly understated, or otherwise misrepresented, the extent of those liabilities, and that when the market learned the true extent of those liabilities, investors were harmed. The Defendants have expressly denied, and continue to deny, all of the allegations of wrongdoing or liability against them in the Action.

15. On July 22, 2014, the Court issued a memorandum and order (the "Motion to Dismiss Order") granting in part and denying in part Defendants' motion to dismiss the complaint. In the Motion to Dismiss Order, the Court found that Lead Plaintiffs adequately alleged violations of the Exchange Act against the Defendants for the majority of the alleged false statements and that the case could proceed to discovery. The Court dismissed allegations that Defendants made misleading statements regarding the Company's ability to enter into additional risk-sharing agreements relating to private student loans.

16. Subsequently, the parties have been engaged in substantial fact discovery, including document production and depositions. Lead Plaintiffs have also filed a motion for class certification. While Lead Plaintiffs' motion for class certification was pending, the parties jointly informed the Court that they had agreed to attempt to resolve the claims through mediation and asked the Court to suspend proceedings in the case in anticipation of that mediation. The Court granted the parties' request, and following a formal mediation with a well-respected retired judge, the Settling Parties reached an agreement in principle to settle the Action for \$16,962,500.00.

## WHAT ARE LEAD PLAINTIFFS' REASONS FOR THE SETTLEMENT?

17. Lead Plaintiffs and Lead Counsel believe that the claims asserted against the Defendants have merit. Lead Plaintiffs and Lead Counsel recognize, however, the expense and length of continued proceedings necessary to pursue their claims against the Defendants through continued discovery, trial and appeals, as well as the difficulties in establishing liability. Lead Plaintiffs and Lead Counsel have considered the uncertain outcome of trial and appellate risk in complex lawsuits like this one.

18. In light of the risks of continued litigation, Lead Plaintiffs and Lead Counsel believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class. Lead Plaintiffs and Lead Counsel also believe that the Settlement provides a substantial benefit now, namely Defendants' payment of \$16,962,500.00 in cash (less the various deductions described in this Notice), as compared to the risk that the claims would produce a similar, smaller, or no recovery after summary judgment, trial and appeals, possibly years in the future.

19. The Defendants have expressly denied, and continue to deny, each and all of the claims alleged by Lead Plaintiffs in the Action and affirm that they have acted properly and lawfully at all times. Further, the Defendants have expressly denied, and continue to deny, all charges of wrongdoing, fault, liability, or damage against them arising out of any and all of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. Defendants maintain that they have strong and meritorious defenses to all of the claims alleged in this Action. The Defendants, however, also recognize the uncertainty and risks inherent in any litigation, especially in

a complex case such as this. The Defendants have concluded that further conduct of the Action would be protracted and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Settlement.

## WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

20. If there were no Settlement and Lead Plaintiffs failed to establish any essential legal or factual element of their claims against the Defendants, neither Lead Plaintiffs nor members of the Class would recover anything from the Defendants. Also, if the Defendants were successful in proving any of their defenses, the Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

## HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

21. If you are a member of the Class, you are subject to the Settlement unless you timely request to be excluded. The Class consists of: all persons and entities who purchased or otherwise acquired the common stock of ITT Educational Services, Inc. (ticker symbol: ESI) between April 24, 2008 and February 25, 2013, both dates inclusive; *except* those persons or entities that timely and validly request exclusion from the Class pursuant to and in accordance with the terms herein. Also excluded from the Class are: Defendants; members of the immediate family of any Defendant; any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest during the Class Period; the officers and directors of ITT during the Class Period; and legal representatives, agents, executors, heirs, successors, or assigns of any such excluded person or entity.

22. RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU ARE ELIGIBLE TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MUST SUBMIT THE ENCLOSED PROOF OF CLAIM FORM POSTMARKED NO LATER THAN MARCH 22, 2016.

