

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE:)
)
ITT EDUCATIONAL SERVICES, INC., *et al.*¹) Case No. 16-07207-JMC-7A
)
Debtors.) Jointly Administered

**NOTICE TO STUDENTS: SETTLEMENT
OF STUDENT CLASS ACTION**

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS MAY BE AFFECTED. A FEDERAL COURT AUTHORIZED THIS NOTICE. THIS IS NOT A SOLICITATION FROM A LAWYER. **YOU ARE NOT BEING SUED.**

This Notice is posted at <http://omnimgt.com/ITT>

Who is This Notice For?

This Notice applies to you if you are a former student of ITT Educational Services, Inc. or Daniel Webster College, Inc. (collectively, the “Debtors”), who attended ITT between January 1, 2006 and September 16, 2016, or attended Daniel Webster College between January 1, 2009 and September 16, 2016 (collectively the “Settlement Class”).

This Notice is being sent to (a) those members of the Settlement Class who have filed Student Proofs of Claim;² (b) those former students who have or had accounts placed for servicing or collection with University Accounting Services, LLC or FirstSource Financial Solutions, Inc./One Advantage and who have made payments since the Petition Date; and (c) all parties who have requested that they receive notice in the Debtors’ chapter 7 bankruptcy cases.

¹ The debtors in these cases, along with the last four digits of their respective federal tax identification numbers, are ITT Educational Services, Inc. [1311]; ESI Service Corp. [2117]; and Daniel Webster College, Inc. [5980].

² “Student Proofs of Claim” means proofs of claim filed by individual students who are members of the Settlement Class to the extent that such proofs of claim are encompassed by proofs of claim filed on behalf of the Settlement Class [Claim Nos. 424, 520 and 2383]. For the avoidance of doubt, “Student Proofs of Claim” do not include any proofs of claim filed by individual students asserting a claim based on dishonored checks issued by ITT to students for, among other similar reasons, Title IV funds, including Pell grants, student aid funds administered by the Department of Education, or state-based student aid funds that were in excess of the tuition owed by the student for completed semesters but were disbursed to ITT by the state, federal government, or other entity with the intention that ITT act as a pass-through and disburse the funds to the students.

What is This Notice About?

A proposed settlement has been reached in a currently pending class action lawsuit against the Debtors in the chapter 7 bankruptcy cases of ITT Educational Services, Inc. (“ITT”), *et al.*

What is this Lawsuit About?

On September 16, 2016, ITT and Daniel Webster filed for relief under chapter 7 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Indiana (the “Court”).

On January 3, 2017, former students of the Debtors, on behalf of themselves individually and the Settlement Class (collectively, the “Students”), filed a Class Action Adversary Complaint in the Court [Case No. 17-50003] (the “Lawsuit”), and class proofs of claim against each of the Debtors [Claim Nos. 284, 347, and 1285, as amended by Claim Nos. 424, 520, and 2383].

The Lawsuit alleges that the Debtors violated consumer protection laws by engaging in deceptive practices, using abusive, unfair and deceptive recruiting and retention strategies and financial aid practices, and by falsely obtaining accreditation. The Students further allege the Debtors breached their enrollment contracts with the Students by closing their operations before certain students in the Settlement Class could complete their educations and by denying students the benefit of promised post-graduation refresher courses and lifetime job placement assistance. The Students further allege the Debtors breached the covenants of fair dealing and good faith contained in the enrollment contracts and included unconscionable terms in such contracts. The Students sought, among other relief, damages including costs and attorneys’ fees, and an order enjoining the collection of all private student loans.

What is the Status of the Settlement?

After engaging in good-faith negotiations, the Debtors and the Students agreed to the terms of a settlement agreement (the “Settlement Agreement”), described below, to resolve their disputes.

On January 3, 2018, the Trustee filed a motion seeking Court approval of the Settlement Agreement [Doc 2290] (the “Motion”). A copy of the Settlement Agreement is attached to the Motion and is available free of charge on the Debtors’ case website, available at <http://omningt.com/ITT>.

On January 26, 2018, the Court entered an order preliminarily approving the Settlement Agreement [Doc 2354]. The Court will hold a further hearing on the Motion on June 13, 2018 to determine approval of the Settlement Agreement on a final basis.

What Are the Key Terms of the Settlement Agreement?

Student Receivables

- “Student Receivables” are loans that ITT made to students to finance their tuition and other charges and fees owed to ITT.
- This settlement applies to only those Student Receivables owed directly to the Debtors, sometimes known as “Temporary Credits,” and does not address any loan amounts owed

to other entities, including Student CU Connect CUSO, LLC, and/or PEAKS Trust 2009-1.

