

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF INDIANA  
INDIANAPOLIS DIVISION

*In re* ITT EDUCATIONAL SERVICES, INC.  
SECURITIES LITIGATION (INDIANA)

CASE NO. 1:14-cv-01599-TWP-DML

**NOTICE OF PROPOSED SETTLEMENT  
OF CLASS ACTION, MOTION FOR  
ATTORNEYS' FEES AND  
SETTLEMENT HEARING**

**IF YOU PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF ITT EDUCATIONAL SERVICES, INC. (“ITT” OR THE “COMPANY”) (TICKER SYMBOL: ESI; CUSIP: 45068B109), PURCHASED OR OTHERWISE ACQUIRED CALL OPTIONS ON ITT COMMON STOCK, OR WROTE PUT OPTIONS ON ITT COMMON STOCK, BETWEEN FEBRUARY 26, 2013 AND MAY 12, 2015, BOTH DATES INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.**

*A federal court authorized this Notice. This is not a solicitation from a lawyer.*

**Your legal rights are affected whether you act, or don’t act.  
Read this Notice carefully.<sup>1</sup>**

**Securities and Time Period:** ITT Educational Services, Inc. (“ITT”) common stock (ticker symbol: ESI; CUSIP: 45068B109) purchased or acquired, call options on ITT common stock purchased or acquired, and put options on ITT common stock written, between February 26, 2013 and May 12, 2015, both dates inclusive (the “Settlement Class Period”).

**Settlement Fund:** \$12,537,500.00 in cash. Your recovery will depend on the number of ITT Securities you, and other Settlement Class Members who file claims, purchased, acquired and sold, options written, and the prices at which you, and the other Settlement Class Members who file claims, purchased and sold those ITT Securities. The estimated average recovery per share of common stock will be approximately \$0.38 per share before deduction of Court-approved fees and expenses and

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<sup>1</sup> This Notice summarizes and is qualified in its entirety by, and incorporates by reference, the Stipulation of Settlement dated November 2, 2015 (the “Stipulation”), which sets forth the terms of the Settlement. Please refer to the Stipulation for a complete description of the terms and provisions thereof. A copy of the Stipulation is available at [www.ITTEducationSecuritiesLitigation-Indiana.com](http://www.ITTEducationSecuritiesLitigation-Indiana.com). All capitalized terms used, but not defined herein, shall have the same meanings as in the Stipulation.

costs of notice and claims administration. Historically, actual claims rates are less than 100%, which will result in a higher distribution per share.

**Reasons for Settlement:** The case has been litigated since September 2014. Plaintiffs and Plaintiffs' Lead Counsel believe that the Settlement provides the Settlement Class with a benefit now, instead of years of further uncertain litigation, including disposition of summary judgment motions, a contested trial and likely appeals, with the possibility of no recovery at all.

Plaintiffs allege that Defendants engaged in securities fraud by misrepresenting the liabilities relating to two risk-sharing agreements for private student loan programs for ITT students and the effect of these programs on ITT's liquidity and financial condition. Plaintiffs also allege misrepresentations and omissions, in documents filed with the U.S. Securities and Exchange Commission (the "SEC") and in public statements to investors, regarding ITT's accounting for its obligations under these risk-sharing agreements for private student loan programs.

The Defendants deny all claims of wrongdoing and affirm that they have acted properly and lawfully at all times. Defendants have expressly denied, and continue to deny, each and all of the allegations made and claims brought by Plaintiffs in this Action and deny that they are liable to Plaintiffs or the Settlement Class. Defendants maintain that they have meritorious defenses to all of Plaintiffs' allegations and contend that many of the factual allegations made in this Action are materially inaccurate. Defendants also have denied, and continue to deny, among other things, the allegations that Plaintiffs or the Settlement Class have suffered any injury or damages or that the Settlement Class was harmed by the conduct alleged in the Complaint or otherwise.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive and wish to avoid the expense, inconvenience, and distraction of burdensome and protracted litigation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation. Defendants have, therefore, determined that it is desirable and beneficial that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation. The Settlement shall in no event be construed as, or deemed to be evidence of, an admission or concession by any of the Defendants with respect to any claim of any fault or liability or wrongdoing or damage to the Settlement Class Members in this Litigation. Nor shall the Settlement in any event be construed as, or deemed to be evidence of, an admission or concession by any Defendant of any infirmity in the defenses that Defendants could have asserted in this Action or otherwise. Had the terms of the Settlement not been reached, Defendants would have continued to contest vigorously Plaintiffs' allegations.

**If the Case Had Not Settled:** The Settlement must be compared to the risk of no recovery after contested dispositive motions, trial, and likely appeals. A trial is a risky proposition. The claims in this Litigation involve numerous complex legal and factual issues, many of which would require expert testimony. If there were no Settlement and Plaintiffs failed to establish any essential legal or factual element of their claims against the Defendants, neither Plaintiffs nor the Settlement Class would recover anything from the Defendants. Also, if the Defendants were successful in proving any of their defenses, the Settlement Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

The Settling Parties disagree on both liability and damages and do not agree on the average amount of damages per share, if any, that would be recoverable if Plaintiffs were to have prevailed on any or all of the claims alleged. Among the many key issues about which Plaintiffs and Defendants do not agree, include, without limitation: (1) whether Defendants violated the securities laws or otherwise engaged in any wrongdoing; (2) whether the misrepresentations and omissions alleged by Plaintiffs were material, false, misleading or otherwise actionable under the securities laws; and (3)

the method for determining whether, and the extent to which, purchasers of ITT Securities suffered injury and damages that could be recovered at trial.

