ITT EDUCATIONAL SERVICES INC
Form DEF 14A
March 08, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under §240.14a-12

ITT EDUCATIONAL SERVICES, INC.

(Name of Registrant as Specified In Its Charter)

_____

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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x No fee required.
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4) Date Filed:

ITT Educational Services, Inc.

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ITT EDUCATIONAL SERVICES, INC.
13000 North Meridian Street
Carmel, IN 46032-1404

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 3, 2011

The 2011 Annual Meeting of Shareholders of ITT Educational Services, Inc. ("ITT/ESI") will be held at the Hilton Crystal City, 2399 Jefferson Davis Highway, Arlington, VA 22202, on Tuesday, May 3, 2011, at 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon four proposals described in the accompanying Proxy Statement providing for:

Proposal One:	Election of three Directors to serve until the 2014 Annual Meeting of Shareholders and until their successors are elected and have qualified.
Proposal Two:	Ratification of the appointment of PricewaterhouseCoopers LLP to serve as ITT/ESI's independent registered public accounting firm for its fiscal year ending December 31, 2011.
Proposal Three:	Advisory vote to approve the compensation paid to ITT/ESI's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, in the accompanying Proxy Statement.
Proposal Four:	Advisory vote as to whether future shareholder votes to approve the compensation paid to ITT/ESI's named executive officers should occur every one, two or three years.

2. To act upon such other matters that may properly come before the meeting.

All shareholders of record at the close of business on March 4, 2011 will be entitled to vote at the meeting.

It is important that your shares be represented at this meeting. Whether or not you expect to be present, please vote as soon as possible. We have provided information on available voting methods in the accompanying Proxy Statement. If you attend the meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors,

Christine G. Long

Senior Vice President, General Counsel
and Secretary

ITT EDUCATIONAL SERVICES, INC.
13000 North Meridian Street
Carmel, IN 46032-1404

PROXY STATEMENT

Annual Meeting of Shareholders
May 3, 2011

This Proxy Statement and accompanying proxy are being provided to shareholders on or about March 18, 2011 in connection with the solicitation by the Board of Directors of ITT Educational Services, Inc. ("ITT/ESI," "we" or "us") of proxies to be voted at the 2011 Annual Meeting of Shareholders ("Annual Meeting") to be held at 10:00 a.m., local time, Tuesday, May 3, 2011, at the Hilton Crystal City, 2399 Jefferson Davis Highway, Arlington, VA 22202, for the purposes set forth in the accompanying notice.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive a Notice of Internet Availability of Proxy Materials?

Many of our shareholders will receive a Notice of Internet Availability of Proxy Materials (the "Notice"), which was or will be sent to shareholders on or about March 18, 2011. We are furnishing our proxy materials to our shareholders on the Internet, unless the shareholder has previously requested printed copies. Printed copies of our proxy materials furnished at the previous request of our shareholders were or will be sent to those shareholders on or about March 18, 2011.

If you received a Notice by mail or e-mail, you will not receive a printed copy of our proxy materials unless you request such a copy in the manner described in the Notice. The Notice also instructs you as to how you may access and review this Proxy Statement and our 2010 Annual Report on Form 10-K, and how you may submit your proxy to vote at the Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Holders of our common stock outstanding at the close of business on March 4, 2011, the record date for the Annual Meeting (the "Record Date"), are entitled to vote their shares at the Annual Meeting. As of the Record Date, 28,352,075 shares of our common stock were issued and outstanding. Each share of our common stock is entitled to one vote on each matter properly brought before the Annual Meeting.

What will shareholders vote on at the Annual Meeting and how does the Board of Directors recommend that I vote?

There are four proposals that shareholders will vote on at the Annual Meeting:

- election of three directors to serve until the 2014 Annual Meeting of Shareholders and until their successors are elected and have qualified;
- ratification of the appointment of PricewaterhouseCoopers LLP ("PWC") to serve as our independent registered public accounting firm for our fiscal year ending December 31, 2011;
- advisory vote to approve the compensation paid to our Named Executive Officers (those executive officers identified in the Compensation Discussion and Analysis below), as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission ("SEC"), including the Compensation Discussion and

Analysis, compensation tables and narrative discussion, in this Proxy Statement; and
- advisory vote as to whether future shareholder votes to approve the compensation paid to our Named Executive Officers should occur every one, two or three years.

The Board of Directors recommends that you vote FOR the first three proposals and that you vote to have future shareholder votes on our executive compensation every THREE years.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered, with respect to those shares, the "shareholder of record." The Notice has been or will be sent directly to you, unless you previously requested printed copies of our proxy materials.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the "beneficial owner" of those shares held in "street name." The Notice has been or will be sent to you by your broker, bank or other holder of record who is considered, with respect to those shares, to be the shareholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote the shares in your account.

How do I vote?

Record Holders

If you are a record holder, you may vote by using any of the following methods.

Through the Internet. You may submit a proxy through the Internet by following the instructions on the Notice or the instructions on the proxy card if you previously requested to receive paper copies of our proxy materials or you request paper copies in connection with this Annual Meeting. If you submit a proxy through the Internet, you do not need to return a proxy card. The Internet voting facility for shareholders of record will close at 11:59 p.m., Eastern Time, on May 2, 2011.

By Telephone. If you receive a proxy card by mail because you have previously requested to receive paper copies of our proxy materials or you request paper copies in connection with this Annual Meeting, you may submit a proxy by telephone by dialing the toll-free telephone number shown on the proxy card and following the recorded instructions. If you submit a proxy by telephone, you do not need to return a proxy card. The telephone voting facility for shareholders of record will close at 11:59 p.m., Eastern Time, on May 2, 2011.

By Mail. If you receive a proxy card by mail because you have previously requested to receive paper copies of our proxy materials or you request paper copies in connection with this Annual Meeting, you may vote by completing, signing, dating and mailing that proxy card in the pre-addressed postage-prepaid envelope that will be included when the proxy card is sent to you.

In Person at the Annual Meeting. If you attend the Annual Meeting, you may vote your shares in person. We encourage you, however, to vote by proxy card, through the Internet or by telephone even if you plan to attend the meeting so that your shares will be voted in the event you later decide not to attend the meeting.

Beneficial Owners

If you are a beneficial shareholder, you may vote by using any voting instruction card provided by your broker, bank or other record holder or by following their instructions for voting through the Internet or by telephone. If you are a beneficial shareholder who would like to vote in person at the Annual Meeting, you must obtain a legal proxy from

your broker, bank or other holder of record and present it at the Annual Meeting.

Pursuant to the rules of the New York Stock Exchange ("NYSE"), brokers may not exercise discretion to vote shares on the following matters if the beneficial shareholder does not give voting instructions:

- the election of directors;
- the approval of the compensation paid to our Named Executive Officers; and
- the vote on the frequency of future shareholder votes to approve the compensation paid to our Named Executive Officers.

Accordingly, if you are a beneficial shareholder and wish your shares to be voted on these matters, you must give your broker voting instructions.

What does it mean if I receive more than one Notice or proxy card?

If you received more than one Notice or proxy card, your shares are registered in more than one name or are registered in different accounts. Please follow the voting instructions included in each Notice and proxy card to ensure that all of your shares are voted.

May I change my vote after I have submitted a proxy?

If you are a shareholder of record, you have the power to revoke your proxy at any time before the shares it represents are voted, by:

- delivering to our Secretary an instrument revoking the proxy;
- delivering a new proxy in writing, through the Internet or by telephone, dated after the date of the proxy being revoked and, in the case of telephone or Internet voting, before 11:59 p.m., Eastern Time, on May 2, 2011; or
- attending the Annual Meeting and voting in person (attendance without casting a ballot will not, by itself, constitute revocation of a proxy).

If you are a beneficial shareholder, you may submit new voting instructions by contacting your broker, bank or other holder of record. You may also revoke your previous voting instructions by voting in person at the Annual Meeting if you obtain a legal proxy from your broker, bank or other holder of record and present it at the Annual Meeting.

How will the proxies be voted?

Clark D. Elwood and Daniel M. Fitzpatrick, two of our executive officers, have been selected by our Board of Directors to serve as proxy holders for the Annual Meeting. All shares of our common stock represented by properly delivered proxies received in time for the Annual Meeting will be voted at the Annual Meeting by the proxy holders in the manner specified by the shareholder. If a written proxy card is signed by a shareholder and returned without instructions, the shares of our common stock represented by the proxy will be voted:

- FOR the election of the three director nominees named in this Proxy Statement;
- FOR the ratification of the appointment of PWC;
- FOR the approval of the compensation paid to our Named Executive Officers as disclosed in this Proxy Statement; and
- to conduct future shareholder advisory votes on the compensation paid to our Named Executive Officers every THREE years.

What is the quorum required at the Annual Meeting?

In order for business to be conducted at the Annual Meeting, a quorum must be present. A quorum will be present if the holders of a majority of the shares issued and outstanding as of the Record Date and entitled to vote are represented in person or by proxy at the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspector appointed for the meeting and will determine whether a quorum is present. The election inspector will treat abstentions and broker non-votes as shares that are present for purposes of determining the presence of a quorum. A broker non-vote occurs when a broker, bank or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item (for example, the election of directors) and has not received voting instructions from the beneficial owner.

What are the voting requirements to approve each of the proposals?

Election of Three Directors. To be elected, a Director nominee must receive a majority of the votes cast with respect to such Director, which means that the number of shares voted “for” that Director’s election must exceed the number of shares voted “against” that Director’s election. Shareholders will not be allowed to cumulate their votes in the election of Directors. Abstentions and broker non-votes will not be considered as votes cast on this proposal and therefore will have no effect on the outcome of this proposal.

Ratification of the Appointment of the Independent Registered Public Accounting Firm. The affirmative vote of a majority of the shares of our common stock represented in person or by proxy at the Annual Meeting is required to ratify the appointment by the Audit Committee of the Board of Directors of PWC as our independent registered public accounting firm for our fiscal year ending December 31, 2011. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present and will be considered shares represented at the Annual Meeting. Accordingly, an abstention or broker non-vote will have the same effect as a vote against this proposal.

Advisory Vote on the Approval of the Compensation Paid to Our Named Executive Officers. The affirmative vote of a majority of the shares of our common stock represented in person or by proxy at the Annual Meeting is required to approve the compensation paid to our Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, in this Proxy Statement. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present and will be considered shares represented at the Annual Meeting. Accordingly, an abstention or broker non-vote will have the same effect as a vote against this proposal. The shareholder vote to approve the compensation paid to our Named Executive Officers is an advisory vote only and, therefore, the result of that vote will not be binding on our Board of Directors or Compensation Committee. Our Compensation Committee will, however, consider the outcome of the vote when evaluating our executive compensation principles and practices.

Advisory Vote on the Frequency of Future Shareholder Votes to Approve the Compensation Paid to our Named Executive Officers. The shareholder vote as to the frequency of future shareholder votes to approve the compensation paid to our Named Executive Officers is an advisory vote only and, therefore, the result of that vote will not be binding on our Board of Directors. Shareholders will be able to choose from among four options in connection with this frequency vote, namely whether future shareholder votes to approve Named Executive Officer compensation should occur each year, every two years, every three years or the shareholder abstains from voting on this matter. Abstentions and broker non-votes will not be considered as votes cast on this proposal and therefore will have no effect on the outcome of this proposal. While the outcome of the frequency vote will not be binding on our Board of Directors, our Board of Directors will consider the number of votes cast for each frequency choice when determining how often to hold future shareholder advisory votes on our executive compensation.

Could other matters be decided at the Annual Meeting?

As of the date of this Proxy Statement, our Board of Directors is not aware of any matters, other than those described in this Proxy Statement, which are to be voted on at the Annual Meeting. If any other matters are properly raised at

the Annual Meeting, however, the persons named as proxy holders intend to vote the shares represented by your proxy in accordance with their judgment on such matters.

Who is paying for the costs of this proxy solicitation?

We will pay all expenses of solicitation of proxies. Our officers, Directors and other employees may solicit proxies, without additional compensation, by telephone, electronic mail, facsimile or mail, or by meetings with shareholders or their representatives. We also will reimburse brokers, banks and other record holders for their charges and expenses in forwarding proxy material to beneficial owners.

PROPOSAL ONE: ELECTION OF THREE DIRECTORS TO SERVE UNTIL THE 2014 ANNUAL MEETING OF SHAREHOLDERS AND UNTIL THEIR SUCCESSORS ARE ELECTED AND HAVE QUALIFIED

Our Board of Directors currently consists of nine Directors divided into three classes. Each class contains three Directors. The term of one class expires each year. Generally, each Director serves until the annual meeting of shareholders held in the year that is three years after the Director's election and thereafter until the Director's successor is elected and has qualified.

At the meeting, three Directors are to be elected to hold office for a three-year term to expire at the 2014 Annual Meeting of Shareholders and until their successors are elected and have qualified. The proxy holders intend to vote such proxy for the election to the Board of Directors of John E. Dean, James D. Fowler, Jr. and Vin Weber, three current Directors whose terms expire this year, unless you direct them to vote otherwise.

The voting standard for election of the Director nominees is a majority vote standard. This majority vote standard is in effect because this is an uncontested election of Directors (i.e., the number of nominees for Director did not exceed the number of Directors to be elected, as of the date that was 14 days in advance of the date that this Proxy Statement was filed with the SEC). For any contested elections, the Directors would be elected by a plurality of the shares of our common stock voted in person or by proxy at the meeting.

All of the Director nominees for this Annual Meeting are currently serving on our Board of Directors. If any nominee is not elected at the Annual Meeting, he is expected to tender his resignation to our Board of Directors. Our Board of Directors will act on the tendered resignation and publicly disclose its decision regarding the tendered resignation within 90 days from the date of the certification of the election results. In making its decision regarding the tendered resignation, our Board of Directors may consider any factors or other information that it considers appropriate and relevant. If a Director's resignation is not accepted by our Board of Directors, the Director will continue to serve until the end of the term of his class and until his successor is duly elected, or his earlier resignation or removal. If a Director's resignation is accepted by our Board of Directors, then the Board may fill the resulting vacancy or decrease the size of the Board.

Each of the nominees has consented to serve as a Director. If for any reason a nominee should become unable or unwilling to accept nomination or election, the proxy holders intend to vote the proxy for the election of such other person as our Board, upon the recommendation of the Nominating and Corporate Governance Committee, may select. Alternatively, our Board may reduce the number of Directors to eliminate the vacancy.

Our Board of Directors does not have a policy with respect to the Directors' attendance at our annual shareholder meetings, but all of our Directors are encouraged to attend those meetings. Our 2010 Annual Meeting of Shareholders was held on May 4, 2010, and all of the members of our Board of Directors at that time attended that meeting.

The Nominating and Corporate Governance Committee, in concluding that the nominees for Director and the continuing Directors should serve as our Directors, considered the specific experience, qualifications, attributes and

skills of each such individual. Since each Director and nominee for Director is a current Director of ours, the Committee also considered the significant contributions that each such individual has made to our Board of Directors and its committees during his or her tenure as a Director. The Committee believes that each of the Directors and nominees for Director possesses judgment, integrity, the ability to make independent inquiries and a willingness to devote adequate time to Board duties. In addition, the Nominating and Corporate Governance Committee believes that each Director and nominee for Director brings a strong and particular background, experience and set of skills to our Board, giving the Board as a whole competence and experience in a wide variety of areas.

Set forth below is a brief summary of each Director's principal occupation, business affiliations and certain other information, as well as a summary description of the experiences, qualifications, attributes and skills that led the Nominating and Corporate Governance Committee to the conclusion that each such person should serve as a Director of ours. Unless otherwise indicated, each Director's principal occupation has been the same for the past five years. There is no family relationship between any of our Directors or executive officers.

Nominees for Director

Term Expiring at the 2011 Annual Meeting.

JOHN E. DEAN, age 60, is an attorney who has specialized in higher education law since April 1985. Mr. Dean has been a partner at the Law Offices of John E. Dean since June 2005. Mr. Dean has also served as a principal of Washington Partners, LLC, a public affairs firm, since June 2002. Mr. Dean has been a Director of ours since December 1994.

Director Qualifications: John E. Dean has specialized in higher education law since April 1985 and has been a principal of a public affairs firm since 2002. He has broad knowledge and experience with issues surrounding higher education and our industry. Mr. Dean's work provides him with current and valuable knowledge and insight of the actions of Congress and the U.S. Department of Education related to higher education matters. His experience has also led to a strong understanding of the workings of government and public policy, particularly in areas affecting our company.

JAMES D. FOWLER, JR., age 66, served as senior vice president and director, human resources of ITT Industries, Inc., an industrial, commercial machinery and equipment company now known as ITT Corporation, from November 2000 until his retirement in October 2002. Mr. Fowler has been a Director of ours since April 1994.

Director Qualifications: James D. Fowler, Jr.'s past experience in the human resources area has provided him with strong understanding of, and skills related to, the compensation and benefits areas. As an executive in the human resources area, Mr. Fowler's work included managing and directing other individuals and provided him with leadership and consensus-building skills. Mr. Fowler also possesses government relations experience through his work with a Fortune 100 company.

VIN WEBER, age 58, has been a partner at Clark & Weinstock Inc. ("C&W"), a management and public policy consulting firm, since 1994, and the chief executive officer of C&W since 2007. During the past five years, he was also a director of Lenox Group, Inc. Mr. Weber has been a Director of ours since December 1994.

Director Qualifications: Vin Weber has had significant involvement in public policy and management matters during his career. This has contributed to Mr. Weber's experience in, and strong understanding of, the workings of government and public policy. Mr. Weber's public policy involvement has been in a variety of highly-regulated areas, including higher education, during which he has developed strong knowledge and political insight about our industry. Mr. Weber also served in the U.S. House of Representatives from 1980 to 1992. Mr. Weber has served as a director of public companies for over 16 years.

The Board of Directors recommends a vote FOR each of the nominees listed above.

Directors Continuing in Office

Term Expiring at the 2012 Annual Meeting.

JOANNA T. LAU, age 52, has served as chairperson and chief executive officer of Lau Acquisition Corporation (doing business as LAU Technologies), a management consulting and investment firm, since March 1990. She is also a director of DSW Inc. During the past five years, Ms. Lau was also a director of TD Banknorth Inc. Ms. Lau has been a Director of ours since October 2003.

Director Qualifications: Joanna T. Lau's experience as the chairperson and chief executive officer of Lau Acquisition Corporation has provided her with leadership skills and the ability to analyze varied aspects of a company's business. Her experience includes developing and implementing a turnaround and growth strategy for a company. Ms. Lau currently serves, and has served for over ten years, as a director of other public companies.

SAMUEL L. ODLE, age 61, has served as president and chief executive officer of Methodist Hospital ("MH") and Indiana University Hospital ("IUH") and executive vice president of Indiana University Health (formerly Clarian Health Partners) ("IU Health"), an Indianapolis-based private, non-profit healthcare organization comprised of MH, IUH and Riley Hospital for Children, since July 2004. Mr. Odle has been a Director of ours since January 2006.

Director Qualifications: Samuel L. Odle's experience in executive positions at MH, IUH and IU Health have provided him with the ability to analyze and assess numerous aspects of a complex and highly-regulated organization. He also possesses leadership skills and decision-making abilities as a result of his executive experience. Mr. Odle's services as Chairman of the American College of Healthcare Executives also provided him with a national perspective on the healthcare industry. The healthcare industry is an area that we are focusing on for future growth for our programs of study.

JOHN A. YENA, age 70, has served as chairman of the board of Johnson & Wales University ("J&W"), a postsecondary educational institution, since June 2004. He is also a director of Bancorp Rhode Island, Inc. Mr. Yena has been a Director of ours since May 2006.

Director Qualifications: John A. Yena has extensive experience in higher education, most recently as the chairman (and prior to that as the president and chief executive officer) of J&W. This experience has provided him with a strong understanding of the particular issues facing postsecondary institutions such as ours. Over his career, Mr. Yena has also been involved in a number of national educational organizations, furthering the breadth of his experience in our industry. He is also currently a member of the board of commissioners of the Accrediting Bureau of Health Education Schools. Mr. Yena currently serves, and has served for over ten years, as a director of another public company.

Term Expiring at the 2013 Annual Meeting.

JOHN F. COZZI, age 49, has served as a managing director of AEA Investors LP, a private equity firm, since January 2004. Mr. Cozzi has been a Director of ours since October 2003.

Director Qualifications: John F. Cozzi's years of experience in private equity and investment banking have exposed him to a broad range of issues affecting businesses, including a number of businesses in our industry. His work has included analyzing and focusing on improving various aspects of businesses, including operations, strategies and financial performance. Mr. Cozzi's background also includes experience driving the strategic direction and growth of numerous organizations. Mr. Cozzi's experience in corporate finance, including financial accounting and reporting, has led our Board of Directors to determine that he is an "audit committee financial expert" as that term is defined in

Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934 (the "Exchange Act").

KEVIN M. MODANY, age 44, has served as our Chairman since February 2008 and as our Chief Executive Officer since April 2007. He also served as our President from April 2005 through March 2009. From April 2005 through March 2007, Mr. Modany also served as our Chief Operating Officer. Mr. Modany has been a Director of ours since July 2006.

Director Qualifications: Kevin M. Modany's day-to-day involvement in our business has provided him with extensive knowledge and understanding of our company and our industry. Mr. Modany had previous experience in advising other companies on financial and operational matters, and he had in-depth involvement in the financial and operational aspects of our company before becoming our Chief Executive Officer. As our Chief Executive Officer, he has developed strong leadership skills. Mr. Modany is able to provide our Board of Directors with insight and advice related to the effect of the Board's decisions, both internally and externally.

LLOYD G. WATERHOUSE, age 59, served as chief executive officer and president of Harcourt Education, a global education company serving students and teachers, adult learners and readers, from September 2006 until his retirement in January 2008. Mr. Waterhouse served as an independent director and consultant from August 2004 through September 2006. Mr. Waterhouse is also a director of SolarWinds, Inc. During the past five years, he was also a director of Digimarc Corporation, i2 Technologies, Inc. and Atlantic Mutual Insurance Companies. Mr. Waterhouse has been a director of ours since April 2009.

Director Qualifications: Lloyd G. Waterhouse's experience in executive roles at Harcourt Education and Reynolds and Reynolds Co. (where he was chief executive officer and chairman from April 2001 through July 2004) has provided him with leadership skills and the ability to analyze and address numerous aspects of a company's business. His work has included experience in driving strategic direction and encouraging growth at companies. During the course of his career, Mr. Waterhouse has been involved with education-related activities and initiatives for over 18 years. While at IBM Corporation ("IBM"), where he served for a number of years as president or general manager of various business units, Mr. Waterhouse held leadership positions with IBM's internal and external educational-related businesses and managed IBM's relationships with research universities. Mr. Waterhouse also currently serves as a member of the Board of Visitors of the Penn State Smeal College of Business and on the board of Ascend Learning, LLC, a provider of technology-based learning solutions. His experience at Harcourt Education also provided Mr. Waterhouse with knowledge in the curriculum development area. Mr. Waterhouse has served as a director of public companies for over 11 years.

Meetings, Independence, Leadership and Committees of the Board of Directors

Meetings. During 2010, there were seven meetings of the Board of Directors. During 2010, each of the Directors attended 75% or more of the aggregate number of meetings of the Board of Directors and the standing Board committees on which he or she served.

Independent Directors. Our Board of Directors currently contains eight non-employee Directors: Messrs. Cozzi, Dean, Fowler, Odle, Waterhouse, Weber and Yena, and Ms. Lau. Our Board of Directors has adopted categorical standards to assist it in making determinations of independence. Any transactions, relationships or arrangements that we may have with any of our Directors are immaterial, so long as none of those transactions, relationships or arrangements caused the Director to violate any of our categorical standards of independence. Our categorical standards of independence are contained in Section 5 of our Corporate Governance Guidelines and are posted on our website at www.ittesi.com. Our Board of Directors has determined that each of our current non-employee Directors is independent, and each of the non-employee Directors in 2010 was independent, pursuant to our categorical standards of independence and in accordance with Section 303A.02 of the NYSE Listed Company Manual. In the application of our categorical standards of independence to determine the independence of each non-employee Director for service on our Board of Directors and on its Audit, Compensation, Nominating and Corporate Governance and Academic

Committees, there were no transactions, relationships or arrangements with our non-employee Directors that were required to be disclosed pursuant to Item 404(a) of Regulation S-K under the Exchange Act, or if not disclosed, that our Board considered.

The non-employee Directors on our Board of Directors meet at regularly scheduled executive sessions without our management. The Directors on our Board of Directors who are determined to be independent meet by themselves in executive session at least once annually. Our Board of Directors has chosen the Chair of the Nominating and Corporate Governance Committee, currently Vin Weber, to preside over the executive sessions of our non-employee and independent Directors ("Presiding Director"). Interested parties may send communications to the non-employee Directors, independent Directors or the entire Board of Directors by e-mail to PresidingDirector@ittesi.com or by regular mail addressed to:

ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032-1404
Attention: Presiding Director

Although such communications are available to any Director who wishes to review them, our General Counsel initially reviews all communications and forwards to the Presiding Director those communications that meet certain criteria set by the non-employee Directors.

Leadership. The Chairman of our Board of Directors, Kevin M. Modany, is also our Chief Executive Officer. Our Presiding Director is our lead independent Director, who presides over the executive sessions of our non-employee and independent Directors. Our Corporate Governance Guidelines provide that the Board of Directors should be free to choose its Chairman in any way that seems best for our company at any given point in time, based on the recommendation of the Nominating and Corporate Governance Committee. Therefore, the Board of Directors does not have a policy on whether the role of the Chairman and Chief Executive Officer should be separate or combined. Our Chief Executive Officer has responsibility for the day-to-day operations of our company, communicating with constituents of our company and implementing our company's strategy and other decisions of the Board. Since all of these items are an important focus at the Board of Directors' meetings, at this time the Nominating and Corporate Governance Committee and the full Board of Directors believe that it is more efficient and effective to have our Chief Executive Officer act as the chairperson of the Board. The Board of Directors also recognizes the important leadership roles that the Presiding Director has in leading the executive sessions of our non-employee and independent Directors, and that the chairpersons of each of the committees of the Board have in leading their respective committee meetings and reviewing agendas in advance of such meetings.

Role in Risk Oversight. The Board of Directors oversees our risk management processes to determine whether those processes are functioning as intended and are consistent with our business and strategy. The Board conducts this oversight primarily through the Audit Committee, although some aspects of risk oversight are performed by the full Board of Directors or another committee. On a quarterly basis, the full Board of Directors receives updates and information from management related to our company's enterprise risk management program.

The Audit Committee is specifically tasked with, among other things:

- reviewing with our management and our independent registered public accounting firm our risk assessment and risk management, including:
- the guidelines and policies governing the process by which management assesses and manages our exposure to risk, and
- our major financial risk exposures and the steps taken by management to monitor and control those exposures;
- overseeing our systems of internal controls regarding finance, accounting, legal compliance and ethics;
- periodically reviewing legal, regulatory and related governmental policy matters; and

- reviewing management policies and programs relating to our compliance with legal and regulatory requirements, business ethics, business integrity, conflicts of interest and environmental matters.

The Audit Committee has standing items on its meeting agendas relating to these responsibilities. In addition, members of our management who have responsibility for designing and implementing our risk management processes, such as our Chief Compliance Officer, regularly meet with the Audit Committee in separate executive sessions after each Committee meeting. The Audit Committee members, as well as each other Director, have access to our Chief Compliance Officer, Chief Financial Officer and any other member of our management, for discussions between meetings as warranted. The Audit Committee provides reports to the full Board of Directors on risk-related items on a quarterly basis.

Committees. The standing committees of the Board of Directors are the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Academic Committee.

Audit Committee. Our Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Board of Directors has adopted a written charter for the Audit Committee, a current copy of which may be obtained from our website at www.ittesi.com. The functions of the Audit Committee are to assist the Board of Directors in its oversight of:

- the integrity of our financial statements and other financial information provided by us to any governmental body or the public;
- our compliance with legal and regulatory requirements;
- our systems of internal controls regarding finance, accounting, legal compliance and ethics that our management and the Board of Directors establish;
- our auditing, accounting and financial reporting processes generally;
- the qualifications, independence and performance of our independent registered public accounting firm; and
- the performance of our compliance and internal audit functions.

The Audit Committee also performs other functions as detailed in the Audit Committee's charter, including, without limitation, appointing, compensating, retaining and overseeing our independent registered public accounting firm and pre-approving all services to be provided to us by our independent registered public accounting firm.

The Audit Committee held five meetings during 2010. The members of the Audit Committee throughout 2010 were, and the current members are, John F. Cozzi, John E. Dean (Chairperson), Joanna T. Lau and Lloyd G. Waterhouse. Our Board of Directors has determined that John F. Cozzi is an "audit committee financial expert," as that term is defined in Item 407(d)(5) of Regulation S-K under the Exchange Act, and is independent pursuant to our categorical standards of independence, Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3 of the Exchange Act. Each of the current members of the Audit Committee is independent and each of the members of the Audit Committee in 2010 was independent, pursuant to our categorical standards of independence, Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3 of the Exchange Act.

Compensation Committee. Our Board of Directors has adopted a written charter for the Compensation Committee. A current copy of the charter may be obtained from our website at www.ittesi.com. The principal function of the Compensation Committee is to discharge the Board of Directors' responsibilities relating to compensation of our Directors and officers. The Compensation Committee has overall responsibility and authority for approving and evaluating our Director and officer compensation plans, policies and programs. The Compensation Committee also performs other functions as detailed in the Compensation Committee's charter. The Committee's charter provides that it may delegate some or all of its responsibility and authority to subcommittees and/or our executive officers when the Compensation Committee deems the delegation to be appropriate. The elements of the compensation program for our executives presently consist of base salary, non-equity incentive compensation (until July 1, 2011), equity-based compensation, qualified retirement savings, nonqualified deferred compensation, pension benefits, employee benefits,

perquisites, and potential payments upon termination of employment or a change in control of us. See "Compensation of Executive Officers and Directors–Compensation Discussion and Analysis." Each element is determined by the Compensation Committee with the assistance of an independent compensation consultant, upon the recommendation of our Chief Executive Officer, except for each element of our Chief Executive Officer's compensation, which is determined solely by the Compensation Committee with the assistance of an independent compensation consultant. See "Compensation of Executive Officers and Directors – Compensation Discussion and Analysis – Design and Determinations."

The elements of the compensation program for our non-employee Directors presently consist of an annual retainer, equity-based compensation, nonqualified deferred compensation, perquisites and potential payments upon termination of services as a non-employee Director or a change in control of us. See "Compensation of Executive Officers and Directors – Director Compensation." Each element is determined by the Compensation Committee with the assistance of an independent compensation consultant and our Chief Executive Officer.

The compensation consulting firm used by the Compensation Committee in 2010 was Farient Advisors LLC ("Farient"). The consulting firm is retained directly by the Compensation Committee and has helped the Compensation Committee develop an appropriate agenda for performing the Compensation Committee's responsibilities. In this regard, the consultant advises and assists the Compensation Committee:

- in determining the appropriate objectives and goals of our executive and Director compensation programs;
- in designing compensation programs that fulfill those objectives and goals;
- regarding the external and internal equity of our executive officers' total compensation and the primary components of that compensation;
- in evaluating the effectiveness of our compensation programs;
- in identifying appropriate pay positioning strategies and pay levels in our executive compensation program; and
- in identifying comparable companies and compensation surveys for the Compensation Committee to use to benchmark the appropriateness and competitiveness of our executive compensation program.

The Compensation Committee has retained the consultant as an outside advisor to provide information and objective advice regarding executive and Director compensation. All of the decisions with respect to our executive and Director compensation, however, are made by the Compensation Committee alone and may reflect factors and considerations other than, or that may differ from, the information and recommendations provided by the consultant. The consultant may, from time to time, contact our executive officers for information necessary to fulfill its assignment and may make reports and presentations to and on behalf of the Compensation Committee that our executive officers also receive. Farient and its affiliates did not provide any other services to us or our affiliates during 2010.