- The Trustee will return all funds to the students who made payments for debts owed directly to ITT on or after September 16, 2016 to ITT, UAS, FirstSource, Security Credit Systems, Inc., Premiere Credit NA, General Revenue Corporation, and any and all other agencies. The amount returned shall be reduced, pro rata, by the amount deducted from the aggregate of such payments by the collection agencies, including UAS, FirstSource, Security Credit Systems, Inc., Premiere Credit NA, General Revenue Corporation, and reasonable administrative cost associated with returning the funds.
- Each of the collection and servicing agents has marked the Student Receivables as paid in full or has deleted the Student Receivables from the students' credit records and files and no further reporting will be made to any credit bureaus about Student Receivables.
- The Trustee will not sell, assign, transfer, pledge, collect, or in any way dispose of any of the Student Receivables.

Students' Allowed Claim

- The Students' Proofs of Claim will be allowed in the amount of the \$1,500,000,000, as unsecured claims. In other words, all former students who are part of the Settlement Class will share an allowed claim of \$1.5 billion.
- If the Department of Education discharges, forgives or cancels all or any part of the Settlement Class federal student loans or any such loan is otherwise forgiven or deemed paid while the bankruptcy case is pending, the Students' claim may be reduced one dollar for each dollar of debt that the Department of Education discharges or cancels. However, the Claim will not be reduced below the amount of \$1,099,896,000.
- At the end of the bankruptcy case, the Trustee will distribute the funds she is holding on a pro rata basis to all of ITT's creditors according to the priorities set forth in the Bankruptcy Code. Several types of claims such as amounts due for the expenses of the bankruptcy, amounts due to employees and for taxes will be paid ahead of the Students' Proofs of Claim. Once the amount, if any, that will be paid on account of the Students' Proofs of Claim is known, the class representatives will file a proposed division of any money to be distributed to the class members.
- It is not yet known if there will be money in the bankruptcy estate to be distributed on account of the allowed Students' Proofs of Claim, but it appears likely that the amount to be received will be significantly less than \$1.5 billion.

Release of Claims

- In exchange for the Agreement, the Settlement Class is releasing the Trustee, in her capacity as Trustee and individually, all professionals engaged by the Trustee either on her behalf or on behalf of the Debtors' estates from any and all claims, demands, obligations, damages, action, or causes of action, in law or in equity, the Student Class

has or may have against the Trustee for any reason whatsoever existing prior to or as of the Settlement Effective Date. This does not release other parties.

Are There Lawyers Representing Me?

The Court has approved lawyers (called “Class Counsel”) to collectively represent all Settlement Class Members. You will not be asked to pay your own personal money for the services of these attorneys and their associates and staff in litigating this case and negotiating this Settlement. Only Class Counsel may act on behalf of the class. However, that does not prevent you from hiring your own lawyer to advise you personally about your rights, options or obligations as a Settlement Class Member in this lawsuit. If you want to be represented by your own lawyer, you may hire one at your own expense. Class Counsel is the Legal Services Center of Harvard Law School, 617-390-2669.

What Is the Release of Claims?

If you are a class member and have not excluded yourself from the class as described below, you are waiving all your rights to all claims during the class period related to any claims against the Trustee, her employees, or anyone she hires in handling the bankruptcy, including even those you are not aware of at present or do not suspect, in exchange for the Settlement Agreement. By participating, you will not be giving up any other claim(s) that you may have against any other third parties, including but not limited to, the Department of Education, directors and officers of the Debtors, and another third party entities that are not part of the Settlement Agreement.

What Happens If I Do Nothing?

If you do nothing, you will be part of the Settlement Class, and you will be releasing all claims you may have against the Debtors related to the allegations in the case.

What If I Don’t Want to be Part of the Settlement?

You may request to be excluded from the Settlement. If you request to be excluded, you will not be part of the Settlement Class, will not receive any payout on the Proofs of Claim, if such payouts occur, and will not have released your claims. You will then be entitled to pursue your claims individually.

You may request to be excluded, or “opt out,” from the Settlement by returning a copy of the form attached hereto as **Exhibit I** (the “Opt-Out Form”) to the Court, evidencing your intention to opt out of the Settlement Class, on or before May 10, 2018 (the “Opt-Out Deadline”).

Opt-Out Forms should be directed to the Court at the address below so as to be received no later than the Opt-Out Deadline:

In re ITT Educational Services, Inc., et al.
116 U.S. Courthouse
46 East Ohio Street
Indianapolis, IN 46204

What if I Object to the Settlement?

Any Settlement Class Member may object to the Settlement, or to any settlement term. Settlement Class Members must object in writing. You must file any objection by April 24, 2018.

If you object to any part of the Settlement Agreement and you want to tell the Judge, you must write a letter to the Judge telling him what you do not like about the Settlement Agreement. Include your name, address, phone number, and signature in the letter.