**Attorneys' Fees and Expenses:** Plaintiffs' Lead Counsel has not received any payment for its work or expenses incurred in investigating the facts, conducting this Litigation, and negotiating the Settlement on behalf of the Plaintiffs and the Settlement Class. Plaintiffs' Lead Counsel will ask the Court for attorneys' fees not to exceed \$3,134,375 (or 25%) of the Settlement Fund and expenses not to exceed \$175,000 to be paid from the Settlement Fund, plus interest on both amounts. The Lead Plaintiff and other named Plaintiffs will also request payment for their actual costs and expenses (including lost wages) directly related to their representation of the Settlement Class, not to exceed \$27,500.

If the above amounts are requested and approved by the Court, the average cost per share of common stock will be approximately \$0.10 per share, making the estimated recovery per share after attorneys' fees and expenses approximately \$0.28.

**Dismissal and Releases:** If the proposed Settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice (the "Judgment"). The Judgment will dismiss the Released Claims with prejudice as to the Defendants and all other Released Persons. The Judgment will provide that all Settlement Class Members shall be deemed to have forever released, relinquished, dismissed and discharged all Released Claims against all Released Persons. Settlement Class Members will be permanently barred and enjoined from pursuing any or all Released Claims (including Unknown Claims) against any Released Person in this Action or in any other action or proceeding, in any forum. The definitions of Released Claims and Released Persons, and the terms of the releases which are part of the Settlement (the "Releases"), are set forth in the Stipulation as well as in the Proof of Claim form that is enclosed.

**More Information:** [www.ITTEducationSecuritiesLitigation-Indiana.com](http://www.ITTEducationSecuritiesLitigation-Indiana.com)

Claims Administrator:

ITT Educational Services, Inc. Securities Litigation  
Claims Administrator  
1801 Market Street, Suite 660  
Philadelphia, PA 19103  
1-877-235-9544  
[ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com](mailto:ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com)

Lead Counsel:

Lionel Z. Glancy, Esq.  
Glancy Prongay & Murray LLP  
1925 Century Park East, Suite 2100  
Los Angeles, California 90067  
1-888-773-9224  
[settlements@glancylaw.com](mailto:settlements@glancylaw.com)

- **Your legal rights are affected whether you act, or don't act. Read this Notice carefully.**

**YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:**

|                         |  |
|-------------------------|--|
| <b>SUBMIT A CLAIM</b>   | This is the only way to receive a payment. If you wish to obtain a payment as a Member of the Settlement Class, you will need to file a Proof of Claim and Release form (“Proof of Claim”).  |
| <b>OBJECT</b>           | You may write to the Court if you do not like this Settlement, the proposed Plan of Allocation, or Lead Counsel’s Fee and Expense Application.   |
| <b>EXCLUDE YOURSELF</b> | Receive no payment. This is the only option that allows you to participate in another lawsuit, or to otherwise seek recovery, against the Defendants relating to the claims being released in this Action.   |
| <b>GO TO A HEARING</b>  | You may ask to speak in Court about the fairness of the Settlement.  |
| <b>DO NOTHING</b>       | Receive no payment. You will remain a Settlement Class Member, and if you take no action, you will give up your right to seek recovery against Defendants and all other Released Persons in connection with the claims being released by Plaintiffs and the Settlement Class in this Action. |

- Unless you validly and timely request exclusion from the Settlement Class, or unless the Court rejects the proposed Settlement, you are bound by the Stipulation and its Releases of the Defendants and Released Persons, whether or not you submit a Proof of Claim.
- These rights and options — *and the deadlines to exercise them* — are explained in this Notice.

Deadlines:

|   |                   |
|---|-------------------|
| Submit Claim:                                   | March 3, 2016     |
| File Objection:                                 | February 18, 2016 |
| Request Exclusion:                              | February 11, 2016 |
| <b>Court Hearing on Fairness of Settlement:</b> | March 10, 2016    |

- This Notice does not express any opinion by the Court concerning the merits of any claim in the Action.
- The Court presiding over this case must decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

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## BASIC INFORMATION

### 1. Why Did I Receive This Notice Package?

You or someone related to you may have purchased or acquired ITT Educational Services, Inc. (“ITT”) common stock (ticker symbol: ESI) or call options on ITT common stock, or may have written put options on ITT common stock (stock and options collectively, “ITT Securities”), between February 26, 2013 and May 12, 2015, both dates inclusive.

