Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-33883

K12 Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-4774688** (IRS Employer Identification No.)
2300 Corporate Park Drive **Herndon, VA** (Address of principal executive offices)	**20171** (Zip Code)

(703) 483-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 24, 2014, the Registrant had 39,553,049 shares of common stock, $0.0001 par value per share outstanding.

Table of Contents

K12 Inc.
Form 10-Q
For the Quarterly Period Ended March 31, 2014
Index

PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements (Unaudited).***

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2014	June 30, 2013
	(In thousands, except share and per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 185,332	$ 181,480
Accounts receivable, net of allowance of $3,310 and $2,560 at March 31, 2014 and June 30, 2013, respectively	236,445	186,459
Inventories, net	21,294	44,395
Current portion of deferred tax asset	6,165	11,368
Prepaid expenses	10,396	10,331
Other current assets	27,823	23,916
Total current assets	487,455	457,949
Property and equipment, net	50,010	56,142
Capitalized software, net	46,660	43,504
Capitalized curriculum development costs, net	61,219	64,599
Intangible assets, net	24,783	32,139
Goodwill	61,581	61,413
Deposits and other assets	5,547	3,150
Total assets	$ 737,255	$ 718,896
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 20,954	$ 19,395
Current portion of note payable	—	390
Accounts payable	24,614	21,838
Accrued liabilities	14,910	17,027
Accrued compensation and benefits	19,436	21,970
Deferred revenue	52,468	28,567
Total current liabilities	132,382	109,187
Capital lease obligations, net of current portion	16,651	16,107
Deferred rent, net of current portion	8,595	8,833
Deferred tax liability	28,690	33,299
Other long-term liabilities	2,297	2,512
Total liabilities	188,615	169,938
Commitments and contingencies	—	—
Redeemable noncontrolling interest	15,200	15,200
Equity:		
K12 Inc. stockholders' equity		
Common stock, par value $0.0001; 100,000,000 shares authorized; 41,138,238 and 37,440,662 shares issued and 39,895,938 and 37,440,662 outstanding at March 31, 2014 and June 30, 2013, respectively	4	4
Additional paid-in capital	630,533	548,390
Series A Special Stock, par value $0.0001; 2,750,000 shares authorized, zero and 2,750,000 issued and outstanding at March 31, 2014 and June 30, 2013, respectively	—	63,112
Accumulated other comprehensive loss	(54)	(294)
Accumulated deficit	(73,806)	(81,050)
Treasury stock of 1,242,300 and zero shares at cost at March 31, 2014 and June 30, 2013, respectively	(26,624)	—
Total K12 Inc. stockholders' equity	530,053	530,162
Noncontrolling interest	3,387	3,596
Total equity	533,440	533,758
Total liabilities, redeemable noncontrolling interest and equity	$ 737,255	$ 718,896

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2013
	(In thousands, except share and per share data)			
Revenues	$ 235,222	$ 218,009	$ 687,507	$ 645,133
Cost and expenses				
Instructional costs and services	140,592	127,759	427,165	369,205
Selling, administrative, and other operating expenses	64,414	65,828	238,411	216,826
Product development expenses	2,831	5,070	11,916	14,817
Total costs and expenses	207,837	198,657	677,492	600,848
Income from operations	27,385	19,352	10,015	44,285
Interest expense, net	(12)	(306)	(125)	(807)
Income before income tax expense and noncontrolling interest	27,373	19,046	9,890	43,478
Income tax expense	(11,861)	(7,626)	(3,726)	(18,195)
Net income	15,512	11,420	6,164	25,283
Adjust net loss attributable to noncontrolling interest	437	555	1,080	559
Net income attributable to common stockholders, including Series A stockholders	$ 15,949	$ 11,975	$ 7,244	$ 25,842
Net income attributable to common stockholders per share, excluding Series A stockholders, through the conversion date September 3, 2013:				
Basic and Diluted	$ 0.40	$ 0.31	$ 0.19	$ 0.66
Weighted average shares used in computing per share amounts:				
Basic and Diluted	39,596,798	36,283,353	39,136,667	36,142,689

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
	(In thousands)			
Net income	$ 15,512	$ 11,420	$ 6,164	$ 25,283
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	47	(276)	240	(426)
Total other comprehensive income, net of tax	15,559	11,144	6,404	24,857
Comprehensive loss attributable to noncontrolling interest	437	555	1,080	559
Comprehensive income attributable to common stockholders, including Series A stockholders	$ 15,996	$ 11,699	$ 7,484	$ 25,416

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)

	Common Stock		Common Stock - Series A		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock		Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount				Shares	Amount		
(In thousands, except share and per share data)											
Balance, June 30, 2013	37,440,662	$ 4	2,750,000	$ 63,112	$ 548,390	$ (294)	$ (81,050)	—	$ —	$ 3,596	$ 533,758
Net income (1)	—	—	—	—	—	—	7,244	—	—	(209)	7,035
Foreign currency translation adjustment	—	—	—	—	—	240	—	—	—	—	240
Conversion of Series A Special Stock to common stock	2,750,000	—	(2,750,000)	(63,112)	63,112	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(1,242,300)	(26,624)	—	(26,624)
Stock-based compensation expense	—	—	—	—	16,199	—	—	—	—	—	16,199
Exercise of stock options	481,497	—	—	—	8,444	—	—	—	—	—	8,444
Excess tax benefit from stock-based compensation	—	—	—	—	(472)	—	—	—	—	—	(472)
Issuance of restricted stock awards	693,354	—	—	—	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	(51,820)	—	—	—	—	—	—	—	—	—	—
Accretion of redeemable noncontrolling interests to estimated redemption value	—	—	—	—	(870)	—	—	—	—	—	(870)
Retirement of restricted stock for tax withholding	(175,455)	—	—	—	(4,270)	—	—	—	—	—	(4,270)
Balance, March 31, 2014	41,138,238	$ 4	—	$ —	630,533	$ (54)	$ (73,806)	(1,242,300)	$ (26,624)	$ 3,387	$ 533,440

(1) Net income (loss) attributable to noncontrolling interests excludes $0.9 million due to the redeemable noncontrolling interest related to Middlebury Interactive Languages ("MIL"), which is reported outside of permanent equity in the accompanying unaudited condensed consolidated balance sheets.

