

**CHARTER OF THE
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF
ITT EDUCATIONAL SERVICES, INC.**

SCOPE OF RESPONSIBILITY

1. The Audit Committee (“Committee”) of the ITT Educational Services, Inc. (“ITT/ESI”) Board of Directors (“Board”) will assist the Board in its oversight of:
 - (a) the integrity of ITT/ESI’s financial statements and other financial information provided by ITT/ESI to any governmental body or the public;
 - (b) ITT/ESI’s compliance with legal and regulatory requirements;
 - (c) ITT/ESI’s systems of internal controls regarding finance, accounting, legal compliance and ethics that ITT/ESI management (“management”) and the Board establish;
 - (d) ITT/ESI’s auditing, accounting and financial reporting processes generally;
 - (e) the qualifications, independence and performance of ITT/ESI’s independent registered public accounting firm (“Accounting Firm”); and
 - (f) the performance of ITT/ESI’s compliance and internal audit functions.
2. The Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of ITT/ESI’s financial statements.

MEMBERSHIP

1. The Committee must be composed of at least three directors.
2. The Committee members and the Committee chairperson shall be appointed by the Board, and each member shall serve on the Committee at the pleasure of the Board.
3. Each director on the Committee must be independent in accordance with both federal law and the rules of the New York Stock Exchange (the “NYSE”), and the Board will affirmatively determine that each director on the Committee has no material relationship with ITT/ESI.
4. Each member of the Committee must be financially literate, as such qualification is interpreted by the Board in its business judgment.
5. At least one member of the Committee must have accounting or related financial management expertise, as such qualification is interpreted by the Board in its business judgment.

6. No member of the Committee may simultaneously serve on more than two other public company audit committees.
7. The only compensation that Committee members may receive from ITT/ESI is for their services on ITT/ESI's Board of Directors and its standing committees.

STRUCTURE AND PROCESSES

1. General. The Committee will:
 - (a) meet at least once each quarter and may invite members of management or others to attend Committee meetings and provide pertinent information;
 - (b) meet regularly (at least quarterly) in separate executive sessions with (i) management, (ii) representatives of the Accounting Firm and (iii) ITT/ESI's Chief Compliance Officer or other official responsible for ITT/ESI's compliance and internal audit functions ("CCO") to discuss any matters that the Committee, management, the Accounting Firm or the CCO believes should be discussed privately with the Committee;
 - (c) provide an open avenue of communication among the Accounting Firm, the CCO and the Committee;
 - (d) report regularly to the Board on significant matters within the Committee's scope of responsibility, including any issues that arise with respect to:
 - (i) the quality or integrity of ITT/ESI's financial statements;
 - (ii) ITT/ESI's compliance with legal and regulatory requirements; and
 - (iii) the performance of the CCO;
 - (e) periodically review with ITT/ESI's general counsel legal, regulatory and related governmental policy matters that may have a material impact on ITT/ESI's financial statements, legal and regulatory compliance and programs;
 - (f) when appropriate, conduct or authorize investigations into any matters within the Committee's scope of responsibility;
 - (g) provide such disclosures and reports as may be required of the Committee by the U.S. Securities and Exchange Commission ("SEC") in ITT/ESI's proxy statement for its annual meeting of shareholders;
 - (h) annually review this Charter and update it as necessary;
 - (i) establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by ITT/ESI regarding accounting, internal accounting controls or auditing matters; and

- (ii) confidential, anonymous submissions by ITT/ESI employees of concerns regarding questionable accounting or auditing matters;
- (j) conduct an annual performance evaluation of the Committee;
- (k) review the results of the CCO's annual:
 - (i) audit of director and ITT/ESI officer expense accounts, management prerequisites and management's use of corporate assets; and
 - (ii) monitoring of ITT/ESI's compliance with the ITT/ESI Code of Business Conduct and Ethics;
- (l) review management policies and programs relating to ITT/ESI's compliance with legal and regulatory requirements, business ethics, business integrity, conflicts of interest and environmental matters; and
- (m) perform such other functions as assigned by law, the NYSE, ITT/ESI's Certificate of Incorporation or By-Laws or the Board.