## HOW MUCH WILL MY PAYMENT BE? WHEN WILL I RECEIVE IT?

### I. THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

23. ITT, on behalf of all Defendants, have agreed to cause the Settlement Amount to be paid in cash no later than fifteen (15) business days after preliminary approval of the Settlement by the District Court. At this time, it is not possible to make any determination as to how much individual Class Members may receive from the Settlement.

24. The \$16,962,500.00 Settlement Amount, and the interest earned thereon while it is held in escrow before distribution, is referred to as the "Settlement Fund." The Settlement Fund, less all Taxes, Tax Expenses, Notice and Administration Costs, and attorneys' fees and Litigation Expenses awarded to Lead Counsel (the "Net Settlement Fund"), shall be distributed based on the acceptable Proof of Claim Forms submitted by members of the Class ("Authorized Claimants"). The Net Settlement Fund will be distributed to Authorized Claimants who timely submit acceptable Proof of Claim Forms under the Plan of Allocation described below, or as otherwise ordered by the Court.

25. Your share of the Net Settlement Fund will depend on the number of shares (represented by valid and acceptable Proof of Claim Forms) that members of the Class submit to the Claims Administrator, relative to the Net Settlement Fund; how many shares you purchased or acquired and when you purchased or acquired them; whether you held or sold those shares; the date on which you sold those shares; and the price at which you sold them, among other factors. At this time, it is not possible to determine how much individual Class Members may receive from the Settlement.

26. A payment to any Authorized Claimant that would amount to less than \$10.00 in total will not be included in the calculation of the Net Settlement Fund, and no payment to those members of the Class will be made.

27. For each Authorized Claimant, a "Recognized Loss" will be calculated. The calculation of a "Recognized Loss," as defined in ¶ 29 below, is not intended to be an estimate of, nor does it indicate, the amount that a Class Member might have been able to recover after a trial. Nor is the calculation of a Recognized Loss pursuant to the Plan of Allocation an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement, which depends on the total Recognized Losses of all Authorized Claimants. The Recognized Loss formula provides the basis for proportionately allocating the Net Settlement Fund to Authorized Claimants. That computation is only a method to weigh Class Members' claims against one another. Each Authorized Claimant will receive a *pro rata* share of the Net Settlement Fund based on his, her or its Claim.

## II. CALCULATION OF RECOGNIZED LOSS OR GAIN AMOUNTS

28. The Plan of Allocation has been prepared by Lead Counsel's damages consultant. It reflects the allegations in the Complaint that Defendants allegedly made materially untrue and misleading statements and omissions resulting in violations of Sections 10(b) and 20(a) of the Exchange Act and that Lead Plaintiffs' damages were caused by disclosures relating to Defendants' allegedly misleading statements. The objective of the Plan of Allocation is to equitably distribute the Net Settlement Fund to Class Members who suffered economic losses as a result of the alleged violations of the federal securities laws, as opposed to losses caused by market or industry factors or factors unrelated to the alleged violations of law. As set forth in the Plan of Allocation, Lead Plaintiffs allege that on certain disclosure dates, ITT disclosed information that allegedly corrected previous alleged misrepresentations and omissions, causing a drop in ITT's stock price (net of factors unrelated to the alleged misrepresentations and omissions). An Authorized Claimant's Recognized Loss will be based upon the particular disclosure date(s) on which the Class Member held ITT stock for those shares purchased or acquired during the Class Period. The Recognized Loss formula is not intended to be an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formula is simply the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

29. Based on the foregoing, and for purposes of this Settlement only, the "Recognized Loss" for any share of ITT common stock purchased or acquired<sup>2</sup> during the Class Period will be calculated as follows:

### PLAN OF ALLOCATION

- A. For all shares of ITT common stock purchased or otherwise acquired for consideration between April 24, 2008 and February 25, 2013, both dates inclusive, the Recognized Loss is calculated as the lesser of the number of shares purchased multiplied by:
1. the recoverable damages set forth in Table A below; or
  2. the following calculation depending on the date of sale:
    - a. if the shares are sold prior to February 25, 2013, the purchase/acquisition price per share less the sale price per share for those shares;
    - b. if the shares are sold between February 25, 2013 and May 24, 2013, both dates inclusive, the purchase/acquisition price per share less the PSLRA rolling average price on the date of sale as set forth in Table B below; or
    - c. if the shares are still held after May 24, 2013, the purchase/acquisition price per share less the PSLRA 90-day look back price of \$16.18 per share.