This Notice was sent because you have a right to know about a proposed Settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments to those persons or entities who timely submit claims in the manner described below.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this case is the United States District Court for the Southern District of Indiana, and the case is known as *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Civil Action No. 1:14-cv-01599-TWP-DML (the “Action”). The Judge presiding over this Action is the Honorable Tonya Walton Pratt. Lead Plaintiff Meitav Dash Mutual Fund Management Ltd. (“Lead Plaintiff”) and Lead Counsel (Glancy Prongay & Murray LLP) have been preliminarily appointed by the Court to represent the interests of the Settlement Class in this Action. Lead Plaintiff and other named Plaintiffs who have been involved in the Litigation (Plaintiff Babulal Tarapara, Plaintiff Kristopher Hennen, Plaintiff Cynthia Grebely, and Plaintiff Hoai T. Truong) are collectively called the “Plaintiffs,” and the Company and persons that Plaintiffs have sued are collectively called the “Defendants.” Here, the Defendants are ITT; Kevin M. Modany, the Company’s CEO during the Settlement Class Period; and Daniel M. Fitzpatrick, the Company’s CFO during the Settlement Class Period. The Settling Parties include the Plaintiffs, on behalf of themselves and the Settlement Class, and all of the Defendants.

### 2. What Is This Lawsuit About?

This Litigation alleges violations of the federal securities laws (specifically, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934) against Defendants.

ITT is a Delaware corporation that trades on the New York Stock Exchange (the “NYSE”) under the ticker symbol “ESI”, with its principal executive offices located at 13000 North Meridian Street, Carmel, Indiana, 46032. The Company is a for-profit education company which provides educational services to students with a focus on providing technology-oriented undergraduate and graduate degree programs through its ITT Technical Institutes and Daniel Webster College.

Plaintiffs allege that, during the Settlement Class Period, ITT’s stock price was artificially inflated as a result of a series of untrue or materially misleading misrepresentations and omissions concerning risk-sharing agreements relating to certain third-party, private student loan programs which provided loans to ITT’s students. Defendants deny that they made any such misleading statements or omissions, deny that ITT’s stock price was artificially inflated as a result of any statements or omissions, and further deny any and all allegations of wrongdoing.

### 3. Why Is This A Class Action?

Class actions are generally used in lawsuits that affect a large number of individuals; in effect, the class action operates to consolidate into a single action all of the claims of individuals allegedly harmed by the same conduct or course of conduct, thus alleviating the need for members of the class to file their own individual lawsuits to recover for the harm alleged. Once a class is certified, the

Court is empowered to resolve all issues on behalf of members of the class, except for those members of the class, if any, who specifically choose to exclude themselves from the Class.

As part of the Settlement approval process, Plaintiffs will ask the Court to certify a Settlement Class for settlement purposes only. The proposed Settlement Class will consist of all persons and entities who purchased or otherwise acquired ITT common stock or call options on ITT common stock, or who wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive. Excluded from the Settlement Class are Defendants, the officers and directors of ITT during the Settlement Class Period, members of their immediate families, the legal representatives, heirs, successors or assigns of any of the foregoing and any entity in which a Defendant has or had a controlling interest during the Settlement Class Period.

All who fit within the definition of the Settlement Class are Members of the Settlement Class, except those Persons who timely file a Request for Exclusion that is received by the firm Angeion Group by February 11, 2016, twenty-eight (28) days prior to the Settlement Hearing. All Persons who do not timely exclude themselves from the Settlement Class will be bound by the proposed Settlement and its accompanying Releases.

#### **4. Why Is There a Settlement?**

The Court did not decide in favor of Plaintiffs or Defendants. Instead, both sides agreed to a Settlement. This permits them to avoid the cost and uncertainty of a trial, and permits eligible Settlement Class Members, who submit valid Proof of Claim forms, to receive compensation. While Lead Plaintiff and Lead Counsel believe that the claims asserted against the Defendants have merit, they recognize the expense and length of continued proceedings necessary to pursue their claims against Defendants through trial and appeals, as well as the difficulties in establishing liability and the uncertain outcome of trial and appellate risk in complex lawsuits like this one. Accordingly, Lead Plaintiff and Lead Counsel believe the Settlement is best for all Settlement Class Members.

Defendants have expressly denied, and continue to deny, each and all of the claims alleged by Plaintiffs in this Action and affirm that they have acted properly and lawfully at all times. Nonetheless, Defendants have concluded that further defense of the Litigation would be protracted and expensive and wish to avoid the expense, inconvenience, and distraction of burdensome and protracted litigation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases such as this Litigation. Defendants have, therefore, determined that it is desirable and beneficial that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

### **WHO IS IN THE SETTLEMENT**

To see if you will receive money from this Settlement, you first have to determine if you are a Settlement Class Member.

#### **5. How Do I Know if I Am Part of the Settlement?**

The Settlement Class includes **all persons and entities who purchased or otherwise acquired ITT common stock, who purchased or otherwise acquired call options on ITT common stock, or who wrote put options on ITT common stock, between February 26, 2013 and May 12, 2015, both dates inclusive.**

#### **6. What Are the Exceptions to Being Included?**

You are not a Settlement Class Member if you are a Defendant, were an officer or director of ITT during the Settlement Class Period, are a member of the immediate families of or are the legal representative, heir, successor, or assign of any of the foregoing. You also are not a Settlement Class

Member if you are an entity in which a Defendant has or had a controlling interest during the Settlement Class Period.