The Compensation Committee held five meetings during 2010. The members of the Compensation Committee throughout 2010 were, and the current members are, John F. Cozzi (Chairperson), James D. Fowler, Jr., Samuel L. Odle and John A. Yena. Each of the current members of the Compensation Committee is independent, and each of the members of the Compensation Committee in 2010 was independent, pursuant to our categorical standards of independence and Section 303A.02 of the NYSE Listed Company Manual. In addition, each of the current members of the Compensation Committee is, and each of the members of the Compensation Committee in 2010 was, a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRC"). None of the Compensation Committee members during 2010 was:

- an officer or employee of ours;
- a former officer of ours; or
- involved in a relationship requiring disclosure as a related person transaction pursuant to Item 404 of Regulation S-K under the Exchange Act or as an interlocking executive officer/director pursuant to Item 407(e)(4)(iii) of Regulation S-K under the Exchange Act.

Nominating and Corporate Governance Committee. Our Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee. A current copy of the charter may be obtained from our website at www.ittesi.com. The functions of the Nominating and Corporate Governance Committee, which are detailed in its charter, are to:

- assist the Board of Directors by identifying individuals qualified to become Directors, and recommend to the Board of Directors the Director nominees for each annual meeting of shareholders;
- develop and recommend to the Board of Directors the Corporate Governance Guidelines applicable to us;
- lead the Board of Directors in its annual review of the Board of Directors' performance; and
- recommend to the Board of Directors Board members for each standing Board committee.

The Nominating and Corporate Governance Committee held three meetings during 2010. The members of the Nominating and Corporate Governance Committee throughout 2010 were, and the current members are, John E. Dean, Samuel L. Odle, Vin Weber (Chairperson) and John A. Yena. Each of the current members of the Nominating and Corporate Governance Committee is independent and each of the members of the Nominating and Corporate Governance Committee in 2010 was independent, pursuant to our categorical standards of independence and Section 303A.02 of the NYSE Listed Company Manual.

The Nominating and Corporate Governance Committee will consider Director candidates recommended by our shareholders. A shareholder who wishes to recommend a Director candidate for consideration by the Nominating and Corporate Governance Committee should send the recommendation to our Secretary at ITT Educational Services, Inc., 13000 North Meridian Street, Carmel, Indiana 46032-1404, who will forward it to the Committee. Any such recommendation should include a description of the candidate's qualifications for Board service, the candidate's written consent to be considered for nomination and to serve if nominated and elected, and addresses and telephone numbers for contacting the shareholder and the candidate for more information. A shareholder who wishes to nominate an individual as a Director candidate at an annual meeting of shareholders, rather than recommend the individual to the Nominating and Corporate Governance Committee as a nominee, must comply with the advance notice requirements set forth in our By-Laws. See "Shareholder Proposals for 2012 Annual Meeting."

The Nominating and Corporate Governance Committee selects nominees for Directors on the basis of each candidate's broad experience, judgment, integrity, ability to make independent inquiries, understanding of our business environment and willingness to devote adequate time to the duties of our Board of Directors. The Nominating and Corporate Governance Committee identifies possible nominees for a Director who meet specified objectives in terms of the composition of our Board of Directors that are established by law, the NYSE and/or our Board of Directors. The only specified qualities and skills that the Nominating and Corporate Governance Committee believes are necessary for one or more of our Directors to possess and the only specific standards for the overall structure and composition of our Board of Directors are those imposed by law and the NYSE or contained in our Corporate Governance Guidelines and the charters of the standing committees of our Board of Directors, such as independence, financial expertise and age.

Our Corporate Governance Guidelines provide that our Nominating and Corporate Governance Committee is to take into account such factors as geographic, occupational, gender, race and age diversity, among other factors, when identifying possible nominees for Director. The Committee implements that policy, and assesses its effectiveness, by examining the diversity of all of the Directors on the Board when it selects nominees for Directors. The Committee has noted that the Directors' geographic locations, occupations, gender, race and age are reasonably diverse and, therefore, the diversity policy has been effective. The diversity of Directors is one of the factors that the Nominating and Corporate Governance Committee considers, along with the other selection criteria described above.

The Nominating and Corporate Governance Committee utilizes various resources for identifying nominees for Directors, including, but not limited to, recommendations of our Directors, management and shareholders, the media,

industry affiliations, government service and search firms. The Nominating and Corporate Governance Committee evaluates nominees for Directors by assessing the nominees' qualities, skills and potential contributions to our Board based on available information, against the qualities, skills and contributions sought and the current composition of our Board.

Academic Committee. Our Board of Directors has adopted a written charter for the Academic Committee. A current copy of the charter may be obtained from our website at www.ittesi.com. The functions of the Academic Committee, which are detailed in its charter, are to assist our Board of Directors in:

- ensuring that our programs and services fulfill their commitment to serve the public good;
- overseeing the integrity of our academic affairs, including our curricula;
- overseeing our academic policies;
- providing guidance on our academic activities; and
- overseeing our fulfillment of accreditation criteria.

The Academic Committee held three meetings in 2010. The members of the Academic Committee throughout 2010 were, and the current members are, James D. Fowler, Jr., Joanna T. Lau, Lloyd G. Waterhouse, Vin Weber and John A. Yena (Chairperson). Each of the current members of the Academic Committee is independent and each of the members of the Academic Committee in 2010 was independent, pursuant to our categorical standards of independence and Section 303A.02 of the NYSE Listed Company Manual.

Indemnification Obligations

On November 3, 2010, a complaint in a securities class action lawsuit was filed against us and two of our current executive officers in the United States District Court for the Southern District of New York by the Operating Engineers Construction Industry and Miscellaneous Pension Fund, individually and on behalf of all others similarly situated (the "Operating Engineers Lawsuit"). The complaint alleges, among other things, that the defendants violated Section 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, by making false and misleading statements and engaging in fraudulent business practices. The plaintiff seeks, among other things, the designation of this action as a class action, an award of unspecified damages, interest, costs, attorney's fees, equitable relief and injunctive relief.

On November 12, 2010, a complaint in a shareholder derivative lawsuit was filed against three of our current executive officers and all of our current Directors in the United States District Court for the Southern District of New York by Antonio Cosing, derivatively and on behalf of ITT Educational Services, Inc. (the "Cosing Lawsuit"). The complaint alleges, among other things, that from October 23, 2008 through August 13, 2010, the defendants breached their fiduciary duties to us, abused their ability to control and influence us, grossly mismanaged us, caused us to waste corporate assets and were unjustly enriched, by making false and misleading statements and engaging in fraudulent business practices. The complaint seeks, among other things, unspecified damages, equitable and/or injunctive relief, restitution, disgorgement of profits, benefits and other compensation, an order directing us to reform our corporate governance and internal procedures, costs, disbursements and attorneys' fees. On December 14, 2010, the Cosing Lawsuit was consolidated into the Operating Engineers Lawsuit.

On November 22, 2010, another complaint in a shareholder derivative lawsuit was filed against seven of our current officers and all of our current Directors in the United States District Court for the Southern District of Indiana by Roger B. Orensteen, derivatively on behalf of ITT Educational Services, Inc. The complaint alleges, among other things, that, from January 2008 through August 2010, the defendants violated Sections 10(b) and 20(a) of the Exchange Act, breached their fiduciary duties to us, abused their ability to control and influence us, grossly mismanaged us, caused us to waste corporate assets and were unjustly enriched, by making false and misleading statements and engaging in fraudulent business practices. The complaint seeks, among other things, unspecified damages, restitution, disgorgement of profits, benefits and other compensation, an order directing us to reform our

corporate governance and internal procedures, costs, disbursements and attorneys' fees.

On December 3, 2010, another complaint in a shareholder derivative lawsuit was filed against two of our current executive officers and all of our current Directors in the United States District Court for the Southern District of New York by J. Kent Gregory, derivatively on behalf of ITT Educational Services, Inc. (the "Gregory Lawsuit"). The complaint alleges, among other things, that the defendants breached their fiduciary duties to us, were unjustly enriched by us and misappropriated information about us, by making false and misleading statements and engaging in fraudulent business practices. The complaint seeks, among other things, unspecified damages, restitution, disgorgement of profits, benefits and other compensation, an order directing us to reform our corporate governance and internal procedures, costs, disbursements and attorneys' fees. The Gregory Lawsuit was consolidated into the Cosing Lawsuit on December 13, 2010 and further consolidated into the Operating Engineers Lawsuit on December 14, 2010.

The officers named in one or more of the securities class action and shareholder derivative lawsuits described above include: Jeffrey R. Cooper, Clark D. Elwood, Nina F. Esbin, Eugene W. Feichtner, Daniel M. Fitzpatrick, Kevin M. Modany and Martin Van Buren.

Certain of our officers and Directors are or may become a party in certain of the actions described above. Our By-laws and Restated Certificate of Incorporation obligate us to indemnify our officers and Directors to the fullest extent permitted by Delaware law, provided that their conduct complied with certain requirements. We are obligated to advance defense costs to our officers and Directors, subject to the individual's obligation to repay such amount if it is ultimately determined that the individual was not entitled to indemnification. In addition, our indemnity obligation can, under certain circumstances, include indemnifiable judgments, penalties, fines and amounts paid in settlement in connection with those actions.

PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP TO SERVE AS ITT/ESI'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR ITS FISCAL YEAR ENDING DECEMBER 31, 2011

The Audit Committee of our Board of Directors has appointed PWC to serve as our independent registered public accounting firm for our fiscal year ending December 31, 2011. This firm has audited our financial statements since 1994. Although shareholder ratification of the selection of PWC to serve as our independent registered public accounting firm is not legally required, our Board of Directors has determined to afford our shareholders the opportunity to express their opinions on the matter of auditors and, accordingly, is submitting to our shareholders at the Annual Meeting a proposal to ratify the Audit Committee's appointment of PWC. If a majority of the shares represented at the Annual Meeting, in person or by proxy, are not voted in favor of the ratification of the appointment of PWC, the Audit Committee will consider the facts and circumstances surrounding the vote and may reconsider such appointment. Notwithstanding this selection, and the ratification of this selection by our shareholders, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in our best interests. A representative of PWC is not expected to be present at the meeting.

The Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for our fiscal year ending December 31, 2011.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee Report

The Audit Committee oversees our financial reporting process on behalf of our Board of Directors. Our management has the primary responsibility for our financial statements and the reporting process, including the system of

disclosure controls and procedures and internal control over financial reporting. PWC, who is our independent registered public accounting firm, is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles. The Audit Committee has reviewed and discussed with our management and PWC the audited financial statements for our 2010 fiscal year. The Audit Committee also has reviewed and discussed with our management and PWC our management's report and PWC's attestation report on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee discussed with PWC the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees (Codification of Statements on Auditing Standards, AU 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. This discussion involved certain information relating to PWC's judgments about the quality, not just the acceptability, of our accounting principles and included such other matters as are required to be discussed with the Audit Committee under standards established by the PCAOB.

The Audit Committee also has received the written disclosures and the letter from PWC required by applicable requirements of the PCAOB regarding PWC's communications with the Audit Committee concerning independence, and has discussed with PWC its independence from us and our management. In addition, the Audit Committee considered whether PWC's independence would be jeopardized by providing non-audit services to us.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board of Directors, and the Board has approved, that the audited financial statements for our 2010 fiscal year be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for filing with the SEC.

Audit Committee
John F. Cozzi
John E. Dean, Chair
Joanna T. Lau
Lloyd G. Waterhouse

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Exchange Act that may incorporate future filings (including this Proxy Statement, in whole or in part), the preceding Audit Committee Report shall not be incorporated by reference in any such filings.

Audit, Audit-Related, Tax and All Other Fees

The following table sets forth fees for audit services provided by PWC for the audit of our consolidated financial statements for the years ended December 31, 2010 and 2009, and fees billed for other services rendered by PWC during those periods:

Type of Service	2010		2009	
Audit	$904,000	(1)	$878,000	(2)
Audit-Related	$364,176	(3)	$322,554	(3)
Tax	$311,409	(4)	$217,898	(4)
All Other	$--	(5)	$--	(5)

(1) Represents fees for the following services associated with the audit or review of our financial statements:

- auditing our annual consolidated financial statements for our 2010 fiscal year;
- reviewing our consolidated financial statements included in our Quarterly Reports on Form 10-Q which were filed with the SEC in our 2010 fiscal year;
-

conducting reviews of our internal control over financial reporting and assisting with requirements related to internal control over financial reporting in 2010;

- conducting statutory audits (such as federal and state student financial aid compliance audits) for 2010;
- conducting an audit of one of our wholly-owned subsidiaries' separate company financial statements for its 2010 fiscal year; and
- providing other audit services in connection with statutory and regulatory filings or engagements for our 2010 fiscal year.

Those services were rendered in both the 2010 and 2011 calendar years.

(2) Represents fees for the following services associated with the audit or review of our financial statements:

- auditing our annual consolidated financial statements for our 2009 fiscal year;
- reviewing our consolidated financial statements included in our Quarterly Reports on Form 10-Q which were filed with the SEC in our 2009 fiscal year;
- conducting reviews of our internal control over financial reporting and assisting with requirements related to internal control over financial reporting in 2009;
- conducting statutory audits (such as federal and state student financial aid compliance audits) for 2009;
- conducting an audit of one of our wholly-owned subsidiaries' separate company financial statements for its 2009 fiscal year; and
- providing other audit services in connection with statutory and regulatory filings or engagements for our 2009 fiscal year.

Those services were rendered in both the 2009 and 2010 calendar years.

(3) Represents fees for services rendered in the period indicated that were related to the performance of the audit or review of our financial statements and were not reported as Audit services. The nature of those services included, without limitation:

- financial statement audits of our employee benefit plans;
- assistance with respect to accounting, financial reporting and disclosure treatment of transactions or events, including:
  - consultations with us;
- assistance with understanding and implementing related final and proposed rules, guidance, standards and interpretations from accounting rulemakers, the SEC and the NYSE; and
  - helping us assess the actual or potential impact of final or proposed rules, guidance, standards and interpretations from accounting rulemakers, the SEC and the NYSE;
  - review of SEC comment letters and responses; and
- in 2009, review of our change in accounting principle for direct costs associated with the enrollment of new students.

(4) Represents fees for tax services rendered in the period indicated. The nature of those services included, without limitation:

- the preparation and/or review of original and amended income, franchise and other tax returns with respect to international, federal, state and local tax authorities;
  - assistance with tax audits and appeals before federal, state and local tax authorities; and
- tax advice and assistance related to employee benefit plans and statutory, regulatory or administrative developments, and tax credits and refund opportunities.

(5) PWC did not render any services in the period indicated, other than those services reported as Audit, Audit-Related or Tax services.

Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee has adopted a policy that sets forth the procedures and conditions pursuant to which services proposed to be performed by our independent registered public accounting firm may be pre-approved by the Audit Committee. Under the Audit Committee's policy, unless a type of service has received pre-approval by the Audit Committee without consideration of specific case-by-case services ("general pre-approval"), it requires specific pre-approval by the Audit Committee if it is to be provided by our independent registered public accounting firm.

For both types of pre-approval, the Audit Committee considers whether such services are consistent with the SEC's rules on auditor independence. The Audit Committee also considers whether our independent registered public accounting firm is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with our business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance our ability to manage or control risk or improve audit quality. All such factors are considered as a whole, and no one factor is necessarily determinative.

In deciding whether to pre-approve any audit and non-audit services, the Audit Committee is also mindful of the relationship between fees for audit and non-audit services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for audit, audit-related and tax services and the total amount of fees for certain permissible non-audit services classified as all other services.

The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise and except that the pre-approvals related to an audit of our annual consolidated financial statements will last until that audit is completed. The Audit Committee annually reviews and pre-approves the services that may be provided by our independent registered public accounting firm without obtaining specific pre-approval. The Audit Committee may add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The policy does not delegate the Audit Committee's responsibilities to pre-approve services performed by our independent registered public accounting firm to our management. The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee has delegated both types of pre-approval authority to the Chairperson of the Audit Committee with respect to any requests for services to be performed by our independent registered public accounting firm that cannot be delayed without inconvenience until the next scheduled Audit Committee meeting.

Pre-approval fee levels or budgeted amounts for all services to be provided by our independent registered public accounting firm are established annually by the Audit Committee. Any proposed services exceeding those levels or amounts require specific pre-approval by the Audit Committee.

All requests or applications for services to be provided by our independent registered public accounting firm that do not require specific approval by the Audit Committee are submitted to our Chief Financial Officer and must include a detailed description of the services to be rendered. Our Chief Financial Officer will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee.

Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both our independent registered public accounting firm and Chief Financial Officer.

All of the fees reported in the table above as "Audit," "Audit-Related" and "Tax" services rendered by PWC in our 2010 and 2009 fiscal years were pre-approved by the Audit Committee.

The annual audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. Audit services include all services performed to comply with the PCAOB's standards, including, without limitation, the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by our independent registered public accounting firm to be able to form an opinion on our consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include services performed in connection with the independent registered public accounting firm's report on internal control over

financial reporting. The Audit Committee monitors the audit services engagement as necessary and also approves, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, our structure or other items.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval of other audit services, which are those services that our independent registered public accounting firm reasonably can provide. Other audit services include:

- statutory audits (such as federal and state student financial aid compliance audits) or financial audits for our subsidiaries or affiliates;
- services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings; and
- consultations with our management concerning accounting, financial reporting or treatment of transactions or events.

Any audit services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All other audit services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or that are traditionally performed by the independent registered public accounting firm. Since the Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to audit-related services. Audit-related services include, among others:

- due diligence services pertaining to potential business acquisitions or dispositions;
- consultations concerning accounting, financial reporting or disclosure treatment of transactions or events not classified as "audit services";
- assistance with understanding and implementing new and proposed accounting and financial reporting guidance from rulemaking authorities;
- financial statement audits of employee benefit plans;
- assistance with assessing the actual or potential impact of final or proposed rules, standards or interpretations from accounting authorities;
- agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters;
- attest services not required by statute or regulation;
- information systems reviews not performed in connection with the financial statement audit;
- subsidiary or equity investee audits not required by statute or regulation that are incremental to the audit of the consolidated financial statements;
- review of the effectiveness of the internal audit function;
- general assistance with understanding and implementing requirements of SEC rules and stock exchange listing standards; and
- consultations and audits in connection with acquisitions.

Any audit-related services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All other audit-related services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

Tax services include tax compliance, planning and advice, as well as tax only valuation services, including transfer pricing and cost segregation. Since the Audit Committee believes that the provision of tax services does not impair our independent registered public accounting firm's independence, and the SEC has stated that the independent

registered public accounting firm may provide such services, the Audit Committee believes it may grant general pre-approval to tax services. The Audit Committee will not permit the retention of the independent registered public accounting firm in connection with a transaction initially recommended by our independent registered public accounting firm, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the IRC and related regulations. The Audit Committee will consult with our Chief Financial Officer or outside counsel to determine that the tax planning and reporting positions are consistent with the policy.

Any tax services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All tax services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

The Audit Committee believes, based on the SEC's rules prohibiting the independent registered public accounting firm from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as all other services that it believes are routine and recurring services, would not impair the independence of our independent registered public accounting firm and are consistent with the SEC's rules on auditor independence.

Any other services that the Audit Committee generally pre-approves are reflected in the minutes of the Audit Committee meeting at which the services were pre-approved. All other services not reflected in the Audit Committee's meeting minutes must be specifically approved by the Audit Committee before they are performed.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and Directors, and persons who own more than 10% of our common stock, to file reports of ownership with the SEC. These persons also are required to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of copies of such forms received by us, or written representations from certain reporting persons that no Forms 5 were required for those persons, we believe that, during 2010, all of our executive officers, Directors and greater than 10% shareholders complied with all applicable filing requirements.

EXECUTIVE OFFICERS

Name	Age	Position
Kevin M. Modany	44	Chairman and Chief Executive Officer
Clark D. Elwood	50	Executive Vice President, Chief Administrative and Legal Officer
Eugene W. Feichtner	55	Executive Vice President and President, ITT Technical Institute Division
Daniel M. Fitzpatrick	51	Executive Vice President, Chief Financial Officer
June M. McCormack	62	Executive Vice President and President, Online Division
Glenn E. Tanner	63	Executive Vice President, Chief Marketing Officer
Martin Van Buren	43	Executive Vice President, Chief Information Officer

Kevin M. Modany has served as our Chairman since February 2008 and as our Chief Executive Officer since April 2007. He also served as our President from April 2005 through March 2009. From April 2005 through March 2007, Mr. Modany also served as our Chief Operating Officer. Mr. Modany has been a Director of ours since July 2006.

Clark D. Elwood has served as an Executive Vice President and our Chief Administrative Officer since April 2009 and as our Chief Legal Officer since April 2010. He served as a Senior Vice President of ours from December 1996 through March 2009, as our Secretary from October 1992 through March 2010, and as our General Counsel from May 1991 through March 2010.

Eugene W. Feichtner has served as an Executive Vice President and as President, ITT Technical Institute Division since April 2009. He served as our Senior Vice President, Operations from March 2004 through March 2009.

Daniel M. Fitzpatrick has served as our Executive Vice President, Chief Financial Officer since April 2009. He served as our Senior Vice President, Chief Financial Officer from June 2005 through March 2009.

June M. McCormack has served as an Executive Vice President since April 2009 and as our President, Online Division since May 2008. Ms. McCormack served as executive vice president, servicing, information technology and sales marketing of SLM Corporation from October 2005 through December 2007.

Glenn E. Tanner has served as our Executive Vice President, Chief Marketing Officer since April 2009. He served as our Senior Vice President, Marketing from April 2007 through March 2009. From October 2002 through March 2007, Mr. Tanner served as our Vice President, Marketing.

Martin Van Buren has served as our Executive Vice President, Chief Information Officer since April 2009. He served as our Senior Vice President, Chief Information Officer from April 2008 through March 2009. From January 2004 through March 2008, Mr. Van Buren served as our Vice President, Information Technology.

PROPOSAL THREE: ADVISORY VOTE TO APPROVE THE COMPENSATION PAID TO ITT/ESI'S NAMED EXECUTIVE OFFICERS, AS DISCLOSED PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, COMPENSATION TABLES AND NARRATIVE DISCUSSION, IN THIS PROXY STATEMENT

We are asking you to approve the compensation paid to our Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, in this Proxy Statement. The vote on this proposal is not intended to address any specific element of compensation. Our executive compensation program is designed to attract, retain and motivate skilled executives and, prior to 2011, to link pay to performance. The Compensation Discussion and Analysis section of this Proxy Statement describes our executive compensation program and the decisions made by the Compensation Committee in 2010 in more detail. As described in the Compensation Discussion and Analysis, the Compensation Committee believes that the compensation of our Named Executive Officers in 2010 and early 2011 was effective in fulfilling the Compensation Committee's objectives of competition, accountability for business performance, accountability for individual performance, alignment with shareholder interests and focus. Under this pay-for-performance philosophy, there is a direct correlation between the short- and long-term performance of the executive and us, and the amount of compensation received by the executive. Although the Compensation Committee has determined that beginning July 1, 2011, it will no longer base executive compensation on performance-related metrics due to the high level of risk involved in violating the Incentive Compensation Regulations (as defined below in the Compensation Discussion and Analysis), the Committee believes that our executive compensation program, as so modified, will still fulfill the objectives of competition, alignment with shareholder interests and focus. The Compensation Committee will continue to monitor the Incentive Compensation Regulations, and if the U.S. Department of Education (the "ED") provides clear guidance on the scope and breadth of the regulations, the Committee will evaluate once again utilizing performance metrics when awarding executive compensation, to the extent so

permitted.

While the outcome of the vote on this Proposal Three is advisory and will not be binding on us, our Board of Directors or our Compensation Committee, our Compensation Committee will consider the outcome of the vote when evaluating our executive compensation principles and practices.

The Board of Directors recommends a vote FOR the approval of the compensation paid to our Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative disclosure, in this Proxy Statement.

PROPOSAL FOUR: ADVISORY VOTE AS TO WHETHER FUTURE SHAREHOLDER VOTES TO APPROVE THE COMPENSATION PAID TO ITT/ESI'S NAMED EXECUTIVE OFFICERS SHOULD OCCUR EVERY ONE, TWO OR THREE YEARS

Pursuant to Rule 14a-4 of the Exchange Act, we are required, beginning with the Annual Meeting and not less frequently than once every six years thereafter, to include a separate shareholder advisory vote as to whether future shareholder votes to approve the compensation paid to our Named Executive Officers should occur every one, two or three years.

Our Board of Directors believes that shareholders should have the opportunity to vote on the compensation of our Named Executive Officers every three years consistent with our long-term approach to executive compensation. While our Compensation Committee reviews executive compensation on a regular basis, our programs and policies are designed to retain and motivate our executives over the long term. As discussed in the Compensation Discussion and Analysis below, a significant portion of the compensation of our executives is in the form of long-term, equity-based compensation. Our Board of Directors believes that a shareholder advisory vote every three years will provide shareholders the opportunity to more fully evaluate the effectiveness of our executive compensation program on a longer-term basis and to assess the value to the executives that result from the equity-based compensation.

A triennial vote would also give us additional time to engage with shareholders to better understand their views about our executive compensation programs and respond in a more effective manner. As described below in the Compensation Discussion and Analysis, our Compensation Committee has determined that, beginning July 1, 2011, it will not award performance-based compensation in order to avoid violating the Incentive Compensation Regulations. Given the current lack of clarity around the Incentive Compensation Regulations, the Board of Directors believes that a vote every three years would allow for additional time during which the ED could provide guidance on the scope and breadth of the Incentive Compensation Regulations. Further, in the event that the Compensation Committee is able to make changes to our executive compensation program as a result of such guidance, a more frequent shareholder advisory vote would not allow for changes to the compensation program to be in place long enough to evaluate whether the changes are effective in addressing shareholder interests.

In addition, shareholders have meaningful existing alternatives to provide input to the Board of Directors on compensation or other matters by sending communications to the non-employee Directors, the independent Directors or the entire Board. See "PROPOSAL ONE: ELECTION OF THREE DIRECTORS TO SERVE UNTIL THE 2014 ANNUAL MEETING OF SHAREHOLDERS AND UNTIL THEIR SUCCESSORS ARE ELECTED AND HAVE QUALIFIED – Meetings, Independence, Leadership and Committees of the Board of Directors – Independent Directors." While a vote on executive compensation indicates whether shareholders approve of our executive compensation programs and policies, it does not give us any specific information about shareholder views. Our Board of Directors believes that the other available means of communication provides a more meaningful way for shareholders to share their views about our executive compensation program.

While the outcome of the vote on this Proposal Four is advisory and will not be binding on our Board of Directors or us, our Board of Directors will consider the number of votes cast for each frequency choice when determining how often to hold future shareholder advisory votes on our executive compensation. Shareholders will have the opportunity to choose among four options (holding the future votes every one, two or three years, or abstaining) and, therefore, shareholders will not be voting to approve or disapprove the recommendation of our Board of Directors.

The Board of Directors recommends a vote to conduct future shareholder advisory votes on the approval of the compensation paid to our Named Executive Officers every three years.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Executive Summary. Our executive compensation program is designed to attract, retain and motivate skilled executives and, prior to 2011, to link pay to performance by providing incentives which varied upon the attainment of short- and long-term performance goals. The Compensation Committee's goal for our 2010 executive compensation program was to reward each of our executives based on the short- and long-term performance of both the executive and us. The Compensation Committee believed that this goal for the 2010 compensation program could best be achieved by paying our executives:

- a reasonable amount of stable compensation (in the form of base salary, employee benefits, perquisites, qualified retirement savings and nonqualified deferred compensation) to help them maintain a reasonable standard of living and provide for their families, so that they could focus their energies and efforts on our financial and operating performance and increasing shareholder value; and
- performance-based compensation (in the form of annual bonus awards and equity-based compensation awards) to help motivate them to achieve our financial and operating goals and increase shareholder value by conditioning a significant portion of their total compensation on producing the individual and company results that are necessary to achieve those goals.

Based on its review of all of the elements of our executive officers' compensation, the Compensation Committee found the compensation paid to our executive officers in 2010 to be reasonable in light of market practices and performance, and to be effective in fulfilling the Committee's compensation objectives, as described below. See "—Compensation Objectives."

In early 2011, the Compensation Committee was required to make changes to our executive compensation program as a result of new regulations affecting our industry. On October 29, 2010, the ED issued final regulations that severely limit the types of, and bases for awarding, compensation to employees of postsecondary institutions like us. These regulations, commonly referred to as the "Incentive Compensation Regulations," generally prohibit us from providing any commission, bonus or other incentive payment based in any part, directly or indirectly, upon success in securing student enrollments or the award of financial aid. The ED has defined this prohibition to include anything of value for services rendered (other than a fixed salary or wage) that is:

- based in any part, directly or indirectly, on activities engaged in at any point in time through the completion of an educational program for the purpose of enrollment of students for any period of time or the award of financial aid to students; and
- provided to any employee who undertakes recruiting or admitting of students, makes decisions about and awards federal student financial aid, or has responsibility for any such activities.

Because the limiting language of the Incentive Compensation Regulations is very broad and the ED has not provided sufficient guidance on the breadth or scope of the regulations, we believe that the regulations can be interpreted to

cover all of our employees (including our executive officers) and to prohibit the payment of compensation based on any performance-related metric. We reached this conclusion after consulting with regulatory counsel and considering that any alternative conclusion would involve a high level of risk for our company. An institution that is found to be in noncompliance with the Incentive Compensation Regulations could face significant monetary penalties, limitations on its operations and/or termination of its eligibility to participate in all federal student financial aid programs. The Incentive Compensation Regulations become effective on July 1, 2011 and, therefore, the Compensation Committee modified our executive compensation program during its review in January 2011 of the compensation that it would award to our executive officers in 2011 after the regulations become effective.

At its January 2011 meeting, the Compensation Committee determined that, while it would prefer to continue to base executive compensation on performance metrics, the risk of violating the Incentive Compensation Regulations prevented the Committee from basing compensation amounts or adjustments on individual or company performance after the regulations become effective. The Compensation Committee recognized that, while the short- and long-term performance of both the individual executive officers and us will no longer be used in compensation decisions, such performance will be reviewed by the full Board of Directors when evaluating the continued employment of each executive officer. The Compensation Committee determined that, beginning July 1, 2011, it would continue to be guided by the following objectives in determining the compensation of our executives:

- Competition. The Committee believes that compensation should reflect the competitive marketplace in order for us to attract, retain and motivate talented executives.
- Alignment with Shareholder Interests. Compensation should include equity-based compensation awards in order to align the executives' interests with those of our shareholders.
- Focus. The Committee believes that certain elements of compensation should provide some security to our executives to allow them to continue to focus on their job responsibilities.

As a result of the prohibition on basing any portion of the executives' compensation on performance, the Compensation Committee did not establish a bonus program for 2011. Instead, in order to achieve the objectives noted above, the Compensation Committee used the following compensation elements as part of the 2011 executive compensation program, as described in more detail below under "—Compensation Elements":

- base salary;
- a grant that consists of, based on the executives' choice as to the form of the award, stock options that vest over a three-year period and/or restricted stock units ("RSUs") that vest and settle in shares of our common stock over a three-year period;
- a grant of RSUs that vests and settles on the first anniversary of the grant date in cash based on the average of the closing market prices of our common stock over the 20 trading day period prior to the settlement date;
- employee benefits;
- perquisites;
- qualified retirement savings; and
- nonqualified deferred compensation.

In determining and recommending the compensation awarded in January 2011 to our executives under each of these elements, the Compensation Committee consulted with the Committee's independent compensation consultant and made subjective assessments after deliberate and thorough review and consideration of a number of factors. These factors included:

- the competitive marketplace and, in particular, how the level of an executive's compensation compares with the compensation paid to executives in the same or similar positions and with similar responsibilities at comparator companies;
- the level and area of job responsibilities of the executive;
-

the executive's individual performance in his or her position and as it related to his or her specific job responsibilities;

- the executive's contribution toward achieving our financial and operating results; and
- our overall financial and operating results.