2. Oversight of ITT/ESI's Relationship with the Accounting Firm. The Committee will:

- (a) be directly responsible for the appointment, compensation, retention and oversight of the work of the Accounting Firm, including the resolution of disagreements between management and the Accounting Firm regarding financial reporting;
- (b) approve, in advance, all audit (including comfort letters and statutory audits) and permitted non-audit services, and related fees and terms, to be performed by the Accounting Firm for ITT/ESI;
- (c) evaluate the qualifications, performance and independence of the Accounting Firm, taking into account the opinions of management and the CCO, including:
 - (i) a review and evaluation of the lead partner of the Accounting Firm;
 - (ii) reviewing the report described in (e)(iv) below;
 - (iii) reviewing the Accounting Firm's work throughout the year;
 - (iv) confirming that the lead audit partner or the audit partner responsible for reviewing the audit is rotated every five years;
 - (v) considering whether there should be regular rotation of the Accounting Firm;
 - (vi) actively engaging in a dialogue with the Accounting Firm with respect to any disclosed relationships or services that may impact the objectivity or independence of the Accounting Firm;

- (vii) setting clear policies regarding ITT/ESI's hiring of employees or former employees of the Accounting Firm;
- (viii) obtaining confirmation and assurance from the Accounting Firm of its independence;
- (ix) taking appropriate action to ensure the independence of the Accounting Firm; and
- (x) presenting the Committee's conclusion to the Board;
- (d) when appropriate, discharge and replace the Accounting Firm;
- (e) instruct the Accounting Firm:
 - (i) that the Accounting Firm reports directly to the Committee and is ultimately accountable to the Committee;
 - (ii) to conduct an interim financial review of ITT/ESI's financial statements prior to ITT/ESI's quarterly filing of its Form 10-Q with the SEC;
 - (iii) to report to the Committee:
 - (A) all critical accounting policies and practices to be used by ITT/ESI;
 - (B) all alternative disclosures and treatments of financial information within Generally Accepted Accounting Principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the disclosures and treatment preferred by the Accounting Firm; and
 - (C) any material written communications between the Accounting Firm and management, such as any management letter or schedule of unadjusted differences; and
 - (iv) to submit annually to the Committee a formal, written report describing:
 - (A) the Accounting Firm's internal quality control procedures;
 - (B) any material issues raised by the most recent internal quality-control review, or peer review, of the Accounting Firm;
 - (C) any material issues raised by any inquiry or investigation of the Accounting Firm by governmental or professional authorities, within the preceding five years, with respect to any audit by the firm, and any steps taken to deal with any such issues; and
 - (D) all relationships between the Accounting Firm and ITT/ESI.

3. Oversight of the CCO, Audit Matters and Financial Statements and Disclosures. The Committee will:
- (a) obtain confirmation and assurance from the CCO of his/her objectivity;
 - (b) instruct management and the Accounting Firm to provide the Committee with a timely analysis of significant current financial reporting issues and practices;
 - (c) inquire about, consider and review with the Accounting Firm, the CCO and management:
 - (i) ITT/ESI's annual and quarterly financial statements, including the Management's Discussion and Analysis of Financial Condition and Results of Operations;
 - (ii) any ITT/ESI transactions or arrangements that are important for understanding ITT/ESI's financial statements;
 - (iii) any material financial or non-financial arrangements of ITT/ESI, or off-balance sheet structures, which do not appear on ITT/ESI's financial statements;
 - (iv) management's and the Accounting Firm's qualitative judgments regarding the appropriateness of the:
 - (A) critical accounting principles and financial disclosure practices used, or proposed to be adopted, by ITT/ESI;
 - (B) degree of aggressiveness or conservatism of ITT/ESI's accounting principles and underlying estimates, including the Accounting Firm's views on whether management's choices of accounting principles are conservative, moderate or aggressive from the perspective of income, asset and liability recognition, and whether those principles are common practices or are minority practices;
 - (C) consistency of application of ITT/ESI's accounting policies; and
 - (D) clarity, consistency and completeness of the accounting information contained in ITT/ESI's financial statements and related disclosures;
 - (v) any proposed changes in ITT/ESI's selection or application of accounting principles;
 - (vi) any analyses prepared by management, the Accounting Firm or the CCO regarding significant financial reporting issues and judgments made in connection with the preparation of ITT/ESI's financial statements, including the effects of alternative GAAP methods on the financial statements;