**7. I'm Still Not Sure if I Am Included.**

If you are still not sure whether you are included, you can ask for free help. You can call Lionel Z. Glancy of Glancy Prongay & Murray LLP at 1-888-773-9224 for more information. Or you can fill out and return the claim form described in Question 10 to see if you qualify.

**THE SETTLEMENT BENEFITS — WHAT YOU GET**

**8. What Does the Settlement Provide?**

The Settlement will result in a Settlement Fund of \$12.5375 million (\$12,537,500.00) in cash. The balance of this Settlement Fund, after payment of Court-approved attorneys' fees and litigation expenses, Taxes and Tax Expenses, and the costs of claims administration, including the cost of printing and mailing this Notice and the cost of publishing the Summary Notice (the "Net Settlement Fund"), will be divided among all eligible Settlement Class Members who send in valid Proof of Claim forms.

**9. How Much Will My Payment Be?**

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Settlement Class Members send in, the number of ITT Securities that you purchased, acquired, or sold during the relevant period, and the timing of your purchases, acquisitions, and sales. You will not receive a payment, however, if your proportionate share of the Net Settlement Fund is less than \$20.00.

You can calculate your claim ("Recognized Claim") in accordance with the formula shown below in the Plan of Allocation. After all Settlement Class Members have sent in their Proof of Claim forms, the payment you receive will reflect your Recognized Claim in relation to the Recognized Claims of all persons submitting Proof of Claim forms. The Recognized Claim is not the amount of the payment that you can expect, but is used to determine how the Net Settlement Fund is allocated among all persons submitting claims.

**HOW YOU OBTAIN A PAYMENT — SUBMITTING A PROOF OF CLAIM FORM**

**10. How Will I Obtain a Payment?**

To qualify for payment, you must be an eligible Settlement Class Member, send in a valid Proof of Claim form, and properly document your claim as requested in the Proof of Claim form. A Proof of Claim form is enclosed with this Notice. You may also get a Proof of Claim form on the internet at [www.ITTEducationSecuritiesLitigation-Indiana.com](http://www.ITTEducationSecuritiesLitigation-Indiana.com). Read the instructions carefully, fill out the Proof of Claim form, include the documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later than March 3, 2016.

**11. When Will I Receive My Payment?**

The Court will hold a Settlement Hearing on March 10, 2016, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. Even if no appeals are filed, it will take several months for the Claims Administrator to process all of the Proof of Claim forms and to determine the ultimate distribution amounts.

**12. What Am I Giving Up to Receive a Payment?**

Unless your Request for Exclusion from the Settlement Class is received by the deadline of February 11, 2016, you are a Member of the Settlement Class and will be bound by the Releases of claims against the Defendants and other Released Persons. That means that you cannot sue, continue to sue, or be part of any other lawsuit or other proceeding against the Defendants or any other Released Persons about the Released Claims in this case. It also means that all of the Court's Orders, including the proposed Judgment which will dismiss with prejudice the claims in this Action, will apply to you and legally bind you, and you will release your claims in this case against the Defendants and the other Released Persons. The terms of the Releases, which specifically include the release of Unknown Claims against the Defendants and all other Released Persons, are set forth in the Stipulation and are summarized in the Proof of Claim form that is enclosed.

**EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT**

If you do not want a payment from the class action Settlement, but you want to keep the right to sue or to continue to sue the Defendants on your own for the Released Claims in the class action, then you must take steps to get out of the Settlement Class. This is called excluding yourself or is sometimes referred to as opting out of the Settlement Class.

**13. How Do I Get Out of the Settlement Class?**

To exclude yourself from the Settlement Class, you must send a letter by first class mail (or its equivalent outside the U.S.) stating that you want to be excluded from Settlement Class in *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Civil Action No. 1:14-cv-01599-TWP-DML. You must include your name, address, telephone number, your signature, and the number of shares of ITT common stock and/or options that you purchased or acquired between February 26, 2013 and May 12, 2015, both dates inclusive, the number of shares of ITT common stock and/or options that you sold during this time period, if any, and the dates of such purchases, acquisitions, and/or sales, and a statement that you wish to be excluded from the Settlement Class. You must mail your exclusion request, such that it is received by no later than February 11, 2016, to:

ITT Educational Services, Inc. Securities Litigation  
Claims Administrator  
1801 Market Street, Suite 660  
Philadelphia, PA 19103

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

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any Settlement payment, and you cannot object to the class action Settlement. If you exclude yourself, you may have the right to pursue litigation on your own.

**14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?**

No. Unless you timely and validly exclude yourself from the Settlement Class, you give up any right to sue the Defendants and the Released Persons for the Released Claims in the Settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the deadline by which your Request for Exclusion must be received is February 11, 2016.

