

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

Purpose

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (“Board”) of ITT Educational Services, Inc. (“ITT/ESI”) to discharge the Board’s responsibilities relating to compensation of ITT/ESI’s directors and officers. The Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of ITT/ESI.

The Committee is also responsible for the Compensation Committee Report to be included in ITT/ESI’s proxy statement and must review the compensation discussion and analysis and recommend its inclusion in ITT/ESI’s proxy statement, all in accordance with applicable rules and regulations.

Committee Membership

The Committee will consist of at least three directors. Each of the members of the Committee will:

- (1) meet the independence requirements of both federal law and the rules of the New York Stock Exchange;
- (2) be a “Non-Employee Director” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended; and
- (3) be an “Outside Director” as defined by the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended.

The members of the Committee and the Chair of the Committee will be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee of the Board. Committee members may be replaced by the Board.

Committee Authority and Responsibilities

1. The Committee will have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, Chief Executive Officer (“CEO”) or other executive compensation (collectively “D&O Compensation”) and will have sole authority to approve the consultant’s fees and other retention terms. The Committee will also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
2. The Committee will annually review and approve corporate goals and objectives relevant to the D&O Compensation, evaluate the CEO’s performance in light of those goals and objectives, and determine and approve all of the D&O Compensation, except as specified below in Item 3. of this Section. In determining the long-term incentive component of the D&O Compensation, the Committee will consider ITT/ESI’s performance and relative shareholder return,

the value of similar incentive awards to directors and officers at comparable companies, and the awards given to ITT/ESI's directors and officers in past years.

3. The Committee will review and make recommendations to the Board with respect to:
 - (a) the initial approval of any equity-based compensation plans to be submitted to ITT/ESI shareholders for approval; and
 - (b) any equity-based compensation awards granted to ITT/ESI's non-employee directors.
4. The Committee will administer ITT/ESI's equity-based compensation plans, including making awards under such plans (except as specified above in Item 3. of this Section), and shall review all proposed new or amended employee benefit plans.
5. The Committee will approve and authorize ITT/ESI to enter into any employment agreements, severance arrangements, change in control agreements or provisions, or other compensation-related agreements, in each case as, when and if appropriate, with executive officers of ITT/ESI.
6. The Committee will periodically review ITT/ESI's policies on perquisites.
7. The Committee will conduct a review of director compensation as appropriate.
8. The Committee will meet at least annually or more frequently as circumstances dictate. The Committee will meet prior to the mailing of the proxy statement for ITT/ESI's annual meeting of shareholders for the purpose of reviewing and approving the compensation discussion and analysis and the Compensation Committee Report included in the proxy statement. In addition, the Committee will meet with senior management on at least an annual basis.
9. The Committee may, when it deems appropriate, form and delegate authority to subcommittees and/or executive officers of ITT/ESI; except that no authority will be delegated to the executive officers to:
 - (a) retain or terminate any compensation consultant for use by the Committee; or
 - (b) approve any of the compensation paid to ITT/ESI's executive officers or non-employee directors.
10. The Committee will make regular reports to the Board.
11. The Committee will review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
12. The Committee will annually review its own performance.