In order to avoid violating the Incentive Compensation Regulations, the Compensation Committee determined that, after the regulations go into effect on July 1, 2011, it would no longer take into account the performance-related factors when awarding compensation and, therefore, it would no longer review or consider the last three bullet points in the above list. The Compensation Committee decided, however, that it would reexamine its determination with respect to considering performance-related factors when awarding compensation, if and when the ED provides clear and sufficient guidance on the breadth and scope of the Incentive Compensation Regulations.

Overview. This discussion explains the compensation program for our executives, including the Named Executive Officers. The individuals included as Named Executive Officers in this Proxy Statement are:

- Kevin M. Modany, who served as our Chief Executive Officer during all of 2010;
- Daniel M. Fitzpatrick, who served as our Chief Financial Officer during all of 2010; and
- Clark D. Elwood, Eugene W. Feichtner and June M. McCormack, who were our three other most highly compensated executive officers during 2010.

This discussion describes the following:

- the objectives of our compensation program;
- what our compensation program is designed to reward and not reward;
- each element of compensation;
- why we choose to pay each compensation element;
- how we determine the amount to pay and, where applicable, the formula with respect to each compensation element;
- how each compensation element and our decisions regarding that element relate to our overall compensation objectives and affect our decisions regarding other compensation elements; and
- how the Incentive Compensation Regulations will impact our compensation programs in the future.

The Compensation Committee of our Board of Directors has overall responsibility and authority for approving and evaluating the compensation programs and policies pertaining to our executives and Directors. Each year, the Compensation Committee reviews all elements of all of our executive officers' compensation and the internal pay equity of our Chief Executive Officer's compensation compared to our other executive officers' compensation.

The Compensation Committee directly retains a consultant from an independent compensation consulting firm to provide advice on aspects of our executive and Director compensation programs. The Committee requests written reports and holds meetings with the consultant, which are not attended by any of our employees, in order to obtain independent opinions on compensation proposals. The independent compensation consultant helps the Committee determine the amount and, where applicable, the formula for each element of the compensation program for each executive. The independent compensation consultant also assists the Committee in selecting the companies used for benchmarking and comparison purposes. The Compensation Committee retained the independent compensation consulting firm Farient Advisors LLC ("Farient") to advise it on 2010 and 2011 compensation determinations. For additional information about the role of Farient, see "Proposal One: Election of Three Directors to Serve Until the 2014 Annual Meeting of Shareholders and Until Their Successors are Elected and have Qualified – Meetings, Independence, Leadership and Committees of the Board of Directors – Committees – Compensation Committee."

When making executive compensation decisions, the Compensation Committee also considers, for all executives other than our Chief Executive Officer, the recommendation of our Chief Executive Officer. Our Chief Executive Officer's

compensation is determined solely by the Compensation Committee with the assistance of the independent compensation consultant. In 2010, our Chief Executive Officer played a significant role in the process of determining the compensation elements and the value of those elements for our other executives by:

- evaluating executive performance;
- recommending financial and operating performance targets and goals, as well as non-equity incentive compensation awards (i.e., annual bonus awards); and
- recommending salary levels, equity-based compensation awards and perquisites.

The Compensation Committee has met, and will continue to meet, in executive sessions which are not attended by any of our employees. The Committee regularly reports its activities to our Board of Directors.

The Compensation Committee met in executive session in January 2011 to review the overall performance of our Chief Executive Officer during 2010, particularly with respect to our long range strategies and the achievement of both financial and non-financial goals and objectives. Consideration was given to our Chief Executive Officer's role in building shareholder value and improving our shareholders' return on invested capital. The Compensation Committee also met with our Chief Executive Officer to review the overall performance of the other Named Executive Officers during 2010. The Committee reviewed a tally of the total compensation received by each of the Named Executive Officers in 2010 and information from Farient.

Compensation Objectives. Prior to the 2011 changes as a result of the Incentive Compensation Regulations, the Compensation Committee was guided by the following objectives in determining the compensation of our executives:

- Competition. The Committee believes that compensation should reflect the competitive marketplace in order for us to attract, retain and motivate talented executives.
- Accountability for Business Performance. Compensation should be tied in part to our financial and operating results in order for us to hold our executives accountable, through their compensation, for our performance.
- Accountability for Individual Performance. Compensation should be tied in part to the executive's individual performance to encourage and reflect individual contributions to our performance.
- Alignment with Shareholder Interests. Compensation should include equity-based compensation awards in order to align the executives' interests with those of our shareholders.
- Focus. The Committee believes that certain elements of compensation should provide some security to our executives to allow them to continue to focus on our financial and operating results, their individual performance and their job responsibilities.

In connection with the changes to our executive compensation program in 2011 as a result of the Incentive Compensation Regulations, the Compensation Committee determined that it would continue to be guided by the following objectives: competition, alignment with shareholder interests and focus. See "—Executive Summary."

Design and Determinations. In determining and recommending the compensation of our executives, the Compensation Committee consulted with Farient and, along with our Chief Executive Officer, made subjective assessments after deliberate and thorough review and consideration of a number of factors. In 2010, these factors included:

- the competitive marketplace and, in particular, how the level of an executive's compensation compares with the compensation paid to executives in the same or similar positions and with similar responsibilities at comparator companies;
- the level and area of job responsibilities of the executive;
- the executive's individual performance in his or her position and as it related to his or her specific job responsibilities;
- the executive's contribution toward achieving our financial and operating results; and

- our overall financial and operating results.

As a result of the changes to our executive compensation program in 2011, the Compensation Committee and our Chief Executive Officer will continue to review and consider the competitive marketplace and the level and area of job responsibilities of the executive.

The Compensation Committee also annually reviews the tally of total compensation of our executives in order to determine that the amount of compensation is within appropriate competitive parameters. The tally information is not, however, a key factor in the Committee's current compensation decisions, because the tally information is reflective of past performance and past competitive market practice.

The Compensation Committee receives information from which they can determine the value that could be realized by the Named Executive Officers from compensation paid to them in prior years, such as gains on prior stock option awards. The Compensation Committee recognizes that the realization of the value from prior equity-based compensation is, in large part, a function of the personal investment decisions made by the Named Executive Officers. Therefore, the Committee does not factor in the value realized from prior equity-based compensation awards granted to the Named Executive Officers in setting any of the subsequent compensation to be paid to the Named Executive Officers.

The Committee does, however, review the potential value that unexercised stock options held by the Named Executive Officers may have to them from time to time. In the latter part of 2010, the Compensation Committee reviewed the equity-based compensation granted to the Named Executive Officers over the past several years. The Committee recognized that, despite our positive financial and operating results achieved by the Named Executive Officers over the past several years, the market price of our common stock has significantly declined in recent periods. The Committee believes that such stock price decline was caused by outside forces that are unrelated to the performance and results achieved by our executives. As a result of the decline in our stock price, a significant portion of the stock options held by the Named Executive Officers have an exercise price that exceeds the current market price of our common stock, which has substantially eroded the incentive and retention value of those stock options. The Compensation Committee determined that it would not take any action related to prior option grants at that time but would continue to monitor the value of outstanding stock options held by our executives.

Benchmarking. The Compensation Committee believes that compensation decisions are complex and should be made after a review of the compensation levels paid to executives in the same or similar positions at other comparator companies.

In setting and administering the compensation program and policies for our executives, the Committee attempts to target:

- the cash portion of the compensation of our executives to the median of the range of the cash compensation provided to executives of comparator companies, based on the dollar amount of such compensation; and
- the equity-based compensation of our executives to the upper quarter of the range of equity-based compensation provided to executives of comparator companies, based on the number of shares awarded as a percentage of the number of shares outstanding.

This is intended to result in targeting the overall total direct compensation of our executives to the upper third of the range of compensation provided to executives of comparator companies. The upper third of the range is targeted in order to attract and retain a higher than average level of executive, who is tasked with producing financial and operating results that are higher than average.

The companies used for the comparisons vary from time to time. For 2010 compensation determinations, the Compensation Committee benchmarked the appropriateness and competitiveness of our executive compensation

program against a market composite that consisted of 13 companies in our industry and broad market surveys of companies with annual revenues of between $500 million and $2.5 billion, adjusted for an industry premium. The 13 companies in our industry that were used include:

- American Public Education, Inc.;
- Apollo Group, Inc.;
- Bridgepoint Education, Inc.;
- Capella Education Company;
- Career Education Corp.;
- Corinthian Colleges, Inc.;
- DeVry, Inc.;
- Education Management Corporation;
- Grand Canyon Education, Inc.;
- Learning Tree International, Inc.;
- Lincoln Educational Services Corporation;
- Strayer Education, Inc.; and
- Universal Technical Institute, Inc.

For 2010 compensation determinations, the Compensation Committee also reviewed compensation information of 19 high performing companies in the consumer discretionary and healthcare services and facilities industries with similar size, growth, margin and capital efficiency characteristics as us, excluding manufacturers and product companies. The Committee did not benchmark our 2010 executive compensation against those companies, but instead used such information as a second check of the industry-specific data to ensure relevance. The 19 companies that were used include:

- Aeropostale, Inc.;
- Amedisys, Inc.;
- AmSurg Corp.;
- Brink's Home Security Holdings, Inc.;
- The Buckle, Inc.;
- Chipotle Mexican Grill, Inc.;
- Choice Hotels International, Inc.;
- The Gymboree Corporation;
- Interactive Data Corporation;
- John Wiley & Sons, Inc.;
- Life Time Fitness, Inc.;
- MEDNAX, Inc.;
- Morningstar, Inc.;
- O'Reilly Automotive, Inc.;
- Priceline.com Incorporated;
- Scripps Networks Interactive, Inc.;
- Urban Outfitters, Inc.;
- VCA Antech, Inc.; and
- Weight Watchers International, Inc.

For 2011 compensation determinations, the Compensation Committee benchmarked the appropriateness and competitiveness of our executive compensation program against a market composite that consisted of 13 companies in our industry and broad market surveys of companies with annual revenues of between $1.0 billion and $2.5 billion, adjusted for an industry premium. The 13 companies in our industry that were used were the same 13 companies utilized in 2010 as listed above. For 2011 compensation determinations, the Compensation Committee also reviewed compensation information of 20 high performing companies in the consumer discretionary and healthcare services and facilities industries with similar size, growth, margin and capital efficiency characteristics as us, excluding companies with very different business models. The Committee did not benchmark our 2011 executive compensation against those companies, but instead used such information as a second check of the industry-specific data to ensure relevance. The 20 companies that were used include:

- Aeropostale, Inc.;
- Amedisys, Inc.;
- AmSurg Corp.;
- The Buckle, Inc.;
- Chipotle Mexican Grill, Inc.;
- Choice Hotels International, Inc.;
- Deckers Outdoor Corporation;
- John Wiley & Sons, Inc.;
- Life Time Fitness, Inc.;
- MEDNAX, Inc.;
- Morningstar, Inc.;
- O'Reilly Automotive, Inc.;
- Priceline.com Incorporated;
- Scripps Networks Interactive, Inc.;

- Guess?, Inc.;
- The Gymboree Corporation;
- J.Crew Group, Inc.;
- Urban Outfitters, Inc.;
- VCA Antech, Inc.; and
- Weight Watchers International, Inc.

Determinations. In 2010 and prior years, the total compensation paid to our executive officers depended on both the executive's individual performance and our financial and operating performance. Under the Compensation Committee's pay-for-performance philosophy with respect to executive compensation that was followed in 2010 and prior years, there was a direct correlation between the Committee's subjective assessment of each executive officer and the amount of compensation that the Committee determined to pay to the executive officer. As a result, the higher the Compensation Committee's subjective assessment of an executive officer's performance, the higher the amount of compensation that the Committee approved for that executive officer, relative to his or her level and area of responsibility, the competitive marketplace for the same or similar positions and his or her contribution toward achieving our results.

In January 2011, after considering the Incentive Compensation Regulations and the risk that an award or adjustment of compensation based on performance-related metrics could be deemed to violate those regulations, the Compensation Committee determined that, beginning July 1, 2011, it would no longer follow a pay-for-performance philosophy with respect to executive compensation, until such time as the ED issues guidance that clearly provides that such an award or adjustment would not violate those regulations. As a result, the Committee changed its executive compensation philosophy to being competitive in the marketplace with respect to the level of compensation paid to executives in the same or similar positions and with similar responsibilities at comparator companies. In addition, the Committee did not establish a bonus program for our executives related to 2011 performance based on its determination that the Incentive Compensation Regulations could be interpreted to preclude basing executive compensation on performance. The Committee did establish the 2011 salary and equity-based compensation for each executive officer based on the executive's and our performance in 2010, as well as a review of the competitive marketplace and the level and area of job responsibilities of the executive. The Committee determined, however, that any adjustments to an executive's compensation after the Incentive Compensation Regulations go into effect would not be based on the performance of the executive or us, until such time as the ED issues guidance that clearly provides that such performance-based adjustments would not violate those regulations. As a result, the Compensation Committee determined that, unless and until the ED clarifies the scope and breadth of the Incentive Compensation Regulations, all future adjustments to the 2011 salary levels of the executives would be based solely on tenure, adjustments in the cost of living, the competitive marketplace and the level and area of job responsibilities of the executive.

The Compensation Committee applies the same principles for executive compensation in determining our Chief Executive Officer's compensation that it applies in determining the compensation of our other executive officers. The Compensation Committee has established a higher level of compensation for our Chief Executive Officer than the levels for our other executive officers, due to:

- the high level of responsibility that he has with us;
- the substantial duties and responsibilities that he has to us; and
- the fact that the market and comparator compensation information demonstrates higher levels of compensation for chief executive officers both within and outside of our industry.

Clawback, Stock Ownership and Hedging Policies. We do not have any policies regarding automatic adjustment or recovery of compensation paid or awarded to our executives in the event any of the performance measures upon which that compensation was paid or awarded are restated or adjusted, such that the compensation paid or awarded would have been less under the restated or adjusted performance measures. Beginning in 2011, our executive compensation is no longer based on performance measures due to the Incentive Compensation Regulations, so such a policy is not necessary with respect to compensation paid or awarded with respect to that year and beyond. For compensation paid or awarded related to performance measures in 2010 and prior years, the Compensation Committee believes that the

cause of any subsequent restatement or adjustment to the results of the performance measure(s) used to trigger compensation should be thoroughly examined to assess each executive's culpability for the restatement or adjustment, instead of establishing a policy that requires an automatic adjustment or recovery of compensation. We did not experience any restatement or adjustment in 2010 to the results of any performance measures upon which our executives were compensated, so no consideration was given by the Compensation Committee in 2010 whether to adjust or recover any compensation payments or awards to our executives.

We do not impose any specific equity or security ownership requirements on our executives. We believe that the equity-based compensation paid to our executives serves to align their interests with those of our shareholders. We believe that it is improper and inappropriate for any employee or Director to engage in short-term or speculative transactions involving our securities. It is our policy that our executives and Directors are prohibited from purchasing or selling any publicly traded options for our securities, including the trading of any call or put, the writing of any call or put, hedging or the use of collars.

Compensation Elements. The elements of our compensation program, a description of the purpose of each element and the objectives that each element supports are shown in the table below. See "– Compensation Objectives."

Compensation Element	Purpose	Link to Compensation Objectives
Base Salary	Fixed component used to help us attract, motivate and retain our executives.	· Competition · Accountability for Business Performance * · Accountability for Individual Performance * · Focus
Annual Bonus Awards – Discontinued in 2011	Variable component used to help us incentivize, motivate and hold accountable our executives for our financial and operating results and their individual performance.	· Competition · Accountability for Business Performance * · Accountability for Individual Performance *
Equity-Based Compensation (i.e., Time-Based Stock Options and/or Restricted Stock Unit Awards)	Used to promote equity ownership in us by our executives. Aligns the executives' interests with those of our shareholders.	· Competition · Accountability for Business Performance * · Accountability for Individual Performance * · Alignment with Shareholder Interests
Qualified Retirement Savings (i.e., 401(k) Plan Contributions)	Used to help us provide stable compensation and some security to our executives, in order to help them save for retirement on a tax-deferred basis.	· Competition · Accountability for Individual Performance * · Focus
Nonqualified Deferred Compensation	Provides some security to our executives and helps	· Competition

	them save a portion of their compensation for retirement on a tax-deferred basis.	· Accountability for Individual Performance * · Focus
Pension Benefits (i.e., Qualified and Nonqualified Retirement Plan Earnings)	Allows executives to focus on their job responsibilities while employed and provides some security upon retirement.	· Benefit accruals under our pension plans were frozen as of March 31, 2006.
Employee Benefits	Provides stable compensation and some security to our executives, in order to allow them to focus on their job responsibilities.	· Competition · Focus
Perquisites	Used to recognize our executives based on their responsibilities. Helps our executives focus on their job responsibilities.	· Competition · Focus
Potential Payments Upon Termination of Employment or a Change in Control of Us	Provides for payments in connection with a change in control and/or involuntary termination of employment. Provides some security to our executives to help them focus on their job responsibilities and to encourage them to remain employed with us during a critical time of a potential change in control.	· Competition · Alignment with Shareholder Interests · Accountability for Business Performance * · Accountability for Individual Performance * · Focus

* Will no longer be a compensation objective beginning July 1, 2011 as a result of the Incentive Compensation Regulations.

Base Salary. Salaries provide a necessary element of stability in the total compensation program and, as such, are not subject to significant variability. Salaries are set and administered to reflect the value of the job in the marketplace. Prior to July 1, 2011, increases in base salary have been and will be based on individual and company performance, as well as a comparison of the base salaries of executives in the same or similar positions at the comparator companies that the Committee uses for benchmarking, and each executive's performance was evaluated annually based on his or her achievement of specific individual and company-wide goals. The executive's overall performance rating was then reduced to one of five levels that were either at, above or below satisfactory

performance. The Compensation Committee believed that it was progressively more challenging for an executive to achieve a higher overall performance rating. Based on this evaluation, the Compensation Committee authorized a salary increase for the Named Executive Officers in January 2010 that became effective on March 29, 2010.

In January 2011, the Compensation Committee established the salary levels for the Named Executive Officers to become effective on March 28, 2011 based on a review of:

- individual and company performance;
- the base salaries of executives in the same or similar positions at the comparator companies that the Committee uses for benchmarking; and
- the area and level of job responsibilities of each executive.

The Committee also concluded that, until such time, if any, that the ED provides clear and sufficient guidance regarding performance-based salary adjustments under the Incentive Compensation Regulations, future adjustments to the salary levels of each executive would be based solely on:

- the base salaries of executives in the same or similar positions at the comparator companies that the Committee uses for benchmarking;
- the area and level of job responsibilities of each executive;
- tenure; and
- adjustments in the cost of living.

The following table sets forth the annualized base salary information for each of the Named Executive Officers as of March 29, 2010 and March 28, 2011.

Named Executive Officer	Annualized Base Salary .	Dollar Increase	Percentage Increase Over Prior Year .	Interval From Last Increase
Kevin M. Modany				
2010	$ 769,000	$ 44,000	6.1 %	12 months
2011	$ 788,250	$ 19,250	2.5 %	12 months
Daniel M. Fitzpatrick				
2010	$ 324,000	$ 19,000	6.2 %	12 months
2011	$ 332,000	$ 8,000	2.5 %	12 months
Clark D. Elwood				
2010	$ 319,000	$ 19,000	6.3 %	12 months
2011	$ 327,000	$ 8,000	2.5 %	12 months
Eugene W. Feichtner				
2010	$ 295,000	$ 20,000	7.3 %	12 months
2011	$ 302,500	$ 7,500	2.5 %	12 months
June M. McCormack				
2010	$ 263,000	$ 18,000	7.3 %	12 months
2011	$ 270,000	$ 7,000	2.7 %	12 months

Annual Bonus Awards. The annual bonus awards to our executives related to performance in 2010 and prior years and were intended to serve as an incentive to achieve performance targets established by the Compensation Committee for that year. The outcome with respect to the relevant performance targets under our bonus parameters was substantially uncertain at the time the performance targets were established by the Compensation Committee and communicated to our executives. Annual bonuses were a form of performance-based compensation for our

executives. The amount of the annual bonus payout opportunity was based on the total bonus amounts available to executives in the same or similar positions at the comparator companies that the Committee used for benchmarking.

Pursuant to the SEC's regulations, the annual bonus awards related to 2010, 2009 and 2008 performance are classified in the tables in this Proxy Statement as non-equity incentive plan compensation, instead of bonus compensation, due to the annual bonus awards being based on pre-established performance targets. Any discretionary or adjusted bonus awards are classified in the tables in this Proxy Statement as bonus compensation. We refer to the non-equity incentive plan compensation as our "bonus" compensation internally and in previous filings with the SEC. Throughout this Proxy Statement in the narrative and in the footnotes to the tables, when we refer to "annual bonus awards" and related items, we mean the non-equity incentive plan and bonus compensation and related items shown in the columns in the tables in this Proxy Statement. See "– Summary Compensation Table."

The annual bonus parameters were typically based on our primary financial and operating goals for the ensuing year. While the bonus parameters reflected our financial and operating goals, as opposed to the individual executive's performance goals, achievement of our financial and operating goals depended on, and were affected by, each executive's performance with respect to his or her individual goals. The Compensation Committee could, in its sole discretion, modify the bonus parameters at any time prior to the payment of the annual bonus awards under the parameters.

In January 2010, the Compensation Committee approved the 2010 Executive Bonus Parameters for participation by our executives, including the Named Executive Officers. The annual bonus awards payable to individual participants under the 2010 Executive Bonus Parameters were based on a formula that took into account our ability to achieve specified targets in 2010 in each of four performance categories, each weighted equally, as shown in the following table:

	2010 Performance Category			
Performance Points (1)	EPS (2)	Percentage Increase in Total Student Enrollment (3)	Free Cash Flow (4)	Graduate Employment Percentage (5)
5	³ $11.57	³ 18.00%	³ $580.0 million	³ 82.00%
4	$11.06 to $11.56	15.00% to 17.99%	$540.0 million to $579.9 million	80.00% to 81.99%
3	$10.55 to $11.05	12.00% to 14.99%	$500.0 million to $539.9 million	78.00% to 79.99%
2	$10.05 to $10.54	9.00% to 11.99%	$460.0 million to $499.9 million	76.00% to 77.99%
1	£ $10.04	£ 8.99%	£ $459.9 million	£ 75.99%

(1) Under the formula, each performance category is assigned the performance points associated with our actual 2010 performance in that category.

(2) Represents our diluted earnings per share ("EPS") in 2010.

(3) Represents the percentage increase in total student enrollment at our campuses as of December 31, 2010 compared to the total student enrollment at our campuses as of December 31, 2009.

(4) Defined as our net cash flows from operating activities and any change in restricted cash, less capital expenditures, net (excluding facility purchases) ("Free Cash Flow") in 2010. This is a Non-GAAP financial measure. The Compensation Committee believes that the Non-GAAP Free Cash Flow measure improves its ability to measure the amount of cash that is generated from our operations and, therefore, is a better measure to assess our performance for purposes of performance-based bonus compensation.

(5) Represents the percentage of Employable Graduates (as defined below) from our campuses' programs of study in the third and fourth calendar quarters of 2009 and first and second calendar quarters of 2010 who either obtained

employment by December 31, 2010, or were already employed, in positions that required the direct or indirect use of skills taught in their programs of study. "Employable Graduates" are defined in accordance with the graduate employment metrics that we are required to report by one of the accrediting commissions that accredits our institutions and include all of the graduates from our campuses, except for those graduates who:

- have been admitted into other programs of study at postsecondary educational institutions that are scheduled to begin within one academic year following their graduation;
- possessed visas that did not permit them to work in the United States following their graduation;
- were personally suffering from a health condition that prevented them from working;
- were actively engaged in U.S. military service; or
- moved out of the Continental United States with a spouse or parent who was actively engaged in U.S. military service.

The 2010 Executive Bonus Parameters established for each participant a standard bonus target percentage of annualized base salary as of December 31, 2010, ranging from 32% to 100%, with the percentage depending on the participant's position. The following table sets forth the standard bonus target percentage of annualized base salary as of December 31, 2010 for each of the Named Executive Officers under the 2010 Executive Bonus Parameters.

Named Executive Officer	2010 Standard Bonus Target Percentage of Annualized Base Salary
Kevin M. Modany	100%
Daniel M. Fitzpatrick	65%
Clark D. Elwood	65%
Eugene W. Feichtner	60%
June M. McCormack	60%

The maximum bonus percentage under the 2010 Executive Bonus Parameters ranged from 25% to 200% of the standard bonus target percentage of annualized base salary as of December 31, 2010, depending on the weighted average performance points associated with the actual results achieved with respect to each performance category. To determine the weighted average performance points, the sum of the performance points associated with the actual performance in the four performance categories was divided by four. The following table sets forth the maximum bonus percentage associated with each range of weighted average performance points under the 2010 Executive Bonus Parameters.

Weighted Average Performance Points	Maximum Bonus Percentage
4.76 – 5.00	200.0%
4.51 – 4.75	187.5%

4.26 – 4.50	175.0%
4.01 – 4.25	162.5%
3.76 – 4.00	150.0%
3.51 – 3.75	137.5%
3.26 – 3.50	125.0%
3.01 – 3.25	112.5%
2.76 – 3.00	100.0%
2.51 – 2.75	87.5%
2.26 – 2.50	75.0%
2.01 – 2.25	62.5%
1.76 – 2.00	50.0%
1.51 – 1.75	41.7%
1.26 – 1.50	33.3%
1.00 – 1.25	25.0%

The following table sets forth the actual results achieved and the resulting performance points associated with each performance category under the 2010 Executive Bonus Parameters.

EPS		Percentage Increase in Total Student Enrollment		Free Cash Flow		Graduate Employment Percentage	
2010 Results	Performance Points	2010 Results	Performance Points	2010 Results	Performance Points	2010 Results	Performance Points
$11.17	4	4.9%	1	$530.1 million	3	71.7%	1

The weighted average performance points associated with the actual results achieved with respect to the 2010 performance categories were 2.25, which resulted in a maximum bonus percentage of 62.5% under the 2010 Executive Bonus Parameters. See "– Summary Compensation Table."

A participant's annual bonus award could be more or less than the participant's potential award as calculated under the formula. A participant's actual annual bonus award was based on a discretionary assessment of the participant's individual performance and contribution toward achieving the specified targets in the four performance categories that was made by the Compensation Committee upon the recommendation of our Chief Executive Officer, except for our Chief Executive Officer's annual bonus award, which was made by the Committee without a recommendation from our Chief Executive Officer. The total amount available for the payment of bonuses for each year was capped at an amount equal to the cumulative sum of the products of each participant's bonus percentage multiplied by each participant's annualized base salary as of the end of the year. The Committee did not adjust any of the Named Executive Officers' 2010 annual bonus awards from the amounts calculated under the pre-established formula.

On January 17, 2011, the Compensation Committee approved the payment of a 2010 annual bonus award in cash to each of the Named Executive Officers, as follows:

Named Executive Officer	2010 Annual Bonus Award	2010 Bonus Percentage of 2010 Annualized Base Salary (1)	Percentage Change from 2009 Bonus Award
Kevin M. Modany	$480,625	62.5%	(66.9)%

Daniel M. Fitzpatrick	$131,625	40.6%	(66.8)%
Clark D. Elwood	$129,594	40.6%	(66.8)%
Eugene W. Feichtner	$110,625	37.5%	(66.5)%
June M. McCormack	$98,625	37.5%	(66.5)%

(1) As of March 29, 2010.

On December 21, 2010, the Compensation Committee approved the payment of a special bonus in cash to each of our executives, which bonus is payable on or before June 30, 2011, if the executive is still employed by us on June 27, 2011. The Committee determined to award the special bonuses in order to help motivate and retain those executives, as well as to recognize their extraordinary efforts during a particularly difficult regulatory and legislative environment affecting us and our industry. The bonus amounts that will be payable to each of the Named Executive Officers are as follows:

Named Executive Officer	2011 Special Bonus Award
Kevin M. Modany	$ 1,153,500
Daniel M. Fitzpatrick	$ 324,000
Clark D. Elwood	$ 319,000
Eugene W. Feichtner	$ 295,000
June M. McCormack	$ 263,000

As previously discussed, in January 2011, the Compensation Committee determined that it would no longer base executive compensation on performance metrics, due to the Incentive Compensation Regulations. As a result, the Committee did not establish a bonus award component of executive compensation for 2011.

Equity-Based Compensation. The Compensation Committee believes that equity-based compensation should be a major component of the total compensation for executives. The Committee believes that the use of our common stock in the payment of this compensation will enhance our executives' commitment to our company over the long-term, because the value of equity-based compensation awards, such as time-based stock options, restricted stock and RSUs, help align the executives' interests with those of our shareholders. The type and value of the equity-based compensation awards vary based on the executive's level and, prior to 2011, individual performance.

In January 2010, the Compensation Committee reviewed equity awards in the previous five years granted to executives in the same or similar positions at the comparator companies that the Committee uses for benchmarking, and calculated the average percentage that those awards bore to the applicable company's outstanding common shares. The Committee utilized that information to determine the upper quartile range of peer practices based on the percentage of common stock outstanding. The Compensation Committee then set within that range the number of shares in the stock option to grant to each executive based on the executive's individual performance in 2009 and, for all executives other than our Chief Executive Officer, the recommendation of our Chief Executive Officer. Specifically, on January 18, 2010, the Compensation Committee authorized the grant of nonqualified stock options to purchase shares of our common stock under the 2006 ITT Educational Services, Inc. Equity Compensation Plan ("2006 Equity Compensation Plan") to the Named Executive Officers, effective on January 27, 2010, as follows:

Named Executive	Number of Securities	Exercise Price	Expiration Date	Grant Date (1)	Date Compensation

Officer	Underlying Option Granted				Committee Took Action
Kevin M. Modany	125,000	$113.41 (2)	01/27/17	01/27/10	01/18/10 (3)
Daniel M. Fitzpatrick	22,000	$113.41 (2)	01/27/17	01/27/10	01/18/10 (3)
Clark D. Elwood	22,000	$113.41 (2)	01/27/17	01/27/10	01/18/10 (3)
Eugene W. Feichtner	20,000	$113.41 (2)	01/27/17	01/27/10	01/18/10 (3)
June M. McCormack	20,000	$113.41 (2)	01/27/17	01/27/10	01/18/10 (3)

(1) The effective date of the stock option grant.

(2) Nonqualified stock option granted at 100% of the closing market price of a share of our common stock on January 27, 2010, the effective date of the grant. One-third of the option is exercisable on the anniversary date of the grant in each of the years 2011, 2012 and 2013.

(3) The stock option was granted by the Compensation Committee during a Committee meeting on January 18, 2010, and became effective on January 27, 2010, which was the fourth business day following the date we publicly disclosed our financial and operating results for the fiscal quarter and year ended December 31, 2009.

In January 2011, the Compensation Committee reviewed the forms of equity awards made to executives in the same or similar positions at the comparator companies that the Committee uses for benchmarking. The comparator data indicated that a number of companies grant equity-based compensation in a combination of forms, primarily both stock options and RSUs (or restricted stock). As a result, the Compensation Committee decided that it would add RSUs as one of the forms of equity compensation that it would grant to our senior executives in 2011. The Committee also decided to provide our senior executives with a choice among stock options, RSUs or a combination thereof.