		Date of Sale (inclusive)							
		On or Before 7/25/2012	7/26/2012 through 7/27/2012	7/30/2012	7/31/2012 through 10/24/2012	10/25/2012	10/26/2012 through 1/4/2013	1/7/2013 through 2/22/2013	2/25/2013 and After
Date of Purchase (inclusive)	4/24/2008 through 7/25/2012	\$0.00	\$6.59	\$9.08	\$10.32	\$12.36	\$14.48	\$17.57	\$19.91
	7/26/2012 through 7/27/2012		\$0.00	\$2.49	\$3.73	\$5.77	\$7.89	\$10.98	\$13.32
	7/30/2012			\$0.00	\$1.24	\$3.28	\$5.40	\$8.49	\$10.83
	7/31/2012 through 10/24/2012				\$0.00	\$2.04	\$4.16	\$7.25	\$9.59
	10/25/2012					\$0.00	\$2.12	\$5.21	\$7.55
	10/26/2012 through 1/4/2013						\$0.00	\$3.09	\$5.43
	1/7/2013 through 2/22/2013							\$0.00	\$2.34
	2/25/2013								\$0.00

<sup>2</sup>All transactions are to be calculated at trade prices exclusive of commissions or fees.

**TABLE B**

Date	PSLRA		Date	PSLRA		Date	PSLRA
2/25/13	\$15.53		3/27/13	\$13.26		4/29/13	\$13.72
2/26/13	\$15.04		3/28/13	\$13.28		4/30/13	\$13.82
2/27/13	\$14.84		4/1/13	\$13.26		5/1/13	\$13.91
2/28/13	\$14.58		4/2/13	\$13.23		5/2/13	\$13.99
3/1/13	\$14.37		4/3/13	\$13.21		5/3/13	\$14.07
3/4/13	\$14.04		4/4/13	\$13.19		5/6/13	\$14.14
3/5/13	\$13.83		4/5/13	\$13.16		5/7/13	\$14.22
3/6/13	\$13.68		4/8/13	\$13.13		5/8/13	\$14.31
3/7/13	\$13.59		4/9/13	\$13.11		5/9/13	\$14.40
3/8/13	\$13.49		4/10/13	\$13.10		5/10/13	\$14.52
3/11/13	\$13.43		4/11/13	\$13.12		5/13/13	\$14.64
3/12/13	\$13.41		4/12/13	\$13.14		5/14/13	\$14.83
3/13/13	\$13.36		4/15/13	\$13.13		5/15/13	\$15.00
3/14/13	\$13.32		4/16/13	\$13.14		5/16/13	\$15.17
3/15/13	\$13.29		4/17/13	\$13.15		5/17/13	\$15.35
3/18/13	\$13.27		4/18/13	\$13.20		5/20/13	\$15.54
3/19/13	\$13.24		4/19/13	\$13.24		5/21/13	\$15.74
3/20/13	\$13.22		4/22/13	\$13.28		5/22/13	\$15.90
3/21/13	\$13.22		4/23/13	\$13.32		5/23/13	\$16.05
3/22/13	\$13.21		4/24/13	\$13.37		5/24/13	\$16.18
3/25/13	\$13.22		4/25/13	\$13.52			
3/26/13	\$13.23		4/26/13	\$13.62			

30. All purchases/acquisitions and sales of ITT shares during the Class Period shall be matched on a first-in, first-out (“FIFO”) basis. Sales of Class Members during the Class Period and the 90 days thereafter will be matched first against the first ITT shares purchased or acquired that have not already been matched to sales under FIFO, and then against subsequent purchases/acquisitions in chronological order, until the end of the Class Period. A purchase/acquisition or sale of ITT common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date.