**15. If I Exclude Myself, Can I Receive Money from the Class Action Settlement?**

No. If you exclude yourself, do not send in a Proof of Claim form. You will not receive any benefit provided for in the Settlement.

**THE LAWYERS REPRESENTING YOU**

**16. Do I Have a Lawyer in This Case?**

The Court appointed the law firm of Glancy Prongay & Murray LLP to represent you and other Settlement Class Members. These lawyers are called Plaintiffs' Lead Counsel. You will not be personally liable for the fees and expenses incurred by these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense. If you choose to retain your own counsel, at your own expense, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on Lead Counsel and Defendants' Counsel, at the addresses listed in this Notice, so that notice is received at least fourteen (14) days prior to the Settlement Hearing.

**17. How Will the Lawyers Be Paid?**

Plaintiffs' Counsel will ask the Court for attorneys' fees of up to twenty-five percent (25%) of the Settlement Fund and for expenses up to \$175,000 in connection with the Litigation. The Plaintiffs will also request payment of their actual costs and expenses (including lost wages) directly related to their representation of the Settlement Class, not to exceed \$27,500. Such sums as may be approved by the Court will be paid from the Settlement Fund. Settlement Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Plaintiffs' Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. Since the case began in September 2014, Plaintiffs' Lead Counsel has conducted all of the investigation and other efforts necessary to prepare the case for motion practice, for discovery, and for trial, and has consulted experts regarding damages and accounting issues. To date, Plaintiffs' Lead Counsel has not been paid for its services in conducting this litigation on behalf of the Plaintiffs and the Settlement Class, nor for their expenses. Plaintiffs' Lead Counsel has expended to date more than 4400 hours of attorney and paralegal time in prosecuting the Settlement Class's claims. The fee requested will compensate Plaintiffs' Lead Counsel for their work in achieving the Settlement Fund.

Plaintiffs' Lead Counsel shall file a formal motion with the District Court for final approval of the Settlement, the Plan of Allocation, and any requests for attorneys' fees and reimbursement of expenses not later than thirty-five (35) days prior to the Settlement Hearing. That motion will argue that the requested fees are well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court determines what counsel should receive from the Settlement Fund for fees and expenses, and may award less than this amount.

**OBJECTING TO THE SETTLEMENT**

You can tell the Court that you do not agree with the Settlement or some part of it.

**18. How Do I Tell the Court that I Do Not Like the Settlement?**

If you are a Settlement Class Member, you can object to the Settlement if you do not like any part of it, including the Plan of Allocation and any requests for attorneys' fees and reimbursement of

expenses. You can state the reasons why you think the Court should not approve the Settlement or any part of it, and the Court will consider your views. To object, you must send a letter or other written statement saying that you object to the Settlement in *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Civil Action No. 1:14-cv-01599-TWP-DML, and explaining in detail the basis for your objection and any legal support. Be sure to include your (i) full name, (ii) address, (iii) telephone number, (iv) your signature, (v) the number of shares of ITT common stock and/or options you purchased, acquired, and/or sold between February 26, 2013 and May 12, 2015, both dates inclusive; (vi) the number of shares of ITT common stock and/or options that you sold during this time period, if any; (vii) the dates of such purchases, acquisitions, and/or sales; (viii) the prices paid and/or received in those transactions (including all income received thereon); and (ix) copies of documents (such as brokerage statements) sufficient to show that you are a Member of the Settlement Class. You also need to include with your objection any documents on which the objection is based; a list of all persons, if any, who will be called to testify in support of the objection; a statement as to whether you intend to appear at the Settlement Hearing; and a list of other cases in which you or your counsel have appeared either as settlement objectors or as counsel for objectors in the preceding five years.

You may not object to the Settlement, or any aspect of it, if you do not qualify as a Member of the Settlement Class or if you excluded yourself from the Settlement Class. If you object to the Settlement, or any aspect of it, or otherwise request to be heard at the Settlement Hearing, you are submitting to the jurisdiction of the Court with respect to the subject matter of the Settlement, including, but not limited to, the release of the Released Claims contained in the Judgment, if approved by the Court.

The motions in support of the Settlement, the Plan of Allocation, and the requests for attorneys' fees and reimbursement of litigation expenses, will be filed no later than February 4, 2016, and they will be available from Plaintiffs' Lead Counsel, the Claims Administrator, or the Court: their contact information is listed in Section 23, below. Any objection must be mailed or delivered such that it is received by *each* of the following no later than February 18, 2016:

*Court:*

Clerk of the Court  
U.S. District Court  
Clerk's Office, Room 105  
46 East Ohio Street  
Indianapolis, IN 46204

*Lead Counsel Designee:*

Lionel Z. Glancy, Esq.  
Glancy Prongay & Murray LLP  
1925 Century Park East, Suite 2100  
Los Angeles, California 90067  
settlements@glancylaw.com

*Defendants' Counsel Designee:*

Jennifer L. Conn, Esq.  
Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, NY 10166-0193

## THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to grant final approval of the Settlement. You may attend and you may ask to speak, but neither is required.