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

Table of Contents

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2013
	(In thousands)	
Cash flows from operating activities		
Net income	$ 6,164	$ 25,283
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	69,491	48,176
Stock-based compensation expense	16,199	9,833
Excess tax benefit from stock-based compensation	472	(4,413)
Deferred income taxes	122	16,348
Provision for doubtful accounts	1,206	1,814
Provision for excess and obsolete inventory	4,161	272
Provision (benefit) for student computer shrinkage and obsolescence	(555)	439
Changes in assets and liabilities:		
Accounts receivable	(51,547)	(75,549)
Inventories	18,941	8,237
Prepaid expenses	(39)	(9,919)
Other current assets	(3,906)	992
Deposits and other assets	(351)	(142)
Accounts payable	2,759	(3,976)
Accrued liabilities	(2,165)	12,229
Accrued compensation and benefits	(2,535)	2,333
Deferred revenue	23,543	24,092
Release of restricted cash	—	1,501
Deferred rent and other liabilities	(454)	1,666
Net cash provided by operating activities	81,506	59,216
Cash flows from investing activities		
Purchase of property and equipment	(6,323)	(5,265)
Capitalized software development costs	(18,486)	(17,867)
Capitalized curriculum development costs	(11,324)	(13,597)
Mortgage note to managed school partner	(2,100)	—
Net cash used in investing activities	(38,233)	(36,729)
Cash flows from financing activities		
Repayments on capital lease obligations	(16,988)	(14,674)
Repayments on note payable	(390)	(1,177)
Proceeds from exercise of stock options	8,444	3,027
Excess tax benefit from stock-based compensation	(472)	4,413
Purchase of treasury stock	(26,624)	—
Retirement of restricted stock for tax withholding	(4,270)	(1,817)
Net cash used in financing activities	(40,300)	(10,228)
Effect of foreign exchange rate changes on cash and cash equivalents	879	57
Net change in cash and cash equivalents	3,852	12,316
Cash and cash equivalents, beginning of period	181,480	144,652
Cash and cash equivalents, end of period	$ 185,332	$ 156,968

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

K12 Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Description of the Business

K12 Inc. and its subsidiaries ("K12" or the "Company") is a technology-based education company. The Company offers proprietary curriculum, software systems and educational services designed to facilitate individualized learning for students primarily in kindergarten through 12th grade, ("K-12"). The Company's mission is to maximize a child's potential by providing access to an engaging and effective education, regardless of geographic location or socio-economic background. Since its inception, the Company has made significant investments to develop and, to a lesser extent, acquire curriculum and online learning platforms that promote mastery of core concepts and skills for students of all abilities. This learning system combines the Company's curriculum and offerings with an individualized learning approach well-suited for virtual and blended public schools, school district online programs, public charter schools and private schools that utilize varying degrees of online and traditional classroom instruction, and other educational applications. In contracting with a virtual and blended public school, the Company typically provides students with access to the K12 online curriculum, offline learning kits and the use of a personal computer in certain cases, in addition to providing management services. The Company manages virtual public schools in 33 states and the District of Columbia.

In addition, the Company works closely as partners with a growing number of public schools, school districts, private schools and charter schools enabling them to offer their students an array of solutions, including full-time virtual programs, semester course and supplemental solutions. In addition to curriculum, systems and programs, the Company provides teacher training, teaching services and other support services.

2. Basis of Presentation

The accompanying condensed consolidated balance sheet as of March 31, 2014, the condensed consolidated statements of operations for the three and nine months ended March 31, 2014 and March 31, 2013, the condensed consolidated statements of comprehensive income for the three and nine months ended March 31, 2014 and March 31, 2013, the condensed consolidated statement of equity (deficit) for nine months ended March 31, 2014 and the condensed consolidated statements of cash flows for the nine months ended March 31, 2014 and March 31, 2013 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations for the periods presented. The results of the three and nine month periods ended March 31, 2014 are not necessarily indicative of the results to be expected for the year ending June 30, 2014 or for any other interim period or for any other future fiscal year. The condensed consolidated balance sheet as of June 30, 2013 has been derived from the audited consolidated financial statements at that date.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, the Company does not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these statements include all adjustments (consisting of normal recurring adjustments) considered necessary to present a fair statement of the Company's condensed consolidated results of operations, financial position and cash flows. Preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and footnotes. Actual results could differ from those estimates. This quarterly report on Form 10-Q should be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on August 29, 2013, which contains the Company's audited financial statements for the fiscal year ended June 30, 2013.

The Company operates in one operating and reportable business segment as a technology—based education company providing proprietary curriculum, software systems and educational services designed to facilitate individualized learning for students primarily in kindergarten through 12th grade. The Chief Operating Decision Maker evaluates profitability based only on consolidated results.

3. Summary of Significant Accounting Policies

Revenue Recognition

Revenues are principally earned from long-term contractual agreements to provide online curriculum, books, materials, computers and management services to virtual and blended public schools, traditional schools, school districts, public charter schools, and private schools. In addition to providing the curriculum, books and materials, under most contracts, the Company manages virtual and blended public schools, including monitoring academic achievement, teacher hiring and training, compensation of school personnel, financial management, enrollment processing and procurement of curriculum, equipment and required services. The schools receive funding on a per student basis from the state in which the public school or school district is located. Shipments of materials for schools that occur in the fourth fiscal quarter and for the upcoming school year are recorded in deferred revenues.

Where the Company provides turn-key management service and it has determined that it is the primary obligor for substantially all expenses under these contracts, the Company records the associated per student revenue received by the school from its state funding school district up to the expenses incurred in accordance with Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. For contracts where the Company is not the primary obligor, the Company records revenue based on its net fees earned under the contractual agreement. As a result of being the primary obligor, amounts recorded as revenues and school operating expenses for the three months ended March 31, 2014 and March 31, 2013 were $71.3 million and $66.8 million, respectively, and for the nine months ended March 31, 2014 and March 31, 2013 were $190.8 million and $178.3 million, respectively.

The Company generates revenues under contracts with virtual and blended public schools which include multiple elements. These elements include providing each of a school's students with access to the Company's online curriculum; offline learning kits, which include books and materials to supplement the online lessons; the use of a personal computer and associated reclamation services; internet access and technology support services; the services of a state-certified teacher; and management and technology services required to operate a virtual public or blended school. In certain managed school contracts, revenue is determined directly by per enrollment funding.

The Company has determined that the elements of its contracts are valuable to schools in combination, but do not have standalone value. As a result, the elements within the Company's multiple-element contracts do not qualify for separate units of accounting. Accordingly, the Company accounts for revenues under multiple element arrangements as a single unit of accounting and recognizes the entire arrangement based upon the approximate rate at which it incurs the costs associated with each element. Revenue from certain managed schools is recognized ratably over the period services are performed.

Under the contracts where the Company provides turn-key management services to schools, the Company has generally agreed to absorb any cumulative operating losses of the schools over the respective contract period. These school operating losses represent the excess of costs incurred over revenues earned by the virtual or blended public school as reflected on its respective financial statements, including Company charges to the schools. A school operating loss in one year does not necessarily mean the Company anticipates losing money on the entire contract with the school. However, a school operating loss may reduce the Company's ability to collect its management fees in full and recognized revenues are reduced accordingly to reflect the expected cash collections from such schools. The Company amortizes the estimated school operating loss against revenues based upon the percentage of actual revenues in the period to total estimated revenues for the fiscal year. Management periodically reviews its estimates of full year school revenues and operating expenses and amortizes the net impact of any changes to these estimates proportionately over the fiscal year. Actual school operating losses may vary from these estimates or revisions, and the impact of these differences could have a material impact on results of operations. Since the end of the school year coincides with the end of the Company's fiscal year, annual revenues are generally based on actual school revenues and actual costs incurred in the calculation of school operating losses.