31. The receipt or grant by gift, devise or inheritance of ITT common stock during the Class Period shall not be deemed to be a purchase or acquisition of ITT common stock for purposes of the calculation of an Authorized Claimant’s Recognized Loss if the person from whom the ITT common stock was received did not themselves acquire the common stock during the Class Period, nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such shares unless specifically provided in the instrument or gift or assignment.

32. The Recognized Loss on “short sales” is zero. In the event that a claimant has an opening short position in ITT common stock, the earliest Class Period purchases shall be matched against such opening short position and not be entitled to a recovery and will not contribute to a market gain or loss until that short position is fully covered.

33. To the extent a claimant had a gain from his, her, or its overall transactions in ITT common stock during the Class Period, the value of the claim will be zero. Shares held before the beginning of the Class Period and uncovered short sales are excluded from the calculation of overall gain or loss. For shares purchased during the Class Period and held through the end of the 90-day look back period, a value of \$16.18 will be applied as the holding value for the purpose of calculating an overall loss or gain. If a Class Member had a net market loss in his, her or its trading in ITT common stock, the Class Member’s net Recognized Loss shall be limited to the Class Member’s net market loss.

34. If any funds remain in the Net Settlement Fund by reason of uncashed distributions or otherwise, then after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund six (6) months after the initial distribution of such funds shall be redistributed to Class

Members who have cashed their initial distributions in a manner consistent with the Plan of Allocation. The Claims Administrator shall, if feasible, continue to reallocate any further balance remaining in the Net Settlement Fund after the redistribution is completed among Class Members in the same manner and time frame as provided for above. If any portion of the Net Settlement Fund remains following the above-described distributions and is of such an amount that in the determination of the Claims Administrator is not cost-effective or efficient to redistribute to the Class, then such remaining funds, after payment of any further Notice and Administration Costs and Taxes and Tax Expenses, shall be donated to a nonsectarian charitable organization(s) certified as tax-exempt under United States Internal Revenue Code Section 501(c)(3), to be designated by Lead Counsel.

## **V. DISTRIBUTION OF THE NET SETTLEMENT FUND**

35. The “Recognized Loss” will be used solely to calculate the relative amount of the Net Settlement Fund to be apportioned to each Authorized Claimant and does not reflect the actual amount an Authorized Claimant may expect to recover from the Net Settlement Fund. The combined Recognized Losses of all Authorized Claimants may be greater than the Net Settlement Fund. If this is the case, and subject to the \$10.00 minimum payment requirement described in ¶ 26 above, each Authorized Claimant shall receive his, her or its *pro rata* share of the Net Settlement Fund, which shall be his, her or its Recognized Loss divided by the total of all Recognized Losses to be paid, multiplied by the total amount in the Net Settlement Fund.

36. Payment pursuant to the Plan of Allocation shall be conclusive against all Authorized Claimants. No person shall have any claim relating to the Plan of Allocation, or distributions made pursuant to the Plan of Allocation, or denials of any Proof of Claim in whole or in part, against Defendants or the other Released Parties (defined below). No person shall have any claim based on distributions made substantially in accordance with the Settlement, the Plan of Allocation, or further order(s) of the Court against Lead Counsel, Lead Plaintiff, Class Members, the Claims Administrator, Defendants, the Released Parties, or any person designated by Lead Counsel. All members of the Class who fail to timely submit an acceptable Proof of Claim Form by the deadline set by the Court, or such other deadline as may be ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments pursuant to the Settlement, but will in all other respects be subject to and bound by the terms of the Settlement, including the release of the Released Claims.

37. The Net Settlement Fund will not be distributed until the Court has approved a plan of allocation, and the time for any petition for rehearing, appeal or review, whether by *certiorari* or otherwise, has expired.

38. Approval of the Settlement is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlement, if approved.

39. Only those Class Members who purchased or otherwise acquired ITT common stock during the Class Period and were damaged as a result of such purchases or acquisitions will be eligible to share in the distribution of the Net Settlement Fund. Each person or entity wishing to participate in the distribution must timely submit a valid Proof of Claim Form establishing membership in the Class, and include all required documentation, before the deadline set forth herein.

