# becoming digital

ITT Educational Services, Inc. 2000/Annual Report

# becoming digital


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# becoming digital... an imperative

The U.S. Senate's Joint Economic Committee anticipates that high-tech sector jobs will continue to increase from 4.6 million in 1996 to 6.2 million by 2006. ITT Technical Institute graduates are there now…and will be there then.

## Becoming digital... the future

Industry futurists are in general agreement about the trends. High speed access to the Internet should foster a major increase in creative applications for business and industry to facilitate product development, customer service, inventory management, product design, training and communications.

In order for companies to provide services when and where their customers demand, emphasis should be on technologies that provide remote, instant access to data and processes that solve problems. Mobile customer service representatives in many industries will be empowered to make decisions and resolve problems instantaneously because of their access to main servers via broadband links.

The rate of change should continue to increase, demanding businesses to be ever more nimble in assimilating changes in technology and processes to stay competitive. Communication will become more vital to stay in tune with customer needs.

The winners should generally be those who have the infrastructure that enables rapid decision making and places business intelligence on the end user's device in an effort to improve relationships with clients. On the automated manufacturing front,

becoming digital... "The current and future health of America's 21st Century Economy depends directly on how broadly and deeply Americans reach a new level of literacy—'21st Century Literacy'—that includes strong academic skills, thinking, reasoning, teamwork skills, and proficiency in using technology." The 21st Century Workforce Commission, 2000

increased use of sensors and automated processes should allow for both better customer satisfaction and manufacturing efficiencies.

Real time service. Seamless solutions. How will businesses gain and secure a discernable advantage over their competitors? By hiring good people.

## Becoming digital... and more

The goal of the ITT Technical Institute curricula is to strike the appropriate balance between the student's career-oriented education and the non-technical skill sets important to help the student to progress above entry-level positions in a career. While the recent "just-in-time" hiring of workers with only certifications may continue for a time, employers have expressed a much stronger preference for employees with a broader skill set.

In this new century, when more than 60 percent of high school graduates and many older adults are enrolled in some form of postsecondary education, there is ample room for programs that can help students improve their career prospects. To be successful, a democratic society must have members who are confident of their own economic independence, which is not always a sure thing in this age of rapid change.

However, a critical element often overlooked in career-oriented programs of study is coursework that assists graduate performance in arenas outside their area of technology. Courses that can help them understand customer problems and envision solutions. Courses that introduce them to cultural differences in understanding the global economy. Courses that can help them develop communication and teamwork skills.

## Becoming digital... the focus

The Information Technology (IT) industry offers substantial resources to increase the pool of qualified workers. Focusing resources on adult training is only a short-term solution. The appropriate focus for the long-term is to insist on intervention at critical points in grades seven through 12 in the nation's educational system.

Every year, colleges across the country experience the disappointment of having to turn away applicants who cannot pass entrance exams or who shy away because they are uncertain about their math skills. The greatest disappointments are those applicants whose natural abilities include mathematical reasoning but whose prior education lacks the appropriate coursework.

It is time for the technology industry and educators to work together toward a long-term solution. A report issued in 2000 entitled "IT Pathway Pipeline Model" provides a plan to integrate Information Technology in educational programs from first grade through postsecondary programs. This report, a joint effort of the Education Development Center, the Information Technology Association of America (ITAA) and the National Alliance of Business, provides important recommendations for achieving technology literacy in our nation.

The plan is ready; the next step is dedicating the appropriate resources. Now is the time to begin programming for the next generation of IT workers who can ensure our competitiveness in the global economy.

# about the company

**The Company** ITT Educational Services, Inc., (NYSE:ESI) is a leading provider of technology-oriented postsecondary degree programs. The ITT Technical Institutes predominantly provide career-focused degree programs of study to more than 27,500 students, including programs in Information Technology, Computer and Electronics Engineering Technology and Computer Drafting and Design. Headquartered in Indianapolis, Indiana, ESI has been actively involved in the higher education community in the United States since 1969. Shares are traded on the New York Stock Exchange under the symbol "ESI." ESI has graduated approximately 150,000 students since 1969, including 80,000 in the last 10 years.

**The Curricula** Curricular offerings, leading primarily to associate's and bachelor's degrees, are designed to help students begin to prepare for career opportunities in various fields involving technology. The Information Technology area of study includes four disciplines, each leading to an associate's degree: Computer Network Systems, Multimedia, Software Application and Programming and Web Development. Other program offerings include Computer and Electronics Engineering Technology, Computer Drafting and Design, Industrial Design, Automated Manufacturing Technology, Computer Visualization Technology and Telecommunications Engineering Technology. Programs of study at ITT Technical Institutes blend traditional academic content with applied learning concepts.

Advisory committees, comprised of representatives of local businesses and employers, help each ITT Technical Institute periodically assess and update curricula, equipment and laboratory design.

**Campuses** At the end of 2000, ESI operated 69 ITT Technical Institutes in 28 states. Each ITT Technical Institute is authorized by the state in which it is located and is nationally accredited or seeking accreditation by an accrediting commission recognized by the U.S. Department of Education.

**Student Schedule** Students attend classes year-round with convenient breaks provided throughout the year. The class schedules in the Information Technology, Computer and Electronics Engineering Technology and Computer Drafting and Design programs offered at most institutes are three days per week, approximately four and a half hours per day. This class schedule provides students with the flexibility to pursue employment opportunities. These programs of study lead to an associate's degree at most institutes. The class schedule of other programs is typically four hours per day, five days per week. Most programs are generally available in the morning, afternoon and evening, depending on student enrollment.

**Market Share** According to U.S. Department of Education data, the ITT Technical Institutes granted the largest percentage (13.8 percent) of associate's through bachelor's degrees awarded in the U.S. in electronics and electronics-related programs in the 1997-98 school year, the latest year for which statistics are available. The ITT Technical Institutes also awarded the largest share (23.5 percent) of associate's through bachelor's degrees awarded in the U.S. in drafting programs during the same school year.

**Growth** ITT Technical Institutes are positioned to benefit from projected business, economic and social trends, including:

- the increased demand for technically-skilled workers in Information Technology;
- the increased number of adults returning to school to enhance employment opportunity;
- the increased number of workers returning to school to change careers; and
- the projected increase in high school graduates.

**Shareholders' Information** **Financial information about ESI and the annual report to the Securities and Exchange Commission on Form 10-K are available without charge (except for certain exhibits) upon written request to ESI's Investor Relations Department by email through www.ittesi.com or by mail at ITT Educational Services, Inc., 5975 Castle Creek Parkway, North Drive, Indianapolis, Indiana 46250.**

## Financial Highlights

*(Dollars and shares in thousands, except per share data)*

| | 2000 | 1999 |
|---|---|---|
| Revenue | $347,524 | $316,370 |
| Net Income | $27,485 (1) | $24,905 (2) |
| Earnings Per Share: Diluted | $1.14 (1) | $0.98 (2) |
| Average Outstanding Shares | 24,018 | 25,235 |
| Shareholders' Equity at Year End | $64,686 | $57,771 |
| Shareholders' Equity Per Common Share | $2.75 | $2.35 |
| Capital Expenditures, Net | $29,393 | $17,005 |
| Number of ITT Technical Institutes at Year End (3) | 69 | 67 |
| Student Enrollment at Year End | 27,640 | 26,428 |
| Number of Employees | 3,650 | 3,400 |

(1) Before cumulative effect of change in accounting of $2,776 (after tax).
(2) Before one-time expenses and cumulative effect of change in accounting of $1,377 (after tax).
(3) ITT Technical Institutes that initiated classes prior to the end of the stated year.

**Annual Meeting** The annual meeting of shareholders will be held at 10 a.m. on Wednesday, May 9, 2001 at The Jefferson Hotel, 1200 16th Street, NW, Washington, D.C. 20036.

# dear fellow shareholders:

The postsecondary education market in which ITT Educational Services, Inc. ("ESI") participates is highly fragmented with no single institution or system of institutions possessing a significant percentage of the estimated 15.2 million students enrolled in higher education in 2000. The demand for postsecondary degree education is expected to continue rising over the next several years as a result of demographic, economic and social trends. The U.S. Department of Education has projected that 17.5 million students will be enrolled in postsecondary education in 2010.

This projected enrollment growth is being fueled by an increasing number of recent high school graduates who are choosing to continue their education at the postsecondary level and by working adults returning to campuses throughout the country. The number of high school graduates is projected to increase from approximately 2.8 million in 2000 to 3.1 million in 2010, the vast majority of whom are projected to seek postsecondary education. In addition, the civilian labor force in the U.S. included 141.5 million

# dear fellow shareholders: [continued]

workers in December 2000. The 2000 Census revealed that only 26.5 percent of working adults possessed an associate degree or higher credential.

The pace of technological change occurring in the U.S. practically mandates continuous training and education for workers seeking to obtain and retain higher paying jobs. Working adults have been streaming into postsecondary degree programs for several years, and this trend, which is projected to continue, reflects the heightened recognition and importance of postsecondary education to an individual's career prospects.