The Company provides certain online curriculum and services to schools and school districts under subscription and perpetual license agreements. Revenue under these agreements is recognized in accordance with ASC 605 when all of the following conditions are met: there is persuasive evidence of an arrangement; delivery has occurred or services have been rendered; the amount of fees to be paid by the customer is fixed and determinable; and the collectability of the fee is probable. Revenue from the licensing of curriculum under subscription arrangements is recognized on a ratable basis over the subscription period. Revenue from the licensing of curriculum under non-cancelable perpetual arrangements is recognized when all revenue recognition criteria have been met. Revenue from professional consulting, training and support services are deferred and recognized ratably over the service period.

Other revenues are generated from individual customers who prepay and have access for 12 to 24 months to Company-provided online curriculum. The Company recognizes these revenues pro rata over the maximum term of the customer contract. Revenues from associated offline learning kits are recognized upon shipment.

During the three months ended March 31, 2014 and March 31, 2013, the Company had contracts with two schools that represented approximately 14% and 10% of revenues. The percentage of revenues for these two schools is not indicative of the percentage of revenues for the full year. Approximately 7% of accounts receivable was attributable to a contract with one school as of March 31, 2014 and June 30, 2013. During the nine months ended March 31, 2014, the Company had contracts with two managed public schools that represented approximately 13% and 10% of revenues. During the nine months ended March 31, 2013, the Company had contracts with two managed public schools that represented approximately 14% and 10% of revenues.

Consolidation

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned and affiliated companies owned, directly or indirectly, and all controlled subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Inventories

Inventories consist primarily of textbooks and curriculum materials, a majority of which are supplied to managed public schools and blended public schools and utilized directly by students. Inventories represent items that are purchased and held for sale and are recorded at the lower of cost (first-in, first-out method) or market value. The Company records a provision for excess and obsolete inventory when impairment has been identified. The Company writes down its inventory for estimated excess or unmarketable inventory by an amount equal to the difference between the cost of inventory and the estimated market value based on assumptions about future demand and market conditions. During the nine months ended March 31, 2014, the Company increased the provision for excess and obsolete inventory by $6.1 million primarily related to the decision to discontinue certain products and excess inventory relative to anticipated demand. The excess and obsolete inventory reserve was $9.0 million and $4.9 million at March 31, 2014 and June 30, 2013, respectively.

Other Current Assets

Other current assets consist primarily of textbooks, curriculum materials and other supplies which are expected to be returned upon the completion of the school year. Materials not returned are expensed as part of instructional costs and services.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is calculated using the straight-line method over the estimated useful life of the asset (or the lesser of the term of the lease and the estimated useful life of the asset under capital lease). Amortization of assets capitalized under capital lease arrangements is included in depreciation expense. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful life of the asset. The Company determines the lease term in accordance with ASC 840, *Leases*, as the fixed non-cancelable term of the lease plus all periods for which failure to renew the lease imposes a penalty on the lessee in an amount such that renewal appears, at the inception of the lease, to be reasonably assured. Depreciation expense for the three months ended March 31, 2014 and March 31, 2013 was $9.2 million and $8.0 million, respectively. Depreciation expense for the nine months ended March 31, 2014 and March 31, 2013 was $32.1 million and $23.8 million, respectively, which, for the nine months ended March 31, 2014, includes accelerated expenses described below.

Property and equipment are depreciated over the following useful lives:

	Useful Life
Student computers	3 years
Computer hardware	3 years
Computer software	3-5 years
Web site development costs	3 years
Office equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	3-12 years

During the nine months ended March 31, 2014, the Company updated the estimate of unreturned computers based on an analysis of recent trends of returns and utilization rates, as well as information obtained from the student computer processing systems. As a result, the Company recorded accelerated depreciation of $6.3 million for computers that we estimate will not be returned by our students.

Capitalized Software

The Company develops software for internal use. Software development costs incurred during the application development stage are capitalized in accordance with ASC 350, *Intangibles — Goodwill and Other*. The Company amortizes these costs over the estimated useful life of the software, which is generally three years. Capitalized software development costs are stated at cost less accumulated amortization.

Capitalized software development additions totaled $18.5 million and $17.9 million for the nine months ended March 31, 2014 and March 31, 2013, respectively. Amortization expense for the three months ended March 31, 2014 and March 31, 2013 was $3.9 million and $3.6 million, respectively. During the nine months ended March 31, 2014, the Company wrote down approximately $3.8 million of capitalized software projects after determining the assets either have no future use or are being sunset. Amortization expense for the nine months ended March 31, 2014 and March 31, 2013 was $15.3 million and $10.3 million, respectively. The amortization expense for the nine months ended March 31, 2014 included the write down.

Capitalized Curriculum Development Costs

The Company internally develops curriculum, which is primarily provided as online content and accessed via the Internet. The Company also creates textbooks and other materials that are complementary to online content.

The Company capitalizes curriculum development costs incurred during the application development stage in accordance with ASC 350. The Company capitalizes curriculum development costs during the design and deployment phases of the project. Many of the Company's new courses leverage off of proven delivery platforms and are primarily content, which has no technological hurdles. As a result, a significant portion of the Company's courseware development costs qualify for capitalization due to the concentration of its development efforts on the content of the courseware. Capitalization ends when a course is available for general release to its customers, at which time amortization of the capitalized costs begins. The period of time over which these development costs will be amortized is generally five years.

Capitalized curriculum development additions were $11.3 million and $13.6 million for the nine months ended March 31, 2014 and March 31, 2013, respectively. These amounts are recorded on the accompanying condensed consolidated balance sheets net of amortization charges. In addition, the Company wrote down approximately $2.2 million of capitalized curriculum development costs due to its decision to discontinue certain curriculum during the nine months ended March 31, 2014. Amortization is recorded in product development expenses on the accompanying condensed consolidated statements of operations. Amortization expense for the three months ended March 31, 2014 and March 31, 2013 was $4.3 million and $3.6 million, respectively. Amortization expense for the nine months ended March 31, 2014 and March 31, 2013 was $14.7 million and $10.7 million, respectively. The amortization expense for the nine months ended March 31, 2014 included the write down.

Table of Contents

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. Under ASC 740, deferred tax assets and liabilities are computed based on the difference between the financial reporting and income tax bases of assets and liabilities using the enacted marginal tax rate. ASC 740 requires that the net deferred tax asset be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized.

