

ITT EDUCATIONAL SERVICES INC
Form DEF 14A
November 24, 2014

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

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))
- 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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to
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4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

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4) Date Filed:

ITT Educational Services, Inc.

2014 Annual Meeting
Notice and Proxy Statement

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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 DECEMBER 30, 2014

The 2014 Annual Meeting of Shareholders of ITT Educational Services, Inc. (“ITT/ESI”) will be held at the Key Bridge Marriott, 1401 Lee Highway, Arlington, Virginia 22209, on Tuesday, December 30, 2014, at 12:00 p.m., local time, for the following purposes:

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

Proposal Election of three Directors to serve until the 2017 Annual Meeting of Shareholders and until their successors
One: are elected and have qualified.

Proposal Ratification of the appointment of Deloitte & Touche LLP to serve as ITT/ESI’s independent registered
Two: public accounting firm for its fiscal year ending December 31, 2014.

Proposal Advisory vote to approve the compensation paid to ITT/ESI’s named executive officers, as disclosed
Three: 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.

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

All shareholders of record at the close of business on November 21, 2014 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. If you would like to attend the annual meeting, you must obtain an admission ticket in advance, as explained on page 4 of the accompanying Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Shareholders to be Held on December 30, 2014

In accordance with the rules of the Securities and Exchange Commission, we are advising our shareholders of the availability on the Internet of our proxy materials related to the annual meeting described above. These rules allow companies to provide access to proxy materials in one of two ways. Because we have elected to utilize the “full set delivery” option, we are delivering to all shareholders paper copies of all of the proxy materials, as well as providing access to those proxy materials on a publicly accessible website.

The notice of annual meeting of shareholders, proxy statement, form of proxy card and annual report to shareholders are available at <https://materials.proxyvote.com/45068B>.

By Order of the Board of Directors,

Ryan L. Roney
Executive Vice President, Chief Administrative and Legal Officer and Secretary

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

PROXY STATEMENT

Annual Meeting of Shareholders
December 30, 2014

This Proxy Statement and accompanying proxy are being provided to shareholders on or about November 26, 2014 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 2014 Annual Meeting of Shareholders (“Annual Meeting”) to be held at 12:00 p.m., local time, Tuesday, December 30, 2014, at the Key Bridge Marriott, 1401 Lee Highway, Arlington, Virginia 22209, for the purposes set forth in the accompanying notice.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why am I receiving these proxy materials?

As noted above, we are providing these proxy materials to you in connection with the solicitation by our Board of Directors of proxies to be voted at the Annual Meeting. In accordance with the rules of the Securities and Exchange Commission (the “SEC”), in addition to mailing a full set of the proxy materials to our shareholders, we are also providing access to our proxy materials on a publicly accessible website. Our notice of Annual Meeting, proxy statement, form of proxy card and annual report to shareholders are available at <https://materials.proxyvote.com/45068B>.

Who is entitled to vote at the Annual Meeting?

Holders of our common stock outstanding at the close of business on November 21, 2014, 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, 23,448,283 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 three proposals that shareholders will vote on at the Annual Meeting:

- election of three directors to serve until the 2017 Annual Meeting of Shareholders and until their successors are elected and have qualified;
- ratification of the appointment of Deloitte & Touche LLP (“Deloitte”) to serve as our independent registered public accounting firm for our fiscal year ending December 31, 2014; and
- 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 SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, in this Proxy Statement.

The Board of Directors recommends that you vote FOR all three proposals.

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.

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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.” These proxy materials are being sent directly to you.

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.” These proxy materials are being 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?

Shareholders of Record

If you are a shareholder of record, 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 proxy card. 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 December 29, 2014.

By Telephone. 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 December 29, 2014.

By Mail. You may vote by completing, signing, dating and mailing the enclosed proxy card in the enclosed pre-addressed postage-prepaid envelope.

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; and
- the approval of 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 proxy card?

If you received more than one 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 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:

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- 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 December 29, 2014; 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?

Kevin M. Modany and Ryan L. Roney, 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 Deloitte; and
- FOR the approval of the compensation paid to our Named Executive Officers as disclosed in this Proxy Statement.

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 the approval of the compensation paid to our Named Executive Officers) 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 and entitled to vote is required to ratify the appointment by the Audit Committee of the Board of Directors of Deloitte as our independent registered public accounting firm for our fiscal year ending December 31, 2014. Abstentions will be considered shares represented at the Annual Meeting and entitled to vote on this proposal. Accordingly, an abstention will have the same effect as a vote against this proposal. Broker non-votes will not be considered shares entitled to vote on this proposal and, therefore, will have no effect on the outcome of 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 and entitled to vote 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 will be considered shares represented at the Annual Meeting and entitled to vote on this proposal. Accordingly, an abstention will have the same effect as a vote against this proposal. Broker non-votes will not be considered shares entitled to vote on this proposal and, therefore, will have no effect on the outcome of 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.

What do I need to do to attend the Annual Meeting in person?

If you would like to attend the Annual Meeting, you must be a holder of our common stock as of the record date of November 21, 2014, and you must obtain an admission ticket in advance. You can submit a ticket request by mail to our Secretary, Ryan L. Roney, at ITT Educational Services, Inc., 13000 N. Meridian Street, Carmel, IN 46032. Ticket requests will not be accepted by telephone or e-mail. With your request, you must also submit:

- a phone number where we can reach you with questions;
 - the address where the ticket should be mailed; and
 - ownership verification as follows:

	Beneficial Owners	401(k) Holders
Shareholders of Record For ownership verification provide:	For ownership verification provide one of the following:	For ownership verification provide:
Option A	• A copy of a brokerage account statement showing your share ownership as of the record date (11/21/14); or	• Name;
• Name(s) of shareholder;	• A letter from your broker, bank or other nominee verifying your record date (11/21/14) ownership;	• Address; and
• Address;	or	• Phone number
• Phone number; and	• A copy of the voting instruction card you received from your broker, bank or other nominee showing shareholder name and address	
• Shareholder account number		
Option B		
• A copy of your proxy card showing shareholder name and address		

Requests for admission tickets will be processed in the order in which they are received and must be received by our Corporate Secretary no later than December 22, 2014. In addition to an admission ticket, you will be required to present a valid government-issued photo identification, such as a driver's license or passport, to be admitted into the Annual Meeting. Use of cameras, recording devices, computers and other personal electronic devices will not be permitted at the Annual Meeting.

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 2017 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 2017 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 2013 Annual Meeting of Shareholders was held on May 7, 2013, and all of the nine 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 2014 Annual Meeting.

JOHN E. DEAN, age 64, has served as our Executive Chairman since August 4, 2014. Mr. Dean 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 (the "ED") 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 70, served as senior vice president and director, human resources of ITT Industries, Inc., an industrial, commercial machinery and equipment company, 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.