40. Unless the Court otherwise orders, any Class Member who fails to submit a Proof of Claim Form before the deadline shall be forever barred from receiving payments pursuant to the Settlement but will in all other respects remain a Class Member and be subject to the provisions of the Settlement, including the terms of any judgments entered and releases given. This means that each Class Member is bound by the release of claims (described in ¶¶ 44-48 below) regardless of whether or not such Class Member submits a Proof of Claim Form.

41. Persons and entities that are excluded from the Class by definition or that exclude themselves from the Class will not be eligible to receive a distribution from the Net Settlement Fund and should not submit Proof of Claim Forms.

42. The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the claim of any member of the Class.

43. The Plan of Allocation set forth herein is the proposed plan submitted by Lead Plaintiffs and Lead Counsel for the Court’s approval. The Court may approve this plan as proposed or may modify it without further notice to the Class.

## WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

44. If the Settlement is approved, the Court will enter a judgment (the “Judgment”). The Judgment will dismiss with prejudice the claims in the Action and will provide that Lead Plaintiffs and all other Class Members, on behalf of themselves and any of their personal representatives, spouses, domestic partners, trustees, heirs, executors, administrators, successors, assigns (or any other person or entity who has the right, ability, standing, or capacity to assert on behalf of any Class Member any of the Released Claims (or to obtain the proceeds of any recovery therefrom)) shall be deemed to have—and by operation of the Judgment shall have—fully and finally released, dismissed and forever discharged the Released Claims against the Released Parties, and shall forever be enjoined from pursuing any or all Released Claims.

45. There is a risk that Lead Plaintiffs and Class Members may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of the Released Claims, but Lead Plaintiffs shall expressly fully, finally and forever settle and release—and each Class Member shall be deemed to have, and by operation of the Judgment shall have fully, finally and forever settled and released—any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Such claims are referred to as “Unknown Claims” and include any and all Released Claims, of every nature and description, that Lead Plaintiffs and/or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known by him, her or it, might have affected his, her or its settlement with and release of the Released Parties, or might have affected his, her or its decision not to object to this Settlement or not to exclude himself, herself or itself from the Class or to release the Released Claims. Lead Plaintiffs acknowledge, and Class Members by law and operation of the Judgment shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims was separately bargained for and was a material element of the Settlement.

46. The Judgment also will provide that the Defendants and each of the other Released Parties will be deemed to have released, dismissed and forever discharged Lead Plaintiffs, each and all of the Class Members, and Lead Counsel from all claims (including, without limitation, “Unknown Claims”) arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement or resolution of the Action or the Released Claims. Notwithstanding the above, nothing in this Judgment shall bar any action by any of the Settling Parties to enforce or effectuate the terms of the Settlement, the Preliminary Approval Order, or this Judgment.

47. “Released Claims” means any and all actions, causes of action, claims (including “Unknown Claims,” as defined in the Settlement), duties, debts, demands, rights, disputes, suits, matters, damages, losses, obligations, proceedings, issues, judgments, and liabilities of every nature and description whatsoever (and including, but not limited to, any claims for damages, whether compensatory, consequential, special, punitive, exemplary or otherwise, and any fees, costs, expenses, or charges), whether known or unknown, suspected or unsuspected, fixed or contingent, foreseen or unforeseen, liquidated or unliquidated, accrued and unaccrued, matured or unmatured, at law or in equity, whether class, derivative, or individual in nature, whether or not concealed or hidden, which now exist, or heretofore have existed, or can, shall or may exist, whether arising under federal, state, common, statutory, administrative or foreign law, regulation, or at equity, that (a) Lead Plaintiffs or any Class Member has asserted in this Action, or could have asserted in this Action or in any other proceeding or forum that arise out of, relate to or are based upon, the allegations, claims, transactions, facts, matters, occurrences, events, failures, representations, statements, or omissions alleged, involved, set forth, or referred to in the Complaint; (b) would have been barred by res judicata or collateral estoppel had the Action been fully litigated to a final judgment; and (c) were, could have been, or in the future could be, asserted in any forum or proceeding or otherwise by any Class Member that relate to the purchase, sale, acquisition or holding of ITT common stock during the Class Period. Released Claims do not, however, include claims to enforce this Settlement, or claims in other actions that have already been filed as of the date of execution of the Settlement and that are not consolidated with this Action.