Series A Special Stock

The Company issued 2,750,000 shares of Series A Special stock in July 2010 in connection with an acquisition. The holders of the Series A Special stock had the right to convert those shares into common stock on a one-for-one basis and the right to vote on all matters presented to K12 stockholders, other than for the election and removal of directors, for which holders of the Series A Special stock had no voting rights. These shares were converted into common stock on September 3, 2013 and no Series A Special stock remains outstanding as of March 31, 2014.

Noncontrolling Interest

Earnings or losses attributable to other stockholders of a consolidated affiliated company are classified separately as “noncontrolling interest” in the Company’s condensed consolidated statements of operations. Net (income) loss attributable to noncontrolling interest reflects only the Company’s share of the after-tax earnings or losses of an affiliated company. Income taxes attributable to noncontrolling interest are determined using the applicable statutory tax rates in the jurisdictions where such operations are conducted. These rates vary from country to country. The Company’s condensed consolidated balance sheets reflect the noncontrolling interest within the equity section of the condensed consolidated balance sheets rather than in the mezzanine section of the condensed consolidated balance sheets, except for redeemable noncontrolling interest. Noncontrolling interest is classified separately in the Company’s condensed consolidated statements of equity (deficit).

Redeemable Noncontrolling Interests

Noncontrolling interests in subsidiaries that are redeemable outside of the Company’s control for cash or other assets are classified outside of permanent equity at redeemable value which approximates fair value. The redeemable noncontrolling interests are adjusted to their fair value at each balance sheet date. The resulting increases or decreases in the estimated redemption amount are affected by corresponding charges against retained earnings, or in the absence of retained earnings, additional paid-in-capital.

Goodwill and Intangible Assets

The Company records as goodwill the excess of the purchase price over the fair value of the identifiable net assets acquired. Finite-lived intangible assets acquired in business combinations subject to amortization are recorded at their fair value. Finite-lived intangible assets include trade names, customer and distributor relationships and developed technology. Such intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense for the three months ended March 31, 2014 and March 31, 2013 was $0.7 million and $1.1 million, respectively. Amortization expense for the nine months ended March 31, 2014 and March 31, 2013 was $7.4 million and $3.4 million, respectively. Future amortization of intangible assets is $0.7 million, $2.6 million, $2.5 million, $2.0 million and $2.0 million in the fiscal years ending June 30, 2014 through June 30, 2018, respectively, and $15.0 million thereafter.

The Company reviews its recorded finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between fair value and the carrying value of the asset.

ASC 350 prescribes a process for impairment testing of goodwill and intangible assets with indefinite lives, which is performed annually, as well as when an event triggering impairment may have occurred. Goodwill and intangible assets deemed to have an indefinite life are tested for impairment on an annual basis, or earlier when events or changes in circumstances suggest the carrying amount may not be fully recoverable. The Company has elected to perform its annual assessment on May 31 of each year.

The following table represents goodwill activity for the nine months ended March 31, 2014:

Rollforward of Goodwill		Amount $(in thousands)
Balance as of June 30, 2013	$	61,413
Adjustments due to other foreign exchange translations		168
Balance as of March 31, 2014	$	61,581

The following table represents the balance of intangible assets as of March 31, 2014 and June 30, 2013:

	March 31, 2014			June 30, 2013		
($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 17.4	$ (4.2)	$ 13.2	$ 24.0	$ (5.1)	$ 18.9
Customer and distributor relationships	18.9	(7.7)	11.2	18.9	(6.5)	12.4
Developed technology	1.5	(1.4)	0.1	1.5	(1.0)	0.5
Other	0.5	(0.2)	0.3	0.5	(0.2)	0.3
	$ 38.3	$ (13.5)	$ 24.8	$ 44.9	$ (12.8)	$ 32.1

During the second quarter of fiscal year 2014, the Company determined that based on rebranding of the Institutional business, the Company fully amortized certain trade names that are no longer going to be used and recorded a $5.2 million impairment charge for the nine months ended March 31, 2014. There was no impairment charge for the three months ended March 31, 2014 or the three and nine months ended March 31, 2013.

Impairment of Long-Lived Assets

Long-lived assets include property, equipment, capitalized curriculum and software developed or obtained for internal use. In accordance with ASC 360, the Company reviews its recorded long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between fair value and the carrying value of the asset.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The carrying values reflected in the accompanying condensed consolidated balance sheets for cash and cash equivalents, receivable and debt approximate their fair values.

The redeemable noncontrolling interest is a result of the Company's joint venture with Middlebury College to form Middlebury Interactive Languages. Under the agreement, Middlebury College has an irrevocable election to sell all (but not less than all) of its membership interest to the Company (put right). The fair value of the redeemable noncontrolling interest reflects management's best estimate of the redemption of the put right.

The following table summarizes certain information at March 31, 2014 and June 30, 2013 for assets and liabilities measured at fair value on a recurring basis:

		Fair Value Measurements Using:		
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Redeemable Noncontrolling Interest in Middlebury Joint Venture	$ 15,200	$ —	$ —	$ 15,200
Total	$ 15,200	$ —	$ —	$ 15,200

The fair value of the redeemable noncontrolling interest in Middlebury Joint Venture was measured in accordance with ASC 480, *Distinguishing Liabilities from Equity*, and was based upon a valuation from a third-party valuation firm as of June 30, 2013. As of March 31, 2014, the Company performed an internal analysis and determined there was no underlying change in the estimated fair market value. This analysis incorporated a number of assumptions and estimates including the financial results of the joint venture to date.

Earnings Per Common Share

The Company calculates net income per share in accordance with ASC 260, *Earnings Per Share*. Under ASC 260, basic net income per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. The weighted average number of shares of common stock outstanding includes vested restricted stock awards. Diluted earnings per share ("EPS") reflect the potential dilution that could occur assuming conversion or exercise of all dilutive unexercised stock options. The dilutive effect of stock options and restricted stock awards was determined using the treasury stock method. Under the treasury stock method, the proceeds received from the exercise of stock options and restricted stock awards, the amount of compensation cost for future service not yet recognized by the Company and the amount of tax benefits that would be recorded in additional paid-in capital when the stock options become deductible for income tax purposes are all assumed to be used to repurchase shares of the Company's common stock. Stock options and restricted stock awards are not included in the computation of diluted earnings per share when they are antidilutive. Common stock outstanding reflected in the Company's consolidated balance sheets include restricted stock awards outstanding. Securities that may participate in undistributed earnings with common stock are considered participating securities. The Series A Special stock was considered participating until all shares were converted into common stock on September 3, 2013. Participating securities are included in the computation of both basic and diluted EPS (as a reduction of the numerator) using the two-class method. Under the two-class method, all undistributed earnings in a period are allocated to common stock and participating securities to the extent that each security may share in earnings as if all of the earnings for the period had been distributed. EPS is presented using the two-class method in the three and nine months ended March 31, 2013 only, since the Series A Special stock was outstanding.