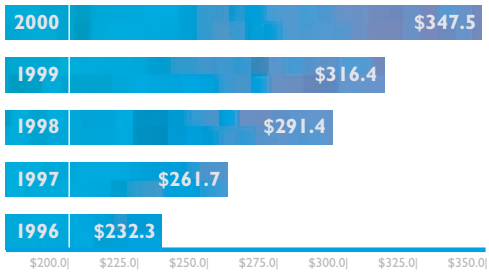
Our growth strategy is focused on becoming a leading provider of technology-oriented degree programs, primarily at the associate and bachelor degree levels. Despite the slowing national economy at the end of 2000, the labor market was the tightest in 30 years. Entering 2001, the U.S. economy is marked by two characteristics: a growing demand for skilled workers at technology-based companies and an oversupply of workers in some firms, especially in service industries and dot-coms. Independent studies have shown that many technology-based jobs go unfilled due to the lack of qualified candidates.

We have set about repositioning the company's product line based on the emergence of Information Technology as a guiding influence on our national economy. Information Technology is transforming the nature of work in our economy by requiring more knowledgeable workers. Since late 1998, the company has created six new degree programs of study that focus on computer-related employment opportunities for graduates.

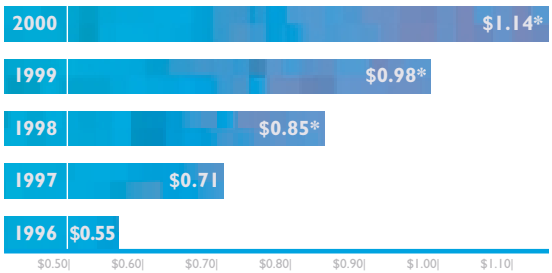
In the last 24 months, we have invested approximately $45 million in capital expenditures to be able to offer these six new degree programs at our institutes. Two-thirds of our ITT Technical Institutes added additional classroom space to accommodate the new programs. New computer teaching equipment and software were installed for each new program, and each institute was connected to the Internet.

As of December 31, 2000, all 69 institutes then in operation were offering an Information Technology associate's degree program involving computer network systems, the first of the six new programs. More than 13,000 new students had enrolled in this program by December 31, 2000, following its initial introduction at one school in the fall of 1998. A study conducted by the Information Technology Association of America and released in April 2000 found that 50 percent of all IT jobs are in technical support and network administration, two positions that exist in almost every organization. We believe that student enrollment in our IT program involving computer network systems will continue to increase.

We completed the curriculum development work on the remaining five new degree programs and obtained the necessary regulatory approvals to offer these programs in almost all of our schools by the end of 2000. These five programs include the following disciplines: Web Development, Multimedia, Software Applications and Programming, Computer and Electronics Engineering Technology and Computer Drafting and Design. Each of these programs was introduced at a limited number of schools in 2000, and the rollout of these programs to our other institutes is continuing.

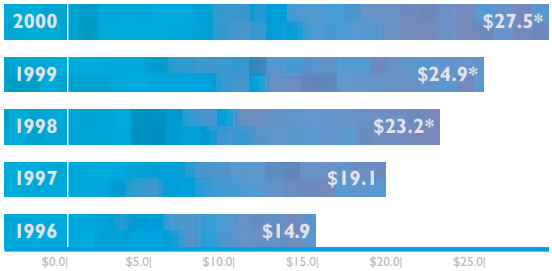


**REVENUES 1996–2000 ($ in millions)**



**EARNINGS PER SHARE (diluted) 1996–2000**

*Before one-time legal settlements, expenses and cumulative effect of change in accounting.



**NET INCOME 1996–2000 ($ in millions)**

*Before one-time legal settlements, expenses and cumulative effect of change in accounting.

## A Review of 2000

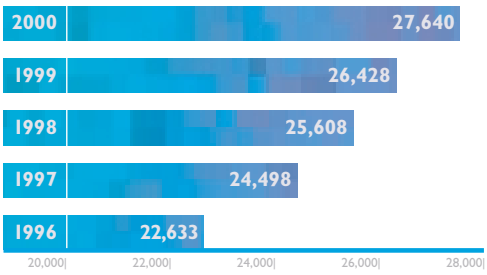
Revenues increased 9.8 percent to $347.5 million compared to $316.4 million in 1999. Net earnings, before the cumulative effect of a change in accounting principle, were $27.5 million or $1.14 per share compared to net earnings, as adjusted and before the cumulative effect of a change in accounting principle and one-time expense, of $24.9 million or $0.98 per share in 1999.

The company's consolidated balance sheet as of

December 31, 2000 shows $70.6 million in cash, cash equivalents and marketable debt securities and no debt. Capital expenditures of approximately $29 million were invested in growth projects aimed at increasing enrollment. Notwithstanding those capital expenditures, we generated a free cash flow of $20.8 million, most of which was used to repurchase shares of the company's common stock.

During the fourth quarter, we repurchased 417,900 shares of ESI common stock at an average price of $17.09 per share. During the entire year, we repurchased more than 1.1 million shares of ESI common stock for approximately $18.2 million. We have approximately 1.9 million shares of ESI common stock remaining to be repurchased under our current stock repurchase program.

Total student enrollment at our ITT Technical Institutes increased 4.6 percent to 27,640 as of December 31, 2000 compared to 26,428 as of the same date in 1999. Excluding discontinued programs, our total student enrollment increased 6.1 percent as of December 31, 2000 to 27,413 compared to 25,844 as of December 31, 1999.



**ITT TECHNICAL INSTITUTE STUDENT CENSUS GROWTH 1996–2000**

We opened new schools in Woburn (Boston), Massachusetts and Green Bay, Wisconsin, and we signed leases for schools to be constructed in Bensalem (Philadelphia), Pennsylvania and Springfield, Virginia near Washington, D.C.

ESI was named as one of *Forbes* magazine's 200 Best Small Companies for the year 2000.

## The Future

Our business is rapidly transforming since we began repositioning our product line to one that focuses more on the knowledge and skills associated with computer-related careers. We look forward to 2001 and beyond with optimism as the rollout of our six new programs of study to all ITT Technical Institutes is completed.

We believe postsecondary education institutions, like our ITT Technical Institutes, will benefit from rising enrollments, if the nation's economy continues to slow and unemployment and worker dislocation levels increase. However, our short-term and long-term growth plans are not predicated on the need for high unemployment rates. Skilled IT workers will remain in high demand, and prospective students will continue to be attracted by the higher wages and greater upward mobility associated with IT employment.

To further increase our IT education and training opportunities, we entered into an agreement with Cisco Systems, Inc. to begin offering the Cisco Networking Academy at our ITT Technical Institutes. The Cisco Networking Academy is a short-term training course lasting 24 weeks that utilizes instructor-led learning with hands-on exercises to teach students how to design, build and maintain certain computer networks. We intend to offer the first classes in the Cisco Networking Academy course at four of our institutes in the second quarter of 2001. If the Cisco Networking Academy course proves successful at these institutes, we intend to begin introducing the course at more of our ITT Technical Institutes later in 2001.

We plan to explore other opportunities for alliances similar to our relationship with Cisco Systems, Inc. in an effort to buttress our goal of becoming the country's leading postsecondary educator in computer-related fields.

Among our internal goals for 2001 is increasing our total student enrollment at year-end by approximately five to eight percent above the year-end 2000 total student enrollment of 27,640. Another internal goal is for revenues in 2001 to increase in the range of 10 to 13 percent. A third internal goal is to realize operating margins in the range of 12.3 to 13.0 percent in 2001 compared to the 12.0 percent margin achieved in 2000, even though the company will continue to make significant investments in growth projects. We currently intend to invest $25 to $30 million in capital expenditures in 2001 to support our growth projects. With strong cash management efforts, our goal is to generate approximately $15 to $20 million in free cash flow after capital expenditures. We also intend to remain debt free in 2001. The changes in conjunction with our new program offerings and the goals set for 2001 are all aimed at increasing shareholder value.

We have included highlights and profiles of 10 ITT Technical Institute graduates in this year's Annual Report. We take great pride in the educational services we provide our students as they prepare for future career opportunities. We are particularly grateful to our faculty and staff for their commitment and dedication to assisting our students.

Sincerely,

**Rene R. Champagne**
Chairman, President and CEO

Research indicates that the future integration of new technologies into business and industry will be equally important as the Internet has been in the past few years. A National Association of Manufacturers' study completed in 2000 revealed that 68 percent of American manufacturers still did not conduct business electronically, indicating a significant potential market for technology workers.

## Becoming digital... technology and the economy

"The Internet with its open nonproprietary protocols and global reach has emerged as a platform for spreading the efficiencies achievable through the automation of business processes to firms of all sizes," concluded the U.S. Department of Commerce ("Commerce") in its report "Digital Economy 2000."

Indeed, lost among headlines about the rapid growth and even more rapid decline of dot-coms is the real role technological development has played in the U.S. economy. Commerce found that "Although IT industries still account for a relatively small share of the economy's total output—an estimated 8.3 percent in 2000—they contributed nearly a third of real U.S. economic growth between 1995 and 1999.

"Because IT investment is driven by competitive pressures to innovate and cut costs more than to expand capacity, it will be less affected by a slowdown in demand. In addition, by creating supply chain efficiencies that reduce inventories, IT should dampen the inventory effect that has worsened past recessions."