48. “Released Parties” means each Defendant and his, her or its respective past, present or future directors, officers, employees, parents, partners, members, principals, agents, owners, fiduciaries, shareholders, related or affiliated entities, subsidiaries, divisions, accountants, auditors, attorneys, associates, consultants, advisors, insurers, co-insurers, reinsurers, trustees, estates, beneficiaries, administrators, foundations, underwriters, banks or bankers, personal or legal representatives, divisions, joint ventures, spouses, domestic partners, family members, heirs, executors, or any other person or entity acting or purporting to act for or on behalf of any of the Defendants, and each of their respective predecessors, successors and assigns, and any trusts for which any of them are trustees, settlors, or beneficiaries.

## WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING? HOW WILL THE LAWYERS BE PAID?

49. Lead Counsel has not received any payment for its services in pursuing claims against Defendants on behalf of the Class, nor has Lead Counsel been reimbursed for its out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel intends to apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not to exceed 28% of the Settlement Fund (or \$4,749,500.00), plus interest at the same rate and for the same time period as earned by the Settlement Fund. At the same time, Lead Counsel also intends to apply for the reimbursement of certain expenses paid or incurred in connection with the prosecution and resolution of the Action in an amount not to exceed \$750,000.00, plus interest at the same rate and for the same time period as earned by the Settlement Fund. In addition, Lead Counsel may also apply for reimbursements for, among other things, litigation-related expenses of Lead Plaintiffs in accordance with 15 U.S.C. § 78u-4(a)(4) not to exceed \$40,000. The sums approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for the payment of these sums.

## HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

50. If you purchased or acquired ITT common stock as described above, and you are not excluded from the definition of the Class and you do not timely exclude yourself from the Class in the manner provided in this Notice, then you are a member of the Class and you will be bound by the proposed Settlement if the Court approves it, and by any judgment or determination of the Court affecting the Class. If you are a member of the Class, you must submit a Proof of Claim Form and supporting documentation to establish your entitlement to share in the Settlement. A Proof of Claim Form is included with this Notice, or you may go to the website maintained by the Claims Administrator for the Settlement to request that a Proof of Claim Form be mailed to you. The website is [www.ITTSecuritiesSettlement.com](http://www.ITTSecuritiesSettlement.com). You may also request a Proof of Claim Form by calling toll-free (877) 271-1547 or emailing [info@ITTSecuritiesSettlement.com](mailto:info@ITTSecuritiesSettlement.com). Copies of the Proof of Claim Form can also be downloaded from Lead Counsel's website at [www.cohenmilstein.com](http://www.cohenmilstein.com). Those who exclude themselves from the Class, and those who do not submit timely and valid Proof of Claim Forms with adequate supporting documentation, will not be eligible to share in the Settlement. Please retain all records of your ownership of, or transactions in, ITT common stock during the Class Period, as they may be needed to document your claim. Do not submit original documentation with your Proof of Claim Form—submit copies only—because materials submitted will not be returned.

51. As a Class Member, you are represented by Lead Plaintiffs and Lead Counsel unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on the attorneys listed in the section below entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?"

52. If you do not wish to remain a Class Member, you may exclude yourself from the Class by following the instructions in the section below entitled, "What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?"

53. If you wish to object to the Settlement or any of its terms, the proposed Plan of Allocation, or Lead Counsel's application for attorneys' fees and reimbursement of Litigation Expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in the section below entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?"