The following schedule presents the calculation of basic and diluted net income per share:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
	(In thousands except shares and per share data)			
Basic and dilutive earnings (loss) per share computation:				
Net income — K12	$ 15,949	$ 11,975	$ 7,244	$ 25,842
Amount allocated to participating Series A stockholders	—	(844)	—	(1,827)
Income available to common stockholders — basic and diluted	$ 15,949	$ 11,131	$ 7,244	$ 24,015
Weighted average common shares — basic and diluted	39,596,798	36,283,353	39,136,667	36,142,689
Basic and diluted net income per share	$ 0.40	$ 0.31	$ 0.19	$ 0.66

The basic and diluted weighted average common shares were the same for the three and nine months ended March 31, 2014 and March 31, 2013, as the inclusion of dilutive securities were out of the money based on a lower average stock price during the period and Series A special stock prior to the conversion date would have been anti-dilutive. At March 31, 2014, we had 41,138,238 shares issued and 39,895,938 shares outstanding, which included the 2,750,000 common shares associated with the Series A special stock conversion which occurred on September 3, 2013.

Recent Accounting Pronouncements

Accounting Standards Updates issued but not yet effective are not expected to have a material effect on the Company's future financial statements.

4. Income Taxes

The benefit (expense) for income taxes is based on income (loss) reported in the condensed consolidated financial statements. A deferred income tax asset or liability is determined by applying currently enacted tax laws and rates to the expected reversal of the cumulative temporary differences between the carrying value of assets and liabilities for financial statement and income tax purposes. Deferred income tax expense or benefit is measured by the change in the deferred income tax asset or liability during the period. For the three months ended March 31, 2014 and March 31, 2013, the Company's effective income tax rate was 43.3% and 40.0%, respectively. For the nine months ended March 31, 2014 and March 31, 2013, the Company's effective tax rate was 37.7% and 41.9%, respectively. The effective income tax rate differs from the statutory federal income tax rate of 35% primarily due to the impact of foreign operations, state taxes, noncontrolling interests and permanent differences between book and tax deductions.

5. Long-term Obligations

Capital Leases

The Company incurs capital lease obligations for student computers under a lease line of credit with PNC Equipment Finance, LLC with annual lease availability limits. The current annual availability of $35.0 million expires in June 2014. As of March 31, 2014 and June 30, 2013, the aggregate outstanding balance under the lease line of credit, including balances from prior years, was $37.6 million and $35.5 million, respectively, with lease interest rates ranging from 2.52% to 3.08%. Individual leases under the lease line of credit include 36-month payment terms with a $1 purchase option at the end of each lease term. The interest rates on the new borrowings are based upon an initial rate of 2.40% modified by changes in the three year interest rate swaps rate as published in the Federal Reserve Statistical Release H.15, "Selected Interest Rates," between May 29, 2013 and the Lease Commencement Date (as defined in the lease line of credit). The Company has pledged the assets financed to secure the outstanding leases. The net carrying value of leased student computers as of March 31, 2014 and June 30, 2013 was $27.3 million and $31.2 million, respectively.

The following is a summary as of March 31, 2014 of the present value of the net minimum payments due on outstanding capital leases and the note payable under the Company's commitments:

June 30,	Capital Leases ($ in thousands)
2014	6,296
2015	19,352
2016	10,266
2017	2,760
Total minimum payments	38,674
Less amount representing interest (imputed weighted average capital lease interest rate of 2.8%)	(1,069)
Net minimum payments	37,605
Less current portion	(20,954)
Present value of minimum payments, less current portion	$ 16,651

Note Payable

The Company purchased computer software licenses and maintenance services through an unsecured note payable arrangement with a vendor at 3.4% interest rate and a payment term of three years. There are no covenants associated with this note payable arrangement. The balance of the note payable at March 31, 2014 and June 30, 2013 was zero and $0.4 million, respectively.

6. Line of Credit

On January 31, 2014, we executed a $100 million unsecured line of credit with the Bank of America, N.A. ("Bank") to be used for general corporate operating purposes. The line has a five year term, bears interest at the higher of the Bank's prime rate plus 0.25% or the Federal Funds Rates plus 0.75%, or the LIBOR rate plus 1.25% and incorporates customary financial and other covenants, including but not limited to a maximum debt leverage and a minimum fixed charge coverage ratio. As of March 31, 2014, the Company was in compliance with these covenants and there were no borrowings outstanding on the line of credit during the period ended March 31, 2014.

7. Stock Option Plan

Stock Options

Stock option activity during nine months ended March 31, 2014 was as follows:

	Shares	Weighted-Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, June 30, 2013	2,893,188	$ 20.17	4.98	$ 50,038
Granted	269,220	27.47		
Exercised	(481,497)	17.54		
Forfeited or canceled	(51,993)	23.34		
Outstanding, March 31, 2014	2,628,918	$ 21.37	4.74	$ 7,244
Stock options exercisable at March 31, 2014	1,815,535	$ 20.12	2.88	$ 12,609

The aggregate intrinsic value of options exercised during nine months ended March 31, 2014 was $6.1 million. The weighted-average grant date fair value of options granted was $12.69 during the nine months ended March 31, 2014.

As March 31, 2014, there was $7.3 million of total unrecognized compensation expense related to unvested stock options granted. The cost is expected to be recognized over a weighted average period of 2.3 years. During the nine months ended March 31, 2014, the Company recorded additional stock-based compensation of $1.5 million associated with accelerated vesting of option awards to our former Chief Executive Officer and other employees upon termination of employment. During the three months ended March 31, 2014 and March 31, 2013, the Company recognized $0.9 million and $1.1 million, respectively, of stock-based compensation expense related to stock options. During nine months ended March 31, 2014 and March 31, 2013, the Company recognized $4.6 million and $3.2 million, respectively, of stock-based compensation expense related to stock options.

Restricted Stock Awards

Restricted stock award activity during nine months ended March 31, 2014 was as follows:

	Shares	Weighted-Average Fair Value
Outstanding, June 30, 2013	928,137	$ 22.97
Granted	693,354	31.53
Vested	(457,390)	25.13
Forfeited or canceled	(51,820)	27.36
Outstanding, March 31, 2014	1,112,281	$ 27.40

As of March 31, 2014, there was $21.5 million of total unrecognized compensation expense related to unvested restricted stock awards granted. The cost is expected to be recognized over a weighted average period of 2.3 years. The total fair value of shares vested during nine months ended March 31, 2014 was $11.5 million. During the nine months ended March 31, 2014, the Company recorded additional stock-based compensation of $2.5 million associated with accelerated vesting of equity awards to our former Chief Executive Officer and other employees upon termination of employment. During the three months ended March 31, 2014 and March 31, 2013, the Company recognized $3.1 million and $2.9 million, respectively, of stock-based compensation expense related to restricted stock awards. During nine months ended March 31, 2014 and March 31, 2013, the Company recognized $11.6 million and $6.6 million, respectively, of stock-based compensation expense related to restricted stock awards.