PricewaterhouseCoopers surveyed CEOs, CFOs and Managing Directors of businesses of varying sizes for their "Technology Barometer" report, released in August 2000. "Today, in an industry marked by warp-speed change and pressure for tangible results, more than three in four business chiefs say integration of technology planning and business strategy influences their company's R&D efforts. This is also seen as an important factor three years out."

Jenneé Pool
Network Engineer III, Sp

*Jenneé is a 1998 graduate of the Phoenix, Arizona ITT Technical Institute, where she earned a Bachelor's Degree in Electronics Engineering Technology.*

"At ITT Technical Institute the instructors were great. They had hands-on experience, shared it with us, and loved what they did. I liked not being 'just a number.' And the schedule was flexible! I had two jobs, was a single mother of two children AND successfully finished the program! I use my education every day. Without it, it would have taken me a lot longer to get where I am. I was able to go to my employer and say 'I know how to do this'…and show them the degree to prove it."

SPRINT IS A GLOBAL COMMUNICATIONS COMPANY WITH LONG DISTANCE, LOCAL AND WIRELESS COMMUNICATION SERVICES AND ADVANCED DATA COMMUNICATION SERVICES.

Loren Hester
Modular Technician, Intel

*Loren is a 1991 graduate of the Portland, Oregon ITT Technical Institute, where he earned an Associate's Degree in Electronics Engineering Technology.*

"The program at ITT Technical Institute gave me a solid base from which to go forward. So no matter what technology I learn in my work, I started with good basics."

*Loren also is a member of an Intel committee that interviews prospective employees. "Our first priority is ensuring that a prospective technician has a good understanding of safety issues.*

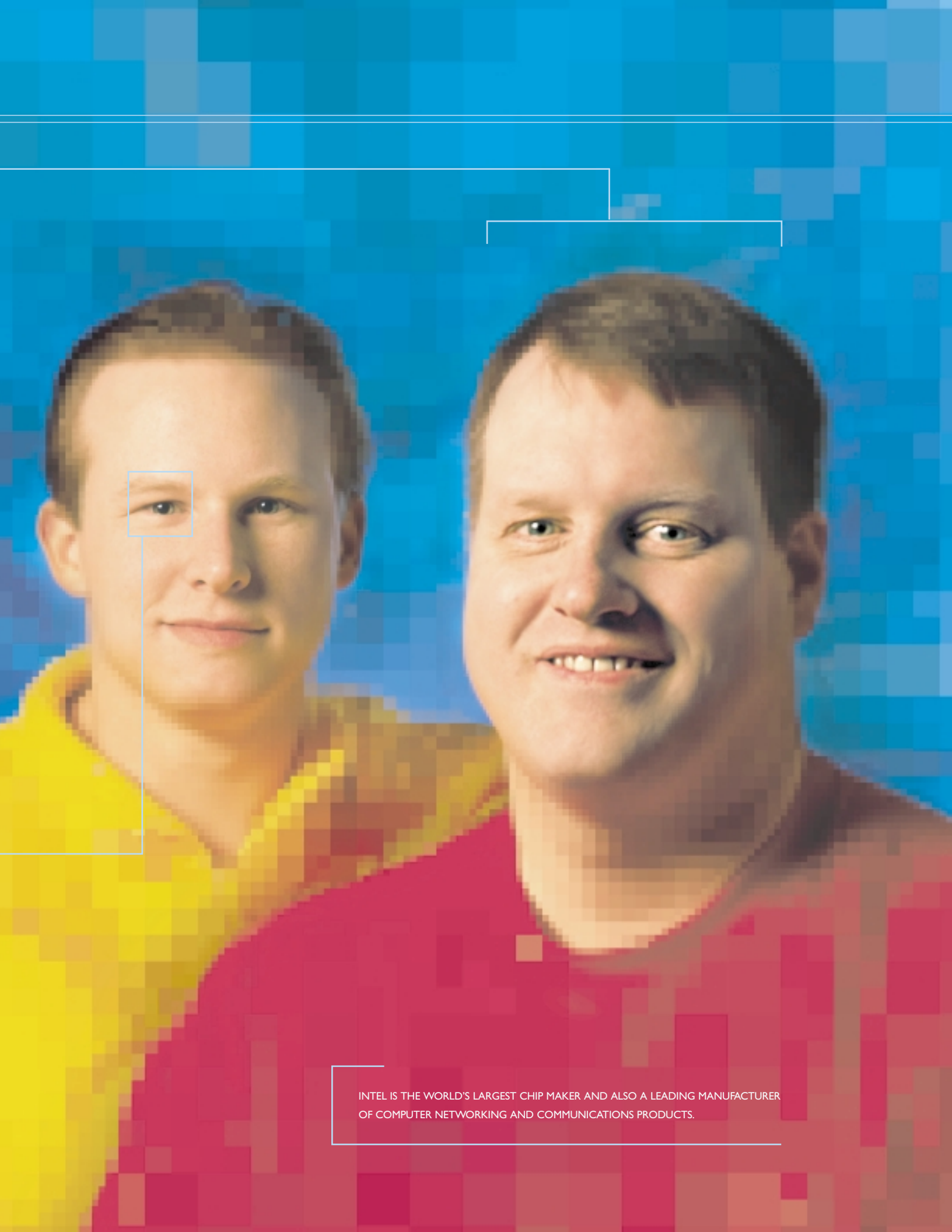
"Our second priority is interpersonal skills—how they work on a team. Most all of our work is done in teams. The more input we have, the better the decision. The team would break down if a member spent too much time working independently. You can tell the ones who have experience working on teams.

"Another issue is the ability to trouble-shoot. We look for people who have the critical thinking skills that allow them to solve problems."

Jason Peffers
Self-sustaining Technician, Intel

*Jason is a 1993 graduate of the Portland, Oregon ITT Technical Institute, where he earned an Associate's Degree in Electronics Engineering Technology.*

"The most appealing aspect of ITT Tech was the flexible schedule. Other programs were more time-consuming, but at ITT Tech I could work a full-time job and pursue my education. The time in school was the first time I was accountable for myself. That was when I developed a work ethic that carries over into my job today."



INTEL IS THE WORLD'S LARGEST CHIP MAKER AND ALSO A LEADING MANUFACTURER OF COMPUTER NETWORKING AND COMMUNICATIONS PRODUCTS.

Geranima Walton
Network Validation Engineer,
Nortel Networks

*Geranima is a 1995 graduate of the former Garland, Texas ITT Technical Institute, where he earned an Associate's Degree in Electronics Engineering Technology. He also serves on the Advisory Board for the Richardson ITT Tech.*

"One of the many things that I gained from ITT Technical Institute was the ability to work in a team atmosphere to accomplish our business goals and to establish milestones. The knowledge that I received was and still is an invaluable tool that I use every day in my professional career. The instructors did a fantastic job in preparing me for what lies ahead in this competitive job market."

NORTEL NETWORKS CORPORATION IS A LEADING GLOBAL SUPPLIER OF NETWORKING SOLUTIONS AND SERVICES THAT SUPPORT VOICE, DATA AND VIDEO TRANSMISSION OVER WIRELESS AND WIRELINE TECHNOLOGIES.

According to Commerce, technology applications designed to streamline business processes are expected to increase. Some of these processes include:

- coordinating product design
- improving human resource functions
- managing inventory more efficiently
- providing training
- providing customer services and answering frequently asked questions
- reducing project administration and management costs.

## Becoming digital... jobs, jobs, jobs

The shortage of technology workers was widely reported during 2000. The Information Technology Association of America (ITAA) estimated that approximately half of the available 1.6 million IT jobs would go unfilled during the year. The tight labor market was confirmed by numerous other studies and anecdotal information reported in local markets across the country.

According to work force consultant Icarian, Inc., "Despite recent downsizing at some

Internet and e-commerce ventures and the early demise of others, the tight labor market puts a strain on companies who continue to hire IT workers at a record pace." In addition, an American Electronics Association study revealed that the problem was widespread and not isolated to technology hubs. Cities with medium-sized technology industries were creating technology jobs at faster rates than those known as technology hubs.

The "hottest jobs" were identified by chief information officers in the November 2000 survey by IT placement firm RHI Consulting. They were:

| | |
|---|---|
| Internet/intranet development | 20% |
| Networking | 20% |
| Helpdesk/end-user support | 17% |
| Applications development | 12% |
| Data/database management | 9% |
| Project management | 5% |
| Systems analysis | 3% |
| Other/don't know | 14% |

"The hiring forecast remains strong for the year ahead, which will impact compensation levels as companies compete for top talent. Average starting salaries in the United States are expected to increase 8.4 percent over 2000," RHI reported.

> becoming digital..."We are witnessing myriad new forms of business activity, such as electronic marketplaces linking buyers and sellers in seamless global bazaars, and changes in business processes from customer service to product design that harness the new technologies to make businesses more efficient and responsive."
>
> Former Secretary of Commerce William M. Daley, 2000

## Becoming digital... responding to industry needs

Forward looking industry leaders and consultants have emphasized the combination of technical, communication and lifelong learning skills. The training director for Intel's Technology Manufacturing Group is Dr. Jeanette Harrison. In a September 13, 2000 article, she told the *Chicago Tribune*, "While it is essential to take the basic (technology) curriculum to be prepared for what you want to do, a Department of Labor study shows that today's graduates will have four different careers in their lifetimes. The best way to prepare for that is to learn how to learn, to take information and embed it in your way of thinking and the way you lead your life."