## WHAT IF I DO NOT WANT TO BE A PART OF THE SETTLEMENT? HOW DO I EXCLUDE MYSELF?

54. Each Class Member will be bound by all determinations and judgments in this lawsuit, including those concerning the Settlement and the releases contained therein, whether favorable or unfavorable, unless such person or entity mails, by first class mail (or its equivalent outside the U.S.), or otherwise delivers a written request for exclusion from the Class, addressed to ITT Securities Settlement, PO Box 3058, Portland, OR, 97208-3058. The exclusion request must be received by no later than February 16, 2016. Each request for exclusion must clearly indicate the name, address and telephone number of the person or entity seeking exclusion, that the sender requests to be excluded from the Class in *In re ITT Educational Services, Inc. Securities Litigation*, Case No. 13-cv-1620-JPO (S.D.N.Y.), and must be signed by such person or entity. Such persons or entities requesting exclusion are also required to provide the following information: (i) the quantity of ITT common stock purchased (or otherwise acquired) or sold between April 24, 2008 and February 25, 2013, both dates inclusive; (ii) the prices or other consideration paid or received for such common stock; and (iii) the dates of such transactions. Requests for exclusion will not be valid if they do not include the information set forth above and are not received within the time stated above, unless the Court otherwise determines.

*Please keep a copy of everything you send by mail, in case it is lost during shipping.*

55. If a person or entity requests to be excluded from the Class, that person or entity will not receive any benefit provided for in the Settlement.

**WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?  
DO I HAVE TO COME TO THE HEARING?  
MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?**

56. **If you do not wish to object in person to the proposed Settlement and/or the application for attorneys' fees and reimbursement of Litigation Expenses, you do not need to attend the Final Approval Hearing. You can object to or participate in the Settlement without attending the Final Approval Hearing.**

57. The Final Approval Hearing will be held on March 8, 2016, at 11:00 a.m., before the Honorable J. Paul Oetken at the United States District Court for the Southern District of New York, 40 Foley Square, Courtroom 706, New York, New York 10007. The Court has the right to approve the Settlement, the Plan of Allocation or the request for attorneys' fees and reimbursement of Litigation Expenses at or after the Final Approval Hearing without further notice to the members of the Class.

58. Any Class Member who does not request exclusion in accordance with ¶ 54 above may object to the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses. Objections must be in writing. You must file any written objection, together with copies of all other supporting papers and briefs, with the Clerk's Office at the United States District Court for the Southern District of New York at the address set forth below on or before February 16, 2016. You must also serve the papers on Lead Counsel for the Class and Defendants' Counsel at the addresses set forth below so that the papers are *received* on or before February 16, 2016.

<b>Clerk's Office</b>	<b>Lead Counsel for the Class</b>	<b>Defendants' Counsel</b>
U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK 500 Pearl Street New York, NY 10007	COHEN MILSTEIN SELLERS & TOLL PLLC Carol V. Gilden 190 South LaSalle St., Suite 1705 Chicago, IL 60603	GIBSON, DUNN & CRUTCHER LLP Jennifer L. Conn 200 Park Avenue, 48 <sup>th</sup> Floor New York, NY 10166

59. To object, you must send a letter, brief or other writing saying that you object to the Settlement in *In re ITT Educational Services, Inc. Securities Litigation*, Case No. 13-cv-1620-JPO, and explaining in detail the basis for your objection or objections. Be sure to include your name, address, telephone number, your signature, the quantity of ITT common stock that you purchased or acquired from April 24, 2008 through February 25, 2013, both dates inclusive, the dates of these purchases and sales, and copies of documents (such as brokerage statements) sufficient to show that you are a member of the Class. Persons or entities who intend to object to the Settlement, the Plan of Allocation and/or to Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses must include a list of cases in which you or your counsel have appeared as settlement objectors or counsel for objectors in the preceding five years.

60. You may not object to the Settlement, or any aspect of it, if you are not a member of the Class or if you excluded yourself from the Class.