8. Related Party Transactions

For the three months ended March 31, 2014 and March 31, 2013, the Company purchased services in the amount of zero and $0.1 million, respectively from Knowledge Universe Technologies ("KUT") pursuant to a Transition Services Agreement related to the Company's acquisition of KCDL, as well as other administrative services. KUT is an affiliate of Learning Group, LLC, which was a related party until September 2013. For the nine months ended March 31, 2014 and March 31, 2013, the Company purchased services in the amount of zero and $0.3 million, respectively.

During the nine months ended March 31, 2014, in accordance with the original terms of the joint venture agreement, the Company loaned $1.0 million to its 60% owned joint venture, MIL. At March 31, 2014 and June 30, 2013, the loan totaled $4.0 million and $3.0 million, respectively, and was repayable under terms and conditions specified in the loan agreement. The loan balance and related interest are eliminated since MIL is consolidated in the Company's financial statements; however, repayment of the loan is dependent on the continued liquidity of MIL.

9. Commitments and Contingencies

Litigation

In the ordinary conduct of business, the Company is subject to lawsuits, arbitrations and administrative proceedings from time to time. The Company expenses legal costs as incurred.

IpLearn

On October 26, 2011, IpLearn, LLC ("IpLearn") filed a complaint for patent infringement against the Company in the United States District Court for the District of Delaware, *IpLearn, LLC v. K12 Inc.,* Case No. 1:11-1026-LPS, which it subsequently amended on November 18, 2011. IpLearn is a privately-held technology development and licensing company for web and computer-based learning technologies. In its complaint, IpLearn alleges that the Company has infringed three of its patents for various computer-aided learning methods and systems and it is primarily seeking an injunction enjoining K12 from any continued infringement as well as an award of unspecified monetary damages. On July 2, 2012, the court granted the Company's motion to dismiss IpLearn's allegations of indirect patent infringement and allowed IpLearn's allegations of direct patent infringement to proceed. On January 15, 2013, the court approved a stay of IpLearn's claims alleging infringement of one of the three patents in the case involving technology licensed to K12 by a third party. The discovery process is currently in progress and the claims construction hearings were held on September 30, 2013. At March 31, 2014 and June 30, 2013, the Company had not recorded a liability as a loss was neither probable nor estimable.

Oklahoma Firefighters Complaint

On January 30, 2014, a securities class-action lawsuit captioned *Oklahoma Firefighters Pension & Retirement System v. K12 Inc., et al.*, was filed against the Company, four of its officers and directors, and a former officer, in the United States District Court for the Eastern District of Virginia, *Oklahoma Firefighters Pension & Retirement System v. K12, Inc*., Case No. 1:14-CV-108-AJT-JFA (the "Oklahoma Firefighters Complaint"). The plaintiff purports to represent a class of persons who purchased or otherwise acquired K12 common stock between March 11, 2013 and October 9, 2013, inclusive, and alleges violations by the defendants of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The Oklahoma Firefighters Complaint alleges, among other things, that the defendants made false or misleading statements of material fact, or failed to disclose material facts, about (i) the Company's enrollment and revenue growth prospects for fiscal 2014, and (ii) the Company's compliance with state regulations governing enrollment. The plaintiff seeks unspecified monetary damages and other relief. The Company intends to defend vigorously against the claims asserted in the Oklahoma Firefighters Complaint.

10. Investments

Investment in Web International Education Group Ltd. (Web)

In January 2011, the Company invested $10.0 million to obtain a 20% minority interest in Web International Group, Ltd. ("Web"), a provider of English language learning centers in cities throughout China. From January 2011 through May 2013, the Company recorded its investment in Web as an available for sale debt security because of the ability to put the investment to other Web shareholders in return for the original $10.0 million investment plus interest. The Company's option to purchase no less than 51% of Web expired on March 31, 2013 and on May 6, 2013, the Company exercised its right to put its investment back to Web for return of its original $10.0 million investment plus interest of 8%, which Web is contractually required to pay by May 6, 2014. The Company reclassified this $10.0 million investment plus accrued interest of $2.4 million to a receivable, which is included in other current assets. During the three months ended March 31, 2014 and March 31, 2013, the Company recorded interest income of $0.2 million and zero, respectively, associated with Web. During the nine months ended March 31, 2014 and March 31, 2013, the Company recorded interest income of $0.6 million and zero, respectively, associated with Web.

Investment in School Mortgage

On September 11, 2013, the Company issued a mortgage note ("Mortgage") lending $2.1 million to a managed school partner. The note bears interest at a fixed rate of 5.25% per year and has a term of five years. Monthly principal and interest payments will be made beginning October 2013 with a final balloon payment of $1.8 million at the term of the loan. The Mortgage is primarily secured by the underlying property.

The Mortgage and ancillary documents include customary affirmative and financial covenants for secured transactions of this type. The Company has recorded this as a held to maturity investment and the current amounts are included in other current assets while the non-current amounts are included in deposits and other assets on the balance sheet.

11. Supplemental Disclosure of Cash Flow Information

	Nine Months Ended March 31,	
	2014	2013
	(In thousands)	
Cash paid for interest	$ 879	$ 895
Cash paid for taxes, net of refunds	$ 4,865	$ 510
Supplemental disclosure of non-cash investing and financing activities:		
New capital lease obligations	$ 19,090	$ 24,671

12. Common Stock Repurchases

On November 4, 2013, the Board of Directors authorized the repurchase of up to $75.0 million of the Company's outstanding common stock over a two year period. Any purchases under the buyback are dependent upon business and market conditions and other factors. The stock purchases are made from time to time and may be made through a variety of methods including open market purchases and in accordance with the SEC's Rule 10b5-1. For the three months ended March 31, 2014, the Company paid approximately $20.7 million for the repurchase of 958,100 shares. For the nine months ended March 31, 3014, the Company paid approximately $26.6 million under the plan for the repurchase of 1,242,300 shares. As of March 31, 2014, the approximate dollar amount of shares yet to be repurchased under the plan was $48.4 million.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Certain statements in Management's Discussion and Analysis or MD&A, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2013, which we refer to as our Annual Report. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance or achievements.