To determine the amounts to be awarded under this equity-based grant, the Committee reviewed the amount of the equity awards in the previous five years granted to executives in the same or similar positions at the comparator companies that the Committee uses for benchmarking, and calculated the average percentage that those awards bore to the applicable company’s outstanding common shares. The Committee utilized that information to determine the upper quartile range of peer practices based on the percentage of common stock outstanding. For each executive, the Compensation Committee then set within that range the number of shares that would be included in the award if it consisted entirely of a stock option based on the executive’s individual performance in 2010 and, for all executives other than our Chief Executive Officer, the recommendation of our Chief Executive Officer. The Compensation Committee calculated the value of such option grants using a binomial option pricing model to determine the fair value of an option, and each executive was permitted to choose stock options, RSUs or a combination thereof in 25% increments that, combined, equaled the value applicable to that executive. The number of RSUs to be included in the award were then calculated by dividing the portion of the value elected to be received by the executive in the form of RSUs by the closing market price of our common stock on the date of grant.

The following table sets forth information about the stock options and RSUs that were granted effective January 27, 2011 to each Named Executive Officer based on his or her election as described above.

	Stock Options			RSUs			
	Number of Securities Underlying	Exercise Price	Expiration Date	Number of RSUs	Form of Settlement	Grant Date (1)	Date Compensation Committee

Named Executive Officer	Option Granted						Took Action (2)
Kevin M. Modany	125,000 (3)	$69.43	01/27/18	N/A (4)	N/A (4)	01/27/11	01/17/11
Daniel M. Fitzpatrick	16,500 (3)	$69.43	01/27/18	2,380 (5)	Common Stock (6)	01/27/11	01/17/11
Clark D. Elwood	N/A (7)	N/A (7)	N/A (7)	9,519 (5)	Common Stock (6)	01/27/11	01/17/11
Eugene W. Feichtner	10,000 (3)	$69.43	01/27/18	4,327 (5)	Common Stock (6)	01/27/11	01/17/11
June M. McCormack	N/A (7)	N/A (7)	N/A (7)	8,654 (5)	Common Stock (6)	01/27/11	01/17/11

(1) The effective date of the stock option and RSU grants.

(2) The stock options and RSUs were approved by the Compensation Committee during a Committee meeting on January 17, 2011, and had an effective grant date of January 27, 2011, which was the fifth business day following the date we publicly disclosed our financial and operating results for the fiscal quarter and year ended December 31, 2010.

(3) Nonqualified stock option granted at 100% of the closing market price of a share of our common stock on January 27, 2011, the effective date of the grant. One-third of the option is exercisable on the anniversary date of the grant in each of the years 2012, 2013 and 2014.

(4) Not applicable. The Named Executive Officer did not elect to receive any portion of this award in the form of RSUs.

(5) The period of restriction for this RSU grant lapses in thirds on the anniversary date of the grant in each of the years 2012, 2013 and 2014.

(6) Each RSU in the group of RSUs for which the period of restriction lapses will be settled on the last day of that period of restriction and will be paid as soon as administratively practicable thereafter by the delivery of one share of our common stock.

(7) Not applicable. The Named Executive Officer did not elect to receive any portion of this award in the form of stock options.

In January 2011, the Compensation Committee also authorized a separate grant of RSUs to our executives effective January 27, 2011, which RSUs settle in cash on the first anniversary of the grant date of the RSUs. The Committee chose this additional form of equity-based compensation because it contributes to the cash component of the total direct compensation of our executives, while at the same time helps to align our executives' interests with those of our shareholders. The following table sets forth information about these RSUs that were granted to the Named Executive Officers.

Named Executive Officer	Number of RSUs	Form of Settlement	Grant Date (1)	Date Compensation Committee Took Action (2)
Kevin M. Modany	11,354 (3)	Cash (4)	01/27/11	01/17/11
Daniel M. Fitzpatrick	3,109 (3)	Cash (4)	01/27/11	01/17/11
Clark D. Elwood	3,062 (3)	Cash (4)	01/27/11	01/17/11
		Cash (4)	01/27/11	01/17/11

Eugene W. Feichtner	2,615 (3)			
June M. McCormack	2,334 (3)	Cash (4)	01/27/11	01/17/11

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(1) The effective date of the RSU grant.

(2) The RSU grants were approved by the Compensation Committee during a Committee meeting on January 17, 2011, and had an effective grant date of January 27, 2011, which was the fifth business day following the date we publicly disclosed our financial and operating results for the fiscal quarter and year ended December 31, 2010.

(3) The period of restriction for this RSU grant lapses on January 27, 2012.

(4) These RSUs will be settled on the last day of the period of restriction and will be paid as soon as administratively practicable thereafter in cash in an amount equal to the average of the closing market prices of our common stock over the 20 trading day period prior to the settlement date for each RSU in the grant.

The Compensation Committee is responsible for determining equity-based compensation paid to our executives. All equity-based compensation awards to our executives at the Senior Vice President level and above are granted exclusively by our Compensation Committee. The Compensation Committee has delegated limited authority to our Chief Executive Officer to grant equity-based compensation awards to our newly-hired executives below the Senior Vice President level and other key employees.

Equity-based compensation is granted to our executives and other key employees under the following circumstances:

- the Compensation Committee has typically made grants to our executives and other key employees annually during its first regularly scheduled meeting of the calendar year, which grants become effective prospectively on the fourth or fifth business day following the public disclosure of our financial and operating results for our prior fiscal year;
- the Compensation Committee has typically made grants to our newly-hired executives at the Senior Vice President level and above at a Committee meeting occurring either:
- prior to the date that the executive's employment with us begins, in which case the effective date of the grant is typically the executive's first day of employment with us but, if the markets are closed on that day, is the next subsequent day that the markets are open; or
- after the executive's employment with us begins, in which case the effective date of the grant is the date of the Committee meeting or a subsequent date specified by the Committee at its meeting; and
- pursuant to authority delegated to him by the Compensation Committee, our Chief Executive Officer typically grants equity-based compensation to our newly-hired executives below the Senior Vice President level and other key employees on the newly-hired employee's first day of employment with us.

In each of the above circumstances, the exercise price of any stock option granted is the closing market price of a share of our common stock on the effective date of the stock option grant. In addition, the number of any RSUs or shares of restricted stock is based on the closing market price of a share of our common stock on the effective date of the RSU or restricted stock grant.

We do not time our release of material non-public information for the purpose of affecting the value of our executives' compensation, nor do we time our grants of equity-based compensation to take advantage of material non-public information. Nevertheless, our process for granting equity-based compensation (as described above) may result in equity-based compensation, including stock options, being granted to our executives and other key employees at times when our Board of Directors or the Compensation Committee is in possession of material non-public information about us. This possibility is not taken into account in determining whether to make the equity-based compensation awards or the amount or value of those awards.

Retirement Plans.

Qualified Retirement Savings. Our executives participate in our ESI 401(k) Plan, a qualified defined contribution plan, that is designed to provide substantially all of our employees with a tax-deferred, long-term savings vehicle. See "– Equity Compensation and Qualified Savings Plans – ESI 401(k) Plan."

Nonqualified Deferred Compensation. Due to federal limitations that preclude our highly-compensated employees from fully participating in the ESI 401(k) Plan, we established the ESI Excess Savings Plan, an unfunded, nonqualified deferred compensation plan for a select group of our management, including the Named Executive Officers. We froze the ESI Excess Savings Plan, effective for plan years beginning on and after January 1, 2008, such that executives may no longer make elective deferrals and we no longer make contributions under the ESI Excess Savings Plan. Amounts previously credited to an executive under the ESI Excess Savings Plan will, however, continue to accrue interest in accordance with the terms of the ESI Excess Savings Plan until those amounts are distributed pursuant to the plan's terms. See "– Nonqualified Deferred Compensation Plans – ESI Excess Savings Plan."

In addition, we have established the ESI Executive Deferred Bonus Compensation Plan (the "Deferred Bonus Plan"), an unfunded, nonqualified deferred compensation plan, for a select group of our management and highly-compensated employees, including the Named Executive Officers. The Deferred Bonus Plan allows eligible employees to defer payment of all or a portion of his or her annual bonus compensation and to earn interest on any annual bonus compensation payable in the form of cash and deferred under the plan. See "– Nonqualified Deferred Compensation Plans – Deferred Bonus Plan."

The terms of the ESI Excess Savings Plan and the Deferred Bonus Plan, including the interest rate on the earnings on the Named Executive Officers' account balances under each plan, are based on common and typical terms and types of nonqualified deferred compensation plans that had been adopted by other publicly traded companies at the time that we adopted those plans.

Pension Benefits. Pension benefits provide retirement compensation that is based on the salary and bonus compensation paid to the employee during his or her employment. We froze the benefit accruals under the ESI Pension Plan and ESI Excess Pension Plan for all participants in the plans on March 31, 2006, such that no further benefits accrue under those plans after March 31, 2006. Participants do, however, continue to be credited with vesting service and interest credits according to the terms of those plans. See "– Pension Plans – ESI Pension Plan" and "– ESI Excess Pension Plan."

Employee Benefits and Perquisites.

Employee Benefits. All of our executives are eligible to participate in our employee benefits, which include medical and dental benefits, vision insurance, flexible spending account, tuition reimbursement, disability insurance, vacation leave, sick leave, bereavement leave, ITT Technical Institute tuition discounts and an employee assistance program that can help employees find answers to various kinds of personal concerns by offering consultation, support, information, planning and referrals. The employee benefits are generally available on a non-discriminatory basis to all full-time and part-time regular employees.

Perquisites. We also provide limited perquisites to our executives, including the Named Executive Officers, that vary based on the executive's level. The perquisites include use of a company car for our Chief Executive Officer only, a tax return preparation and financial planning allowance, tickets to sporting, theater and other events, enhanced disability benefits, an annual physical examination and, for newly-hired executive officers from outside the Indianapolis metropolitan area whom we ask to relocate, relocation assistance. The value and type of perquisites made available to our executives are based on the value and type of perquisites that had been made available to executives at other publicly-traded companies at the time that we began making those perquisites available, and at the time of each subsequent annual review by the Compensation Committee of those perquisites. The Compensation Committee believes that our executives value the perquisites provided to them and, given that the cost to us of the perquisites is not significant, the Committee has determined to continue providing these perquisites to our executives.

The perquisites that we provided to our Named Executive Officers in 2010 are disclosed in the Summary Compensation Table and footnotes thereto in this Proxy Statement. See "– Summary Compensation Table." In January 2011, the Compensation Committee approved the value and type of perquisites to be provided in 2011 to the Named Executive Officers, which are consistent with the value and type of perquisites provided to them in 2010. The aggregate incremental cost to us in 2011 for providing all of the 2011 perquisites to the Named Executive Officers is not expected to exceed $125,000.

Potential Payments Upon Termination of Employment or a Change In Control of Us. Our executive officers, including the Named Executive Officers, participate in the ITT Educational Services, Inc. Senior Executive Severance Plan (the "Senior Executive Severance Plan"), which provides for severance benefits if:

- we terminate the executive's employment, other than for cause, or when the executive terminates his or her employment for good reason, in each case within two years after the occurrence of a change in control of us; or
- we terminate the executive's employment, other than for cause, if a change in control is imminent.

The benefits vary depending on the executive's level and include, among other things, two or three times the executive's base salary and bonus and a stipend equal to two or three times the annual cost of certain employee benefits. See "– Potential Payments Upon Termination or Change in Control – Senior Executive Severance Plan."

The Compensation Committee believes that a change in control transaction, or potential change in control transaction, would create uncertainty regarding the continued employment of our executives. This is because many change in control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage our executives to remain employed with us during an important time when their continued employment in connection with or following a transaction is often uncertain and to help keep our executives focused on our business rather than on their personal financial security, we believe that providing certain of our executives with severance benefits upon the specified terminations of employment is in the best interests of our company and our shareholders. The Committee also believes that severance benefits are even more effective in achieving those purposes at companies, like ours, where executives do not have significant amounts of wealth accumulation from previous compensation awards.

The benefits under the Senior Executive Severance Plan are not payable merely because a change in control transaction occurs or is imminent. Instead, payment of the severance benefits is only triggered if a change in control has occurred or is imminent and certain types of termination of employment occur within certain limited time periods. The Compensation Committee has determined that this "double trigger" requirement is appropriate and reasonable.

If benefits are triggered under the Senior Executive Severance Plan, our Chief Executive Officer would be entitled to payments under the "three times" multiplier and the other covered executives would be entitled to payments under the "two times" multiplier. Our Chief Executive Officer would also be entitled to certain benefits that would not be available to the other covered executives, including that our Chief Executive Officer would receive a tax gross-up payment on any excise taxes and that his severance benefits would not be limited in the event of the imposition of an excise tax. The Compensation Committee believes that our Chief Executive Officer should receive the higher multiplier and the enhanced benefits given his high level of responsibility and the substantial duties that he has with us, as well as the fact that it is common market practice for a chief executive officer to receive a higher level of severance benefits than other executive officers.

The amount and type of severance pay made available to our executive officers are based on common and typical amounts and types of severance pay that were made available to executives by other publicly-traded companies at the time that these benefits were determined.

In addition, some of the awards granted under our equity compensation plans and all or a portion of the contributions, benefits and earnings under our qualified savings plan, nonqualified deferred compensation plans and pension plans may vest and/or become payable to the participating employees, including the Named Executive Officers, if the participating employee's employment terminates in certain situations or we undergo a change in control. See "– Potential Payments Upon Termination or Change In Control." The accelerated vesting and payments are useful in providing security to our executives and helps them to focus on their job responsibilities, instead of the safety of compensation that they have previously been awarded or paid. Further, the accelerated vesting of equity compensation awards upon a change in control:

- provides employees with the same opportunities as shareholders, who are free to sell their equity at the time of the change in control event and thereby realize the value created at the time of the transaction;
- ensures that employees do not have the fate of their outstanding equity tied to the future success of the new and different company that results from the change in control;
    - can be a strong retention device during change in control discussions, particularly for those employees whose equity represents a significant portion of their total pay package; and
        - treats all employees the same regardless of their employment status after the transaction.

The Impact of Accounting and Tax Treatments on the Compensation. Section 162(m) of the IRC limits the allowable deduction for compensation paid or accrued with respect to the chief executive officer and each of the three other most highly compensated executive officers (other than the chief financial officer) of a publicly held corporation to no more than $1 million per year. In light of Section 162(m), it is the policy of the Compensation Committee to modify, when appropriate, our executive compensation program to maximize the tax deductibility of compensation paid to our executive officers. Accordingly, our equity-based compensation plans include a fixed limit on the awards that may be granted to any individual in any given year. As a result, any future gains that may be realized on the stock options granted under our equity-based compensation plans will be deductible by us. The Committee's ability to maximize the tax deductibility of other forms of compensation beginning July 1, 2011, however, is limited by the Incentive Compensation Regulations because those regulations can be reasonably interpreted to prohibit the payment of performance-based compensation, which is a principal exception to the Section 162(m) compensation calculation.

Section 409A of the IRC provides certain requirements for deferred compensation arrangements. Those requirements, among other things, limit flexibility with respect to the time and form of payment of deferred compensation. If a payment or award constitutes deferred compensation subject to Section 409A and the applicable requirements are not satisfied, the recipient could be subject to tax on the award and all other deferred compensation of the same type, and an additional 20% tax and interest at the underpayment rate plus 1%, at the time the legally binding right to the payment or award arises or, if later, when that right ceases to be subject to a substantial risk of forfeiture. Payments or awards under our plans and arrangements either are intended to not constitute "deferred compensation" for Section 409A purposes (and will thereby be exempt from Section 409A's requirements) or, if they constitute "deferred compensation," are intended to comply with the Section 409A statutory provisions and final regulations.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K under the Exchange Act with our management. Based on that review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in our Proxy Statement for our 2011 Annual Meeting of Shareholders for filing with the U.S. Securities and Exchange Commission ("SEC").

Compensation
Committee

John F. Cozzi,
Chair
James D.
Fowler, Jr.
Samuel L.
Odle
John A. Yena

Compensation-Related Risk Assessment

In January 2010, our Compensation Committee assessed the risks related to our compensation policies and practices in effect at that time and determined that any risks arising from those compensation policies and practices were not reasonably likely to have a material adverse effect on our company. The structure of those policies and practices did not change until the Compensation Committee made modifications to comply with the Incentive Compensation Regulations. As a result, in January 2011, our Compensation Committee conducted an assessment of the risks related to our compensation policies and practices as they have been modified in 2011. In conducting this assessment, the Compensation Committee noted several features of those compensation programs that reduce the likelihood of excessive risk-taking, including the following:

- We have established internal controls, enterprise risk management and a compliance program to discourage and identify any excessive risk-taking by our employees.
- There is a balanced mix of cash, equity, annual and longer-term components.
- Due to the Incentive Compensation Regulations, our compensation programs are not based on the performance of our employees.
- Our compensation programs no longer include annual performance-related bonus awards.
- A significant portion of our executives' total compensation consists of equity-based long-term awards, most of which vest over a period of three years, which encourages our executives to focus on sustaining our long-term interests. The equity grants are also made annually, so executives always have unvested awards that could decrease in value if our business is not managed for the long term.
- Some of our non-executive employees are eligible to receive equity awards. For those non-executive employees who are eligible to receive equity awards, the equity awards encourage those employees to focus on our long-term interests.

Based on these factors, the Compensation Committee believes that our compensation policies and practices, as they have been modified in 2011, encourage behaviors that are aligned with our long-term interests, and that numerous factors, such as the lack of performance-related incentives, dissuade our employees from taking risks for short-term gain. As a result, the Compensation Committee determined that any risks arising from our compensation policies and practices, as they have been modified in 2011, are not reasonably likely to have a material adverse effect on our company.

Summary Compensation Table

The following table sets forth information regarding the compensation of the Named Executive Officers for each of our last three completed fiscal years.

Summary Compensation Table for Fiscal Years 2010, 2009 and 2008

Name and Principal Position	Year	Salary (1)	Bonus (2)	Option Awards(3)	Non-Equity Incentive Plan Compensation	Change in Pension Value and	All Other Compensation(6)	Total (7)

(a)	(b)	(c)	(d)	(e)	(f)	(4) Non-qualified Deferred Compensation Earnings (5) (g)	(h)	(i)
Kevin M. Modany	2010	$758,000	$ 0	$5,448,750	$ 480,625	$ 1,431	$57,161	$6,745,967
Chairman and	2009	$712,500	$ 0	$5,405,000	$1,450,000	$11,275	$49,397	$7,628,172
Chief Executive Officer	2008	$663,750	$337,500	$2,779,771	$ 843,750	$ 3,032	$49,574	$4,677,377
Daniel M. Fitzpatrick	2010	$319,250	$ 0	$ 958,980	$ 131,625	$ 0	$19,217	$1,429,072
Executive	2009	$300,000	$ 0	$1,081,000	$ 396,500	$ 0	$17,117	$1,794,617
Vice President, Chief Financial Officer	2008	$279,575	$ 85,500	$ 581,395	$ 213,750	$ 0	$16,094	$1,176,314
Clark D. Elwood	2010	$314,250	$ 0	$ 958,980	$ 129,594	$11,583	$11,532	$1,425,939
Executive	2009	$295,000	$ 0	$1,081,000	$ 390,000	$49,298	$12,293	$1,827,591
Vice President, Chief Administrative and Legal Officer	2008	$275,025	$ 77,000	$ 581,395	$ 192,500	$15,378	$12,930	$1,154,228
Eugene W. Feichtner	2010	$290,000	$ 0	$ 871,800	$ 110,625	$43,588	$11,500	$1,327,513
Executive	2009	$267,500	$ 0	$ 945,875	$ 330,000	$49,781	$ 8,224	$1,601,380
Vice President and President, ITT Technical Institute Division	2008	$241,250	$ 67,375	$ 581,395	$ 168,438	$20,505	$11,835	$1,090,798
June M. McCormack (8)	2010	$258,500	$ 0	$ 871,800	$ 98,625	$ 0	$10,378	$1,239,303
Executive Vice	2009	$242,500	$ 0	$ 945,875	$ 294,000	$ 0	$30,408	$1,512,783
President and President, Online Division	2008	$146,875	$ 41,527	$ 445,650	$ 103,819	$ 0	$87,203	$ 825,074

(1) Amounts shown represent the dollar value of base salary earned during each of the years indicated.

(2) Amounts shown represent the dollar value of discretionary bonus amounts earned in the stated year and paid in the subsequent year. Under Item 402(a) of Regulation S-K under the Exchange Act, any portion of our annual bonus award that is paid above the amounts earned by the Named Executive Officer under the pre-established performance targets is to be reported in this column. The amounts earned under the pre-established performance targets are reported in column (f), “Non-Equity Incentive Plan Compensation,” of the Summary Compensation Table. Following the end of 2008, the Compensation Committee exercised its discretion and adjusted the target levels in the Free Cash Flow category under our 2008 Executive Bonus Parameters, resulting in an additional amount being awarded to each Named Executive Officer in excess of the amount that was earned under the original target levels in that category. Those additional amounts are shown in this column. Amounts shown in this column also include any portion of the award that may have been deferred by the Named Executive Officers under the Deferred Bonus Plan. See “– Nonqualified Deferred Compensation Plans – Deferred Bonus Plan.”

(3) Amounts shown represent the aggregate grant date fair value, computed in accordance with the Financial Accounting Standards Board's Accounting Standards Codification TM ("ASC") Topic 718 ("ASC 718"), of all awards of stock options granted to the Named Executive Officer in the year indicated. The option awards relate solely to shares of our common stock. None of the Named Executive Officers has received any stock appreciation rights ("SARs") from us. We did not adjust or amend the exercise price of any options previously awarded to any of the Named Executive Officers, whether through amendment, cancellation or replacement grants, or any other means (such as a repricing), or otherwise materially modify such awards, during any of the years indicated. We used a binomial option pricing model to determine the grant date fair value of the stock options granted in each of the years indicated, which takes into account the variables defined below:

- "Volatility" is a statistical measure of the extent to which the stock price is expected to fluctuate during a period and combines our historical stock price volatility and the implied volatility as measured by actively traded stock options.
- "Expected life" is the weighted average period that those stock options are expected to remain outstanding, based on the historical patterns of our stock option exercises, as adjusted to reflect the current position-level demographics of the stock option grantees.
- "Risk-free interest rate" is based on interest rates for terms that are similar to the expected life of the stock options.
- "Dividend yield" is based on our historical and expected future dividend payment practices.

The following table sets forth the assumptions supporting those variables that were used to determine the values reported with respect to the stock options granted to the Named Executive Officers in each of the years indicated:

	Assumptions Associated with Stock Options Granted In		
	2010	2009	2008
Volatility	43%	54%	53%
Expected life (in years)	4.6	4.5	4.0
Risk-free interest rate	2.2%	1.6%	2.7%
Dividend yield	None	None	None

The amounts ultimately realized by the Named Executive Officers from the option awards will depend on the price of our common stock in the future and may be quite different from the values shown.

(4) Amounts shown represent the dollar value of all amounts earned for services performed during each of the years indicated pursuant to awards under non-equity incentive plans. There were no earnings on any outstanding non-equity incentive plan awards during any of the years indicated. The amounts reported are the annual bonus awards earned in the stated year in accordance with pre-established performance targets and paid in the subsequent year. Under Item 402(a) of Regulation S-K under the Exchange Act, our annual bonus award is defined to be non-equity incentive plan compensation, instead of bonus compensation, to the extent that the outcome with respect to the relevant performance targets under our bonus parameters is substantially uncertain at the time the performance targets are established by the Compensation Committee and communicated to the participants. As a result, the annual bonus award is intended to serve as an incentive for performance to occur over a specified fiscal year, which causes it to be reported in this column. In the event that a portion of an annual bonus award is paid above the amounts earned by meeting the pre-established performance targets, that additional amount is reported in column (d), "Bonus," of the Summary Compensation Table. Amounts shown in this column include any portion of the award that may have been deferred by the Named Executive Officers under the Deferred Bonus Plan. See "– Nonqualified Deferred Compensation Plans – Deferred Bonus Plan."

(5) Amounts shown represent the sum of:

- the aggregate increase in actuarial present value of the Named Executive Officer's accumulated benefit on an annualized basis under all defined benefit and actuarial pension plans (including supplemental plans) from the pension plan measurement date used for financial statement reporting purposes with respect to our audited financial

statements for the prior completed fiscal year to the pension plan measurement date used for financial statement reporting purposes with respect to our audited financial statements for the covered fiscal year; and

- the above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified, including such earnings on nonqualified defined contribution plans.

The pension plan measurement date used for financial statement reporting purposes with respect to our audited financial statements prior to 2008 was September 30 in each fiscal year. Effective in 2008, we changed the pension plan measurement date for financial statement reporting purposes to December 31. As a result, the two measurement dates for the calculation of the aggregate change in actuarial present value for 2008 were September 30, 2007 and December 31, 2008. As permitted by SEC interpretations, the amount of the aggregate increase in actuarial present value of each of the Named Executive Officers' accumulated benefit shown in the table for our 2008 fiscal year has been pro-rated by 12/15ths in order to annualize the amounts for the year in which we changed the pension plan measurement date. The aggregate change in actuarial present value of the Named Executive Officer's accumulated benefit on an annualized basis under each of the following plans is presented in the table below:

- the Retirement Plan for Salaried Employees of ITT Corporation (the "Old Pension Plan"), a non-contributory defined benefit pension plan;
- the ESI Pension Plan, a cash balance defined benefit plan; and
- the ESI Excess Pension Plan, an unfunded, nonqualified retirement plan.

See "– Pension Plans." In addition, the above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified for the benefit of the Named Executive Officers under the ESI Excess Savings Plan, an unfunded, nonqualified retirement plan are specified in the table below. There were no above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified for the benefit of the Named Executive Officers under the Deferred Bonus Plan, an unfunded, nonqualified deferred compensation plan, in 2010, 2009 or 2008. See "– Nonqualified Deferred Compensation Plans."

Named Executive Officer	Old Pension Plan Aggregate Change in Present Value of Accumulated Benefit	ESI Pension Plan Aggregate Change in Present Value of Accumulated Benefit	ESI Excess Pension Plan Aggregate Change in Present Value of Accumulated Benefit	ESI Excess Savings Plan Above-Market or Preferential Earnings on Deferred Compensation (A)	Total
Kevin M. Modany					
2010	$ 0	$(2,530)	$(3,262)	$1,431	$ 1,431
2009	$ 0	$ 4,272	$ 5,509	$1,494	$11,275
2008	$ 0	$ 902	$ 1,162	$ 968	$ 3,032
Daniel M. Fitzpatrick					
2010	$ 0	$ 0	$ 0	$ 0	$ 0
2009	$ 0	$ 0	$ 0	$ 0	$ 0
2008	$ 0	$ 0	$ 0	$ 0	$ 0
Clark D. Elwood					
2010	$16,829	$(3,892)	$(2,070)	$ 716	$11,583
2009	$19,304	$ 16,387	$12,869	$ 738	$49,298
2008	$ 2,387	$ 6,998	$ 5,496	$ 497	$15,378
Eugene W. Feichtner					
2010	$26,423	$13,508	$ 3,554	$ 103	$43,588
2009	$30,830	$14,812	$ 4,032	$ 107	$49,781
2008	$ 5,749	$11,544	$ 3,142	$ 70	$20,505
June M. McCormack					
2010	$ 0	$ 0	$ 0	$ 0	$ 0

2009	$ 0	$ 0	$ 0	$ 0	$ 0	
2008	$ 0	$ 0	$ 0	$ 0	$ 0	

(A) Interest is above-market only if the rate of interest exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under Section 1274(d) of the IRC), at the rate that corresponds most closely to the rate under the applicable plan at the time the interest rate or formula is set. In the event of a discretionary reset of the interest rate, the requisite calculation is made on the basis of the interest rate at the time of such reset, rather than when originally established. Only the above-market portion of the interest is included.

(6) Amounts shown represent all other compensation for each of the years indicated that could not properly be reported in columns (c) through (g) of the Summary Compensation Table, as follows:

		Perquisites (A)						
Named Executive Officer	Use of a Company Car (B)	Tax Return and Financial Planning Allowance (C)	Event Tickets (D)	Enhanced Disability Benefits (E)	Annual Physical Examination (F)	Perquisites Total	ITT/ESI Contributions Under ESI 401(k) Plan (G)	All Other Compensation (H)
Kevin M. Modany								
2010	$16,825	$15,380	$9,419	$6,344	$1,843	$49,811	$7,350	$57,161
2009	$12,873	$14,500	$7,280	$5,981	$1,372	$42,006	$7,391	$49,397
2008	$13,795	$13,500	$8,740	$5,771	$ 0	$41,806	$7,768	$49,574
Daniel M. Fitzpatrick								
2010	$ 0	$ 3,240	$5,954	$2,673	$ 0	$11,867	$7,350	$19,217
2009	$ 0	$ 3,050	$2,563	$2,516	$ 0	$ 8,129	$8,988	$17,117
2008	$ 0	$ 2,850	$3,002	$2,437	$ 0	$ 8,289	$7,805	$16,094
Clark D. Elwood								
2010	$ 0	$ 1,550	$ 0	$2,632	$ 0	$ 4,182	$7,350	$11,532
2009	$ 0	$ 1,955	$ 0	$2,475	$ 35	$ 4,465	$7,828	$12,293
2008	$ 0	$ 2,800	$ 0	$2,394	$ 0	$ 5,194	$7,736	$12,930
Eugene W. Feichtner								
2010	$ 0	$ 2,950	$1,153	$2,434	$ 0	$ 6,537	$4,963	$11,500
2009	$ 0	$ 875	$ 0	$2,269	$ 0	$ 3,144	$5,080	$ 8,224
2008	$ 0	$ 2,450	$2,510	$2,095	$ 0	$ 7,055	$4,780	$11,835
June M. McCormack								
2010	$ 0	$ 2,588	$ 0	$2,170	$ 0	$ 4,758	$5,620	$10,378
2009	$ 0	$ 0	$ 0	$2,021	$6,147	$ 8,168	$5,573	$30,408 (I)
2008	$ 0	$ 0	$ 0	$2,009	$ 0	$ 2,009	$ 678	$87,203 (I)

(A) Amounts shown represent the aggregate incremental cost to us for the perquisites provided to the Named Executive Officers in each of the years indicated.

(B) The methodology for computing the aggregate incremental cost to us for providing use of a company car involves compiling the expenses that were paid by us or reimbursed to the Named Executive Officer for the Named

Executive Officer's use of the vehicle. Those expenses include:

- the lease payments on the car that were paid by us in 2008, 2009 and the portion of 2010 during which we leased the car used by Mr. Modany;
- the cost of insurance premiums relating to the car that were paid by us;
- the cost of gasoline used in the car that was paid or reimbursed by us; and
- the cost of maintenance and repairs of the car that was paid or reimbursed by us.

In addition, during 2010, the lease on the car previously utilized by Mr. Modany terminated, and we purchased a vehicle for Mr. Modany's use. As a result, the aggregate incremental cost to us in 2010 for providing use of a company car to Mr. Modany also includes the amount of depreciation expense recognized on the vehicle for the portion of 2010 that we owned the car.

(C) The methodology for computing the aggregate incremental cost to us for providing a tax return and financial planning allowance involves determining the sum of all receipts for tax return and financial planning services that are submitted by and reimbursed to the Named Executive Officer up to the amount of the allowance authorized by the Compensation Committee (i.e., 2% of annualized base salary as of the effective date of any increase in base salary for that fiscal year for Mr. Modany, and 1% of annualized base salary as of the effective date of any increase in base salary for that fiscal year for each of the other Named Executive Officers).

(D) The methodology for computing the aggregate incremental cost to us for providing event tickets involves identifying the specific events that the Named Executive Officer and his or her guests attended during the year and attributing the actual costs paid by us or reimbursed to the Named Executive Officer for the Named Executive Officer and his or her guests to attend the event. Those costs include:

- the portion of a license fee for a private suite and associated spectator seats used by the Named Executive Officer and his or her guests;
- the cost of food and beverages consumed by the Named Executive Officer and his or her guests in connection with the event;
- the cost of tickets used by the Named Executive Officer and his or her guests to attend the event; and
- the cost of parking fees incurred by the Named Executive Officer and his or her guests to attend the event.