In the same article the *Tribune* also interviewed Pete Saflund, associate director of the Northwest Center for Emerging Technologies (NWCET), which has taken the lead in identifying emerging technology jobs and the skill sets needed in their performance. Mr. Saflund commented, "Learn your own learning styles. The ability to

efficiently assimilate new information and use it productively will be the key to long-term success on the job."

When developing the Information Technology curricula for the ITT Technical Institutes, ESI used the industry standards developed by the NWCET as a foundation to ensure that curriculum design and content were in sync with industry needs.

ESI also designed electronics and computer-aided drafting programs to include IT skills because it recognized that all industries were increasing their use of IT in applications. The new Computer and Electronics Engineering Technology ("CEET") and Computer Drafting and Design ("CDD") programs are reflections of these industry changes. Computers stand where drafting tables once stood in ITT Tech classrooms as well as in industry.

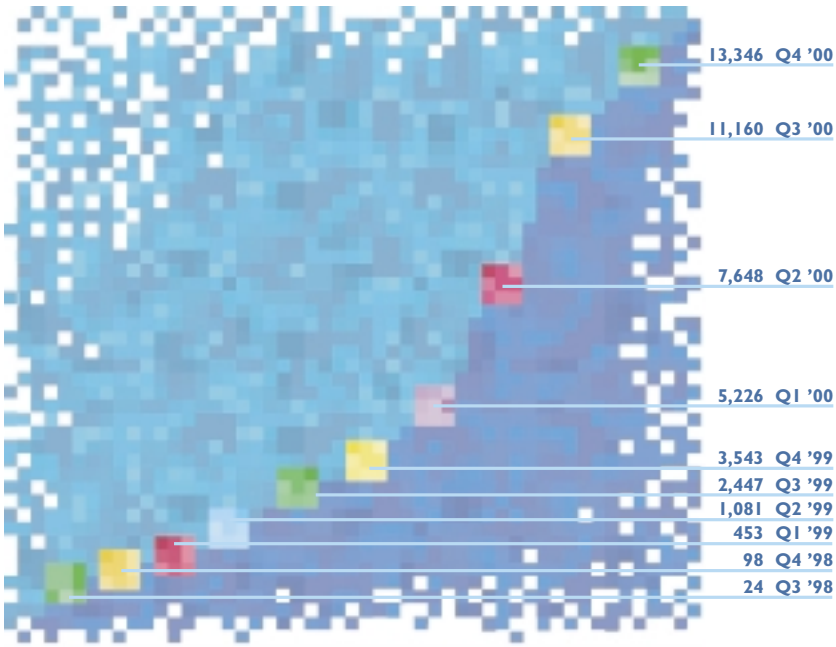
ESI recognized that, to help students develop the skills to progress above entry-level positions, the curricula should include a "path" of courses that can help students enhance their critical thinking, communication and adaptability skills, which may be necessary as business and technology evolve.

ESI also recognized the challenges faced by working adults who struggle to work, go to school and spend time with their families. The result was the change in the students' class schedule from five days per week to three days per week (except in Pennsylvania) for all IT programs and for the new CEET and CDD programs.

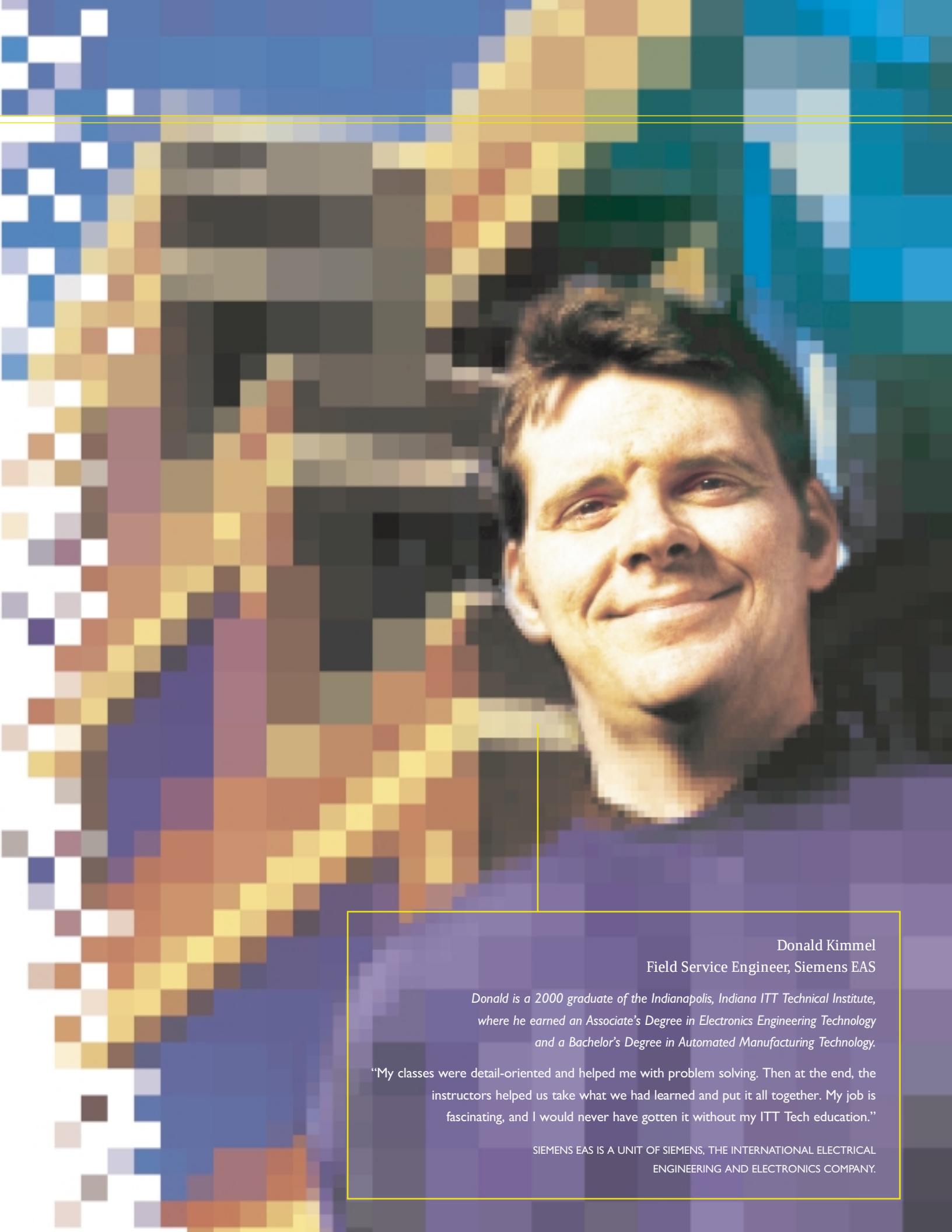
## Becoming digital... success of the curricula

In its landmark 2000 study "Bridging the Gap," the ITAA reported that private schools such as ITT Technical Institutes were an important provider of new workers for the technology industries. ITAA found that, "Ten percent of IT company respondents rated private schools very effective and 14 percent found them to be the single best means of acquiring skills. Fourteen percent of non-IT companies called them very effective and 13 percent said private schools are the single best mechanism for skill acquisition."

The enrollment in IT programs at ITT Technical Institutes has increased tremendously since they were first offered in 1998. The IT curricula also have been successful in beginning




**CUMULATIVE NEW STUDENT ENROLLMENT in IT programs at ITT Technical Institutes**



Donald Kimmel
Field Service Engineer, Siemens EAS

*Donald is a 2000 graduate of the Indianapolis, Indiana ITT Technical Institute, where he earned an Associate's Degree in Electronics Engineering Technology and a Bachelor's Degree in Automated Manufacturing Technology.*

"My classes were detail-oriented and helped me with problem solving. Then at the end, the instructors helped us take what we had learned and put it all together. My job is fascinating, and I would never have gotten it without my ITT Tech education."

SIEMENS EAS IS A UNIT OF SIEMENS, THE INTERNATIONAL ELECTRICAL ENGINEERING AND ELECTRONICS COMPANY.

Chris Allred
CAD Technician,
Durrant Architects

*Chris is a 1998 graduate of the Phoenix, Arizona ITT Technical Institute, where he earned an Associate's Degree in Computer-Aided Drafting Technology.*

"What I do on a daily basis is exactly what I learned in school. I am very happy with the education I received. It enabled me to move into a career that I enjoy."

Araceli Najera
CAD Technician,
Durrant Architects

*Araceli is a 1998 graduate of the Phoenix, Arizona ITT Technical Institute, where she earned an Associate's Degree in Computer-Aided Drafting Technology.*

"ITT Tech helped me develop the confidence to do well in job interviews. And in designing security systems, everything we do involves CAD. If I didn't know CAD, I couldn't do my job."

DURRANT IS A NATIONAL DESIGN FIRM OFFERING ARCHITECTURAL, ENGINEERING AND CONSTRUCTION MANAGEMENT SERVICES.