- (vii) the effect of regulatory and accounting initiatives on ITT/ESI's financial statements;
- (viii) earnings press releases, including the use of pro forma or adjusted non-GAAP information;
- (ix) financial information and earnings guidance provided to security analysts and rating agencies;
- (x) ITT/ESI's risk assessment and risk management, including:
 - (A) the guidelines and policies governing the process by which management assesses and manages ITT/ESI's exposure to risk; and
 - (B) ITT/ESI's major financial risk exposures and the steps taken by management to monitor and control those exposures;
- (xi) any significant adjustments, management judgments, accounting estimates, new or changed accounting policies, uncertainties, timing of transactions or timing of the recording of transactions;
- (xii) the Accounting Firm's:
 - (A) views of the appropriateness of the accounting principles and disclosure practices adopted and/or changed by management from time to time; and
 - (B) rationale for accepting or questioning any significant estimates by management; and
- (xiii) any items that have a significant impact on the representational faithfulness, verifiability, neutrality and consistency of the accounting information included in ITT/ESI's financial statements;
- (d) recommend to the Board whether ITT/ESI's audited financial statements should be included in ITT/ESI's Annual Report on Form 10-K filed with the SEC;
- (e) inquire about, consider and review with the Accounting Firm, the CCO and management:
 - (i) the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources;
 - (ii) the adequacy of ITT/ESI's internal accounting and financial controls, including:
 - (A) any significant deficiencies in the design or operation of the internal controls;

- (B) any material weaknesses in the internal controls;
 - (C) any special steps adopted in light of any material control deficiencies;
 - (D) any fraud (whether or not material) that involves management or ITT/ESI employees who have a significant role in the internal controls; and
 - (E) the responsibilities, budget and departmental staffing of the CCO;
- (iii) the audit scope, plan and timing of the Accounting Firm and the CCO, and any changes thereto;
 - (iv) any other matters related to the conduct of the audit or reviews which are to be communicated by the Accounting Firm to the Committee under Generally Accepted Auditing Standards;
 - (v) any audit problems, difficulties or disputes encountered by the Accounting Firm or the CCO in the course of their audit work, and management's response thereto, including:
 - (A) any restrictions on the scope of the Accounting Firm's or the CCO's activities;
 - (B) any restrictions on the Accounting Firm's or the CCO's access to requested information;
 - (C) any significant disagreements between the Accounting Firm or the CCO and management;
 - (D) any accounting adjustments that were noted or proposed by the Accounting Firm but were not made by management;
 - (E) any communications between the Accounting Firm's audit team and its national office regarding audit or accounting issues presented by the ITT/ESI engagement;
 - (F) any "management" or "internal control" letter issued, or proposed to be issued, by the Accounting Firm to ITT/ESI; and
 - (vi) any significant audit findings and recommendations of the Accounting Firm and the CCO, together with management's responses thereto.

4. Independent Advisors. The Committee is empowered to:
- (a) engage independent legal, accounting and other advisors for advice and assistance, as it determines necessary to carry out its responsibilities; and
 - (b) compensate, with ITT/ESI funds, the Accounting Firm and any independent legal, accounting and/or other advisors engaged by the Committee in the amounts that the Committee deems appropriate.