This MD&A is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition. As used in this MD&A, the words, "we," "our" and "us" refer to K12 Inc. and its consolidated subsidiaries. This MD&A should be read in conjunction with our condensed consolidated financial statements and related notes included in this report, as well as the consolidated financial statements and MD&A of our Annual Report. The following overview provides a summary of the sections included in our MD&A:

- *Executive Summary* — a general description of our business and key highlights of the three months and nine months ended March 31, 2014.
- *Critical Accounting Policies and Estimates* — a discussion of critical accounting policies requiring critical judgments and estimates.
- *Results of Operations* — an analysis of our results of operations in our condensed consolidated financial statements.
- *Liquidity and Capital Resources* — an analysis of cash flows, sources and uses of cash, commitments and contingencies, seasonality in the results of our operations and quantitative and qualitative disclosures about market risk.

Executive Summary

We are a technology—based education company. We offer proprietary curriculum, software systems and educational services designed to facilitate individualized learning for students primarily in kindergarten through 12th grade, or K-12. Our mission is to maximize a child's potential by providing access to an engaging and effective education, regardless of geographic location or socio economic background. Since our inception, we have invested to develop and acquire curriculum and online learning platforms that promote mastery of core concepts and skills for students of all abilities. K12 provides a continuum of technology based educational products and solutions to school districts, public schools, private schools, public charter schools and families as we strive to transform the educational experience into one that delivers individualized education on a highly scalable basis.

Virtual and blended public schools generally under turn-key management contracts (Managed Public Schools) accounted for approximately 87% of our revenue in the nine months ended March 31, 2014. We currently provide management services to public schools in 33 states and the District of Columbia.

We serve an increasing number of schools and school districts enabling them to offer our course catalog to students either full-time or on an individual course basis. We have increased, over time, the size and expertise of our sales team, added a reseller network and expanded our course portfolio. The services we provide to these schools and school districts are designed to assist them in launching their own online learning programs which vary according to the needs of the individual school and school district and may include teacher training programs, administrator support and our PEAK [12] management system. With our services, schools and districts can offer programs that allow students to participate full-time, as their primary school, or part-time, supplementing their education with core courses, electives, credit recovery options, remediation and supplemental content options. We continue to provide these services to school districts or individual schools in all 50 states and the District of Columbia.

We operate three online private schools where parents can enroll students on a tuition basis for a full-time online education or individual courses to supplement their children's traditional instruction. These include our K [12] International Academy, an online private school that enables us to offer students worldwide the same full-time education programs and curriculum that we provide to the virtual and blended public schools, The Keystone School, a private school that offers online and correspondence courses, and the George Washington University Online High School, a program that offers college preparatory curriculum and is designed for high school students who are seeking a challenging academic experience. In addition, we currently own and operate the International School of Berne, or IS Berne, a traditional private school located in Berne, Switzerland and a recognized IB school serving students in grades Pre-K through 12.

For the nine months ended March 31, 2014, revenues grew to $687.5 million from $645.1 million in the prior year period, a growth rate of 6.6%. We had operating income of $10.0 million for nine months ended March 31, 2014 compared to operating income of $44.3 million in the prior year period, and net income to common stockholders of $7.2 million compared to net income to common stockholders of $25.8 million in the prior year period. The operating income for the nine months ended March 31, 2014 included $31.2 million of severance and related stock-based compensation, accelerated depreciation and amortization for certain curriculum, learning systems, trade names, and other fixed assets that will no longer be used or developed and additional provisions for inventory that we previously anticipated using.

During the third quarter we decided not to pursue our previously announced intent to create a new company with Safanad Limited due to the complexities of the transaction. We continue to evaluate strategic options with respect to the possible sale of one or more of these assets, including discussions with Safanad Limited.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires us to make estimates and assumptions about future events that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to our consolidated financial statements. Critical accounting policies are disclosed in our Annual Report. There have been no significant updates to our critical accounting policies disclosed in our Annual Report.

Results of Operations

As described in the Annual Report, we reclassified our three lines of business: Managed Public Schools (turn-key management services provided to public schools), Institutional Sales (educational products and services provided to school districts, public schools and other educational institutions that we do not manage), and International and Private Pay Schools (private schools for which we charge student tuition and make direct consumer sales).

Managed Public Schools	**Institutional Sales**	**International and Private Pay Schools**
• Full-time virtual public schools	• K12 curriculum	• Managed private schools
• Blended schools	• Middlebury joint venture	• The Keystone School
• Flex schools	• Pre-kindergarten	• George Washington University Online High School
• Passport schools	• Post-secondary	• K12 International Academy
• Discovery schools		• International School of Berne
• Other blended schools		• Independent course sales (Consumer)

Table of Contents

Enrollment Data

The following table sets forth average enrollment data for students in Managed Public Schools and total enrollment data for students in the International and Private Pay Schools for the periods indicated. These figures exclude enrollments from classroom pilot programs and consumer programs.

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2014	2013	Change	Change %	2014	2013	Change	Change %
Managed Public Schools								
Average Student Enrollments *	124,964	118,717	6,247	5.3%	125,514	119,354	6,160	5.2%
International and Private Pay Schools								
Total Student Enrollments	5,686	5,060	626	12.4%	23,105	22,459	646	2.9%
Total Semester Course Enrollments	22,595	20,445	2,150	10.5%	73,036	68,614	4,422	6.4%

* The Managed Public Schools average student enrollments includes some enrollments for which we may receive no public funding.

Revenue by Business Line

Revenue is captured by business line based on the underlying customer contractual agreements. Periodically, a customer may change business line classification. For example, a district who purchases courses (Institutional Business customer) may decide to implement a full-time virtual or blended school program (Managed Public School customer). Changes in business line classification occur at the time the contractual agreement is modified. The following represents our revenue for our three lines of business for the three and nine months ended March 31, 2014 and March 31, 2013.

	Three Months Ended March 31,		Change 2014 / 2013		Nine Months Ended March 31,		Change 2014 / 2013	
($ in thousands)	2014	2013	$	%	2014	2013	$	%
Managed Public Schools	$ 208,538	$ 191,305	$ 17,233	9.0	$ 600,746	$ 556,607	$ 44,139	7.9
Institutional Sales	13,683	15,888	(2,205)	(13.9)	49,974	55,949	(5,975)	(10.7)
International and Private Pay Schools	13,001	10,816	2,185	20.2	36,787	32,577	4,210	12.9
Total	$ 235,222	$ 218,009	$ 17,213	7.9%	$ 687,507	$ 645,133	$ 42,374	6.6%