(E) The methodology for computing the aggregate incremental cost to us for providing enhanced disability benefits involves:

- multiplying the monthly charge to us per employee for the enhanced short-term disability benefits by the number of months;
- multiplying the annual charge to us per $100 of coverage for the enhanced long-term disability benefits by the number of $100 increments in the coverage; and
- adding together the sum of the amounts calculated in the prior two bullet points.

(F) The methodology for computing the aggregate incremental cost to us for providing annual physical examinations involves determining the expenses for such examination that have been paid by us directly to the provider or reimbursed to the Named Executive Officer.

(G) Amounts shown represent our contributions or other allocations made under the ESI 401(k) Plan, a defined contribution plan, for the benefit of the Named Executive Officers in each of the years indicated. See "– Equity Compensation and Qualified Savings Plans – ESI 401(k) Plan."

(H) Amounts shown do not include our cost for employee benefits that do not discriminate in scope, terms or operation in favor of our executive officers and that are available generally to all full-time and part-time regular employees, including, without limitation, medical and dental benefits, vision insurance, life insurance, flexible spending account, business travel and accident insurance, and disability insurance.

(I) The total amounts reported for Ms. McCormack also include payments in the amount of $16,667 in 2009 and $84,516 in 2008 made by us to Ms. McCormack in reimbursement to her for lost consulting fees and legal expenses related thereto in connection with the termination of a consulting arrangement with a third party as a result of her beginning employment with us.

(7) Amounts shown represent the sum of the dollar values for each compensation element in columns (c) through (h) in each of the years indicated.

(8) Ms. McCormack began her employment with us in May 2008.

Amount of Salary and Bonus in Proportion to Total Compensation

The salary, non-equity incentive plan compensation (including for 2008 the additional bonus amount awarded under modified performance targets), and salary and non-equity incentive plan compensation, as a percentage of each Named Executive Officer's total compensation for the years indicated was as follows:

Named Executive Officer.	Salary	Non-Equity Incentive Plan Compensation (1) .	Salary and Non-Equity Incentive Plan Compensation (1)	Total Compensation (2)	Salary as a Percentage of Total Compensation	Non-Equity Incentive Plan Compensation as a Percentage of Total Compensation	Salary and Non-Equity Incentive Plan Compensation as a Percentage of Total Compensation
Kevin M. Modany							
2010	$758,000	$ 480,625	$1,238,625	$6,745,967	11.2%	7.1%	18.4%
2009	$712,500	$1,450,000	$2,162,500	$7,628,172	9.3%	19.0%	28.3%
2008	$663,750	$1,181,250	$1,845,000	$4,677,377	14.2%	25.3%	39.5%
Daniel M. Fitzpatrick							
2010	$319,250	$ 131,625	$ 450,875	$1,429,072	22.3%	9.2%	31.6%
2009	$300,000	$ 396,500	$ 696,500	$1,794,617	16.7%	22.1%	38.8%
2008	$279,575	$ 299,250	$ 578,825	$1,176,314	23.8%	25.4%	49.2%
Clark D. Elwood							
2010	$314,250	$ 129,594	$ 443,844	$1,425,939	22.0%	9.1%	31.1%
2009	$295,000	$ 390,000	$ 685,000	$1,827,591	16.1%	21.3%	37.5%
2008	$275,025	$ 269,500	$ 544,525	$1,154,228	23.8%	23.4%	47.2%
Eugene W. Feichtner							
2010	$290,000	$ 110,625	$ 400,625	$1,327,513	21.8%	8.3%	30.2%
2009	$267,500	$ 330,000	$ 597,500	$1,601,380	16.7%	20.6%	37.3%
2008	$241,250	$ 235,813	$ 477,063	$1,090,798	22.1%	21.6%	43.7%
June M. McCormack							
2010	$258,500	$ 98,625	$ 357,125	$1,239,303	20.9%	8.0%	28.8%
2009	$242,500	$ 294,000	$ 536,500	$1,512,783	16.0%	19.4%	35.5%
2008	$146,875	$ 145,346	$ 292,221	$ 825,074	17.8%	17.6%	35.4%

(1) The amounts of non-equity incentive plan compensation reported in this table include the amounts of such compensation and any other bonus amounts earned in the stated year and paid in the subsequent year, which are reported in the Non-Equity Incentive Plan Compensation and Bonus columns of the Summary Compensation Table.

(2) Amounts shown represent the sum of the dollar values for each compensation element that we are required to report in the Summary Compensation Table for each of the years indicated. See "– Summary Compensation Table."

Generally, the amount of salary has represented less than 25%, and the amount of salary and non-equity incentive plan compensation combined has represented 18% to 50%, of the Named Executive Officer's total compensation. In addition, depending on our performance, the amount of non-equity incentive plan compensation in any year, if any was payable, could range from 11.25% to 200% of the Named Executive Officer's salary, depending on the Named

Executive Officer's position. See "– Compensation Discussion and Analysis – Compensation Elements – Annual Bonus Awards." As a result, the better our performance in any year, the greater the percentage that non-equity incentive plan compensation represented of the Named Executive Officer's total compensation for that year. This result corresponds to the goal of the compensation program for our executives and with the Compensation Committee's intentions prior to July 1, 2011. See "—Compensation Discussion and Analysis—Executive Summary."

Grants of Plan-Based Awards Table

The following table sets forth information regarding grants of plan-based awards in 2010 to each of our Named Executive Officers.

Grants of Plan-Based Awards in Fiscal Year 2010

Named Executive Officer (a)	Grant Date (1) (b)	Date Compensation Committee Took Action to Grant Awards (c)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (2) Threshold(3) (d)	Target(4) (e)	Maximum(5) (f)	All Other Option Awards: Number of Securities Underlying Options (g)	Exercise or Base Price of Option Awards ($/sh) (6) (h)	Grant Date Fair Value of Stock and Option Awards (7). (i)
Kevin M. Modany								
2006 Equity Compensation Plan Award(8)	01/27/10	01/18/10 (9)	N/A	N/A	N/A	125,000	$113.41(10)	$5,448,750
2010 Bonus Parameters(11)	N/A	01/18/10	$192,250	$769,000	$1,538,000	N/A	N/A	N/A
Daniel M. Fitzpatrick								
2006 Equity Compensation Plan Award(8)	01/27/10	01/18/10 (9)	N/A	N/A	N/A	22,000	$113.41 (10)	$958,980
2010 Bonus Parameters(11)	N/A	01/18/10	$52,650	$210,600	$421,200	N/A	N/A	N/A
Clark D. Elwood								
2006 Equity Compensation Plan Award(8)	01/27/10	01/18/10 (9)	N/A	N/A	N/A	22,000	$113.41 (10)	$958,980
2010 Bonus Parameters(11)	N/A	01/18/10	$51,838	$207,350	$414,700	N/A	N/A	N/A
Eugene W. Feichtner								
2006 Equity Compensation Plan Award(8)	01/27/10	01/18/10 (9)	N/A	N/A	N/A	20,000	$113.41 (10)	$871,800
2010 Bonus Parameters(11)	N/A	01/18/10	$44,250	$177,000	$354,000	N/A	N/A	N/A
June M. McCormack								
2006 Equity Compensation	01/27/10	01/18/10 (9)	N/A	N/A	N/A	20,000	$113.41 (10)	$871,800

Plan Award(8)								
2010 Bonus Parameters(11)	N/A	01/18/10	$39,450	$157,800	$315,600	N/A	N/A	N/A

_____

"N/A" means not applicable.

(1) Defined as the date of the grant for financial statement reporting purposes pursuant to ASC 718.

(2) Amounts shown represent the dollar value of the estimated possible payout upon satisfaction of the conditions subject to the non-equity incentive plan award granted in the fiscal year.

(3) "Threshold" refers to the minimum amount payable for a certain level of performance under the plan.

(4) "Target" refers to the amount payable, if the specified performance target(s) are reached.

(5) "Maximum" refers to the maximum payout possible under the plan.

(6) Amounts shown represent the per-share exercise or base price of the options granted in the fiscal year.

(7) Amounts shown represent the grant date fair value, computed in accordance with ASC 718, of each option award granted to the Named Executive Officer in 2010. There were no adjustments or amendments made in 2010 to the exercise price of any option awards held by any of the Named Executive Officers, whether through amendment, cancellation or replacement grants, or any other means (such as a repricing), or that otherwise materially modified any option awards.

(8) Represents a nonqualified stock option to purchase our common stock that was granted under the 2006 Equity Compensation Plan. See "– Equity Compensation and Qualified Savings Plans – 2006 Equity Compensation Plan."

(9) The stock option was granted by the Compensation Committee during a Committee meeting on January 18, 2010 and became effective on January 27, 2010, which was the fourth business day following the date we publicly disclosed our financial and operating results for the fiscal year ended December 31, 2009.

(10) Nonqualified stock option granted at 100% of the closing market price of a share of our common stock on the effective date of the grant. One-third of the shares subject to each option granted is exercisable on the anniversary date of the grant in each of the years 2011, 2012 and 2013.

(11) Represents awards that could be earned pursuant to the 2010 Executive Bonus Parameters that were approved by the Compensation Committee on January 18, 2010. Amounts actually earned in 2010 are reported in the Summary Compensation Table for that year in the "Non-Equity Incentive Plan Compensation" column. See "– Summary Compensation Table."

Employment Contracts

We have not entered into an employment contract, whether written or oral, with any of the Named Executive Officers.

Non-Equity Incentive Plan

The annual bonus award is intended to serve as an incentive for performance to occur over a specified fiscal year, because the outcome with respect to the relevant performance targets under our bonus parameters is substantially uncertain at the time the performance targets are established by the Compensation Committee and communicated to the participants. Pursuant to the SEC's regulations, our annual bonus awards are typically classified in the tables in our proxy statements as non-equity incentive plan compensation, instead of bonus compensation, due to the annual bonus awards being based on pre-established performance targets. For our 2008 bonus awards, however, an additional amount was awarded by our Compensation Committee, which is classified in the tables in this Proxy Statement as bonus compensation. We refer to the non-equity incentive plan compensation as our "bonus" compensation internally and in previous filings with the SEC. Throughout this Proxy Statement in the narrative and in the footnotes to the tables, when we refer to "annual bonus awards" and related items, we mean the non-equity incentive plan and bonus compensation and related items shown in the columns in the tables in this Proxy Statement. See "– Summary Compensation Table." For a detailed description of the 2010 Executive Bonus Parameters and the annual bonus awards made to the Named Executive Officers under those parameters, see "– Compensation Discussion and Analysis – Compensation Elements – Annual Bonus Awards."

Under the Deferred Bonus Plan, each eligible employee may elect to defer payment of all or a portion of his or her annual bonus award in the same form that the bonus is otherwise payable, either in cash or shares of our common stock. See "– Nonqualified Deferred Compensation Plans – Deferred Bonus Plan." None of the Named Executive Officers deferred payment of any portion of his or her annual bonus award in 2008, 2009 or 2010.

Equity Compensation and Qualified Savings Plans

1997 Stock Plan. On May 13, 1997, our shareholders approved our adoption of the 1997 ITT Educational Services, Inc. Incentive Stock Plan (the "1997 Stock Plan"), which became effective on the same date and provides for the grant of:

- stock options that are intended to qualify as "incentive stock options" under Section 422 of the IRC;
- nonqualified stock options;
- SARs;
- performance shares and restricted stock; or
- any combination of the foregoing, as the Compensation Committee may determine, as well as substitute stock options, SARs and restricted stock. The 1997 Stock Plan expired on May 13, 2007.

The only awards that have been granted under the 1997 Stock Plan are nonqualified stock options and restricted stock. As a result of our shareholders' approval of our adoption of the 2006 Equity Compensation Plan at the 2006 Annual Meeting of Shareholders on May 9, 2006, no awards have been, or will be, made under the 1997 Stock Plan after May 9, 2006. As of December 31, 2010, the total number of shares of our common stock that were subject to unexercised nonqualified stock option awards granted under the 1997 Stock Plan was 650,677. There were no other outstanding awards under the 1997 Stock Plan as of December 31, 2010.

Recipients of awards under the 1997 Stock Plan must be, or have been at the time of grant, key employees (including any officer or Director who is also an employee) whose responsibilities and decisions directly affect our performance or the performance of any of our subsidiaries or other affiliates.

The Compensation Committee administers the 1997 Stock Plan and made determinations with respect to the designation of those employees who would receive awards, the number of shares to be covered by options and restricted stock awards, the exercise price of options and other option terms and conditions. The Compensation Committee may impose such additional terms and conditions on an award as it deems advisable. Shares of our common stock issued under the 1997 Stock Plan may be made available from the authorized but unissued shares of our common stock, from treasury stock or from shares purchased on the open market.

Nonqualified stock options under the 1997 Stock Plan must expire within ten years after grant. The exercise price for nonqualified stock options must be at least equal to the fair market value of our common stock on the date of grant. A nonqualified stock option may be exercised only by the employee who received the option (or his or her estate or designated beneficiary) within:

- five years after the date of his or her termination of employment resulting from the employee's death, total disability or retirement, but in no event later than the expiration of the original term of the option; or
- three months after the date of his or her termination of employment resulting from any other reason, except for the employee's voluntary resignation or termination for cause, but in no event later than the expiration of the original term of the option.

If an optionee voluntarily resigns or is terminated for cause, the nonqualified stock options are canceled immediately.

The 1997 Stock Plan provides for the automatic protection of intended economic benefits by key employees upon the occurrence of an acceleration event. See Exhibit No. 10.8 to our Quarterly Report on Form 10-Q for the second fiscal

quarter ended June 30, 1997, Exhibit No. 10.38 to our Quarterly Report on Form 10-Q for the second fiscal quarter ended June 30, 2003 and Exhibit No. 10.58 to our Quarterly Report on Form 10-Q for the third fiscal quarter ended September 30, 2006 filed with the SEC for a complete copy of the 1997 Stock Plan, as amended. Notwithstanding any other provisions of the 1997 Stock Plan, upon the occurrence of an acceleration event:

- all options will generally become exercisable immediately for a period of 60 calendar days;
- options will continue to be exercisable for a period of seven months in the case of an employee whose employment is terminated other than for cause or who voluntarily terminates employment because of a good faith belief that such employee will not be able to discharge his or her duties;
- "limited stock appreciation rights" will be granted automatically on all outstanding options not otherwise covered by a SAR, which will generally be exercisable immediately in full, will entitle the holders to the same exercise period referred to in the bullets above and will be settled fully in cash based on a formula price generally reflecting the highest price paid for a share of our common stock during the 60-day period preceding the exercise date; and
- restrictions applicable to awards of restricted stock will be waived automatically.

Options or restricted shares which are granted, accelerated or enhanced upon the occurrence of a takeover may give rise, in whole or in part, to "excess parachute payments" within the meaning of Section 280G of the IRC and, to such extent, will be nondeductible by us and subject to a 20% excise tax to the awardee.

An "acceleration event" is generally defined in the 1997 Stock Plan as any of the following events:

- a report on Schedule 13D is filed with the SEC pursuant to Section 13(d) of the Exchange Act disclosing that any person (within the meaning of Section 13(d) of the Exchange Act), other than us, ITT Corporation (a Nevada corporation ("ITT Nevada") that was formerly affiliated with ITT Corporation, an Indiana corporation), one of our subsidiaries or any employee benefit plan sponsored by us, ITT Nevada or one of our subsidiaries, is the beneficial owner directly or indirectly of 20% or more of the outstanding shares of our common stock;
- any person (within the meaning of Section 13(d) of the Exchange Act), other than us, ITT Nevada, one of our subsidiaries or any employee benefit plan sponsored by us, ITT Nevada or one of our subsidiaries, purchases shares pursuant to a tender offer or exchange offer to acquire any shares of our common stock (or securities convertible into our common stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act) directly or indirectly of 15% or more of the outstanding shares of our common stock (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire our common stock);
- our shareholders approve:
- any consolidation or merger of us in which we are not the continuing or surviving corporation or pursuant to which shares of our common stock would be converted into cash, securities or other property, other than a merger of us in which holders of our common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before; or
- any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of our assets; or
- a change in a majority of the members of our Board of Directors within a 12-month period, unless the election or nomination for election by our shareholders of each new Director during such 12-month period was approved by the vote of two-thirds of the Directors then still in office who were Directors at the beginning of such 12-month period.

2006 Equity Compensation Plan. On May 9, 2006, our shareholders approved our adoption of the 2006 Equity Compensation Plan, which became effective on the same date and provides that awards may be granted to our and our subsidiaries' employees and Directors. The approximate number of persons eligible to participate in the 2006 Equity Compensation Plan is 750. The 2006 Equity Compensation Plan permits the grant of the following types of awards:

- stock options (incentive and nonqualified);

- SARs;
- restricted stock;
- RSUs;
- performance shares;
- performance units; and
- other stock-based awards.

No award may be granted under the 2006 Equity Compensation Plan after May 9, 2016.

Administration. The 2006 Equity Compensation Plan is administered by a committee consisting of two or more members of our Board of Directors (the "Plan Committee"). It is intended that each member of the Plan Committee will be a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act, an "outside director" under regulations promulgated under Section 162(m) of the IRC, and an "independent director" under the NYSE listing standards. Our Board of Directors has currently designated the Compensation Committee as the Plan Committee for the 2006 Equity Compensation Plan; however, the entire Board will act as the Plan Committee with respect to awards to non-employee Directors. Subject to applicable law, the Plan Committee may delegate its authority under the 2006 Equity Compensation Plan.

Shares Subject to the 2006 Equity Compensation Plan. The total number of shares of our common stock available for awards under the 2006 Equity Compensation Plan is 4,000,000, subject to antidilution adjustments. Each share underlying stock options and SARs granted under the 2006 Equity Compensation Plan, and not forfeited or terminated, will reduce the number of shares available for future awards under the 2006 Equity Compensation Plan by one share. The delivery of a share in connection with a "full-value award" (i.e., an award of restricted stock, RSUs, performance shares, performance units or any other stock-based award with value denominated in shares) will reduce the number of shares remaining for other awards by three shares.

The source of shares for issuance under the 2006 Equity Compensation Plan may be authorized and unissued shares or treasury shares.

If an award under the 2006 Equity Compensation Plan is forfeited or terminated for any reason before being exercised, fully vested or settled, as the case may be, then the shares underlying that award will be added back to the remaining shares and will be available for future awards under the 2006 Equity Compensation Plan. The number of shares available for future awards under the 2006 Equity Compensation Plan, however, will be reduced by: (a) any shares subject to an award that are withheld or otherwise not issued upon the exercise of the award to satisfy the participant's tax withholding obligations or to pay the exercise price of the award; and (b) shares subject to an award that is settled in cash in lieu of shares.

Pursuant to the 2006 Equity Compensation Plan, subject to antidilution adjustments:

- the maximum aggregate number of shares that may be delivered in connection with stock options intended to be incentive stock options under Section 422 of the IRC ("incentive stock options") may not exceed 4,000,000 shares;
- the maximum aggregate number of shares that may be granted to an individual participant during any calendar year pursuant to:
  - all forms of awards is 200,000 shares;
  - incentive stock options is 200,000 shares;
  - restricted stock and RSU awards is 100,000 shares; and
  - performance share awards is 100,000 shares; and
- the maximum aggregate compensation that may be paid pursuant to performance units awarded in any one calendar year to an individual participant is $1,000,000, or a number of shares having an aggregate fair market value not in excess of that amount.

Further, no incentive stock option will be granted to a participant if as a result of such grant the aggregate fair market value of shares with respect to which incentive stock options are exercisable for the first time in any calendar year would exceed $100,000.

No Repricing. The 2006 Equity Compensation Plan prohibits repricing of stock options or SARs, including by way of an exchange for another award with a lower exercise price, unless shareholder approval is obtained.

Stock Options. Stock options granted under the 2006 Equity Compensation Plan may be either nonqualified or incentive stock options. Each option grant will be evidenced by an award agreement between the optionee and us setting forth the terms and conditions of the option. The Plan Committee will set the exercise price of each option, provided that the exercise price may not be less than 100% of the fair market value of our common stock on the date the option is granted. The 2006 Equity Compensation Plan defines "fair market value" as the closing price of our common stock on the effective date of the option grant or, if that date is not a trading day, on the most recent trading day prior to the effective date of the option grant. In addition, in the case of an incentive stock option granted to a participant who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of our stock, the exercise price of the incentive stock option will not be less than 110% of the fair market value of our common stock on the effective date of the option grant.

The Plan Committee will determine the term of each stock option that it grants under the 2006 Equity Compensation Plan; however, the term may not exceed seven years from the date of grant. Moreover, in the case of an incentive stock option granted to a participant who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of our stock, the term of the option may not exceed five years from the date of grant.

If an optionee's employment or service terminates due to death or disability:

- all of the optionee's stock options with time-based vesting provisions will become immediately exercisable and will remain exercisable until the earlier of:
    - the date three years after the date of the optionee's death or disability, or
    - the date the options expire in accordance with their terms; and
- with respect to the optionee's options with performance-based vesting provisions:
    - the optionee will forfeit all such options that are not exercisable as of the date of death or disability; and
    - options that were exercisable as of the date of death or disability will remain exercisable until the earlier of (a) the date three years after such date, or (b) the date the options expire in accordance with their terms.

For stock options granted prior to November 24, 2010, termination of an optionee's employment or service due to retirement is treated in the same manner as termination of employment or service due to death or disability. In all cases, incentive stock options will not be exercisable for more than three months following an optionee's death or retirement or more than one year following the termination of an optionee's employment by reason of disability.

Upon termination by us of an optionee's employment or service without cause, or upon termination of employment or service by the optionee for a reason other than death or disability (or retirement for stock options granted prior to November 24, 2010):

- an optionee will forfeit all of his or her options that had not yet become exercisable; and
- options that were exercisable as of the date of the optionee's termination will remain exercisable until the earlier of (a) the date 90 days after the date of termination, or (b) the date the options expire in accordance with their terms.

Upon termination of employment or service for cause, an optionee will immediately forfeit all of his or her outstanding options.

SARs. SAR grants may be either freestanding or tandem with option grants. Each SAR grant will be evidenced by an agreement that will specify the number of shares to which the SAR pertains, the grant price, the term of the SAR and such other provisions as the Plan Committee shall determine. The grant price of a freestanding SAR will not be less than 100% of the fair market value of our common stock on the effective date of the SAR grant, and the grant price of a tandem SAR will equal the exercise price of the related option. The Plan Committee will determine the term of each SAR that it grants under the 2006 Equity Compensation Plan; however, the term may not exceed seven years from the date of grant.

Upon exercise of a SAR, the holder will receive payment from us in an amount equal to the product of (a) the excess of the fair market value of our common stock on the date of exercise over the grant price and (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Plan Committee, payment to the holder of a SAR may be in cash, shares of our common stock or a combination thereof.

If the employment or service of a holder of a SAR is terminated, the SAR will be treated in the same manner as options are treated.

Restricted Stock and Restricted Stock Units. Each restricted stock or RSU grant will be evidenced by an agreement that specifies the applicable period of restriction, the number of restricted shares or RSUs granted, the vesting or settlement date, and such other provisions as the Plan Committee determines.

The period of restriction applicable to an award of restricted stock or RSUs is at least one year for awards with a time-based period of restriction granted after November 24, 2010 and all awards with a performance-based period of restriction, and was at least three years for awards with a time-based period of restriction granted prior to November 24, 2010.

Participants holding restricted stock may exercise full voting rights and will receive all regular cash dividends paid with respect to those shares. Except as otherwise determined by the Plan Committee, all other distributions paid with respect to the restricted stock will be credited to the participant subject to the same restrictions on transferability and forfeitability as the underlying restricted stock.

When the applicable period of restriction on the restricted stock ends, the stock will become freely transferable, and the participant will be entitled to receive a certificate evidencing those shares. When the applicable period of restriction ends, RSUs will be settled and paid. At the time of the grant, the Plan Committee shall determine whether the RSUs will be settled by delivery of shares, payment in cash of an amount equal to the fair market value of the shares on the settlement date or the average of the fair market value of the shares over a specified number of days prior to the settlement date, or a combination of shares and cash.

With respect to restricted stock with a time-based period of restriction:

- upon a participant's death or disability, the period of restriction will lapse immediately; and
- upon termination of a participant's employment or service with us for any reason other than death or disability, the participant will forfeit all unvested restricted stock immediately after the termination of employment or service.

With respect to restricted stock with a performance-based period of restriction, upon termination of a participant's employment or service with us for any reason, the participant will forfeit all unvested restricted stock immediately after the termination of employment or service.

With respect to RSUs with a time-based period of restriction:

- upon a participant's death or disability, the period of restriction will lapse immediately, and the RSUs will be settled immediately thereafter; and

- upon termination of a participant's employment or service with us for any reason other than death or disability, the participant will forfeit all of his or her unvested RSUs immediately after the termination of employment or service.

For RSUs with a time-based period of restriction awarded prior to November 24, 2010, upon a participant's retirement, the participant will retain his or her unvested RSUs and the period of restriction will lapse in accordance with its original terms.

With respect to RSUs with a performance-based period of restriction, upon termination of a participant's employment or service with us for any reason, the participant will forfeit all of his or her unvested RSUs immediately after the termination of employment or service.

Performance Shares and Performance Units. Each grant of performance shares and performance units will be evidenced by an agreement that specifies the number of shares or units granted, the applicable performance measures and performance periods, and such other provisions as the Plan Committee determines. Except as otherwise provided in the applicable award agreement, upon termination of employment or service or upon a change in control or subsidiary disposition, the performance period for performance shares and performance units must be at least one year.

A participant will not have voting rights or other rights as a shareholder with respect to the shares subject to an award of performance shares or performance units until the time, if at all, when shares are issued to the participant pursuant to the terms of the applicable award agreement.

As soon as practicable following the completion of the performance period applicable to outstanding performance shares or performance units, the Plan Committee will certify in writing the extent to which the applicable performance measures have been attained and the resulting final value of the award earned by the participant and to be paid upon its settlement. The Plan Committee, in its sole discretion as specified in the award agreement, may pay earned performance shares or performance units by delivery of shares or by payment in cash or a combination thereof.

If a participant terminates employment or service with us for any reason prior to the end of the performance period respecting an award of performance shares or performance units, the participant will forfeit any and all right to payment under the performance shares or performance units.

Other Stock-Based Awards. The Plan Committee has the right to grant other stock-based awards that may include, without limitation, grants of shares based on attainment of performance measures, payment of shares as a bonus or in lieu of cash based on attainment of performance measures, and the payment of shares in lieu of cash under other of our incentive or bonus programs.

Except as otherwise provided in the applicable award agreement, upon a termination of employment or service or upon a change in control or subsidiary disposition, other stock-based awards will have a minimum period of restriction of one year, which period may, in the Plan Committee's discretion, lapse on a pro-rated, graded, or cliff (i.e., all at once) basis. An award of payment in shares in lieu of cash under other of our incentive or bonus programs, or awards to non-employee Directors as part of their retainer or other Board fees, will not be subject to the minimum period of restriction limitation described above.

The Plan Committee may determine to pay a non-employee Director's regular annual retainer, retainer for Board committee memberships, retainer for chairperson duties, fees for attendance at Board or Board committee meetings, or any other retainers or fees in the form of another stock-based award under the 2006 Equity Compensation Plan. The Plan Committee may also determine to permit the non-employee Directors to elect whether to receive all or a portion of such retainers and fees in the form of other stock-based award. Any such other stock-based awards would not be subject to any restrictions (other than restrictions applicable to our "affiliates").

Performance-Based Awards. The Plan Committee may grant awards that are intended to qualify as "performance-based compensation" for purposes of deductibility under Section 162(m) of the IRC. For any such award, the Plan Committee will establish the goals to be used within 90 days after the commencement of the performance period, or, if the number of days in the performance period is less than 90, the number of days equal to 25% of the performance period applicable to such award. The 2006 Equity Compensation Plan sets forth certain performance measures from which the Plan Committee may select for these awards. The Plan Committee may establish performance measures, in its discretion, on a corporate-wide basis or with respect to one or more business units, divisions, subsidiaries, business segments, functions, salary grade levels, or positions, and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. In addition, unless otherwise determined by the Plan Committee, measurement of performance measures will exclude the impact of charges for restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring items, as well as the cumulative effects of tax or accounting changes, each as determined in accordance with generally accepted accounting principles or identified in our financial statements, notes to the financial statements, management's discussion and analysis, or other filings with the SEC. As a result of the Incentive Compensation Regulations, the Plan Committee will not grant performance-based awards on or after July 1, 2011.

Change in Control, Cash-Out and Subsidiary Disposition. Except as otherwise provided in the applicable award agreement, if we experience a change in control:

- any and all outstanding stock options and SARs granted under the 2006 Equity Compensation Plan with time-based vesting provisions will become immediately exercisable;
- any restrictions imposed on restricted stock, RSUs and other stock-based awards granted under the 2006 Equity Compensation Plan with time-based vesting provisions will lapse; and
- any and all performance shares, performance units and other awards (if performance-based) granted under the 2006 Equity Compensation Plan will vest on a pro rata monthly basis, including full credit for partial months elapsed, and will be paid (a) based on the level of performance achieved as of the date of the change in control, if determinable, or (b) at the target level, if not determinable.

In addition, the Plan Committee may, in its sole discretion, determine that: (a) all outstanding stock options and SARs will be terminated upon the occurrence of a change in control and that each participant will receive, with respect to each share subject to the options or SARs, an amount in cash equal to the excess of the consideration payable with respect to one share in connection with the change in control over the option's exercise price or the SAR's grant price; and (b) options and SARs outstanding as of the date of the change in control may be cancelled and terminated without payment, if the consideration payable in connection with the change in control is less than the option's exercise price or the SAR's grant price.

Further, the Plan Committee has the authority to provide for the automatic full vesting and exercisability of one or more outstanding unvested awards under the 2006 Equity Compensation Plan and the termination of restrictions on transfer and repurchase or forfeiture rights on the awards, in connection with a disposition of a subsidiary of ours, but only with respect to those participants who are at the time engaged primarily in service with the subsidiary involved in the subsidiary disposition.

A change in control means the occurrence of one or more of the following:

- the acquisition by any person (within the meaning of Section 13(d) of the Exchange Act), other than us, a subsidiary of ours or any employee benefit plan sponsored by us or a subsidiary of ours, of a beneficial ownership directly or indirectly of 20% or more of the outstanding shares of our common stock; the purchase by any person (within the meaning of Section 13(d) of the Exchange Act), other than us, a subsidiary of ours or any employee benefit plan sponsored by us or a subsidiary of ours, of shares pursuant to a tender offer or exchange offer to acquire our common stock (or securities convertible into common stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such

term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 15% or more of the outstanding shares of our common stock (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire common stock);

- our shareholders approve (a) any consolidation or merger of us in which we are not the continuing or surviving corporation or pursuant to which shares of our common stock would be converted into cash, securities or other property, other than a merger of us in which holders of our common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of our assets;
- a change in a majority of the members of our Board of Directors within a 12-month period, unless the election or nomination for election by our shareholders of each new Director during such 12-month period was approved by the vote of two-thirds of the Directors then still in office who were Directors at the beginning of such 12-month period; or
- the liquidation or dissolution of us.

Notwithstanding any other provision of the 2006 Equity Compensation Plan, with respect to any provision or feature of the plan that constitutes or provides for a deferred compensation plan subject to IRC Section 409A, no event or transaction will constitute a change in control unless it is a change in control within the meaning of IRC Section 409A.

Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Plan Committee may make adjustments in the terms and conditions of, and the criteria included in, awards under the 2006 Equity Compensation Plan in recognition of unusual or nonrecurring events (including, without limitation, changes in capitalization) affecting us or our financial statements or of changes in applicable law, regulations, or accounting principles, whenever the Plan Committee determines that such adjustments are appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2006 Equity Compensation Plan. With respect to any awards intended to comply with the performance-based exception under the 2006 Equity Compensation Plan, unless otherwise determined by the Plan Committee, any such exception will be specified at such times and in such manner as will not cause such awards to fail to qualify under the performance-based exception.