Jason Hocking
CAD Technician/Jr. Mechanical Designer,
Durrant Architects

*Jason is a 1999 graduate of the Phoenix, Arizona ITT Technical Institute, where he earned an Associate's Degree in Computer-Aided Drafting Technology.*

"I truly believe ITT Tech prepared me for a big step, for where I am. In class we always worked in pairs, which taught me how to work with my coworkers as a team. It also has prepared me for the technology we use today."

Lance Timmsen
Security Designer,
Durrant Architects

*Lance is a 1995 graduate of the Phoenix, Arizona ITT Technical Institute, where he earned an Associate's Degree in Computer-Aided Drafting Technology.*

"My education at ITT Tech was a good foundation for entering the industry. It was my plan all along to work and fund additional education. Every day I use the skills from my ITT Tech education, as well as my bachelor's degree. People are often awed by the visual work we create, but with the skills we have learned, it's simple.

to attract a higher percent of female students. Female students in the Web Development and Multimedia disciplines represented 34 percent and 31 percent, respectively, of all IT students enrolled in these disciplines during the fourth quarter of 2000.

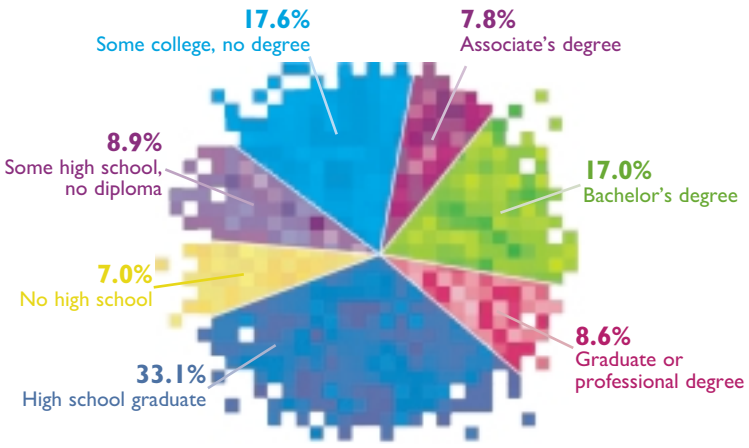
## Becoming digital... new generations of students

In a 2000 survey conducted by Public Agenda, 87 percent of the respondents believed that a college education has become as important as a high school diploma used to be. This is an abrupt reversal of a 1993 study in which the majority of Americans thought too many people were going to college.

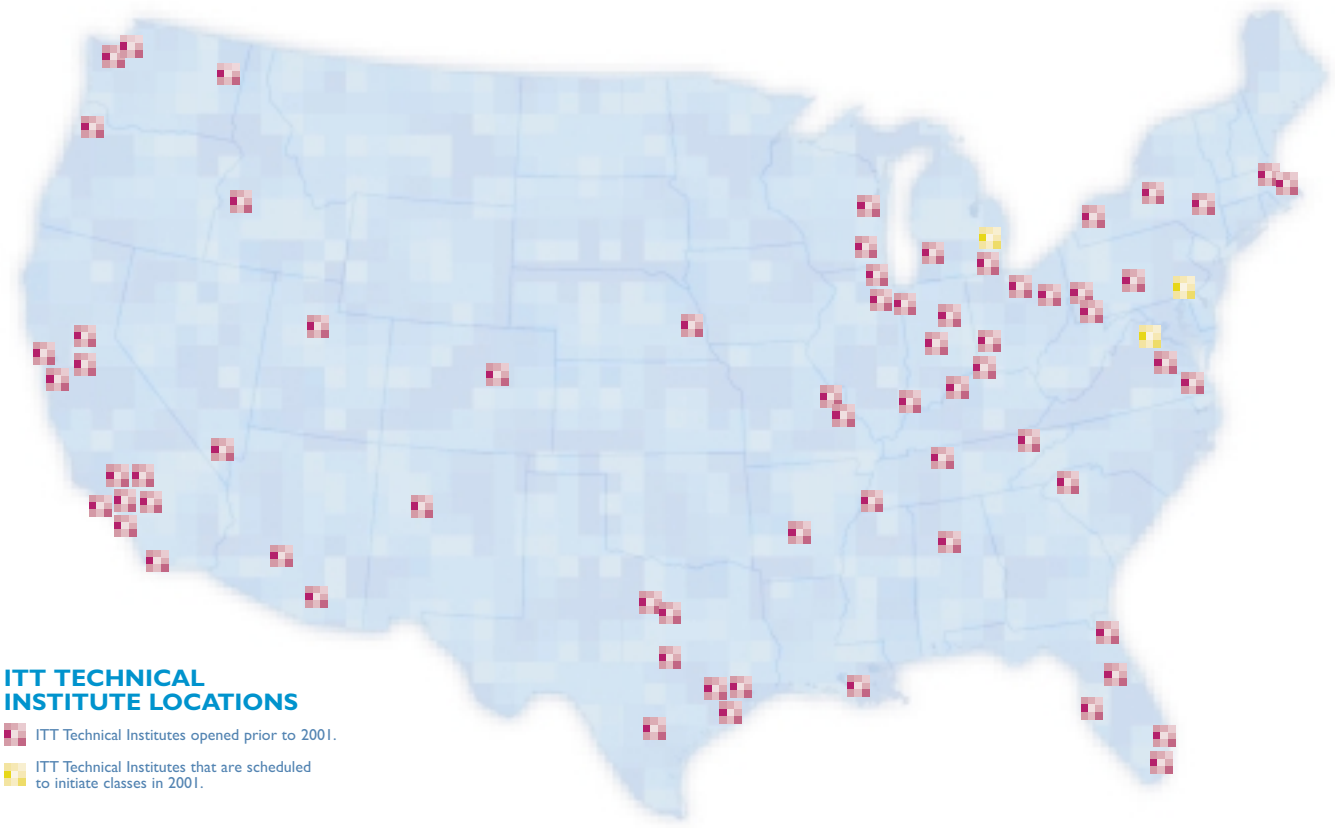
In spite of this general belief, the shortage of workers and overall strength of the economy produced high wages in 2000, which distracted high school graduates from pursuing a post-secondary education. In 1999 (the most recent year for which statistics are available), the Census Bureau found that the college continuation rate was 62.9 percent, down significantly from 65.6 percent in 1998 and lower than 67.0 percent in 1997.

becoming digital... "I can tell you that our findings indicate that technical skills must be combined with what I would call 'employability skills'—written and oral communication strength, project management, problem solving and analytical skills."

Harris Miller, President, Information Technology Association of America, and Director, ITT Educational Services, Inc.




**EDUCATIONAL ATTAINMENT OF ADULTS (25 AND OLDER) IN THE U.S.**
Source: U.S. Census Bureau (data collected in March 2000)



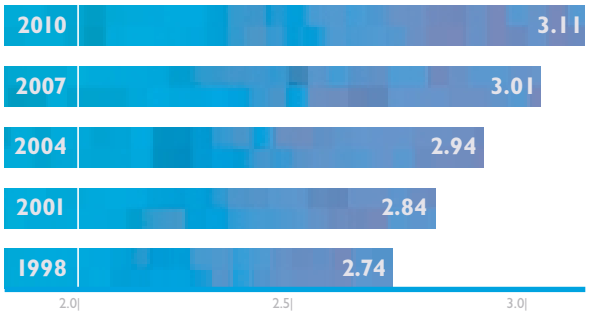
**ITT TECHNICAL INSTITUTE LOCATIONS**

ITT Technical Institutes opened prior to 2001.

ITT Technical Institutes that are scheduled to initiate classes in 2001.

Previous economic downturns led to increased postsecondary enrollment. During 2000, ESI also received anecdotal evidence that a number of individuals with little or no postsecondary education already recognized the impediments they face for career advancement and have returned to school. According to the U.S. Department of Education, an estimated 42 percent of students attending American colleges and universities in the fall of 2000 were 25 years old or older, compared to 28 percent in 1980. Most of these older students are employed full- or part-time.

The ITT Technical Institutes also have experienced an upsurge in students who are working adults with postsecondary education and have returned to school to improve their career prospects. According to the Postsecondary Education Opportunity organization, 49.8 percent of the students who started their postsecondary




**U.S. HIGH SCHOOL GRADUATES**
**1998–2010 (in millions)**

Source: National Center for Educational Statistics

Timothy J. Gleason
Product Development Technician, Texas Instruments

*Timothy is a 2000 graduate of the Fort Wayne, Indiana ITT Technical Institute, where he earned an Associate's Degree in Electronics Engineering Technology.*

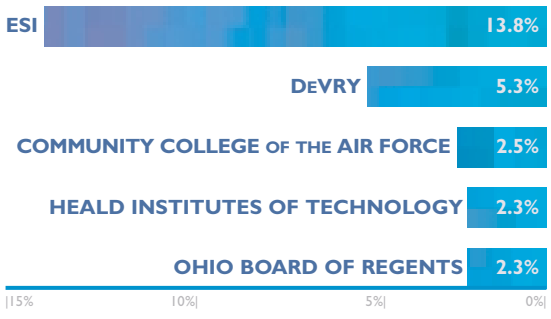
"To resolve problems, you have to understand both the process as a whole and the individual parts of the process. In my job, I have to be an independent detective as well as a member of a brainstorming team. My education serves as the foundation that lets me do both."