61. If you wish to be heard orally at the Final Approval Hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses, and if you have filed and served a timely written objection as described above, you also must notify the above counsel on or before February 23, 2016, concerning your intention to appear. Persons or entities who intend to object and desire to present evidence at the Final Approval Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

62. You may file a written objection without having to appear at the Final Approval Hearing. You may not appear at the Final Approval Hearing to present your objection, however, unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

63. You are not required to hire an attorney to represent you in making written objections or in appearing at the Final Approval Hearing. If you decide to hire an attorney at your own expense, he or she must file a notice of appearance with the Court and serve it on Lead Counsel so that the notice is received on or before February 23, 2016.

64. If you object to the Settlement, the Plan of Allocation and/or Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses, or otherwise request to be heard at the Final Approval Hearing in the manner stated above, you are submitting to the jurisdiction of the Court with respect to the subject matter of the Settlement, including, but not limited to, the release of the Released Claims contained in the Judgment. If the Court overrules your objection and approves the Settlement or the part of the Settlement to which you have objected, you only will potentially share in the Net Settlement Fund if you file a Proof of Claim Form in the manner stated in ¶ 50 above and the Claims Administrator approves your claim.

65. The Final Approval Hearing may be adjourned by the Court without further written notice to the Class. Any new date for the Final Approval Hearing will be posted on the settlement website at [www.ITTSecuritiesSettlement.com](http://www.ITTSecuritiesSettlement.com). If you intend to attend the Final Approval Hearing, you should confirm the date and time with Lead Counsel.

**Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and will be forever foreclosed from making any objection to the proposed Settlement or Lead Counsel's request for reimbursement of expenses. Class Members do not need to appear at the hearing or take any other action to indicate their approval.**

### **WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?**

66. If you purchased or otherwise acquired ITT common stock for the beneficial interest of a person or organization other than yourself, you must either (i) within fourteen (14) days after you receive this Notice, request from the Claims Administrator sufficient copies of the Notice and the Proof of Claim Form to forward to all such beneficial owners, and within fourteen (14) days of receipt of the copies of the Notice and the Proof of Claim Form forward them to all such beneficial owners; or (ii) within fourteen (14) days after you receive this Notice, provide a list of the names and addresses of all such beneficial owners (preferably in electronic format (e.g., Excel .csv)) to ITT Securities Settlement, PO Box 3058, Portland, OR 97208-3058, or by email to [info@ITTSecuritiesSettlement.com](mailto:info@ITTSecuritiesSettlement.com). If you choose the second option, the Claims Administrator will send a copy of the Notice and the Proof of Claim Form to each beneficial owner whose name and address you provide. Upon full compliance with these directions, nominees may seek reimbursement of their reasonable expenses actually incurred by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice may also be obtained by calling the Claims Administrator at (877) 271-1547. Copies of this Notice may be downloaded from the settlement website, [www.ITTSecuritiesSettlement.com](http://www.ITTSecuritiesSettlement.com), or from Lead Counsel's website, [www.cohenmilstein.com](http://www.cohenmilstein.com).

### **CAN I SEE THE COURT FILE? WHO SHOULD I CONTACT IF I HAVE QUESTIONS?**

67. This Notice contains only a summary of the terms of the proposed Settlement. More detailed information about the matters involved in the Action is available at [www.ITTSecuritiesSettlement.com](http://www.ITTSecuritiesSettlement.com), including, among other documents, copies of the Settlement and the Complaint. All inquiries concerning this Notice should be directed to:

ITT Securities Settlement  
PO Box 3058  
Portland, OR 97208-3058  
[info@ITTSecuritiesSettlement.com](mailto:info@ITTSecuritiesSettlement.com)

**OR**

COHEN MILSTEIN SELLERS & TOLL PLLC  
Carol V. Gilden  
190 South LaSalle Street, Suite 1705  
Chicago, IL 60603  
(312) 357-0370  
[cgilden@cohenmilstein.com](mailto:cgilden@cohenmilstein.com)

**Lead Counsel**

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT REGARDING THIS NOTICE.**

Dated: December 14, 2015

By Order of the Court  
United States District Court  
for the Southern District of New York