IRC Section 409A Compliance. The 2006 Equity Compensation Plan has been designed so that certain types of awards (such as options, SARs and restricted stock) generally will not be “deferred compensation” for IRC Section 409A purposes and will thereby be exempt from Section 409A’s requirements. Certain other types of awards, however, may be deferred compensation under Section 409A, and in those cases, the 2006 Equity Compensation Plan is intended to comply with the Section 409A standards. For example, with respect to any award that constitutes deferred compensation within the meaning of Section 409A, any amount payable on account of separation from service to a “specified employee,” as defined in Section 409A, will not be paid earlier than the date that is six months following the specified employee’s separation from service.

See Exhibit No. 10.55 to our Current Report on Form 8-K, dated May 9, 2006, Exhibit 10.57 to our Quarterly Report on Form 10-Q for the third fiscal quarter ended September 30, 2006, Exhibit 10.61 to our Quarterly Report on Form 10-Q for the second fiscal quarter ended June 30, 2007 and Exhibit 10.32 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC for a complete copy of the 2006 Equity Compensation Plan and its amendments.

2010 Awards. During 2010, the following equity-based compensation awards were granted under the 2006 Equity Compensation Plan:

- nonqualified stock options to our key employees to purchase an aggregate of 305,000 shares of our common stock;
- RSUs to our key employees representing an aggregate of 40,300 shares of our common stock; and
- RSUs to our non-employee Directors representing an aggregate of 7,376 shares of our common stock.

Equity Compensation Plan Information. The following table sets forth information, as of December 31, 2010, about shares of our common stock that may be issued under our equity compensation plans that (a) have been approved by our shareholders and (b) have not been approved by our shareholders.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders (1)	1,742,094	$80.62 (2)	2,504,752 (3)(4)(5)
Equity compensation plans not approved by security holders (6)	141,036	39.34 (2)	N/A (7)
Total	1,883,130	$77.95 (2)	2,504,752

(1) These equity compensation plans include the 1997 Stock Plan and the 2006 Equity Compensation Plan. The material terms of each of these plans are described above in this Proxy Statement. See "– 1997 Stock Plan" and "– 2006 Equity Compensation Plan."

(2) The weighted average exercise price is calculated based on those awards included in column (a) that have a specified exercise price, namely, outstanding stock options. Since the outstanding RSUs and the shares credited under the ESI Non-Employee Directors Deferred Compensation Plan (the "Directors Deferred Compensation Plan") that are included in column (a) have no exercise price, they have been excluded from the weighted average exercise price calculations in this column (b).

(3) This number does not include any shares under the 1997 Stock Plan, because all shares to be issued upon exercise of outstanding stock option awards under the 1997 Stock Plan are included in column (a), and no new awards will be made under the 1997 Stock Plan.

The total number of shares of our common stock available for awards under the 2006 Equity Compensation Plan is 4,000,000, subject to antidilution adjustments. Each share underlying stock options and SARs granted under the 2006 Equity Compensation Plan, and not forfeited or terminated, will reduce the number of shares available for future awards under the 2006 Equity Compensation Plan by one share. The delivery of a share in connection with a "full-value award" (i.e., an award of restricted stock, RSUs, performance shares, performance units or any other stock-based award with value denominated in shares) will reduce the number of shares remaining for other awards by three shares.

(4) The aggregate fair market value (determined on the date of grant) of the shares subject to incentive stock options awarded to employees under the 1997 Stock Plan or the 2006 Equity Compensation Plan that become exercisable for the first time by the employee in any calendar year may not exceed $100,000.

(5) Securities remaining available for future issuance under the 2006 Equity Compensation Plan include stock options (incentive and nonqualified), SARs, restricted stock, RSUs, performance shares, performance units and other stock-based awards, or any combination of the foregoing, as the Compensation Committee and Board of Directors may determine. The maximum number of performance shares under the 2006 Equity Compensation Plan that may be granted to any eligible participant in any given calendar year is 100,000 shares.

(6) These equity compensation plans include the:

- 1999 Outside Directors Stock Option Plan (the "1999 Directors Stock Plan");

- Directors Deferred Compensation Plan; and
- Deferred Bonus Plan.

The material terms of each of these plans are described elsewhere in this Proxy Statement. See "– Director Compensation –1999 Directors Stock Plan" and "– Directors Deferred Compensation Plan," and "– Nonqualified Deferred Compensation Plans – Deferred Bonus Plan."

(7) This number does not include any shares under the 1999 Directors Stock Plan, because all shares to be issued upon exercise of outstanding stock option awards under the 1999 Directors Stock Plan are included in column (a), and no new awards will be made under the 1999 Directors Stock Plan. There is no limit on the number of shares of our common stock available for future issuance under either the Directors Deferred Compensation Plan or the Deferred Bonus Plan.

ESI 401(k) Plan. On May 16, 1998, we established the ESI 401(k) Plan, a qualified defined contribution plan. The ESI 401(k) Plan is designed to provide substantially all of our employees with a tax-deferred, long-term savings vehicle. For each payroll period, we make matching cash contributions in an amount equal to (a) 100% of the first 1% of the employee's salary that the employee contributes to the plan and (b) 50% of the next 4% of the employee's salary that the employee contributes to the plan. Our matching contributions vest 100% upon completion of the third full year that the employee is employed by us. Employees can elect to contribute from 1% to the maximum amount of their salaries that is permitted by federal law, and they have a choice of 23 investment funds in which to invest their contributions.

After age 59½, employees may withdraw most of their and our vested contributions, including rollover, matching, employee pre-tax and predecessor plan contributions, and the earnings thereon. Regardless of the employee's age, our retirement contributions made before January 1, 2002 and the earnings thereon may not be withdrawn while the employee is still employed by us. Prior to age 59½, withdrawals by an employee are limited to rollover and predecessor plan contributions, unless the employee qualifies for a financial hardship withdrawal or a withdrawal in connection with a leave to perform qualifying military service. Upon termination of employment, the employee may withdraw all amounts attributable to the employee's contributions and our vested contributions. Payments are normally made in a single lump sum, but if the employee's balance is above a threshold amount, the employee may elect to receive payment in annual or monthly installments over a period not to exceed 20 years.

The Incentive Compensation Regulations preclude profit-sharing payments, but it is not clear whether any of the benefits that we provide under the ESI 401(k) Plan to our employees would be precluded under the Incentive Compensation Regulations on and after July 1, 2011.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information concerning the outstanding equity awards granted by us to the Named Executive Officers that were outstanding on December 31, 2010.

Outstanding Equity Awards at Fiscal Year-End 2010

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options					
Named Executive Officer	Exercisable(1)	Unexercisable(2)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that have Not Vested(3)	Market Value of Shares or Units of Stock that have Not Vested(4)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Kevin M. Modany						
06/24/02 Award (5)	30,000	0	$23.410	06/26/12		
01/22/03 Award (6)	20,000	0	$23.700	01/24/13		
01/19/04 Award (7)	27,000	0	$51.200	01/21/14		
02/02/05 Award (8)	22,400	0	$49.740	02/02/12		
05/04/05 Award (9)	12,000	0	$45.700	05/04/12		
11/02/05 Award (10)	40,140	0	$55.600	11/02/12		
01/31/07 Award (11)	41,289	0	$77.600	01/31/14		
04/02/07 Award - Option (12)	69,282	0	$82.200	04/02/14		
04/02/07 Award - RSUs (13)					18,249	$1,162,279
01/30/08 Award (14)	49,431	24,716	$88.380	01/30/15		
01/28/09 Award (15)	33,333	66,667	$121.560	01/28/16		
01/27/10 Award (16)	0	125,000	$113.410	01/27/17		
Daniel M. Fitzpatrick						
06/06/05 Award (17)	18,245	0	$47.220	06/06/12		
11/02/05 Award (10)	19,790	0	$55.600	11/02/12		
01/31/07 Award (11)	21,750	0	$77.600	01/31/14		
01/30/08 Award (14)	10,338	5,170	$88.380	01/30/15		
01/28/09 Award (15)	6,666	13,334	$121.560	01/28/16		
01/27/10 Award (16)	0	22,000	$113.410	01/27/17		
Clark D. Elwood						
01/31/07 Award (11)	14,320	0	$77.600	01/31/14		
01/30/08 Award (14)	10,338	5,170	$88.380	01/30/15		
01/28/09 Award (15)	6,666	13,334	$121.560	01/28/16		

01/27/10 Award (16)	0	22,000	$113.410	01/27/17
Eugene W. Feichtner				
01/22/02 Award (18)	10,000	0	$17.250	01/24/12
01/22/03 Award (6)	15,000	0	$23.700	01/24/13
01/19/04 Award (7)	18,000	0	$51.200	01/21/14
02/02/05 Award (8)	14,800	0	$49.740	02/02/12
11/02/05 Award (10)	15,840	0	$55.600	11/02/12
01/31/07 Award (11)	19,000	0	$77.600	01/31/14
01/30/08 Award (14)	10,338	5,170	$88.380	01/30/15
01/28/09 Award (15)	5,833	11,667	$121.560	01/28/16
01/27/10 Award (16)	0	20,000	$113.410	01/27/17
June M. McCormack				
05/19/08 Award (19)	10,000	5,000	$70.030	05/19/15
01/28/09 Award (15)	5,833	11,667	$121.560	01/28/16
01/27/10 Award (16)	0	20,000	$113.410	01/27/17

(1) Amounts shown represent on an award-by-award basis, the number of securities underlying unexercised options that are exercisable.

(2) Amounts shown represent on an award-by-award basis, the number of securities underlying unexercised options that are unexercisable. These options will become exercisable on their scheduled vesting dates as noted in the footnotes below, except that the options will become immediately exercisable upon the occurrence of an acceleration event or change in control, or upon termination of employment due to death, disability or, in the case of options granted prior to November 24, 2010, retirement.

(3) Amounts shown represent the total number of shares of our common stock that have not vested.

(4) Amounts shown represent the aggregate market value of shares of our common stock that have not vested. The aggregate market value is calculated by multiplying the number of shares or units by the closing market price of a share of our common stock on December 31, 2010.

(5) This stock option award vested in three equal installments on June 24, 2003, 2004 and 2005.

(6) This stock option award vested in three equal installments on January 22, 2004, 2005 and 2006.

(7) This stock option award vested in two installments: one-third on January 19, 2005; and two-thirds on October 24, 2005.

(8) This stock option award vested in one installment on October 24, 2005.

(9) This stock option award vested in three equal installments on May 4, 2006, 2007 and 2008.

(10) This stock option award vested immediately on November 2, 2005.

(11) This stock option award vested in three equal installments on January 31, 2008, 2009 and 2010.

(12) This stock option award vested in three equal installments on April 2, 2008, 2009 and 2010.

(13) This RSU award vests in full on April 2, 2012.
(14) This stock option award vested in three equal installments on January 30, 2009, 2010 and 2011.
(15) This stock option award vests in three equal installments on January 28, 2010, 2011 and 2012.
(16) This stock option award vests in three equal installments on January 27, 2011, 2012 and 2013.
(17) This stock option award vested in three equal installments on June 6, 2006, 2007 and 2008.
(18) This stock option award vested in three equal installments on January 22, 2003, 2004 and 2005.
(19) This stock option award vests in three equal installments on May 19, 2009, 2010 and 2011.

Option Exercises and Stock Vested Table

The following table sets forth, on an aggregated basis, information concerning each exercise of stock options to purchase our common stock by the Named Executive Officers during 2010. No shares of our common stock under any stock awards granted to the Named Executive Officers vested during 2010.

Option Exercises and Stock Vested in Fiscal Year 2010

	Option Awards	
Named Executive Officer	Number of Shares Acquired on Exercise (1)	Value Realized on Exercise (2)
Kevin M. Modany	0	$ 0
Daniel M. Fitzpatrick	0	$ 0
Clark D. Elwood	0	$ 0
Eugene W. Feichtner	12,000	$816,940
June M. McCormack	0	$ 0

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(1) Amounts shown represent the number of shares of our common stock for which options were exercised during the fiscal year.
(2) Amounts shown represent the aggregate dollar amount realized by the Named Executive Officer upon exercise of options. The dollar amount realized upon exercise of an option is determined by subtracting the exercise price of the option from the market price of a share of our common stock at exercise, and then multiplying that amount by the total number of shares acquired on exercise at that exercise price. The dollar amounts realized upon exercise of all options in 2010 by the Named Executive Officer are then added together to obtain the aggregate dollar amount shown in this column.

Pension Benefits Table

The following table sets forth information concerning the Named Executive Officers' pension benefits under each pension plan in which we participated.

Pension Benefits

Named Executive	Plan Name (1)	Number of Years	Present Value	Payments During

Officer		of Credited Service (2).	of Accumulated Benefit (3)	Last Fiscal Year (4)
Kevin M. Modany				
	Old Pension Plan	0(5)	$ 0	$ 0
	ESI Pension Plan	9(6)	$ 28,996	$ 0
	ESI Excess Pension Plan	9(6)	$ 37,386	$ 0
Daniel M. Fitzpatrick				
	Old Pension Plan	0(5)	$ 0	$ 0
	ESI Pension Plan	0(5)	$ 0	$ 0
	ESI Excess Pension Plan	0(5)	$ 0	$ 0
Clark D. Elwood				
	Old Pension Plan	13.5 (7)	$110,445	$ 0
	ESI Pension Plan	27 (6)	$168,988	$ 0
	ESI Excess Pension Plan	27 (6)	$133,693	$ 0
Eugene W. Feichtner				
	Old Pension Plan	18.6 (7)	$198,622	$ 0
	ESI Pension Plan	32 (6)	$245,632	$ 0
	ESI Excess Pension	32 (6)	$ 66,740	$ 0

	Plan				
June M. McCormack					
	Old Pension Plan	0 (5)	$ 0	$	0
	ESI Pension Plan	0 (5)	$ 0	$	0
	ESI Excess Pension Plan	0 (5)	$ 0	$	0

(1) Includes each plan that provides for specific retirement payments and benefits, or payments and benefits that will be provided primarily following retirement, including, without limitation, tax-qualified defined benefit plans and supplemental executive retirement plans, but excluding tax-qualified defined contribution plans and nonqualified defined contribution plans.

(2) Computed as of the same pension plan measurement date used for financial statement reporting purposes with respect to our audited financial statements for the last completed fiscal year.

(3) Amounts shown represent the actuarial present value of the Named Executive Officer's accumulated benefit under the plan, computed as of the same pension plan measurement date used for financial statement reporting purposes with respect to our audited financial statements for the last completed fiscal year. The estimated amounts assume that the Named Executive Officer's retirement age is the normal retirement age as defined in the plan or, if not so defined, the earliest time at which a participant may retire under the plan without any benefit reduction due to age. The estimated amounts are based on the Named Executive Officer's most current compensation subject to the plan and, as such, future levels of the Named Executive Officer's compensation are not estimated for purposes of the calculation. The estimated amounts used to quantify the present value of the accumulated benefit under the Old Pension Plan assume a normal retirement age of 65 using the RP-2000 mortality table and a 5.00% discount rate as of December 31, 2010 for each of the Named Executive Officers who participates in the plan. No mortality is assumed prior to age 65 for any of the Named Executive Officers in the estimated amounts shown for the Old Pension Plan. See Note 11 of the Notes to Consolidated Financial Statements set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC for a discussion of the valuation method and all material assumptions applied in quantifying the present value of the accumulated benefit under the ESI Pension Plan and ESI Excess Pension Plan.

(4) Amounts shown represent the dollar amount of any payments and benefits paid to the Named Executive Officer under each plan identified during 2010.

(5) The Named Executive Officer's employment with us, or his or her eligibility to participate in the plan, began after participation in the plan by new eligible employees had ended.

(6) The Named Executive Officer's number of years of credited service with respect to the ESI Pension Plan and the ESI Excess Pension Plan is different from the Named Executive Officer's number of actual years of service with us, because:

- any benefit service with ITT Corporation or any of its affiliated companies that was credited to the participating employee under the Old Pension Plan or the Retirement Plan for Salaried Employees of ITT Nevada (the "Nevada Pension Plan"), is treated as benefit service with us under the ESI Pension Plan and the ESI Excess Pension Plan;
- the ESI Pension Plan covers only most of our eligible salaried employees who were employed by us prior to June 2, 2003; and
- the ESI Excess Pension Plan covers only a select group of our management and highly-compensated employees who were employed by us prior to June 2, 2003.

The number of years of credited service attributed to each Named Executive Officer reflects the Named Executive Officer's actual service with us or an affiliated company under the ESI Pension Plan and the ESI Excess Pension Plan

through the date that the plans were frozen. The number of years of actual service with us or an affiliated company by each Named Executive Officer who participates in the ESI Pension Plan or the ESI Excess Pension Plan and the difference between that Named Executive Officer's actual service and credited service under the ESI Pension Plan and the ESI Excess Pension Plan are as follows:

Named Executive Officer	Actual Years of Service With Us or an Affiliated Company (a)	Credit Years of Service Under the Plan (b)	Difference (b-a)
Kevin M. Modany	8.5	9	0.5
Clark D. Elwood	26.5	27	0.5
Eugene W. Feichtner	31.6	32	0.4

The number of actual years of service with us or an affiliated company under the ESI Pension Plan and the ESI Excess Pension Plan, rounded to the nearest whole year in accordance with each plan's terms, is the same as the number of credited years of service under the ESI Pension Plan and the ESI Excess Pension Plan and, therefore, no benefit augmentation resulted under the ESI Pension Plan or the ESI Excess Pension Plan to any of the Named Executive Officers as a result of the difference in the number of years of actual service from the number of years of credited service. The benefit accruals under the ESI Pension Plan and the ESI Excess Pension Plan for all participants in the plans were frozen on March 31, 2006, such that no further benefits accrue under those plans after March 31, 2006. See "– Pension Plans – ESI Pension Plan" and "– ESI Excess Pension Plan."

(7) The Named Executive Officer's number of years of credited service under the Old Pension Plan is different from the Named Executive Officer's number of actual years of service with us, because our participation in the Old Pension Plan ended on December 19, 1995. The number of years of credited service attributed to each Named Executive Officer reflects the Named Executive Officer's actual service with a participating company under the Old Pension Plan through the end of our participation in the Old Pension Plan. See "– Pension Plans – Old Pension Plan." The number of years of actual service with us or an affiliated company by each Named Executive Officer who participated in the Old Pension Plan and the difference between that Named Executive Officer's actual service and credited service under the Old Pension Plan are as follows:

Named Executive Officer	Actual Years of Service With Us or an Affiliated Company (a)	Credit Years of Service Under the Plan (b)	Difference (b-a)
Clark D. Elwood	26.5	13.5	(13)
Eugene W. Feichtner	31.6	18.6	(13)

The number of actual years of service with us or an affiliated company is greater than the number of credited years of service under the Old Pension Plan and, therefore, no benefit augmentation resulted under the Old Pension Plan to any of the Named Executive Officers as a result of the difference in the number of years of actual service from the number of years of credited service.

Pension Plans

Old Pension Plan. Prior to December 19, 1995, we participated in the Old Pension Plan, a non-contributory defined benefit pension plan that covered substantially all of our eligible salaried employees, including our executive officers. We paid the entire cost of the Old Pension Plan with respect to our employees. Normal retirement age under the Old Pension Plan is 65.

The annual pension amounts to 2% of a participant's average final compensation (as defined below) for each of the first 25 years of benefit service, plus 1.5% of a participant's average final compensation for each of the next 15 years of benefit service prior to December 19, 1995, reduced by 1.25% of the participant's primary Social Security benefit for each year of benefit service to a maximum of 40 years; provided that no more than 50% of the participant's primary Social Security benefit is used for such reduction. A participant's average final compensation (including salary plus approved bonus payments) is defined under the Old Pension Plan as the total of (a) a participant's average annual base salary for the five calendar years of the last 120 consecutive calendar months of eligibility service affording the highest such average, plus (b) a participant's average annual compensation not including base salary (such as approved bonus compensation and overtime) for the five calendar years of the participant's last 120 consecutive calendar months of eligibility service affording the highest such average. The dollar value of base salary and approved bonus (which may include non-equity incentive plan compensation under Item 402(a) of Regulation S-K under the Exchange Act), whether cash and/or non-cash, are the components of the compensation that are used for purposes of determining "average final compensation" under the Old Pension Plan, but annual compensation in excess of $160,000 and compensation accrued after December 18, 1995 are not taken into account. The Old Pension Plan also provides for: (a) undiscounted early retirement pensions for participants who retire at or after age 60 and prior to normal retirement age following completion of 15 years of eligibility service; and (b) discounted early retirement pensions for participants who retire between ages 55 and 59 and whose age and years of eligibility service equate to at least 80. A participant is vested in benefits accrued under the Old Pension Plan upon completion of five years of eligibility service. A participant may receive a distribution in the form of a qualified joint and survivor annuity or a life annuity. The amount of the resulting monthly benefit under a joint and survivor annuity is typically less than a life annuity based solely on the participant's life expectancy. No extra years of credited service under the Old Pension Plan have been granted to any of the Named Executive Officers. As of December 31, 2010, Mr. Feichtner was the only Named Executive Officer participant who qualified for early retirement under the Old Pension Plan based on age and years of service. ITT Corporation is responsible for all benefits accrued under the Old Pension Plan and for administering those benefits with respect to its own employees as well as our retirees.

ESI Pension Plan. On June 9, 1998, we established the ESI Pension Plan that, prior to June 2, 2003, covered most of our eligible salaried employees, including our executive officers. The purpose for establishing the ESI Pension Plan was to replace the Nevada Pension Plan. We participated in the Nevada Pension Plan, which covered substantially all of our eligible salaried employees, including our executive officers, from December 20, 1995 to June 9, 1998. The Nevada Pension Plan was terminated and liquidated in June 2000 and is no longer in existence. Effective June 2, 2003, the ESI Pension Plan was amended to cover only most of our eligible salaried employees, including our executive officers, who were employed by us prior to June 2, 2003. The benefit accruals under the ESI Pension Plan for all participants in the plan were frozen on March 31, 2006, such that no further benefits accrue under that plan after March 31, 2006, other than interest credits described below.

The ESI Pension Plan is a cash balance defined benefit plan, which provides a set benefit to participating employees at their retirement that is not affected by the amount of our contributions to the ESI Pension Plan trust or the investment gains or losses with respect to such contributions. The ESI Pension Plan credited a bookkeeping account associated with each participating employee with:

- an amount based on the employee's compensation, age and years of benefit service (the "Pay Credit") at the end of each plan year (i.e., January 1 through December 31, except for the first plan year of June 9, 1998 through December 31, 1998) through March 31, 2006 of the 2006 plan year;
- interest credits on the portion of the balance attributable to Pay Credits credited to the bookkeeping account for plan years prior to the 2002 plan year, calculated as of the end of each plan year at the fixed rate of 8% through December 31, 2010 and 5% beginning January 1, 2011, compounded annually; and
    - interest credits on the portion of the balance attributable to Pay Credits credited to the bookkeeping account for the 2002 and subsequent plan years, calculated as of the end of each plan year at a variable rate ranging from 6% to 12% through December 31, 2010 and 4% to 12% beginning January 1, 2011, compounded

annually.

The variable rate for a plan year is the average of the 30-year U.S. Treasury Bond (or a comparable instrument) rates on each of March 31, June 30 and September 30 of the immediately preceding plan year. At retirement, the participating employee will receive a benefit equal to the value of the bookkeeping account associated with such employee. We pay the entire cost of the ESI Pension Plan. The Pay Credit equals a percentage of the participating employee's compensation (consisting of base salary, overtime pay and bonuses (which may include non-equity incentive plan compensation under Item 402(a) of Regulation S-K under the Exchange Act) whether cash and/or non-cash) for the plan year and is determined under the following schedule according to points based on the participating employee's age and years of benefit service:

	Standard Schedule Allocation Percentage	
Points	Prior to 2002	Beginning in 2002
1-29	2.0	2.5
30-34	2.5	2.5
35-39	3.0	3.0
40-44	3.5	3.5
45-49	4.0	4.0
50-54	4.5	4.5
55-59	5.5	5.5
60-64	6.5	6.5
65-69	7.5	7.5
70-74	9.0	9.0
75-79	10.5	10.5
80+	12.0	12.0

Participating employees who met certain age and service requirements received Pay Credits under the following "Transition Schedule," which is more generous:

	Transition Schedule Allocation Percentage	
Points	Prior to 2002	Beginning in 2002
1-29	2.0	8.0
30-34	2.5	8.0
35-39	3.0	8.0
40-44	3.5	8.0
45-49	4.0	8.0
50-54	4.5	8.0
55-59	5.5	8.0
60-64	7.0	8.0
65-69	8.5	8.5
70-74	10.5	10.5
75-79	13.0	13.0
80+	16.0	16.0

Mr. Modany received Pay Credits under the "Standard Schedule," Messrs. Elwood and Feichtner received Pay Credits under the "Transition Schedule" and Mr. Fitzpatrick and Ms. McCormack were ineligible to participate in the ESI Pension Plan.

The participating employee's points for a plan year equal the sum of the employee's age and years of benefit service as of the last day of the plan year. Any benefit service and vesting service with ITT Corporation or any of its affiliated companies that were credited to the participating employee under the Old Pension Plan as of December 19, 1995 or under the Nevada Pension Plan from December 20, 1995 through June 9, 1998 are treated as benefit service and vesting service, respectively, with us under the ESI Pension Plan. A participating employee who has completed three or more years of vesting service (or his or her beneficiary) is eligible to receive a distribution from the ESI Pension Plan upon the participating employee's retirement on or after age 55, disability, death or after the employee has both terminated employment and reached age 55. The form and timing of the distribution may vary depending on the reason the participant's employment ends, the participant's marital status, the present value of the bookkeeping account associated with the employee and the employee's election. An employee may receive a distribution in the form of a lump sum, qualified joint and survivor annuity (for married participants) or life annuity (for unmarried participants). The amount of the resulting monthly benefit under a joint and survivor annuity is typically less than for a life annuity based solely on the participant's life expectancy. We do not have a policy with regard to crediting extra years of benefit service under our pension plans, but no extra years of benefit service under the ESI Pension Plan have been credited to any of the Named Executive Officers. As of December 31, 2010, Mr. Feichtner was the only Named Executive Officer participant who qualified for retirement under the ESI Pension Plan based on age and years of service. If Mr. Feichtner's employment with us terminated as of December 31, 2010, he would receive his accrued benefit under the ESI Pension Plan as of that date, which was $245,632. An eligible employee's benefits under the ESI Pension Plan will be paid from the trust maintained for the ESI Pension Plan that has been funded by us.

ESI Excess Pension Plan. On June 9, 1998, we established, and effective January 1, 2008, we restated, the ESI Excess Pension Plan, an unfunded, nonqualified retirement plan for a select group of our management and highly compensated employees. The benefit accruals under the ESI Excess Pension Plan for all participants in the plan were frozen on March 31, 2006, such that no further benefits accrue under that plan after March 31, 2006. The purpose of the ESI Excess Pension Plan was to restore benefits earned, but not available, to eligible employees under the ESI Pension Plan due to federal limitations on the amount of benefits that can be paid and compensation that may be recognized under a tax-qualified retirement plan. The practical effect of the ESI Excess Pension Plan was to continue the calculation of retirement benefits to all employees on a uniform basis. The eligible employee's compensation upon which the benefits under the ESI Excess Pension Plan are based is the same as for that eligible employee's benefits under the ESI Pension Plan (but without regard to the IRC limit on includible compensation for qualified plans).

An eligible employee will receive his or her benefit under the ESI Excess Pension Plan in a lump sum cash payment within 60 days following his or her termination of employment. If an eligible employee is a "specified employee" as defined in Section 409A of the IRC, however, then his or her benefit will be paid on the first day that is six months after the eligible employee's termination of employment. If an eligible employee dies before the benefit due to the employee under the ESI Excess Pension Plan has been paid, then the benefit will be paid to the employee's beneficiary within 60 days after the employee's death. We do not have a policy with regard to crediting extra years of benefit service under our pension plans, but no extra years of benefit service under the ESI Excess Pension Plan have been credited to any of the Named Executive Officers. As of December 31, 2010, Mr. Feichtner was the only Named Executive Officer participant who qualified for retirement under the ESI Excess Pension Plan based on age and years of service. If Mr. Feichtner's employment with us terminated as of December 31, 2010, he would receive his accrued benefit under the ESI Excess Pension Plan as of that date, which was $66,740. An eligible employee's benefits under the ESI Excess Pension Plan will generally be paid directly by us. See "– ESI Pension Plan."

Nonqualified Deferred Compensation Plan Table

The following table sets forth information concerning the compensation of the Named Executive Officers in our 2010 fiscal year under the ESI Excess Savings Plan. None of the Named Executive Officers has deferred any bonus compensation under the Deferred Bonus Plan.

Nonqualified Deferred Compensation in Fiscal Year 2010

Named Executive Officer	Executive Contributions in Last Fiscal Year (1)	ITT/ESI Contributions in Last Fiscal Year (1)	Aggregate Earnings in Last Fiscal Year(2).	Aggregate Balance at Last Fiscal Year-End (3)
Kevin M. Modany ESI Excess Savings Plan	$ 0	$ 0	$3,302	$43,091
Daniel M. Fitzpatrick ESI Excess Savings Plan	$ 0	$ 0	$ 0	$ 0
Clark D. Elwood ESI Excess Savings Plan	$ 0	$ 0	$1,556	$20,302
Eugene W. Feichtner ESI Excess Savings Plan	$ 0	$ 0	$ 234	$ 3,048
June M. McCormack ESI Excess Savings Plan	$ 0	$ 0	$ 0	$ 0

(1) Effective for plan years beginning on and after January 1, 2008, we froze the ESI Excess Savings Plan, such that eligible employees may no longer make elective contributions and we no longer make contributions under the ESI Excess Savings Plan.

(2) Amounts shown represent the dollar amount of the aggregate interest or other earnings accrued during 2010 to the Named Executive Officer's account under the ESI Excess Savings Plan. The only portion of these amounts that is reported as compensation to the Named Executive Officer in the Summary Compensation Table for the 2010 year is the above-market or preferential earnings in 2010 on the balance of the Named Executive Officer's account under the ESI Excess Savings Plan which are included in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table. See "– Summary Compensation Table."

(3) Amounts shown represent the dollar amount of the total balance of the Named Executive Officer's account at the end of 2010 under the ESI Excess Savings Plan. The only portion of these amounts that is reported as compensation to the Named Executive Officer in the Summary Compensation Table for each of the 2009 and 2008 years is the above-market or preferential portion of aggregate earnings under the ESI Excess Savings Plan in 2009 and 2008, which contribute to the aggregate balance of the Named Executive Officer's ESI Excess Savings Plan account at year-end 2010. Those earnings are included in the amount of the Named Executive Officer's compensation for the particular year and are reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table for that particular year. The amount of those above-market or preferential earnings for each of the Named Executive Officers is specified in the table

below.

Named Executive Officer	ESI Excess Savings Plan Above-Market Earnings in Fiscal Year 2009	2008
Kevin M. Modany	$1,494	$968
Daniel M. Fitzpatrick	$ 0	$ 0
Clark D. Elwood	$ 738	$497
Eugene W. Feichtner	$ 107	$ 70
June M. McCormack	$ 0	$ 0

Nonqualified Deferred Compensation Plans

ESI Excess Savings Plan. On June 9, 1998, we established, and effective January 1, 2008, we restated, the ESI Excess Savings Plan, an unfunded, nonqualified deferred compensation plan for a select group of our management and highly compensated employees. Effective for plan years beginning on and after January 1, 2008, we froze the ESI Excess Savings Plan, such that eligible employees may no longer make elective deferrals and we will no longer make contributions under the ESI Excess Savings Plan. The ESI Excess Savings Plan offered eligible employees, who were precluded by federal limitations from fully participating in the ESI 401(k) Plan, a means for:

- restoring their contributions lost under the ESI 401(k) Plan due to the federal limitations;
- restoring our matching and non-matching contributions lost under the ESI 401(k) Plan due to the federal limitations; and
- deferring a portion of their salaries equal to either 5% or the same deferral percentage that they elected under the ESI 401(k) Plan.