Objections should be mailed to:

In re ITT Educational Services, Inc., et al.
116 U.S. Courthouse
46 East Ohio Street
Indianapolis, IN 46204

Should I keep making payments that I owe directly to the Debtor?

Pending further notice, former students of the Debtors should immediately cease making any payments on account of money owed to the Debtors. This notice only applies to Student Accounts owed directly to the Debtors, sometimes known as “Temporary Credits,” and not to any other federal or private student loans that you, or anyone on your behalf, took out to attend the Debtors’ institutions, including any loan amounts owed to the United States Department of Education, Student CU Connect CUSO, LLC, and/or PEAKS Trust 2009-1. In addition, this notice does not apply to loans made by Daniel Webster College, Inc., under the federal Perkins loan program.

Who do I contact if I have questions about the Settlement Agreement?

Questions concerning this notice or the matters described herein should be directed to:

Legal Services Center of Harvard Law School
122 Boylston Street
Jamaica Plain, MA 02130
<http://www.projectonpredatorystudentlending.org>
Tel.: (617) 390-2669

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Dated: January 31, 2018
Indianapolis, Indiana

/s/ Jeff J. Marwil

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Co-counsel to the Trustee

Exhibit I

[Opt-Out Form]

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE:)
)
ITT EDUCATIONAL SERVICES, INC., *et al.*¹) Case No. 16-07207-JMC-7A
)
Debtors.) Jointly Administered

FORM OPTING OUT OF SETTLEMENT CLASS

This Opt-Out Form applies to you if you are a former student of ITT Educational Services, Inc. or Daniel Webster College, Inc. (collectively, the “Debtors”), who attended ITT between January 1, 2006 and September 16, 2016, or attended Daniel Webster College between January 1, 2009 and September 16, 2016 (collectively the “Settlement Class”).

Deborah J. Caruso, the trustee (the “Trustee”) appointed in the chapter 7 cases of ITT Education Services, Inc. *et al.* has sent and posted this form (the “Opt-Out Form”) for members of the Settlement Class affected by the settlement agreement (the “Settlement Agreement”). The Settlement Agreement resolves the claims of the Settlement Class.

On January 3, 2018, the Trustee filed a motion seeking Court approval of the Settlement Agreement [Doc 2290] (the “Motion”). A copy of the Settlement Agreement is attached to the Motion and is available free of charge on the Debtors’ case website, available at <http://omnimgt.com/ITT>.

On January 26, 2018, the Court entered an order preliminarily approving the Settlement Agreement [Doc 2354]. The Court will hold a further hearing on the Motion on June 13, 2018 to determine approval of the Settlement Agreement on a final basis.

Under the terms of the Settlement Agreement, Students are entitled to opt out of the Settlement Class by checking the box below and returning this Opt-Out Form to the Court, evidencing their intention to opt out of the Settlement Class, on or before May 10, 2018 (the “Opt-Out Deadline”). **All Students who do not opt out of the Settlement Class before the Opt-Out Deadline will be deemed to be members of the Settlement Class. If you want to be part of the Settlement Class, you do not need to fill out or return this form, or take any further action.**

If you do opt out of the Settlement Class, and you individually file a proof of claim, your proof of claim will not be disallowed under the terms of the Settlement Agreement, and instead the Court

¹The debtors in these cases, along with the last four digits of their respective federal tax identification numbers, are ITT Educational Services, Inc. [1311]; ESI Service Corp. [2117]; and Daniel Webster College, Inc. [5980].

will determine the whether to allow your claim pursuant to the normal procedures for resolving proofs of claim.

NOTE: This Settlement does not impact any proofs of claim filed by individual students asserting a claim based on dishonored checks issued by ITT to students for, among other similar reasons, Title IV funds, including Pell grants, student aid funds administered by the Department of Education, or state-based student aid funds that were in excess of the tuition owed by the student for completed semesters but were disbursed to ITT by the state, federal government, or other entity with the intention that ITT act as a pass-through and disburse the funds to the students.

Please check the box below *ONLY* if you want to opt out of the Settlement Class:

If you have chosen to opt out of the Settlement Class and have placed a check in the box above, please return this form to the address below so that so that it is *received* by the Opt-Out Deadline:

In re ITT Educational Services, Inc., et al.
116 U.S. Courthouse
46 East Ohio Street
Indianapolis, IN 46204

If you have checked the box above, failure to return this form by the Opt-Out Deadline will result in your being deemed to be a member of the Settlement Class.

I, the undersigned former student of the Debtors or the authorized signatory for such student, have reviewed the information provided in this Opt-Out Form and elect to opt out of the Settlement Class:

Student Name: _____

Signature: _____

Proof of Claim Number: _____

Address: _____

Telephone: _____

Date completed: _____