### **19. When and Where Will the Court Decide Whether to Approve the Settlement?**

The Court will hold a Settlement Hearing at 2:00 p.m., on March 10, 2016, before the Honorable Tonya Walton Pratt, at the Birch Bayh Federal Building & U.S. Courthouse, 46 East Ohio Street, Courtroom 344, Indianapolis, Indiana 46204. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate and in the best interests of the Settlement Class, and whether the Settlement should be finally approved by the Court. If there are objections, the Court will consider them.

Other matters that the Court will determine at the Settlement Hearing include: (i) whether, for purposes of settlement only, the Settlement Class should be finally certified; whether Lead Plaintiff should be finally appointed as a representative for the Settlement Class; and whether Lead Counsel should be finally appointed as counsel for the Settlement Class; (ii) whether a Judgment, in the form attached as Exhibit B to the Stipulation, should be entered, dismissing and releasing the Released Claims with prejudice; (iv) whether the proposed Plan of Allocation is fair, reasonable, and adequate and should be approved; (v) whether to grant Lead Counsel's request of fees and expenses; (vi) whether the Court should grant Plaintiffs' reimbursement of their reasonable costs and expenses (including lost wages) directly related to their representation of the Settlement Class.

The Court may decide these issues at the Settlement Hearing or take them under consideration for a later decision. Additionally, the Settlement Hearing may be adjourned by the Court without further written notice to the Settlement Class. Any new date for the Settlement Hearing will be posted on the settlement website at [www.ITTEducationSecuritiesLitigation-Indiana.com](http://www.ITTEducationSecuritiesLitigation-Indiana.com). If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

### **20. Do I Have to Come to the Hearing?**

No. Plaintiffs' Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

### **21. May I Speak at the Hearing?**

You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter or other written statement saying that it is your intention to appear in *In re ITT Educational Services, Inc. Securities Litigation (Indiana)*, Civil Action No. 1:14-cv-01599-TWP-DML, and explaining in detail the basis for your desire to speak at the Settlement Hearing. Be sure to include your full name, address, telephone number, your signature, the number of shares of ITT common stock and/or options you purchased, acquired, and/or sold between February 26, 2013 and May 12, 2015, both dates inclusive, the dates of those transactions and the prices paid and/or received, and copies of documents (such as brokerage statements) sufficient to show that you are a Member of the Settlement Class. Your notice of intention to appear must be received no later than February 18, 2016, by the Clerk of the Court, Lead Counsel Designee, and Defendants' Counsel Designee, at the three addresses listed in Question 18.

## IF YOU DO NOTHING

### 22. What Happens if I Do Nothing at All?

If you do nothing, all of your claims against the Defendants and Released Persons will be released, but you will not receive any money from this Settlement and will in all other respects remain a Settlement Class Member and be subject to the provisions of the Settlement. It is necessary to submit a Proof of Claim and Release form to receive money from the Settlement.

## GETTING MORE INFORMATION

### 23. Are There More Details About the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation and Agreement of Settlement dated as of November 2, 2015 (the “Stipulation”). You can obtain a copy of the Stipulation or more information about the Settlement by contacting Plaintiffs’ Lead Counsel:

Lionel Z. Glancy, Esq.  
Glancy Prongay & Murray LLP  
1925 Century Park East, Suite 2100  
Los Angeles, California 90067  
settlements@glancylaw.com  
1-888-773-9224

OR the Claims Administrator:

ITT Educational Services, Inc. Securities Litigation  
Claims Administrator  
1801 Market Street, Suite 660  
Philadelphia, PA 19103  
ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com  
1-877-235-9544

OR by visiting [www.ITTEducationSecuritiesLitigation-Indiana.com](http://www.ITTEducationSecuritiesLitigation-Indiana.com)

You can also obtain a copy from the Clerk’s office during regular business hours:

Clerk of the Court  
U.S. District Court  
Clerk’s Office, Room 105  
46 East Ohio Street  
Indianapolis, IN 46204

## UNDERSTANDING YOUR PAYMENT

The Net Settlement Fund shall be distributed to Settlement Class Members who submit acceptable Proof of Claim forms (“Authorized Claimants”) in the following manner:

a. The Claims Administrator shall determine each Authorized Claimant’s share of the Net Settlement Fund based upon the recognized loss formula (the “Recognized Loss”) described

below. The Recognized Loss formula is intended to equitably apportion the Net Settlement Fund among Settlement Class Members. The Recognized Loss formula is not an estimate of what a Settlement Class Member would have recovered after trial; nor is it the amount that the Authorized Claimant will be paid pursuant to the Settlement.

b. A Settlement Class Member's actual share of the Net Settlement Fund will be determined by the ratio of the Settlement Class Member's Recognized Loss divided by the aggregate of the Recognized Loss of all Settlement Class Members.

c. The Proposed Plan of Allocation or Recognized Loss formula is as follows:

For shares of common stock purchased or otherwise acquired between February 26, 2013 and May 11, 2015:

- A. For shares held at the end of trading on August 7, 2015, the Recognized Loss shall be that number of shares multiplied by the lesser of:
- (1) the applicable purchase date artificial inflation per share figure, as found in Table A;
  - or
  - (2) the difference between the purchase price per share and \$3.91.<sup>2</sup>
- B. For shares sold between February 26, 2013 and May 11, 2015, the Recognized Loss shall be that number of shares multiplied by the lesser of:
- (1) the applicable purchase date artificial inflation per share figure less the applicable sales date artificial inflation per share figure, as found in Table A; or
  - (2) the difference between the purchase price per share and the sales price per share.
- C. For shares sold between May 12, 2015 and August 7, 2015, the Recognized Loss shall be the lesser of:
- (1) the applicable purchase date artificial inflation per share figure, as found in Table A;
  - or
  - (2) the difference between the purchase price per share and the sales price per share; or
  - (3) the difference between the purchase price per share and the average closing price between May 12, 2015 and the date of sale, as found in Table B.<sup>3</sup>

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<sup>2</sup>Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." The mean (average) closing price of ITT common stock during the 90-day period beginning on May 12, 2015 and ending on August 7, 2015 was \$3.91 per share.

<sup>3</sup>Pursuant to Section 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff's damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security."

For shares of common stock purchased or otherwise acquired on May 12, 2015:

- A. For shares held at the end of trading on August 7, 2015, the Recognized Loss shall be that number of shares multiplied by the lesser of:
  - (1) \$1.70 per share; or
  - (2) the difference between the purchase price per share and \$3.91.<sup>4</sup>
  
- B. For shares sold between May 12, 2015 and August 7, 2015, the Recognized Loss shall be the lesser of:
  - (1) \$1.70 per share; or
  - (2) the difference between the purchase price per share and the sales price per share; or
  - (3) the difference between the purchase price per share and the average closing price between May 12, 2015 and the date of sale, as found in Table B.<sup>5</sup>

For ITT Call and Put Options that expired after January 30, 2014:

#### ITT Call Options

- (i) The Recognized Claim for each call option on ITT common stock purchased or otherwise acquired during the Class Period shall be the difference between: (a) the amount paid per call option and: (b) the sale price received per option contract received if the call option was subsequently sold (if the option expired worthless while still owned by the Authorized Claimant, the sales price shall be deemed to be Zero (\$0.00));
  
- (ii) Shares of ITT common stock acquired during the Class Period through the exercise of a call option shall be treated as a purchase on the date of exercise for the exercise price plus the cost of the call option, and any Recognized Claim arising from such transaction shall be computed as provided for other purchases of ITT common stock as set forth herein;

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<sup>4</sup>Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated.” The mean (average) closing price of ITT common stock during the 90-day period beginning on May 12, 2015 and ending on August 7, 2015 was \$3.91 per share.

<sup>5</sup>Pursuant to Section 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff’s damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security.”

- (iii) No Recognized Claim shall be calculated based upon the sale or writing of any call option that was subsequently repurchased.

**ITT Put Options**

- (i) The Recognized Claim for each put option on ITT common stock sold or written during the Class Period, shall be the difference between: (a) the amount received per put option and (b) the purchase price paid per put option if the put option was subsequently repurchased at any time (including after the Class Period). For put options sold or written during the Class Period that expired worthless and unexercised, the Authorized Claimant’s Recognized Claim shall be Zero (\$0.00);
- (ii) For ITT put options that were sold or written during the Class Period, that were “put” to the Authorized Claimant (i.e. exercised) at any time, the Authorized Claimant’s Recognized Claim shall be calculated as a purchase of ITT common stock, and as if the sale of the put option were instead a purchase of ITT common stock on the date of the sale or writing of the put option, and the “purchase price paid” shall be the strike price of the put option less the proceeds received from the sale of the put option;
- (iii) No Recognized Claim shall be calculated based upon the sale of any put option that was previously purchased.

**Table A:**

| <b>Purchase or Sale Date Range</b> | <b>Artificial Inflation Per Share</b> |
|------------------------------------|---------------------------------------|
| 02/26/2013 - 01/29/2014            | \$16.09                               |
| 01/30/2014 - 05/21/2014            | \$ 8.70                               |
| 05/22/2014 – 09/18/2014            | \$ 5.50                               |
| 09/19/2014 – 04/29/2015            | \$ 2.93                               |
| 04/30/2015                         | \$ 2.23                               |
| 05/01/2015 – 05/11/2015            | \$ 1.70                               |
| 05/12/2015                         | \$ 0.00                               |