TEXAS INSTRUMENTS IS A GLOBAL SEMICONDUCTOR COMPANY AND A SUPPLIER OF DIGITAL SIGNAL PROCESSING AND ANALOG TECHNOLOGIES, THE ENGINES DRIVING THE DIGITIZATION OF ELECTRONICS.

education by ages 25 to 29 had attained a bachelor's degree in 2000, up from 48.3 percent in 1992. Similarly, 14.9 percent of students who started by ages 25 to 29 had attained an associate's degree in 2000, compared to 13.5 percent in 1992.

The National Center for Educational Statistics confirms the upward trend in adult education. An estimated nine percent of the 195 million American adults aged 16 and over in 1999 were participating in a "credential program," which the Center defined as "formal postsecondary programs leading to a college or university

## MARKET SHARE DATA 1997/1998




**ELECTRONICS-RELATED AWARDS**
**Associate's through Bachelor's Degree level**

Source: U.S. Integrated Postsecondary Education Data System, U.S. Department of Education

degree, a postsecondary vocational or technical diploma, or other education certificate related to qualifications for jobs."

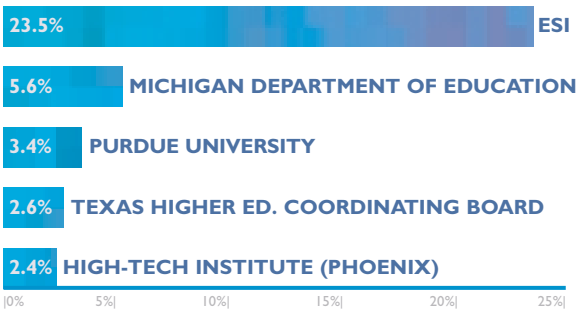
This nine percent includes:

- 7 percent of all high school graduates;
- 14 percent of all those with some college, an associate's degree, or a vocational diploma;
- 12 percent of all those with a bachelor's degree or higher.

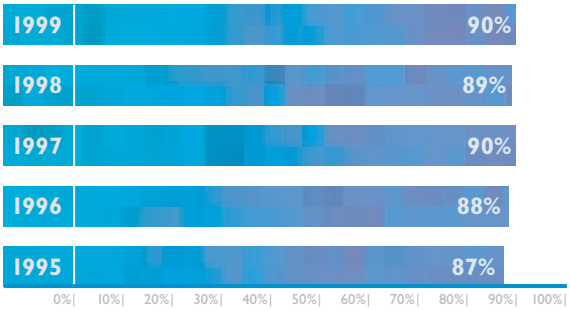
In 2000, the popular press covered numerous instances of high school graduates who elected to bypass formal postsecondary education because certification programs provided access to jobs with high wages. However, some of these workers have found that their employers are now less willing to foot the bill for certification training programs. *MCP Magazine* reported that 58 percent of their 1998 salary survey respondents indicated that their employers were paying for certification programs. That number dropped to 50 percent in 1999 and 39 percent in 2000.

## Becoming digital... market share

Collectively, the ITT Technical Institutes have garnered significant market share of the degrees awarded in electronics and drafting programs amidst the multitude of other providers. More importantly, a new curriculum was developed for each of these core programs in 2000 to include more emphasis on IT-related processes (see curriculum discussion on pages 22-24). ESI will strive for a similar market share in IT programs of study.




**DRAFTING-RELATED AWARDS**
**Associate's through Bachelor's Degree level**




**EMPLOYMENT 1995–1999**

Percentage of students graduating from undergraduate programs (excluding students who continued in a bachelor's degree program at an ITT Technical Institute) during the specified calendar year that obtained employment or were already employed in fields involving their programs of study by May 31 or earlier of the following calendar year.

## Becoming digital... graduate employment

Ninety percent of all 1999 graduates (excluding those who continued in a bachelor degree program at an ITT Technical Institute) attained employment in various fields involving their programs of study as of May 31, 2000. In 2000, Intel Corporation alone made more than 800 job offers to ITT Tech graduates.

Other companies, such as Schlumberger and Texas Instruments, hired graduates in 2000. Employers value the knowledge and skills our graduates possess as illustrated by the graduate success stories included in this report. ESI offers curricula that can help students prepare for careers in the new millennium.

# curricula

## IT disciplines

The ITT Technical Institutes began offering associate's degree programs in Information Technology (IT) disciplines in 1998. The IT disciplines being offered are those most in demand by employers. ESI has been expanding the number of institutes offering IT disciplines since 1998, and one or more of the IT disciplines discussed below were offered at every ITT Tech campus by the end of 2000. Each IT discipline involves a combination of traditional academic content with applied learning concepts and a final project.

The IT disciplines have several courses in common. These include Computer Architecture, Introduction to Information Technology, Needs Assessment and Project Planning, Operating Systems and Introduction to Computer Programming. Courses were designed to offer students a broad-based foundation in computers prior to progressing into their chosen technical areas. The IT programs also have common subjects, such as college mathematics and composition. Several levels of college mathematics courses emphasize practical applications through problem solving and use of appropriate technological tools. Two composition courses cover techniques for writing clearly and precisely, critical thinking, reading skills and elements of research in the Information Age.

**Computer Network Systems (CNS)** helps students prepare to perform tasks associated with upgrading certain computer systems and developing wide area and local area network capabilities. CNS explores a variety of computer networks, and additional topics include global system integration, network system design and the implementation of network systems. Subjects include Graphic User Interface Design and Development, installation and configuration of a LINUX operating system, Wide Area Network Technology and Application, Network Systems Management, Network Technology and Service and Web Server Administration. Students are also required to complete an independent network development project, which must include needs assessment, planning, integration of systems analysis, documentation and user interfacing in addition to the creation of a network system.

**Multimedia** helps students prepare to perform tasks associated with software application development and its modification. Students are taught a variety of information and skills in graphic user interface design, instructional design, multimedia languages and other related technical subjects. Subjects include 3-D Modeling, Visual Design Theory, Interactive Communication Design, Broadcast Graphics, Animation, Audio/Video Techniques and Scripting and Web Authoring, among others. Students are also required to complete an independent, complex multimedia project.

**Software Applications and Programming** helps students prepare to perform tasks associated with software application development and its modification. Students are taught a variety of information and skills in software scripting, programming languages, database development and other technical subjects. Subjects include Graphic User Interface Design and Development, Programming in C++, Programming in JAVA, Software Applications Programming and Scripting and Web Authoring, among others. Students are also required to complete an independent software development project.

## NEW COURSE

ITT Educational Services, Inc. has entered into an agreement with Cisco™ Systems, Inc. to offer a Cisco Networking Academy course at four ITT Technical Institutes. The Cisco Networking Academy course teaches students how to design, build and maintain certain types of computer networks. The course helps students prepare for the Cisco Certified Network Association (CCNA) certification. The four institutes intend to begin offering the course in the second quarter of 2001. ESI will evaluate the success of the four in determining whether to offer the Academy course at additional institutes.

**Web Development** helps students prepare to perform tasks associated with software application and development and its modification. Students are taught a variety of information and skills in software scripting, Web development languages, database development and other related technical subjects. Subjects include Graphic User Interface Design and Development, Network Concepts and Data Communications, Visual Design Theory, Scripting and Web Authoring, Web Site Design, Database Development, PERL and CGI in a LINUX Environment and Web Ethics and Security Management, among others. Students also are required to complete an independent Web site design and development project that includes e-commerce issues.

In addition to the IT disciplines, ESI incorporated IT technology and applications into two existing associate's degree programs to create two new programs. By the end of the first quarter of 2001, all ITT Technical Institutes will offer one or both of these new programs.

## The Computer Electronics and Engineering Technology

program introduces students to certain types of circuits, systems and specialized techniques used in electronics and computer technology career fields, and it exposes them to a combination of classroom theory and practical applications in a laboratory environment. Subjects include DC and AC Electronics, PC Technology, Electronic Devices, Digital Electronics, Computer Networking, Computer Programming, Communication Systems, Control Systems and Microprocessors, among others. More traditional courses, such as Composition, College Mathematics, Physics and Group Dynamics, also are included.

## The Computer Design and Drafting

program introduces students to drafting, the graphic language used by industry to communicate ideas and plans from the creative-design stage through production, and combines wherever appropriate computer-aided drafting with conventional methods of graphic communication. Students create a variety of drawings of various sizes on different drawing media and use conventional as well as computer-aided drafting equipment. Students are exposed to both classroom theory and laboratory projects. Subjects include Architectural Drafting, Rapid Visualization, Engineering Graphics, Materials and Processes, Civil Drafting and GIS, Physical and Computer-Aided 3D Modeling and Basic Design, among others. More traditional courses, such as Composition, College Mathematics, Physics and Group Dynamics, also are included.

In addition to the six associate's degree programs discussed above, four bachelor's degree programs are offered at selected ITT Technical Institutes.