Any deferral of an eligible employee's salary under the ESI Excess Savings Plan applied only with respect to the salary that exceeded the federal limitations. See "– Equity Compensation and Qualified Savings Plans – ESI 401(k) Plan."

Prior to the freeze of the ESI Excess Savings Plan, we made matching contributions under the ESI Excess Savings Plan equal to 100% of the first 1% and 50% of the next 4% of the eligible employee's salary that the employee deferred under the ESI Excess Savings Plan. Any amounts credited to an eligible employee under the ESI Excess Savings Plan will accrue interest at the rate of 8% compounded monthly. This rate is determined by the Compensation Committee and may be changed at any time by that Committee. Our matching contributions vest 100% upon completion of the third full year that the employee is employed by us. The payment of the eligible employee's salary deferrals, our vested matching contributions and the attributable interest accrued thereon will be made in a single lump sum cash payment within 60 days following a Change in Control (as defined in the ESI Excess Savings Plan and below) or the eligible employee's termination of employment. If an eligible employee is a "specified employee" as defined in Section 409A of the IRC, however, then his or her amounts will be paid on the first day that is six months after his or her termination of employment. If an eligible employee dies before the amounts due to the employee under the ESI Excess Savings Plan have been paid, then those amounts will be paid to the employee's beneficiary within 60 days after the employee's death.

A Change in Control under the ESI Excess Savings Plan means one of the following events:

- the acquisition of ownership (other than by way of merger or consolidation with an entity that, immediately before the acquisition, was a Controlling Company (as defined in the ESI Excess Savings Plan and below)) during any 12 month period, by any one person or more than one person acting as a group, of all or substantially all of the assets of a Controlling Company;
- the acquisition (other than by a Controlling Company) by any one person or more than one person acting as a group, of ownership of more than 50% of the total fair market value or total voting power of the ownership interests of stock of a Controlling Company;
- the acquisition (other than by a Controlling Company) during any 12 month period, by any one person or more than one person acting as a group, of ownership of stock of a Controlling Company possessing 30% or more of the total voting power of stock of the Controlling Company; or
- the replacement of a majority of members of the board of directors or comparable governing body of a Controlling Company, during any 12-month period, by members whose appointment or election is not endorsed by a majority of the members of the Controlling Company's board of directors or comparable governing body prior to the date of the appointment or election.

A “Controlling Company” means:

- us;
- a related company that participates in the ESI Excess Savings Plan and employs the eligible employee;
- a related company that is the majority owner of us or a participating company that employs the eligible employee; or
- any related company in an uninterrupted chain of majority ownership culminating in the ownership of us or a participating company that employs the eligible employee.

The Incentive Compensation Regulations preclude profit-sharing payments, but it is not clear whether any of the benefits that we provide under the ESI Excess Savings Plan would be precluded under the Incentive Compensation Regulations on and after July 1, 2011.

Deferred Bonus Plan. On March 15, 2000, we established, and effective January 1, 2008, we restated, the Deferred Bonus Plan, an unfunded, nonqualified deferred compensation plan for a select group of our management and highly compensated employees. The Deferred Bonus Plan provides that each eligible employee may elect to defer payment of all or a portion of his or her annual bonus compensation in the same form that the bonus is otherwise payable, either in cash or shares of our common stock. The deferral of payment of cash or shares of our common stock can only be made in increments of 25%. Any deferred cash amounts will accrue interest at the rate of 6% compounded annually. This rate is determined by the Compensation Committee and may be changed at any time by that Committee. Any deferred shares of our common stock will be credited with any cash dividends on those shares and, on a semi-annual basis, those cash dividends will be converted to shares of our common stock, based on the fair market value at the time of the conversion.

An eligible employee under the Deferred Bonus Plan may elect, as part of his or her deferral election, to receive payment of the deferred portion of his or her annual bonus compensation (a) within 60 days after termination of his or her employment with us or (b) in January of a designated calendar year that is no earlier than the second calendar year after the year in which the deferred bonus compensation was determined. If an eligible employee is a “specified employee” as defined in Section 409A of the IRC, then any amounts payable to the eligible employee under the Deferred Bonus Plan on account of his or her termination of employment with us will be paid on the first day that is six months after termination of his or her employment. If an eligible employee dies before all amounts due to the employee under the Deferred Bonus Plan have been paid, the unpaid balance will be paid in a lump sum within 60 days following the eligible employee’s death, regardless of the employee’s election. Payment of cash amounts deferred are made in the form of cash, and payment of shares of our common stock deferred are made in the form of shares of our common stock, except that any cash dividends that have not been converted to shares of our common stock will be

paid in cash.

Potential Payments Upon Termination or Change In Control

The amounts set forth or referenced in this section reflect amounts payable and the value of benefits under our plans and arrangements to each of the Named Executive Officers in the event of termination of such executive's employment and/or a change in control of us under various circumstances. The various types of circumstances that would trigger payments and benefits are specified in the discussion of each plan and arrangement under which benefits would be received. The following discussion is of plans and arrangements currently in effect, but it is always possible that different arrangements could be negotiated in connection with an actual termination of employment or change in control. Further, the amounts shown are estimates and are based on numerous assumptions, including that employment terminated or a change in control occurred on December 31, 2010, except as otherwise noted. Therefore, the actual amounts of the payments and benefits that would be received by the Named Executive Officers could be more or less than the amounts set forth below, and can only be determined at the time of an actual termination of employment or change in control event.

Senior Executive Severance Plan. On October 22, 2007, we established the Senior Executive Severance Plan, which provides severance benefits for a select group of our executives (including all of the Named Executive Officers) when:

- the covered executive's employment is terminated, other than for cause, or when the covered executive terminates his or her employment for good reason, in each case within two years after the occurrence of an acceleration event, as described below; or
- the covered executive's employment is terminated, other than for cause, during an imminent acceleration event period, as described below.

As a result, the benefits under the Senior Executive Severance Plan are not payable merely because a change in control transaction occurs or is imminent. Instead, payment of the severance benefits is only triggered if a change in control has occurred or is imminent and certain types of termination of employment occur. The Compensation Committee has determined that this "double trigger" requirement is in the best interests of our company and our shareholders.

The Senior Executive Severance Plan provides two levels of benefits for covered executives, based on the covered executive's position with us. Under the Senior Executive Severance Plan, Mr. Modany would receive the higher level of benefits and Messrs. Elwood, Feichtner and Fitzpatrick and Ms. McCormack would receive the lower level of benefits. If Mr. Modany's employment is terminated other than for cause during an imminent acceleration event period or within two years after an acceleration event, or if he resigns for good reason within two years after an acceleration event, he would be entitled to the following from us:

- three times his highest annual base salary rate paid and his highest bonus paid or awarded any time during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three year period immediately preceding the first day of the imminent acceleration event period);
- a lump sum amount equal to three times the product of his highest annual base salary rate paid during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three year period immediately preceding the first day of the imminent acceleration event period), multiplied by the highest percentage rate of our contributions with respect to him under the ESI 401(k) Plan at any time during that three year period;
- a lump sum stipend equal to 36 times the monthly premium that, as of the date of Mr. Modany's termination of employment, is charged to qualified beneficiaries for health care continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1984, as amended ("COBRA"), for the same coverage options and levels of medical, prescription drug, dental and vision coverage that he had in effect under our welfare plans immediately

prior to his termination of employment;
- a lump sum stipend equal to 36 times the full monthly premium payable to our life insurance carrier for the type and level of life insurance coverage (including, if applicable, dependent life insurance coverage) in effect for him immediately prior to his termination of employment; and
- a tax gross-up payment that covers any excise tax, interest and penalties under the IRC arising from the payment to him of any amount under the Senior Executive Severance Plan or otherwise as a result of an acceleration event.

If any of the other Named Executive Officers' employment is terminated other than for cause during an imminent acceleration event period or within two years after an acceleration event, or if he or she resigns for good reason within two years after an acceleration event, he or she would be entitled to the following from us under the Senior Executive Severance Plan:

- two times his or her highest annual base salary rate paid and his or her highest bonus paid or awarded any time during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three year period immediately preceding the first day of the imminent acceleration event period);
- a lump sum amount equal to two times the product of his or her highest annual base salary rate paid during the three years immediately preceding the acceleration event (or in the case of a termination that occurs during an imminent acceleration event period, the three year period immediately preceding the first day of the imminent acceleration event period), multiplied by the highest percentage rate of our contributions with respect to that executive under the ESI 401(k) Plan at any time during that three year period;
- a lump sum stipend equal to 24 times the monthly premium that, as of the date of the executive's termination of employment, is charged to qualified beneficiaries for COBRA continuation coverage for the same coverage options and levels of medical, prescription drug, dental and vision coverage that the executive had in effect under our welfare plans immediately prior to his or her termination of employment; and
- a lump sum stipend equal to 24 times the full monthly premium payable to our life insurance carrier for the type and level of life insurance coverage (including, if applicable, dependent life insurance coverage) in effect for him or her immediately prior to his or her termination of employment;

provided, however, that in the event that any payments to one of these other Named Executive Officers under the Senior Executive Severance Plan or otherwise in connection with an acceleration event would be subject to any excise tax under Section 4999 of the IRC, then those payments will be reduced to the extent necessary to prevent any portion of the payments from being subject to an excise tax under that section of the IRC, but only if such reduction would allow the executive to retain a greater net after-tax benefit than he or she would have received if the payments had not been reduced and the executive had paid all applicable income, employment and excise taxes.

The Senior Executive Severance Plan provides that, in order to receive any severance benefits under that plan, the covered executive must agree to comply with certain restrictive covenants, including that the covered executive:

- will not be employed by, work for, consult with, lend assistance to or engage in businesses competitive with ours for a period of one year after termination of employment;
- will not solicit or induce to leave any of our employees for a period of one year after the executive's termination of employment;
- will not urge or induce any of our customers or others with whom we have a business relationship to terminate or limit their business with us for a period of one year after termination of employment;
- will not disparage us for a period of one year after termination of employment; and
- will not disclose or use our confidential information for as long a period of time as permitted by applicable law, and in any event for a period of at least three years after termination of employment.

The covered executive must also execute a general release releasing us and certain related entities and individuals from all claims that he or she has or may have against us or them that arise on or before the date the executive signs

the release.

The Senior Executive Severance Plan provides that the severance amounts will be paid by us in a lump sum cash payment within 30 calendar days following the covered executive's termination or, if later, on the first business day after expiration of the revocation period of the general release. Payment of any gross-up amount to Mr. Modany is to be made within five business days after a chosen accounting firm determines whether such a payment is due. In all cases, any amounts due under the Senior Executive Severance Plan must be paid no later than March 15 of the calendar year following the calendar year in which the executive's termination of employment occurs.

An "acceleration event" under the Senior Executive Severance Plan will occur if:

- a report on Schedule 13D is filed with the SEC disclosing that any person, other than us or one of our subsidiaries or any employee benefit plan that we or one of our subsidiaries sponsors, is the beneficial owner of 20% or more of the outstanding shares of our common stock;
- a person, other than us or one of our subsidiaries or any employee benefit plan that we or one of our subsidiaries sponsors, purchases shares of our common stock in connection with a tender or exchange offer, if after consummation of the offer the person purchasing the shares is the beneficial owner of 15% or more of the outstanding shares of our common stock;
- our shareholders approve:
- any consolidation or merger of us in which we are not the continuing or surviving corporation or our common stock is converted into cash, securities or other property, unless the transaction was a merger in which our shareholders immediately prior to the merger would have the same proportionate ownership of common stock of the surviving corporation that they held in us immediately prior to the merger; or
- any sale, lease, exchange or other transfer of all or substantially all of our assets; or
- a majority of the members of our Board of Directors changes within a 12-month period, unless the election or nomination for election of each of the new Directors by our shareholders had been approved by two-thirds of the Directors still in office who had been Directors at the beginning of the 12-month period.

An "imminent acceleration event period" under the Senior Executive Severance Plan means the period:

- beginning on the first to occur of:
- a public announcement of a proposal or offer that, if consummated, would be an acceleration event;
- a making to one or more of our Directors or executive officers of a written proposal that, if consummated, would be an acceleration event; or
- approval by our Board of Directors or shareholders of a transaction that, upon closing, would be an acceleration event; and
- ending upon the first to occur of:
- a public announcement that the contemplated acceleration event has been terminated or abandoned;
- the occurrence of the contemplated acceleration event; or
- 18 months after the beginning of the imminent acceleration event period.

A resignation for "good reason" means:

- a material diminution in the covered executive's base compensation;
- a material diminution in the covered executive's authority, duties or responsibilities;
- a material diminution in the authority, duties or responsibilities of the person to whom the covered executive is required to report (including, for example, a requirement that a covered executive who previously reported to the Board of Directors instead report to a corporate officer or employee);
- a material diminution in the budget over which the covered executive retains authority;
- a material change in the geographic location at which the covered executive must perform services; and
-

if the terms and conditions of a covered executive's employment are governed by an agreement, any other action or inaction that constitutes a material breach by us or any successor of the agreement.

A termination for "cause" means any action by a covered executive involving willful malfeasance or his or her failure to act involving material nonfeasance that would have a materially adverse effect on us. No act or omission on the part of the covered executive will be considered "willful," unless it is done or omitted in bad faith or without reasonable belief that the action or omission was in our interests.

If termination of employment and an acceleration event or imminent acceleration event under the Senior Executive Severance Plan occurred that entitled the Named Executive Officers to severance benefits under the Senior Executive Severance Plan, the value that could have been realized from those benefits as if employment terminated on December 31, 2010 is as follows:

Value of Benefit that Could have been Realized by the Named Executive Officers under the Senior Executive Severance Plan as of December 31, 2010

Type of Benefit	Modany	Fitzpatrick	Elwood	Feichtner	McCormack
Salary	$2,307,000	$648,000	$638,000	$590,000	$526,000
Bonus	$4,350,000	$793,000	$780,000	$660,000	$588,000
Stipend in Lieu of Health Insurance Benefits(1)	$32,068	$21,379	$21,326	$21,379	$7,853
Stipend in Lieu of Life Insurance Benefits(1)	$1,123	$749	$749	$749	$749
Foregone Savings Plan Benefits(1)	$22,050	$14,700	$14,700	$14,700	$14,700
Tax Gross-Up Payment to Cover Excise Tax(2)	$1,334,670	N/A	N/A	N/A	N/A
Reduction to Limit Excise Taxes(2)	N/A	$(0)	$(0)	$(0)	$(0)
Total	$8,046,911	$1,477,828	$1,454,775	$1,286,828	$1,137,302

(1) The estimated value of the severance benefit is based on the cost to us using the assumptions used for financial reporting purposes under generally accepted accounting principles in the United States.

(2) The estimated value of any excise tax, and thereby the amount of any tax gross-up payment and the calculation of any reduction to limit excise taxes, are based on the highest marginal rate of federal, state and local taxes related to the severance benefits specified in the table and any other payments to the Named Executive Officer arising from an acceleration event. These amounts are also based on an assumption that, as a result of the covenant not to compete in the Senior Executive Severance Plan, the value of one year's base salary and target bonus would constitute "reasonable compensation" under Section 280G of the IRC and therefore would be excluded from the calculation of the amount of any excise tax, the amount of any tax gross-up payment and the reduction, if any, required to limit excise taxes.

1997 Stock Plan. If a Named Executive Officer's employment with us terminates as a result of the Named Executive Officer's death, retirement or total disability, or if an acceleration event occurs under the 1997 Stock Plan, all stock options granted to the Named Executive Officer under the 1997 Stock Plan would immediately vest and become exercisable. See "– Equity Compensation and Qualified Savings Plans – 1997 Stock Plan." If such an event occurred, none of the Named Executive Officers would have realized any value from the exercise of unvested stock options

granted under the 1997 Stock Plan, because all of the outstanding stock options granted to the Named Executive Officers under the 1997 Stock Plan were fully vested as of December 31, 2010.

2006 Equity Compensation Plan. If a Named Executive Officer's employment with us terminates as a result of the Named Executive Officer's death or disability:

- all outstanding stock options with time-based vesting restrictions granted to the Named Executive Officer under the 2006 Equity Compensation Plan will become exercisable immediately;
- all restrictions imposed on restricted stock and RSUs with time-based vesting restrictions granted to the Named Executive Officer under the 2006 Equity Compensation Plan will lapse immediately, and the RSUs will be settled immediately thereafter; and
- the Plan Committee will determine the extent to which a Named Executive Officer will have the right to receive other stock awards granted to the Named Executive Officer under the 2006 Equity Compensation Plan.

In addition, upon a Named Executive Officer's retirement:

- all outstanding stock options with time-based vesting restrictions granted to the Named Executive Officer prior to November 24, 2010 under the 2006 Equity Compensation Plan will become exercisable immediately; and
- the Named Executive Officer will retain all unvested RSUs with time-based vesting restrictions granted prior to November 24, 2010 under the 2006 Equity Compensation Plan, and the period of restriction will lapse in accordance with its original terms.

In the event of a change in control of us under the 2006 Equity Compensation Plan:

- all outstanding stock options with time-based vesting restrictions granted to the Named Executive Officer under the 2006 Equity Compensation Plan will become exercisable immediately;
- all restrictions imposed on restricted stock and RSUs with time-based vesting restrictions granted to the Named Executive Officer under the 2006 Equity Compensation Plan will lapse immediately, and the RSUs will be settled immediately thereafter; and
- in the discretion of the Plan Committee, all outstanding stock options may be terminated and each participant may receive, with respect to each share subject to the options, an amount in cash equal to the excess of the consideration payable with respect to one share in connection with the change in control over the option's exercise price.

In addition, one or more outstanding unvested awards under the 2006 Equity Compensation Plan may become fully vested and exercisable and the restrictions on the transfer and repurchase or forfeiture rights on the awards may be terminated in connection with a disposition of a subsidiary of ours, but only with respect to those participants who are at the time engaged primarily in service with the subsidiary involved in the subsidiary disposition. See "– Equity Compensation and Qualified Savings Plans – 2006 Equity Compensation Plan."

If any of the following occurs:

- a Named Executive Officer's employment with us terminates as a result of the Named Executive Officer's death, disability or retirement;
- there is a change in control of us; or
- the Plan Committee determines to fully vest awards in a disposition of a subsidiary with which the officer was engaged primarily in service,

the value that could have been realized from the exercise or acceleration of unvested awards with time-based vesting restrictions granted to the Named Executive Officer under the 2006 Equity Compensation Plan as of December 31, 2010, is as follows:

	December 31, 2010 Value of Unvested Awards				
	Termination Due to Death or Disability.		Termination Due to Retirement	Change in Control	
Named Executive Officer .	Stock Options(1)	RSUs(2)	Stock Options(1)	Stock Options(1)	RSUs(2)
Kevin M. Modany	$0	$1,162,279	$ 0(3)	$0	$1,162,279
Daniel M. Fitzpatrick	$0	$ 0	$0(3)	$0	$ 0
Clark D. Elwood	$0	$ 0	$0(3)	$0	$ 0
Eugene W. Feichtner	$0	$ 0	$0	$0	$ 0
June M. McCormack	$0	$ 0	$ 0(3)	$0	$ 0

(1) Amounts shown represent the aggregate dollar amount that could be realized from all outstanding, unvested stock option awards granted to the Named Executive Officer under the 2006 Equity Compensation Plan, if those options became vested and were exercised by the Named Executive Officer on December 31, 2010. The dollar amount that could be realized upon exercise of an option is determined by subtracting the exercise price of the option from the closing market price of a share of our common stock on December 31, 2010, and multiplying that amount by the total number of shares that could be acquired on exercise at that exercise price. The resulting dollar amounts for the options held by the Named Executive Officer are then added together to obtain the aggregate amount shown in this column.

(2) Amounts shown are calculated by multiplying the number of unvested RSUs held by the Named Executive Officer that would vest upon the specified event by the closing market price of a share of our common stock on December 31, 2010.

(3) The definition of “retirement” for an employee under the 2006 Equity Compensation Plan is termination of employment after attaining age 55 and completing at least 10 years of service. This Named Executive Officer did not meet both criteria as of December 31, 2010 and, therefore, he or she would not have qualified for “retirement” under the 2006 Equity Compensation Plan on that date.

In addition, the Plan Committee, in its discretion, may amend the terms of any outstanding award granted under the 2006 Equity Compensation Plan in the event of a participant’s termination of employment or service or in the event of a change in control of us, subject to certain limitations. See “– Equity Compensation and Qualified Savings Plans – 2006 Equity Compensation Plan.”

ESI 401(k) Plan. If a Named Executive Officer’s employment with us terminates, the Named Executive Officer may withdraw from his or her account under the ESI 401(k) Plan all of the Named Executive Officer’s contributions, all of our vested contributions and all earnings on both types of contributions. Payments are normally made in a single lump sum, but if the Named Executive Officer’s balance is above a threshold amount, he or she may elect to receive payments in annual or monthly installments. See “– Equity Compensation and Qualified Savings Plans – ESI 401(k) Plan.”

If a Named Executive Officer’s employment with us terminated, the amount that could have been realized from the distribution of the contributions and earnings thereon in the Named Executive Officer’s account under the ESI 401(k) Plan as of December 31, 2010 is as follows:

Named Executive Officer .	Amount of Employee Contributions, ITT/ESI Vested Contributions and

	Earnings on Those Contributions as of December 31, 2010
Kevin M. Modany	$198,118
Daniel M. Fitzpatrick	$127,380
Clark D. Elwood	$1,037,269
Eugene W. Feichtner	$1,177,592
June M. McCormack	$58,525

ESI Excess Savings Plan. If a Named Executive Officer's employment with us terminates, all eligible employee salary deferrals, our vested contributions and the attributable interest accrued on those deferrals and contributions under the ESI Excess Savings Plan would be paid in a single lump sum cash payment to the Named Executive Officer on the first day that is six months following his or her termination of employment (because each Named Executive Officer is a "specified employee" within the meaning of Section 409A of the IRC), or within 60 days of his or her death if death occurs prior to payment. If a Change in Control occurs, all Named Executive Officers would receive the balance of their accounts under the ESI Excess Savings Plan in a single lump sum cash payment within 60 day after the Change in Control. See "– Nonqualified Deferred Compensation Plans – ESI Excess Savings Plan." If a Named Executive Officer's employment with us terminated or a Change in Control under the ESI Excess Savings Plan occurred, the amount that would have been realized from the distribution of the deferrals, contributions and interest thereon in the Named Executive Officer's account under the ESI Excess Savings Plan as of December 31, 2010 is as follows:

Named Executive Officer	Amount of Salary Deferrals, ITT/ESI Vested Contributions and Accrued Interest as of December 31, 2010 .
Kevin M. Modany	$43,091
Daniel M. Fitzpatrick	$0
Clark D. Elwood	$20,302
Eugene W. Feichtner	$3,048
June M. McCormack	$0

Deferred Bonus Plan. If a Named Executive Officer's employment with us terminates and he or she had elected to receive the deferred portion of his or her annual bonus compensation under the Deferred Bonus Plan following his termination, or the termination was a result of his or her death, the balance of the Named Executive Officer's account under the Deferred Bonus Plan will be paid in a lump sum on the first day that is six months following his or her termination of employment, or within 60 days of death if his or her death occurs prior to payment. See "– Nonqualified Deferred Compensation Plans – Deferred Bonus Plan." If a Named Executive Officer's employment with us terminated, triggering the payment of the balance of his or her account under the Deferred Bonus Plan, the Named Executive Officer would not have realized any amount as of December 31, 2010, because none of them had any amount in his or her account as of that date.

ESI Pension Plan. If a Named Executive Officer has completed three or more years of vesting service, then upon his or her retirement on or after age 55, disability, death or after he or she has both terminated employment and reached age 55, a distribution of the Named Executive Officer's accrued benefit under the ESI Pension Plan will be paid to the Named Executive Officer in the form and on the date elected by the Named Executive Officer beginning on the first day of any month following the termination of employment after the participant becomes entitled to begin distribution. The Named Executive Officer can elect to receive payment of the distribution in the form of a lump sum, qualified joint and survivor annuity (if he or she is married on the annuity starting date) or life annuity (if he or she is not married on the annuity starting date). See "– Pension Plans – ESI Pension Plan." If one of the triggering events

occurred and a Named Executive Officer elected a lump sum distribution under the ESI Pension Plan, the amount of the Named Executive Officer's benefit that would have been accrued and payable under the ESI Pension Plan as of December 31, 2010 is as follows:

Named Executive Officer	Balance of ESI Pension Plan Account as of December 31, 2010
Kevin M. Modany	$ 31,574 (1)
Daniel M. Fitzpatrick	$0
Clark D. Elwood	$172,561 (1)
Eugene W. Feichtner	$245,632
June M. McCormack	$0

(1) Benefit payable upon death or disability as of December 31, 2010. If the employment of Messrs. Modany or Elwood was terminated for any reason other than death or disability on December 31, 2010, his benefit would not be payable until he reaches age 55, because he was not at least age 55 as of that date.

ESI Excess Pension Plan. Following the restatement of the ESI Excess Pension Plan effective January 1, 2008, upon a Named Executive Officer's death, retirement or other termination of employment, a distribution of the Named Executive Officer's accrued benefit under the ESI Excess Pension Plan will be paid to the Named Executive Officer in a lump sum on the first day that is six months following his or her termination of employment (because each Named Executive Officer is a "specified employee" within the meaning of Section 409A of the IRC), or within 60 days of his or her death if death occurs prior to payment. See "– Pension Plans – ESI Excess Pension Plan." If one of the triggering events occurred and a Named Executive Officer received a lump sum distribution under the ESI Excess Pension Plan, the amount of the Named Executive Officer's benefit that would have been accrued and payable under the ESI Excess Pension Plan as of December 31, 2010 is as follows:

Named Executive Officer	Balance of ESI Excess Pension Plan Account as of December 31, 2010
Kevin M. Modany	$ 40,710 (1)
Daniel M. Fitzpatrick	$0
Clark D. Elwood	$137,226 (1)
Eugene W. Feichtner	$66,740
June M. McCormack	$0

(1) Benefit payable upon death or disability as of December 31, 2010. If the employment of Messrs. Modany or Elwood was terminated for any reason other than death or disability on December 31, 2010, his benefit would not be payable until he reaches age 55, because he was not at least age 55 as of that date.

Old Pension Plan. If a Named Executive Officer's employment with us terminates and the Named Executive Officer qualifies for retirement under the Old Pension Plan, a distribution will be paid to the Named Executive Officer. The Named Executive Officer can elect to receive payment of the distribution of the Named Executive Officer's accumulated benefit under the Old Pension Plan in the form of a qualified joint and survivor annuity or life annuity. See "– Pension Plans – Old Pension Plan." If a Named Executive Officer qualified for retirement under the Old Pension Plan, the actuarial present value of the Named Executive Officer's accumulated benefit under the Old Pension Plan as of December 31, 2010 is set forth in the Pension Benefits Table. See "– Pension Benefits Table." As of December 31, 2010, Mr. Feichtner was the only Named Executive Officer participant who qualified for retirement under the Old Pension Plan.

Director Compensation Table

The following table sets forth information concerning the compensation of our non-employee Directors in 2010 for their service on our Board of Directors in 2010. Mr. Modany, the only employee Director in 2010, did not receive any compensation for his services as a Director of ours in 2010. Mr. Modany's compensation as an executive officer of ours is disclosed in previous sections of this Proxy Statement.

Director Compensation Table for Fiscal Year 2010

Name .	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards (3)	Nonqualified Deferred Compensation Earnings (4)	All Other Compensation (5)	Total(6)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
John F. Cozzi	$60,000	$100,102	$ 0	$ 0	$694	$160,796
John E. Dean	$60,000	$100,102	$ 0	$ 0	$217	$160,319
James D. Fowler, Jr.	$60,000	$100,102	$ 0	$ 0	$217	$160,319
Joanna T. Lau	$60,000	$100,102	$ 0	$ 0	$217	$160,319
Samuel L. Odle	$60,000	$100,102	$ 0	$636	$ 0	$160,738
Lloyd G. Waterhouse	$60,000	$100,102	$ 0	$ 0	$217	$160,319
Vin Weber	$60,000	$100,102	$ 0	$ 0	$ 0	$160,102
John A. Yena	$60,000	$100,102	$ 0	$ 0	$ 0	$160,102

(1) Amounts shown represent the aggregate dollar amount of all fees earned or paid for services as a Director, including meeting fees, committee and/or chairperson fees and annual retainer. In 2010, all fees were paid in cash, but each non-employee Director elected to receive payment of the annual retainer in cash or shares of our common stock, in increments of 25% each. See "– Director Compensation – Directors Deferred Compensation Plan." The full amount of the annual retainer that was paid to or deferred by a non-employee Director, whether in cash or shares of our common stock, is reported in this column. The grant date fair value of any portion of the annual retainer that a non-employee Director elected to receive in shares of our common stock is set forth in footnote (2) below.

(2) Amounts shown represent the aggregate grant date fair value, computed in accordance with ASC 718, of all RSU awards granted for services as a Director in 2010. In 2010, each non-employee Director received a grant of 922 RSUs that will be settled in shares of our common stock after vesting. The aggregate grant date fair value includes any earnings, such as dividends, that may be received on the stock awards. In 2010, each non-employee Director elected to receive payment of the annual retainer in cash or shares of our common stock, in increments of 25% each. See "– Director Compensation – Directors Deferred Compensation Plan." The amount related to any portion of the annual retainer that a non-employee Director elected to receive in shares of our common stock is included in column (b) of the table, but the grant date fair value of such shares is disclosed in the table below.

To determine the grant date fair value of stock awards, we use the closing market price of a share of our common stock on the effective date of the stock award. The amounts ultimately realized by the non-employee Directors from the stock awards will depend on the price of our common stock in the future and may be quite different from the value shown. The following table sets forth information regarding the grant date fair value, computed in accordance with ASC 718, of each stock award granted in 2010 for services as a non-employee Director:

Grant Date Fair Value of Stock Awards in Fiscal Year 2010

Name .	Grant Date Fair

(a)	Value of Stock Award (b)
John F. Cozzi	
Portion of Retainer Payable in Stock	$59,958
2006 Equity Compensation Plan Award	$100,102
John E. Dean	
Portion of Retainer Payable in Stock	$59,958
2006 Equity Compensation Plan Award	$100,102
James D. Fowler, Jr.	
Portion of Retainer Payable in Stock	$29,931
2006 Equity Compensation Plan Award	$100,102
Joanna T. Lau	
Portion of Retainer Payable in Stock	N/A
2006 Equity Compensation Plan Award	$100,102
Samuel L. Odle	
Portion of Retainer Payable in Stock	N/A
2006 Equity Compensation Plan Award	$100,102
Lloyd G. Waterhouse	
Portion of Retainer Payable in Stock	N/A
2006 Equity Compensation Plan Award	$100,102
Vin Weber	
Portion of Retainer Payable in Stock	$59,958
2006 Equity Compensation Plan Award	$100,102
John A. Yena	
Portion of Retainer Payable in Stock	$59,958
2006 Equity Compensation Plan Award	$100,102

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"N/A" means not applicable.