**(CONTINUED ON NEXT PAGE)**

**Table B:**

| <b>Average Closing Price Between 05/12/2015 and</b> |                     | <b>Average Closing Price Between 05/12/2015 and</b> |                     |
|---|---------------------|---|---------------------|
| <b>Date of Sale</b>                                 | <b>Date of Sale</b> | <b>Date of Sale</b>                                 | <b>Date of Sale</b> |
| 5/12/2015   | \$2.27              | 6/25/2015   | \$3.71              |
| 5/13/2015   | \$2.24              | 6/26/2015   | \$3.73              |
| 5/14/2015   | \$2.28              | 6/29/2015   | \$3.74              |
| 5/15/2015   | \$2.41              | 6/30/2015   | \$3.75              |
| 5/18/2015   | \$2.43              | 7/01/2015   | \$3.76              |
| 5/19/2015   | \$2.44              | 7/02/2015   | \$3.77              |
| 5/20/2015   | \$2.42              | 7/06/2015   | \$3.78              |
| 5/21/2015   | \$2.42              | 7/07/2015   | \$3.78              |
| 5/22/2015   | \$2.43              | 7/08/2015   | \$3.78              |
| 5/26/2015   | \$2.43              | 7/09/2015   | \$3.78              |
| 5/27/2015   | \$2.45              | 7/10/2015   | \$3.78              |
| 5/28/2015   | \$2.45              | 7/13/2015   | \$3.78              |
| 5/29/2015   | \$2.59              | 7/14/2015   | \$3.78              |
| 6/01/2015   | \$2.80              | 7/15/2015   | \$3.79              |
| 6/02/2015   | \$2.93              | 7/16/2015   | \$3.81              |
| 6/03/2015   | \$3.00              | 7/17/2015   | \$3.82              |
| 6/04/2015   | \$3.06              | 7/20/2015   | \$3.84              |
| 6/05/2015   | \$3.11              | 7/21/2015   | \$3.85              |
| 6/08/2015   | \$3.12              | 7/22/2015   | \$3.88              |
| 6/09/2015   | \$3.15              | 7/23/2015   | \$3.90              |
| 6/10/2015   | \$3.17              | 7/24/2015   | \$3.92              |
| 6/11/2015   | \$3.22              | 7/27/2015   | \$3.94              |
| 6/12/2015   | \$3.28              | 7/28/2015   | \$3.96              |
| 6/15/2015   | \$3.34              | 7/29/2015   | \$3.99              |
| 6/16/2015   | \$3.40              | 7/30/2015   | \$3.99              |
| 6/17/2015   | \$3.46              | 7/31/2015   | \$3.98              |
| 6/18/2015   | \$3.52              | 8/03/2015   | \$3.97              |
| 6/19/2015   | \$3.57              | 8/04/2015   | \$3.95              |
| 6/22/2015   | \$3.60              | 8/05/2015   | \$3.94              |
| 6/23/2015   | \$3.64              | 8/06/2015   | \$3.92              |
| 6/24/2015   | \$3.68              | 8/07/2015   | \$3.91              |

d. A purchase or sale of ITT common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date.

e. The receipt or grant by gift, devise or operation of law of shares of ITT common stock during the Settlement Class Period shall not be deemed a purchase or sale of ITT common stock shares for the calculation of an Authorized Claimant’s Recognized Loss, nor shall it be deemed an assignment of any claim relating to the purchase of such securities. The grantor of the gift or devise, who purchased ITT common stock during the Settlement Class Period, shall retain the right to file a claim in this Litigation unless that right to file a claim was specifically transferred in the instrument of gift or assignment.

f. The receipt of ITT common stock during the Settlement Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of ITT common stock.

g. Any gains on sales of ITT common stock shall be offset against losses in calculating the Recognized Loss. To the extent a Claimant had an overall gain from transactions in ITT common stock during the Settlement Class Period, the value of the Recognized Loss will be zero.

h. The total recovery payable to Authorized Claimants from transactions in call or put options shall not exceed five percent (5%) of the Net Settlement Fund.

i. For Settlement Class Members who made multiple purchases or sales during the Settlement Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the FIFO method, sales of ITT Securities during the Settlement Class Period will be matched, in chronological order, against ITT Securities purchased during the Settlement Class Period.

j. No Authorized Claimant whose proportionate share of the Net Settlement Fund is less than \$20.00 shall receive a distribution from the Net Settlement Fund. Rather, that Claimant’s proportionate share of the Net Settlement Fund shall be redistributed among all remaining Authorized Claimants.

k. Settlement Class Members whose Request for Exclusion is not received by the deadline and do not submit an acceptable Proof of Claim by the deadline for submitting claims will not share in the recovery, but nevertheless will be bound by the Settlement and the Order and Final Judgment of the Court releasing claims against Defendants and other Released Persons and dismissing this Litigation.

l. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement.

***DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE***

**SPECIAL NOTICE TO NOMINEES**

The Court has ordered that if you held any ITT Securities purchased or acquired between February 28, 2013 and May 12, 2015, both dates inclusive, as nominee for a beneficial owner, then, within fourteen (14) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim form by first class mail to all such beneficial owners; or (2) provide a list of the names and addresses of all such beneficial owners (preferably in the format of an electronic spreadsheet) to the Claims Administrator:

ITT Educational Services, Inc. Securities Litigation  
Claims Administrator  
1801 Market Street, Suite 660  
Philadelphia, PA 19103

[ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com](mailto:ITTEducationSecuritiesLitigation-Indiana@AngeionGroup.com)

If you choose to mail the Notice and Proof of Claim form yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the Notice mailing yourself or elect to have the Notice mailing performed for you, you may obtain reimbursement for administrative costs reasonably and *actually* incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.