- The **Automated Manufacturing Technology** program includes science, mathematics and technical subjects such as electronics, manufacturing materials and processes and robotics, among others.
- The **Computer Visualization Technology** program includes a combination of theory and practical applications in various subjects involving computer graphics and drafting technology. Subjects include mathematics, physics, digital information management, 3D animation and prepress production, among others.
- The **Telecommunications Engineering Technology** program includes electronics, science and mathematics supplemented by theory and laboratory applications in technology-related subjects involving telecommunications, such as data networks, microcomputer principles and fiber and wireless communications.
- The **Industrial Design** program teaches students how to combine drafting/graphics skills with artistic talent and problem solving to derive functional and aesthetically attractive product designs. Subjects include 3D modeling, package design, ergonomics and engineering cost analysis, among others.

# ITT Institute locations

## Alabama
500 Riverhills Business Park,
Birmingham 35242
(205) 991-5410

## Arizona
4837 E. McDowell Rd.,
Phoenix 85008
(602) 252-2331

1455 W. River Rd.,
Tucson 85704
(520) 408-7488

## Arkansas
4520 S. University Ave.,
Little Rock 72204
(501) 565-5550

## California
525 N. Muller Ave.,
Anaheim 92801
(Los Angeles)
(714) 535-3700

3979 Trust Way,
Hayward 94545
(San Francisco)
(510) 785-8522

16916 S. Harlan Rd.,
Lathrop 95330
(Stockton)
(209) 858-0077

2051 Solar Dr.,
Oxnard 93030
(Los Angeles)
(805) 988-0143

10863 Gold Center Dr.,
Rancho Cordova 95670
(Sacramento)
(916) 851-3900

630 E. Brier Dr.,
San Bernardino 92408
(Los Angeles)
(909) 889-3800

9680 Granite Ridge Dr.,
San Diego 92123
(858) 571-8500

5104 Old Ironsides Dr.,
Santa Clara 95054
(San Francisco)
(408) 496-0655

12669 Encinitas Ave.,
Sylmar 91342
(Los Angeles)
(818) 364-5151

20050 S. Vermont Ave.,
Torrance 90502
(Los Angeles)
(310) 380-1555

1530 W. Cameron Ave.,
West Covina 91790
(Los Angeles)
(626) 960-8681

## Colorado
500 East 84th Ave.,
Thornton 80229
(Denver)
(303) 288-4488

## Florida
3401 S. University Dr.,
Fort Lauderdale 33328
(954) 476-9300

6600-10 Youngerman Circle,
Jacksonville 32244
(904) 573-9100

2600 Lake Lucien Dr.,
Maitland 32751
(Orlando)
(407) 660-2900

7955 N.W. 12th St.,
Miami 33126
(305) 477-3080

4809 Memorial Hwy.,
Tampa 33634
(813) 885-2244

## Idaho
12302 W. Explorer Dr.,
Boise 83713
(208) 322-8844

## Illinois
7040 High Grove Blvd.,
Burr Ridge 60521
(Chicago)
(630) 455-6470

600 Holiday Plaza Dr.,
Matteson 60443
(Chicago)
(708) 747-2571

1401 Feehanville Dr.,
Mt. Prospect 60056
(847) 375-8800

## Indiana
4919 Coldwater Rd.,
Fort Wayne 46825
(219) 484-4107
IN AC-0147
OH Reg. #71-03-0242T

9511 Angola Court,
Indianapolis 46268
(317) 875-8640
IN AC-0148

10999 Stahl Rd.,
Newburgh 47630
(Evansville)
(812) 858-1600
IN AC-0146

## Kentucky
10509 Timberwood Circle,
Louisville 40223
(502) 327-7424
IN AC-0143

## Louisiana
140 James Dr. East,
St. Rose 70087
(New Orleans)
(504) 463-0338

## Massachusetts
333 Providence Hwy.,
Norwood 02062
(Boston)
(781) 278-7200

10 Forbes Rd.,
Woburn 01801
(Boston)
(781) 937-8324

## Michigan
4020 Sparks Dr. S.E.,
Grand Rapids 49546
(616) 956-1060

1522 E. Big Beaver Rd.,
Troy 48083
(Detroit)
(248) 524-1800

## Missouri
1930 Meyer Drury Dr.,
Arnold 63010
(St. Louis)
(636) 464-6600

13505 Lakefront Dr.,
Earth City 63045
(St. Louis)
(314) 298-7800

## Nebraska
9814 M St.,
Omaha 68127
(402) 331-2900

## Nevada
168 N. Gibson Rd.,
Henderson 89014
(Las Vegas)
(702) 558-5404

## New Mexico
5100 Masthead St. N.E.,
Albuquerque 87109
(505) 828-1114

## New York
13 Airline Dr.,
Albany 12205
(518) 452-9300

2295 Millersport Hwy.,
Getzville 14068
(Buffalo)
(716) 689-2200

235 Greenfield Pkwy.,
Liverpool 13088
(Syracuse)
(315) 461-8000

## Ohio
3325 Stop Eight Rd.,
Dayton 45414
(937) 454-2267
IN AC-0145
OH Reg. #71-02-0105T

4750 Wesley Ave.,
Norwood 45212
(Cincinnati)
(513) 531-8300
IN AC-0149
OH Reg. #95-03-1415T

14955 Sprague Rd.,
Strongsville 44136
(Cleveland)
(440) 234-9091
OH Reg. #94-05-1396T

1030 N. Meridian Rd.,
Youngstown 44509
(330) 270-1600
OH Reg. #71-02-0127BT

## Oregon
6035 N.E. 78th Court,
Portland 97218
(503) 255-6500

## Pennsylvania
3300 Tillman Dr.,
Bensalem 19020
(Philadelphia)
(215) 244-8871

5020 Louise Dr.,
Mechanicsburg 17055
(Harrisburg)
(717) 691-9263

105 Mall Blvd.,
Monroeville 15146
(Pittsburgh)
(412) 856-5920

Eight Parkway Center,
Pittsburgh 15220
(412) 937-9150

## South Carolina
One Marcus Dr. Bldg. 4,
Greenville 29615
(864) 288-0777

## Tennessee
10208 Technology Dr.,
Knoxville 37932
(865) 671-2800

1255 Lynnfield Rd.,
Memphis 38119
(901) 762-0556

441 Donelson Pike,
Nashville 37214
(615) 889-8700

## Texas
551 Ryan Plaza Dr.,
Arlington 76011
(Dallas)
(817) 794-5100

6330 Highway 290 East,
Austin 78723
(512) 467-6800

2222 Bay Area Blvd.,
Houston 77058
(South)
(281) 486-2630

15621 Blue Ash Dr.,
Houston 77090
(North)
(281) 873-0512

2950 S. Gessner,
Houston 77063
(West)
(713) 952-2294

2101 Waterview Pkwy.,
Richardson 75080
(Dallas)
(972) 690-9100

5700 Northwest Pkwy.,
San Antonio 78249
(210) 694-4612

## Utah
920 W. LeVoy Dr.,
Murray 84123
(Salt Lake City)
(801) 263-3313

## Virginia
863 Glenrock Rd.,
Norfolk 23502
(757) 466-1260

300 Gateway Centre Pkwy.,
Richmond 23235
(804) 330-4992

## Washington
2525 223rd St. S.E.,
Bothell 98021
(Seattle)
(425) 485-0303

12720 Gateway Dr.,
Seattle 98168
(206) 244-3300

North 1050 Argonne Rd.,
Spokane 99212
(509) 926-2900

## Wisconsin
470 Security Blvd.,
Green Bay 54313
(920) 662-9000

6300 W. Layton Ave.,
Greenfield 53220
(Milwaukee)
(414) 282-9494

ESI National Headquarters
5975 Castle Creek Parkway,
North Drive
P.O. Box 50466
Indianapolis, IN 46250-0466
(317) 594-9499

## Internet
www.itt-tech.edu

# officers

Roger A. Booth joined ESI in 1985 and has served as Vice President of ESI since January 1993.

Omer E. Waddles joined ESI in 1999 and has served as Executive Vice President of ESI since April 1999.

Thomas W. Lauer has been with ESI since 1967 and has served as Senior Vice President of ESI since January 1993.

J. Bradford Rainier joined ESI in 1974 and has served as Vice President of ESI since January 1993.

Gary L. VonIns has been with ESI since 1966 and has served as Vice President of ESI since December 1996.

Gene A. Baugh began his service with ESI in 1977. He has served as Chief Financial Officer of ESI since December 1996 and Senior Vice President of ESI since January 1993. From 1981 through November 1996 he served as Treasurer and Controller of ESI.

Rene R. Champagne joined ESI in 1985. He has served as Chairman of ESI since October 1994, President and Chief Executive Officer of ESI since September 1985 and a Director of ESI since October 1985.

# board of directors

Edward G. Hartigan joined ESI in 1987 and has served as Senior Vice President of ESI since January 1993.

Clark D. Elwood has been with ESI since 1991. He has served as Senior Vice President of ESI since December 1996, Secretary of ESI since October 1992 and General Counsel of ESI since May 1991. From January 1993 through November 1996, he served as Vice President of ESI.

**Rand V. Araskog**, age 69, served as chairman and chief executive of ITT Corporation, a Nevada corporation ("ITT"), a hotel, gaming and entertainment company, from December 1995, and chairman of ITT Sheraton Corporation ("ITT Sheraton"), a hotel and gaming company and subsidiary of ITT, and Caesar's World, Inc., a gaming company and a subsidiary of ITT, from December 1996 until his retirement in February 1998. He is also a director of The Hartford Financial Services Group, Inc., ITT Industries, Inc., Dow Jones & Company, Inc., Rayonier, Inc. and Shell Oil Company. Mr. Araskog has been a Director of ESI since April 1994.