The following table sets forth information regarding the aggregate number of unvested stock awards granted by us to the non-employee Directors that were outstanding on December 31, 2010:

Outstanding Stock Awards at Fiscal Year-End 2010

Name (a)	Number of Shares or Units of Stock that have Not Vested (A) (b)	Market Value of Shares or Units of Stock that have Not Vested (B) (c)
John F. Cozzi		
05/20/08 Award (C)	1,462	$93,115
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722
John E. Dean		
	1,462	$93,115

05/20/08 Award (C)		
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722
James D. Fowler, Jr.		
05/20/08 Award (C)	1,462	$93,115
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722
Joanna T. Lau		
05/20/08 Award (C)	1,462	$93,115
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722
Samuel L. Odle		
05/20/08 Award (C)	1,462	$93,115
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722
Lloyd G. Waterhouse		
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722
Vin Weber		
05/20/08 Award (C)	1,462	$93,115
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722
John A. Yena		
05/20/08 Award (C)	1,462	$93,115
05/19/09 Award (D)	1,000	$63,690
05/18/10 Award (E)	922	$58,722

(A) Amounts shown represent the total number of shares or units of our common stock that have not vested.
(B)

Amounts shown represent the aggregate market value of shares of our common stock that have not vested. The aggregate market value is calculated by multiplying the number of shares or units by the closing market price of a share of our common stock on December 31, 2010.

(C) This RSU award vests in full on May 20, 2011.
(D) This RSU award vests in full on May 19, 2012.
(E) This RSU award vests in full on May 18, 2013.

(3) In 2010, none of the non-employee Directors received any stock options or SARs from us. There were no adjustments or amendments made in 2010 to the exercise price of any option awards held by any of the non-employee Directors, whether through amendment, cancellation or replacement grants, or any other means (such as a repricing), or that otherwise materially modified any option awards. The outstanding option awards at December 31, 2010, for each of the non-employee Directors were as follows:

Outstanding Option Awards at Fiscal Year-End 2010

	Number of Securities Underlying Unexercised Options			
	Exercisable	Unexercisable	Option Exercise	Option Expiration
Name	(A)	(B)	Price	Date
(a)	(b)	(c)	(d)	(e)
John F. Cozzi				
10/14/03 Award (C)	10,000	0	$49.370	10/14/13
05/18/04 Award (D)	10,000	0	$38.890	05/18/14
05/17/05 Award (E)	8,000	0	$43.760	05/17/12
John E. Dean				
05/23/01 Award (F)	4,000	0	$17.450	05/23/11
05/24/02 Award (G)	4,000	0	$25.150	05/24/12
05/20/03 Award (H)	10,000	0	$26.970	05/20/13
05/18/04 Award (D)	10,000	0	$38.890	05/18/14
05/17/05 Award (E)	8,000	0	$43.760	05/17/12
James D. Fowler, Jr.				
05/24/02 Award (G)	4,000	0	$25.150	05/24/12
Joanna T. Lau				
10/14/03 Award (C)	10,000	0	$49.370	10/14/13
05/18/04 Award (D)	10,000	0	$38.890	05/18/14
05/17/05 Award (E)	8,000	0	$43.760	05/17/12
Vin Weber				
	7,500	0	$38.890	05/18/14

05/18/04 Award (D)				
05/17/05 Award (E)	8,000	0	$43.760	05/17/12

(A) Amounts shown represent on an award-by-award basis, the number of securities underlying unexercised options, including awards that have been transferred other than for value, that are exercisable.

(B) Amounts shown represent on an award-by-award basis, the number of securities underlying unexercised options, including awards that have been transferred other than for value, that are unexercisable.

(C) This stock option award vested in one installment on October 14, 2004.

(D) This stock option award vested in one installment on May 18, 2005.

(E) This stock option award vested in one installment on May 17, 2006.

(F) This stock option award vested in one installment on May 23, 2002.

(G) This stock option award vested in one installment on May 24, 2003.

(H) This stock option award vested in one installment on May 20, 2004.

(4) Amounts shown represent the above-market or preferential earnings on compensation deferred under the Directors Deferred Compensation Plan. See "—Director Compensation – Directors Deferred Compensation Plan." Interest is above-market only if the rate of interest exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under Section 1274(d) of the IRC), at the rate that corresponds most closely to the rate under the applicable plan at the time the interest rate or formula is set. In the event of a discretionary reset of the interest rate, the requisite calculation is made on the basis of the interest rate at the time of such reset, rather than when originally established. Only the above-market portion of the interest is included.

(5) The amounts shown for the non-employee Directors consist of the aggregate incremental cost to us for tickets to sporting, theater and other events. The methodology for computing the aggregate incremental cost to us for providing the event tickets to the non-employee Directors is the same as described above for the executive officers in footnote 6 to the Summary Compensation Table.

(6) Amounts shown represent the sum of the dollar values for each compensation element shown in columns (b) through (f).

Director Compensation

Retainer and Fees. We do not compensate any Director who is an employee of ours for service as a member of our Board of Directors or any standing committee of our Board of Directors. The compensation for non-employee Directors consists of:

- an annual retainer of $60,000 payable in one installment on the first business day of each year, at the election of each non-employee Director, in cash or shares of our common stock in increments of 25% each;
- no separate meeting fees; and
- an annual grant under the 2006 Equity Compensation Plan of RSUs with a time-based period of restriction that:
- has a value of $100,000, plus the value associated with any fractional RSU necessary to cause the grant to be for a whole number of RSUs, pursuant to which the value is determined based on the closing market price of a share of our common stock on the effective date of the grant;
- is effective on the tenth business day following our Annual Meeting of Shareholders in each year;
- has a time-based period of restriction of three years; and
- is settled on the first business day following the last day of the period of restriction by the delivery of one share of our common stock for each RSU in the grant.

We also reimburse Directors for reasonable, out-of-pocket travel expenses related to attending our Board of Directors and its committee meetings and other business of the Board.

Timing of Equity-Based Compensation Grants. The Compensation Committee makes recommendations to our Board of Directors regarding grants of equity-based compensation to our non-employee Directors. All equity-based compensation awards to our non-employee Directors are granted exclusively by our Board of Directors. Our Board of Directors typically grants equity-based compensation to our non-employee Directors annually during its regular meeting following the Annual Meeting of Shareholders. The annual equity-based compensation grants become effective prospectively on the tenth business day following the Annual Meeting of Shareholders, which is approximately one month following the public disclosure of our first fiscal quarter financial and operating results. The exercise price of any stock options included in those equity-based compensation grants is the closing market price of a share of our common stock on the effective date of the grant. The number of any RSUs or shares of restricted stock included in those grants is specified by the Board of Directors based on the closing market price of a share of our common stock on the effective date of the grant.

We do not time our release of material non-public information for the purpose of affecting the value of our non-employee Directors' compensation. As described above, our process for granting annual equity-based compensation to our non-employee Directors is structured such that the effective date of our equity-based compensation awards, including stock options, occurs after our financial and operating results for the first fiscal quarter have been publicly disclosed and absorbed by the market. Nevertheless, our process for granting equity-based compensation may result in equity-based compensation, including stock options, being granted to our non-employee Directors at times when our Board of Directors or the Compensation Committee is in possession of material non-public information about us. This possibility is not taken into account in determining whether to make the equity-based compensation awards or the amount or value of those awards.

1999 Directors Stock Plan. On July 28, 1999, we established the 1999 Directors Stock Plan, which provided for awards of nonqualified stock options to non-employee Directors. An aggregate of 500,000 shares of our common stock are reserved for issuance for option awards under the 1999 Directors Stock Plan (subject to adjustment in certain events and as adjusted for our stock split). The 1999 Directors Stock Plan was not approved by our shareholders.

The 1999 Directors Stock Plan is administered by the Board. Each non-employee Director received an annual stock option under the plan to purchase shares of our common stock on the tenth business day following the annual meeting of shareholders, provided that such non-employee Director served in that capacity both before and after the annual meeting. No annual awards of nonqualified stock options under the 1999 Directors Stock Plan have been made after 2005. In addition, the 1999 Directors Stock Plan permits the Board, at its discretion, to make special awards of stock options to non-employee Directors. No special awards of nonqualified stock options under the 1999 Directors Stock Plan were made in 2010. The number of shares of our common stock subject to options under the 1999 Directors Stock Plan is subject to adjustment in certain events.

The exercise price of a stock option awarded under the 1999 Directors Stock Plan could not be less than 100% of the fair market value of our common stock on the date of the award. No option may be exercised prior to one year after the award date (except for special awards of stock options by the Board as permitted under the plan). If a non-employee Director's service on the Board ends because of death, disability or retirement, the stock options granted to that non-employee Director under the 1999 Directors Stock Plan will expire within the longer of one year following the non-employee Director's service on the Board or one-half of the number of months that the non-employee Director served on the Board up to 120, but in no event after the options expire under their terms. Stock options granted under the 1999 Directors Stock Plan will expire three months following the end of the non-employee Director's service on the Board for reasons other than death, disability or retirement, or such earlier date that the options expire under their terms. Notwithstanding the foregoing, the Board has the authority to establish different terms and conditions relating to the exercise of an option after the end of a non-employee Director's service on the Board. Stock options awarded under the 1999 Directors Stock Plan are not transferable other than by will or pursuant to the laws of descent and distribution. The maximum term of a stock option awarded under the 1999 Directors Stock Plan is seven years from the date of the award. The shares of our common stock issued upon the exercise of a stock option under the 1999 Directors Stock Plan may be made available from treasury shares or authorized but unissued shares. The option price

may be paid:

- by check;
- in shares of our common stock;
- through a simultaneous sale through a broker of shares of our common stock acquired upon the exercise of the stock option; or
- by any combination of the foregoing.

See Exhibit No. 4.3 to our Registration Statement on Form S-8 (Registration No. 333-84871), Exhibit No. 10.37 to our Quarterly Report on Form 10-Q for the second fiscal quarter ended June 30, 2003, Exhibit No. 10.42 to our Quarterly Report on Form 10-Q for the first fiscal quarter ended March 31, 2004 and Exhibit No. 10.47 to our Current Report on Form 8-K, dated January 25, 2005, filed with the SEC for a complete copy of the 1999 Directors Stock Plan, as amended.

No awards were made in 2010, and no further awards will be made, under the 1999 Directors Stock Plan, as a result of our shareholders' approval of our adoption of the 2006 Equity Compensation Plan at the 2006 Annual Meeting of Shareholders on May 9, 2006. Our non-employee Directors participate in the 2006 Equity Compensation Plan. See "– Equity Compensation and Qualified Savings Plans – 2006 Equity Compensation Plan."

Directors Deferred Compensation Plan. On October 1, 1999, we established, and effective January 1, 2008, we restated, the Directors Deferred Compensation Plan, an unfunded, nonqualified plan covering all of our non-employee Directors. The Directors Deferred Compensation Plan provides that each non-employee Director may elect to receive payment of the annual retainer in cash or in shares of our common stock, in increments of 25% each. A non-employee Director who elects payment in shares of our common stock will receive that number of shares equal to the number obtained by dividing the dollar amount of the portion of the annual retainer to be paid in shares of our common stock by the fair market value of one share of our common stock determined as of the payment date. The value of any fractional share resulting from this calculation will be paid to the Director in cash.

The Directors Deferred Compensation Plan also provides that each non-employee Director may elect to defer payment of all or a portion of the annual retainer. The deferral of payment of cash or shares of our common stock can only be made in increments of 25%. Any deferred cash amounts will accrue interest at the rate of 6% compounded annually. Any deferred shares of our common stock will be credited with any cash dividends on those shares and, on a semi-annual basis, those cash dividends will be converted to shares of our common stock based on its fair market value at the time of the conversion.

No cash or shares of our common stock deferred by a non-employee Director under the Directors Deferred Compensation Plan will be paid to the non-employee Director until he or she is no longer a Director.

Non-Employee Director Participation in Pension Plans. None of our non-employee Directors participate in any of our defined benefit or actuarial pension plans (including supplemental plans). Mr. Fowler, however, participates in the Old Pension Plan as a result of his prior employment by ITT Corporation or one of its affiliated companies that participated in that plan. Any change in the actuarial present value of Mr. Fowler's accumulated benefit under the Old Pension Plan in 2010 was not affected by his service as a non-employee Director on our Board of Directors. See "– Pension Plans – Old Pension Plan."

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of February 15, 2011, the number of shares of our common stock beneficially owned by any person (including any group) known by management to beneficially own more than 5% of our common stock, by each Director, by each of the Named Executive Officers and by all of our current Directors and the executive officers as a group. Unless otherwise indicated in a footnote, each individual or group possesses sole voting and

investment power with respect to all shares indicated as beneficially owned. None of the shares owned by our Directors and executive officers are pledged as security. No Director owns any "qualifying" shares.

Name of Beneficial Owner	ITT/ESI Common Stock Number of Shares Beneficially Owned(1)	Percent of Class
Wellington Management Company, LLP 280 Congress Street Boston, MA 02210	4,466,908 (2)	15.4%
Blum Capital Partners, L.P. Richard C. Blum & Associates, Inc. Blum Strategic GP III, L.L.C. Blum Strategic GP III, L.P. Blum Strategic GP IV, L.L.C. Blum Strategic GP IV, L.P. c/o Blum Capital Partners, L.P. 909 Montgomery Street Suite 400 San Francisco, CA 94133	4,145,538 (3)	14.3%
Lazard Freres & Co. LLC 30 Rockefeller Plaza New York, NY 10020	3,805,300 (4)	13.2%
Warburg Pincus Asset Management, Inc. 466 Lexington Avenue New York, NY 10017	2,933,150 (5)	10.1%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	2,597,294 (6)	9.0%
Columbia Wanger Asset Management, LLC Columbia Acorn Trust 227 West Monroe Street Suite 3000 Chicago, IL 60606	2,580,850 (7)	8.9%
The Bank of New York Mellon Corporation MBC Investments Corporation One Wall Street, 31st Floor New York, NY 10286	2,136,024 (8)	7.4%
Kevin M. Modany	444,818 (9)	1.5%
Clark D. Elwood	56,591 (10)	*
Eugene W. Feichtner	134,426 (11)	*
Daniel M. Fitzpatrick	95,959 (12)	*
June M. McCormack	28,332 (13)	*

John F. Cozzi	39,748 (14)	*
John E. Dean	60,082 (15)	*
James D. Fowler, Jr.	10,108 (16)	*
Joanna T. Lau	34,048 (17)	*
Samuel L. Odle	5,358 (18)	*
Lloyd G. Waterhouse	1,200 (19)	*
Vin Weber	33,154 (20)	*
John A. Yena	5,869 (21)	*
All current Directors and executive officers as a group (15 individuals)	1,072,506 (22)	3.6%

*Less than 1%.

(1) All shares of our common stock are owned directly except as otherwise indicated. Pursuant to the SEC's regulations, shares (a) receivable by Directors and executive officers upon exercise of stock options exercisable within 60 days after February 15, 2011, (b) allocated to the accounts of certain Directors and executive officers under the ESI 401(k) Plan at February 15, 2011 or (c) credited to the accounts of certain Directors under the Directors Deferred Compensation Plan at February 15, 2011, are deemed to be beneficially owned by such Directors and executive officers.

(2) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is a registered investment adviser and has shared power to (a) vote or direct the vote of 3,206,340 shares and (b) dispose or direct the disposition of 4,466,908 shares.

(3) Based solely on information in reports filed by the beneficial owners under Section 13(d) or 13(g) of the Exchange Act. The beneficial owners may be deemed to be members in a group that possesses voting and investment power over a total of 4,145,538 shares. Blum Capital Partners, L.P. ("Blum L.P.") is a partnership and a registered investment advisor and acts as general partner for investment partnerships that hold 859,925 shares. Richard C. Blum & Associates, Inc. is the sole general partner of Blum L.P. and is deemed the beneficial owner of the shares over which Blum L.P. has voting and investment power. Blum Strategic GP III, L.L.C. ("Blum GP III") holds 1,623,488 shares and is the general partner of Blum Strategic GP III, L.P., which is the general partner of Blum Strategic Partners III, L.P. Blum Strategic GP IV, L.L.C. ("Blum GP IV") holds 1,662,125 shares and is the general partner of Blum Strategic GP IV, L.P., which is the general partner of Blum Strategic Partners IV, L.P. Blum L.P., Blum GP III and Blum GP IV have shared power to vote or direct the vote of, and dispose or direct the disposition of, 4,145,538 shares.

(4) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is a registered investment adviser and broker-dealer and has sole power to (a) vote or direct the vote of 3,204,410 shares and (b) dispose or direct the disposition of 3,805,300 shares.

(5) Based solely on information in reports filed by the beneficial owner under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is a registered investment adviser and has (a) sole power to vote or direct the vote of 2,396,100 shares, (b) shared power to vote or direct the vote of 513,450 shares and (c) sole power to dispose or direct the disposition of 2,933,150 shares.

(6) Based solely on information in reports filed by the beneficial owners under Section 13(d) or 13(g) of the Exchange Act. The beneficial owner is a parent holding company or control person and possesses sole power to vote or to direct the vote, and to dispose or to direct the disposition of, 2,597,294 shares. The beneficial owner

reported that the following of its subsidiaries acquired the shares: BlackRock Japan Co. Ltd, BlackRock Advisors (UK) Limited, BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Asset Management Canada Limited, BlackRock Asset Management Australia Limited, BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Investment Management, LLC, BlackRock (Luxembourg) S.A., BlackRock (Netherlands) B.V., BlackRock Fund Managers Limited, BlackRock International Limited and BlackRock Investment Management (UK) Limited.

(7) Based solely on information in reports filed by the beneficial owners under Section 13(d) or 13(g) of the Exchange Act. Each beneficial owner is a member of a group that possesses voting and investment power over a total of 2,580,850 shares. Columbia Wanger Asset Management, LLC ("Columbia") is a registered investment adviser. Columbia has sole power to (a) vote or direct the vote of 2,483,350 shares and (b) dispose or direct the disposition of 2,580,850 shares. Columbia Acorn Trust ("Acorn") is a Massachusetts business trust that is advised by Columbia. The beneficial owners reported that Acorn holds 6.9% of our common stock.

(8) Based solely on information in reports filed by the listed beneficial owners and various of their subsidiaries under Section 13(d) or 13(g) of the Exchange Act. The Bank of New York Mellon Corporation ("BNYMC") reported that the shares are beneficially owned by it and its direct or indirect subsidiaries in their various fiduciary capacities. The beneficial owners are banks, investment advisers, parent holding companies, control persons, brokers or dealers. BNYMC has (a) sole power to vote or direct the vote of 1,838,078 shares, (b) shared power to vote or direct the vote of 99,789 shares, (c) sole power to dispose or direct the disposition of 2,122,721 shares, and (d) shared power to dispose or direct the disposition of 90 shares. MBC Investments Corporation, which is a parent corporation and a direct or indirect subsidiary of BNYMC, has (a) sole power to vote or direct the vote of 1,375,983 shares, (b) shared power to vote or direct the vote of 99,789 shares, and (c) sole power to dispose or direct the disposition of 1,686,808 shares.

(9) This number includes 228 shares owned under the ESI 401(k) Plan and 444,590 shares subject to presently exercisable options.

(10) This number includes 6,097 shares owned under the ESI 401(k) Plan and 50,494 shares subject to presently exercisable options.

(11) This number includes 7,946 shares owned under the ESI 401(k) Plan and 126,480 shares subject to presently exercisable options.

(12) This number includes 95,959 shares subject to presently exercisable options.

(13) This number includes 28,332 shares subject to presently exercisable options.

(14) This number includes 4,501 shares owned directly, 2,000 shares owned by trusts for the benefit of Mr. Cozzi's children, 5,247 shares deferred under the Directors Deferred Compensation Plan and 28,000 shares subject to presently exercisable options.

(15) This number includes 14,452 shares owned directly, 9,630 shares deferred under the Directors Deferred Compensation Plan and 36,000 shares subject to presently exercisable options.

(16) This number includes 6,108 shares owned directly and 4,000 shares subject to presently exercisable options.

(17) This number includes 3,499 shares owned directly, 2,549 shares deferred under the Directors Deferred Compensation Plan and 28,000 shares subject to presently exercisable options.

(18) This number includes 2,501 shares owned directly and 2,857 shares deferred under the Directors Deferred Compensation Plan.

(19) This number includes 1,200 shares owned by a limited liability company that is controlled by Mr. Waterhouse.

(20) This number includes 7,001 shares owned directly, 10,653 shares deferred under the Directors Deferred Compensation Plan and 15,500 shares subject to presently exercisable options.

(21) This number includes 3,501 shares owned directly and 2,368 shares deferred under the Directors Deferred Compensation Plan.

(22) This number includes 41,563 shares owned directly, 3,200 shares owned indirectly, 14,271 shares owned under the ESI 401(k) Plan, 980,168 shares subject to presently exercisable options and 33,304 shares deferred under the Directors Deferred Compensation Plan.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Our written policies and procedures for the review, approval or ratification of any current or proposed transaction potentially involving an amount in excess of $120,000 in which we are or will become a participant and in which any related person had, or will have, a direct or indirect material interest ("Transaction") are set forth in our Corporate Governance Guidelines and are posted on our website at www.ittesi.com. These policies and procedures are as follows:

- Our Board of Directors must be notified in advance or as soon as practicable of the Transaction.
- The notification to our Board should be in writing and contain the following information regarding the Transaction:
  - the name of the related person;
  - the basis on which the person is a related person;
  - a detailed description of the related person's interest in the Transaction, including the related person's position(s) or relationship(s) with, or ownership in, a firm, corporation or other entity that is a party to, or has an interest in, the Transaction;
  - the approximate dollar value of the amount involved in the Transaction;
  - the approximate dollar amount of the related person's interest in the Transaction, which must be computed without regard to the amount of profit or loss;
  - in the case of an indebtedness Transaction:
    - the largest aggregate amount of all indebtedness outstanding at any time since the beginning of our last fiscal year and all amounts of interest payable on the outstanding indebtedness during our last fiscal year (excluding amounts due from the related person for purchases of goods and services subject to usual trade terms, for ordinary business travel and expense payments and for other transactions in the ordinary course of business);
    - the largest aggregate amount of principal that could be outstanding;
    - a schedule specifying the principal amount that is anticipated to be outstanding from time to time during the Transaction;
    - the term of the indebtedness;
    - the repayment schedule of the principal amount;
    - the total amount of any interest that is anticipated to accrue on the principal amount;
    - the interest rate; and
    - the payment schedule of the interest that accrues on the principal amount;
  - in the case of a lease or other Transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments due on or after the beginning of our last fiscal year, including any required or optional payments due during or at the conclusion of the Transaction;
  - in the case of a Transaction involving a purchase or sale of assets by or to us otherwise than in the ordinary course of business, the cost of the assets to the purchaser and, if acquired within two years of the Transaction, the cost of the assets to the seller and related information about the price of the assets; and
  - any other information regarding the Transaction or related person in the context of the Transaction that a reasonable investor of ours would consider material in light of the circumstances of the Transaction.
- Upon receipt of the above information, all of the members of our Board of Directors (except for any Director who is the related person or whose immediate family member is the related person) will review and consider the information and determine whether it is in our and our shareholders' best interests for the Board to approve or ratify the Transaction.
- Our Board of Directors is of the general belief that, except in exceptional circumstances, we should try to avoid participating in any Transaction, regardless of the Transaction's merit or benefit to us or our shareholders, in order to avoid any appearance of a conflict of interest or impropriety that may be perceived from our participation in the Transaction.
- If our Board of Directors approves or ratifies our participation in a Transaction, we may participate in the Transaction.
  - If our Board of Directors does not approve or ratify our participation in a Transaction:
    - we will not participate in the Transaction, if our participation has not yet begun; or
    - we will attempt to end or limit as much as possible our participation in the Transaction without breaching any of our obligations arising from the Transaction.

- We will disclose our participation in any Transaction in accordance with Item 404(a) of Regulation S-K under the Exchange Act.

A “transaction” includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships, except for:

- any indebtedness transaction in which the related person qualifies as such solely because he or she is a beneficial owner of more than 5% of any class of our voting securities or is an immediate family member of the beneficial owner;
- any employment relationship or transaction involving any of our executive officers and any related compensation solely resulting from that employment relationship or transaction, if:
- we report the compensation arising from the relationship or transaction to the SEC in accordance with Item 402 of Regulation S-K under the Exchange Act; or
- the executive officer is not an immediate family member of the related person and we would have reported such compensation to the SEC in accordance with Item 402 of Regulation S-K under the Exchange Act as compensation earned for services to us if the executive officer was a “named executive officer” of ours (as that term is defined in Item 402(a)(3) of Regulation S-K under the Exchange Act) and such compensation had been approved as such by the Compensation Committee of our Board of Directors;
- any compensation paid to any of our Directors, if the compensation is reported to the SEC in accordance with Item 402(k) of Regulation S-K under the Exchange Act;
- any transaction in which the rates or charges involved in the transaction are determined by competitive bids;
- any transaction that involves the rendering of services as a common or contract carrier or public utility at rates or charges fixed in conformity with law or governmental authority;
- any transaction that involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services; or
- any transaction in which the interest of the related person arises solely from the ownership of a class of our equity securities and all holders of that class of equity securities received the same benefit or a pro rata basis.

A “related person” means:

- any of our Directors or executive officers;
- anyone who has been nominated to be elected one of our Directors;
- any beneficial owner of more than 5% of any class of our voting securities; and
- any immediate family member of any of the foregoing persons.

An “immediate family member” means any child, stepchild, parent, stepparent, spouse, sibling, father and mother-in-law, son and daughter-in-law, brother and sister-in-law, and any person (other than a tenant or employee) who shares the household of a Director, executive officer, nominee for Director or beneficial owner of more than 5% of any class of our voting securities.

A person who has a position or relationship with a firm, corporation or other entity that engages in a transaction with us will not be deemed to have an “indirect material interest” where:

- the interest arises only:
- from such person’s position as a director of another corporation or organization that is a party to the transaction;
- from the direct or indirect ownership by such person and all other related persons, in the aggregate, of less than a 10% equity interest in another person (other than a partnership) that is a party to the transaction; or
- from both such position and ownership; or
- the interest arises only from such person’s position as a limited partner in a partnership in which the person and all other related persons, in the aggregate, have an interest of less than 10%, and the person is not a general partner of

and does not hold another position in the partnership.

There were no such Transactions in 2010.

SHAREHOLDER PROPOSALS FOR 2012 ANNUAL MEETING

The date by which shareholder proposals must be received by us for inclusion in proxy materials relating to the 2012 Annual Meeting of Shareholders is November 19, 2011.

In order to be considered at the 2012 Annual Meeting of Shareholders, shareholder proposals must comply with the advance notice and eligibility requirements contained in our By-Laws. Our By-Laws provide that shareholders are required to give advance notice to us of any nomination by a shareholder of candidates for election as Directors and of any business to be brought by a shareholder before a shareholders' meeting. The notice must contain specified information about each nominee or the proposed business and the shareholder making the nomination or proposal and related persons or entities.

With respect to annual meetings, our By-Laws provide that a shareholder of record entitled to vote at such meeting may nominate one or more persons for election as Director or Directors or may properly bring business before such meeting only if the shareholder gives written notice thereof to our Secretary not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting. In the event the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the shareholder must be delivered or received not earlier than the 120th day prior to such annual meeting and not later than the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made.

The advance notice provisions in our By-Laws also provide that in the case of a special meeting of shareholders at which our Board of Directors has determined that Directors will be elected, in order to nominate one or more persons for election as Director or Directors, to be timely, a shareholder's notice must be delivered or received not earlier than the 120th day prior to such special meeting and not later than the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement of the date of the special meeting and of nominees to be elected at such meeting is first made.

The specific requirements of these advance notice and eligibility provisions are set forth in Article II, Section 8 of our By-Laws, a copy of which is available upon request. Such requests and any shareholder proposals should be sent to our Secretary at ITT Educational Services, Inc., 13000 North Meridian Street, Carmel, IN 46032-1404.

ADDITIONAL INFORMATION

Code of Ethics

We have adopted a written Code of Business Conduct and Ethics (the "Code") in accordance with Item 406 of Regulation S-K under the Exchange Act that is applicable to our Directors and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. The Code is posted on our website at www.ittesi.com.

We also intend to promptly disclose on our website any amendments that we make to the Code. To the extent that our Board of Directors grants any waiver of the Code for any of our Directors or executive officers, we intend to disclose the waiver on our website within four business days following the grant of the waiver.

Transfer Agent Information

The transfer agent and registrar for our common stock is:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
E-mail address: info@amstock.com
Internet address: http://www.amstock.com

Shareholders should send certificates for transfer and address changes to:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

Shareholder questions can be answered by our transfer agent either by calling toll-free at 1-800-937-5449 (U.S.) or 1-718-921-8200 (Outside the U.S.), by live web chat connected through our transfer agent's website at www.amstock.com, or by mail addressed to:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

Shareholder Information

We make the following materials available free of charge through our website at www.ittesi.com:

- our Corporate Governance Guidelines;
- the charter for each of the Academic, Audit, Compensation, and Nominating and Corporate Governance Committees of our Board of Directors; and
- our Code.

We will provide a print copy of the following materials without charge to anyone who makes a written request to our Investor Relations Department at ITT Educational Services, Inc., 13000 North Meridian Street, Carmel, Indiana 46032-1404 or by e-mail through our website at www.ittesi.com:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC, excluding certain of its exhibits;
- our Corporate Governance Guidelines;
- the charter for each of the Academic, Audit, Compensation, and Nominating and Corporate Governance Committees of our Board of Directors; and
- the Code.

Annual Report to Shareholders

Our 2010 Annual Report to Shareholders, which is our 2010 Annual Report on Form 10-K, is available to our shareholders on the Internet as described in the Notice of Internet Availability of Proxy Materials, and is also available at the SEC's website at www.sec.gov and our website at www.ittesi.com. Shareholders may also request a printed copy of our 2010 Annual Report to Shareholders in the manner described in the Notice.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and the Form 10-K are available at www.proxyvote.com.

ITT EDUCATIONAL SERVICES, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
ANNUAL MEETING OF SHAREHOLDERS
May 3, 2011

The shareholder(s) hereby appoint(s) Clark D. Elwood and Daniel M. Fitzpatrick, or either of them, as proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of ITT Educational Services, Inc. (ITT/ESI) that the shareholder(s) is/are entitled to vote at the Annual Meeting of Shareholders to be held at 10:00 a.m. local time on May 3, 2011, at the Hilton Crystal City, 2399 Jefferson Davis Highway, Arlington, VA 22202, and any adjournment or postponement thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED UNDER PROPOSAL 1, FOR PROPOSAL 2, FOR PROPOSAL 3 AND THREE YEARS ON PROPOSAL 4. PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE.

Address Changes: _____

_____

(If you noted any Address Changes above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side

ITT EDUCATIONAL SERVICES, INC.
13000 NORTH MERIDIAN STREET
CARMEL, IN 46032-1404

VOTE BY INTERNET – www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE – 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:
KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY
THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

ITT EDUCATIONAL SERVICES, INC.

The Board of Directors recommends you vote FOR the following proposals:

1. Election of Directors

Nominees:		For	Against	Abstain
1a.	John E. Dean	¨	¨	¨
1b.	James D. Fowler, Jr.	¨	¨	¨
1c.	Vin Weber	¨	¨	¨

	For	Against	Abstain
2. To ratify the appointment of PricewaterhouseCoopers LLP to serve as ITT Educational Services, Inc.'s (ITT/ESI) independent registered public accounting firm for its fiscal year ending December 31, 2011.	¨	¨	¨
3. To approve, by a non-binding vote, the compensation paid to ITT/ESI's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, in ITT/ESI's proxy statement.	¨	¨	¨

The Board of Directors recommends you vote for THREE years on the following proposal:	3 Years	2 Years	1 Year	Abstain
4. To approve, by a non-binding vote, holding future shareholder votes to approve the compensation paid to ITT/ESI's named executive officers every one, two, or three years.	¨	¨	¨	¨

NOTE: In their discretion, the proxies are authorized to vote upon such other matters that may properly come before the meeting or any adjournment(s) thereof. The shares represented by this proxy, when properly executed, will be voted in the manner directed herein by the undersigned Shareholder(s). If no direction is made, this proxy will be voted FOR proposals 1, 2 and 3, and for THREE years on proposal 4. If any other matters properly come before the meeting, or if cumulative voting is required, the persons named as proxies on this proxy card will vote in their discretion.

For address changes, please check this box and write them on the back where indicated. ¨

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date