**Rene R. Champagne**, age 59, has been Chairman of ESI since October 1994, President and Chief Executive Officer of ESI since September 1985 and a Director of ESI since October 1985.

**John E. Dean**, age 50, is a founding partner of the Washington, D.C. law firm Dean Blakey and Moskowitz, established July 1995. Mr. Dean has been a Director of ESI since December 1994.

**James D. Fowler, Jr.**, age 56, has served as senior vice president and director, human resources of ITT Industries, Inc., an Indiana corporation ("Old ITT"), an industrial, commercial machinery and equipment company, since November 2000. Mr. Fowler served as president of Fowler & Associates, a consulting firm based in the Washington, D.C. area, from February 1996 through October 2000. He also served as president of the Executive Leadership Council and Foundation ("ELCF"), a non-profit, non-partisan charitable and educational organization, from February 2000 through October 2000 and executive director and administrator of the ELCF from October 1997 through January 2000. Mr. Fowler served as director of government and community relations of ITT Corporation, formerly a Delaware corporation and now known as Old ITT, from November 1993 through January 1996. Mr. Fowler has been a Director of ESI since April 1994.

**Leslie Lenkowsky**, age 54, has been professor of philanthropic studies and public policy at Indiana University since September 1997. Dr. Lenkowsky served as president of Hudson Institute, a public policy research institute, from August 1990 through August 1997. He is also a director of American United Life Pooled Equity Fund B and American United Life American Series Fund. Dr. Lenkowsky has been a Director of ESI since 1994.

**Harris N. Miller**, age 49, has served as president of the Information Technology Association of America, a trade association, since April 1995, and as president of the World Information Technology and Services Alliance, an association of trade associations, since April 1995. Mr. Miller has been a Director of ESI since July 1999.

**Daniel P. Weadock**, age 61, has served as president of The International, a golf resort and conference center in Boltan, MA, since January 1999. He served as special assistant to the chairman of Starwood Hotel & Resorts Worldwide, Inc., a hotel and resort company, from March 1998 through December 1998. Mr. Weadock served as president and chief executive officer of ITT Sheraton from January 1995 through February 1998. He served as senior vice president of ITT from December 1995 through February 1998. Mr. Weadock has been a Director of ESI since April 1999.

**Vin Weber**, age 48, has been a partner at Clark & Weinstock Inc., a Washington D.C. management and public policy consulting firm, since 1994. He is vice chairman and co-founder of Empower America, a public interest group. Mr. Weber is also a senior fellow at the University of Minnesota's Humphrey Institute of Public Affairs and co-director of the Institute's Policy Forum. He is also a director of Department 56, Inc. and OneLink Communications, Inc. Mr. Weber has been a Director of ESI since December 1994.

# common stock market prices and dividends

| 1999 | High | Low |
|---|---|---|
| First Quarter | $40.357 | $31.500 |
| Second Quarter | $39.125 | $19.688 |
| Third Quarter | $28.625 | $15.000 |
| Fourth Quarter | $24.000 | $14.750 |

| 2000 | High | Low |
|---|---|---|
| First Quarter | $19.375 | $10.750 |
| Second Quarter | $23.250 | $15.375 |
| Third Quarter | $28.875 | $17.375 |
| Fourth Quarter | $28.250 | $13.375 |

- The above table reflects the range of market prices of ITT Educational Services, Inc. common stock as reported in the consolid ated transaction reporting system of the New York Stock Exchange, Inc.

- We did not pay a cash dividend in 1999 or 2000. We do not anticipate paying any cash dividends on our common stock in the foreseeable future and we plan to retain our earnings to finance future growth. The declaration and payment of dividends on our common stock are subject to the discretion of our Board of Directors and compliance with applicable law. Our decision to pay dividends in the future will depend on general business conditions, the effect of such payment on our financial condition and other factors our Board of Directors may in the future consider to be relevant.

- There were approximately 200 holders of record of our common stock on March 6, 2001.

- ITT Educational Services, Inc. common stock is listed on the New York Stock Exchange, Inc., under the trading symbol "ESI."

**Transfer Agent and Registrar for Common Stock**

The Bank of New York
101 Barclay Street
New York, NY 10286

**E-mail address:**

Shareowner-svcs@Email.bankofny.com

**Internet address:**

http://stock.bankofny.com

**Send certificates for transfer and address changes to:**

The Bank of New York
Receive and Deliver Department—11W
P.O. Box 11002
Church Street Station
New York, NY 10286

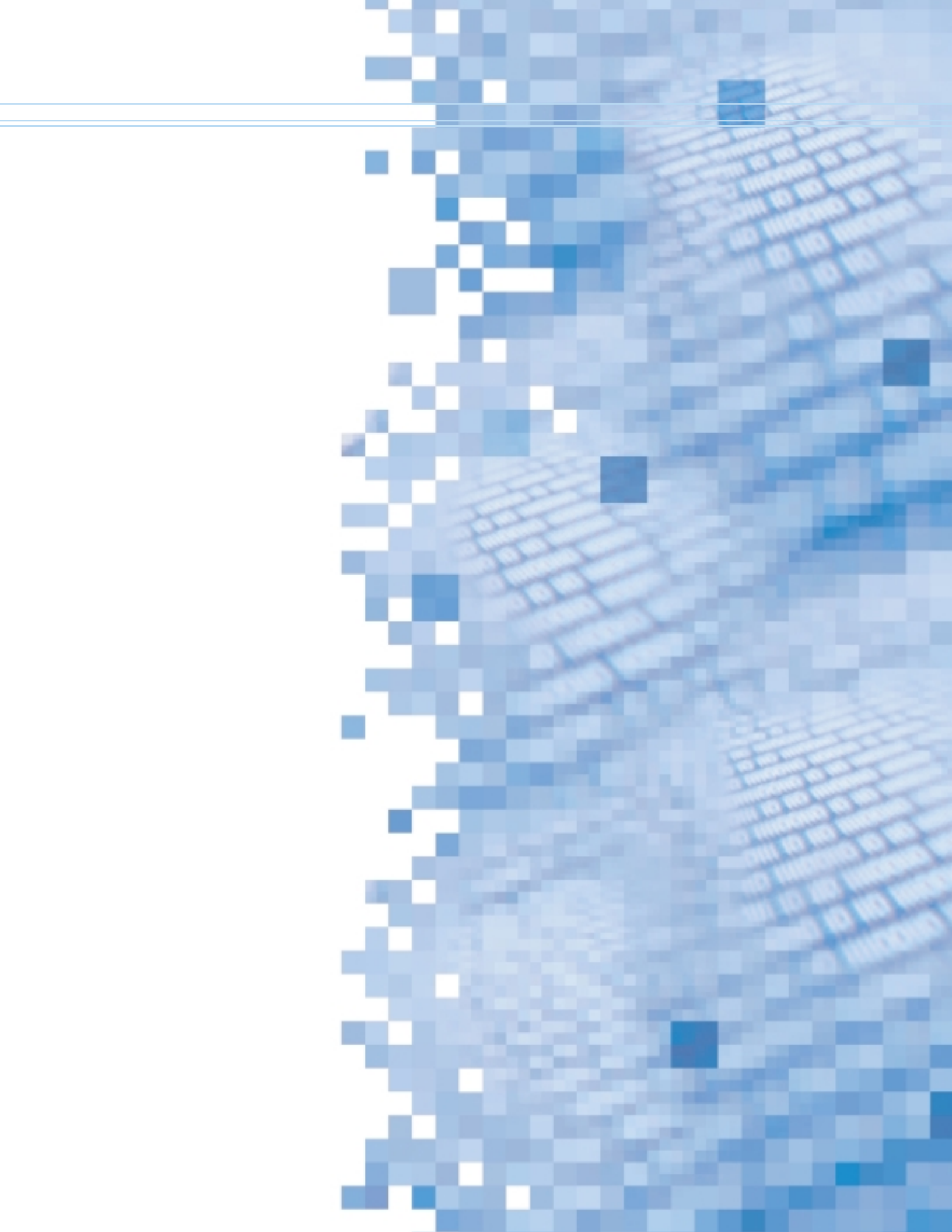
**Shareholder questions can be answered by contacting ESI's transfer agent:**

The Bank of New York
1-800-524-4458

**Address Shareholder inquiries to:**

The Bank of New York
Shareholder Relations Department–11E
P.O. Box 11258
Church Street Station
New York, NY 10286

- This annual report to shareholders includes a complete copy of our Annual Report on Form 10-K, excluding exhibits. Financial information about ESI is contained in the Annual Report on Form 10-K.



# the mission

of ITT Educational Services, Inc. is to provide a quality postsecondary education and the services that can help a diverse student body to prepare for career opportunities in various fields involving technology.

We will strive to establish an environment for students and employees which promotes professional growth, encourages each person to achieve his or her highest potential and fosters ethical responsibility and individual creativity within a framework of equal opportunity.

**ITT Educational Services, Inc.**

5975 Castle Creek Parkway, North Drive, Indianapolis, Indiana 46250