Table of Contents

The following table sets forth statements of operations data in dollars and as a percentage of revenues for each of the periods indicated:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2014		2013		2014		2013	
	($ in thousands)							
Revenues	$ 235,222	100.0%	$ 218,009	100.0%	$ 687,507	100.0%	$ 645,133	100.0%
Cost and expenses								
Instructional costs and services	140,592	59.8	127,759	58.6	427,165	62.1	369,205	57.2
Selling, administrative, and other operating expenses	64,414	27.4	65,828	30.2	238,411	34.7	216,826	33.6
Product development expenses	2,831	1.2	5,070	2.3	11,916	1.7	14,817	2.3
Total costs and expenses	207,837	88.4	198,657	91.1	677,492	98.5	600,848	93.1
Income from operations	27,385	11.6	19,352	8.9	10,015	1.5	44,285	6.9
Interest expense, net	(12)	—	(306)	(0.1)	(125)	—	(807)	(0.1)
Income before income taxes and noncontrolling interest	27,373	11.6	19,046	8.8	9,890	1.5	43,478	6.8
Income tax expense	(11,861)	(5.0)	(7,626)	(3.6)	(3,726)	(0.6)	(18,195)	(2.8)
Net income	15,512	6.6	11,420	5.2	6,164	0.9	25,283	4.0
Adjust net loss attributable to noncontrolling interest	437	0.2	555	0.3	1,080	0.2	559	—
Net income attributable to common stockholders, including Series A stockholders	$ 15,949	6.8%	$ 11,975	5.5%	$ 7,244	1.1%	$ 25,842	4.0%

Comparison of the Three Months Ended March 31, 2014 and Three Months Ended March 31, 2013

Revenues. Our revenues for the three months ended March 31, 2014 were $235.2 million, representing an increase of $17.2 million, or 7.9%, as compared to revenues of $218.0 million for the same period in the prior year. Managed Public Schools revenue increased $17.2 million year over year, primarily as a result of organic growth in existing states. The growth in Managed Public Schools revenue was driven by a 5.3% growth in average student enrollments, an increase in average revenue per student due to improved revenue capture and the impact of a change in certain school contracts that shifted the revenue from these schools from the first quarter into future periods. Our International and Private Pay Schools revenue increased $2.2 million or 20.2%, due to a 10.5% increase in total semester course enrollments and a 12.4% increase in total student enrollments during the three months ended March 31, 2014 as compared to the three months ended March 31, 2013. Institutional Sales revenue decreased $2.2 million, or 13.9%, from the prior year due to decreased volume and rate fluctuations.

Instructional costs and services expenses. Instructional costs and services expenses for the three months ended March 31, 2014 were $140.6 million, representing an increase of $12.8 million, or 10.0%, from $127.8 million for the three months ended March 31, 2013. Instructional costs grew as a result of an increase in the number of enrollments. Instructional costs and services expenses increased slightly to 59.8% of revenue during the three months ended March 31, 2014 as compared to 58.6% for the three months ended March 31, 2013. This increase was caused primarily by higher salary and related costs offset by lower costs for materials.

Selling, administrative and other operating expenses. Selling, administrative and other operating expenses for the three months ended March 31, 2014 were $64.4 million, representing a decrease of $1.4 million, or 2.1%, as compared to $65.8 million for the three months ended March 31, 2013. As a percentage of revenues, selling, administrative and other operating expenses were 27.4% for the three months ended March 31, 2014 as compared to 30.2% for the three months ended March 31, 2013, reflecting our continued costs savings initiatives.

Product development expenses. Product development expenses include costs related to new products and information technology systems. Product development expenses for the three months ended March 31, 2014 were $2.8 million, representing a decrease of $2.3 million, or 45.1%, as compared to $5.1 million for the three months ended March 31, 2013. As a percentage of revenues, product development expenses decreased to 1.2% for the three months ended March 31, 2014 as compared to 2.3% for the same period in the prior year. The decrease was primarily a result of a decrease in third-party professional fees supporting product development activities.

Interest expense, net. Net interest expense for the three months ended March 31, 2014 was approximately zero as compared to $0.3 million in the same period in the prior year. Net interest expense is primarily associated with interest on our student computer leases, offset by approximately $0.2 million in interest income during the three months ended March 31, 2014 primarily associated with the exercise of our put option for our investment in Web International Education Group, Ltd.

Income tax expense. We had income tax expense of $11.9 million for the three months ended March 31, 2014, or 43.3% of income before taxes, as compared to income tax expense of $7.6 million, or 40.0% of income before taxes for the three months ended March 31, 2013. The increase in the effective tax rate between periods primarily relates to the impact of foreign operations, noncontrolling interests, and permanent differences between book and tax deductions.

Net income. Net income was $15.5 million for the three months ended March 31, 2014, compared to net income of $11.4 million for the three months ended March 31, 2013, an increase of $4.1 million, or 36.0%. The change in net income is a result of the factors discussed above.

Noncontrolling interest. Net loss attributable to noncontrolling interest for the three months ended March 31, 2014 was $0.4 million as compared to net loss attributable to noncontrolling interest of $0.6 million for the same period in the prior year. Noncontrolling interest reflects the after-tax losses attributable to minority interest owners in our joint venture investments.

Comparison of Nine Months Ended March 31, 2014 and Nine Months Ended March 31, 2013

Revenues. Our revenues for nine months ended March 31, 2014 were $687.5 million, representing an increase of $42.4 million, or 6.6%, as compared to revenues of $645.1 million for the same period in the prior year. Managed Public Schools revenue increased 7.9% year over year, primarily as a result of organic growth in existing states. The growth in Managed Public Schools revenue was driven by a 5.2% increase in average student enrollments and an increase in average revenue per student due to improved revenue capture. International and Private Pay Schools revenue increased $4.2 million, or 12.9%, due to a 6.4% increase in total semester course enrollments at March 31, 2014 compared to March 31, 2013, and the contribution derived from a shift in the mix of enrollments to higher priced programs. Institutional Sales revenue decreased $6.0 million, or 10.7% from the prior year due to volume and rate fluctuations.

Instructional costs and services expenses. Instructional costs and services expenses for nine months ended March 31, 2014 were $427.2 million, representing an increase of $58.0 million, or 15.7%, from $369.2 million for the nine months ended March 31, 2013. Of the total increase, $18.6 million relates to accelerated depreciation and amortization during nine months ended March 31, 2014 for certain curriculum, learning systems and other fixed assets that will no longer be used or developed, computers that we estimate will not be returned and additional provisions for the decision to discontinue certain products and for excess inventory relative to anticipated demand. The remaining $39.4 million increase between periods related to increased teacher and material costs due to enrollment growth. Instructional costs and services expenses were 62.1% of revenue during the nine months ended March 31, 2014; however excluding the impact of the accelerated depreciation and amortization, instructional costs and services were 59.4%, compared to 57.2% for the nine months ended March 31, 2013. The increase in expense continues to be primarily associated with the timing of costs ramping up faster than enrollments during our first quarter of the year.

Selling, administrative and other operating expenses. Selling, administrative and other operating expenses for nine months ended March 31, 2014 were $238.4 million, representing an increase of $21.6 million, or 10.0%, as compared to $216.8 million for the nine months ended March 31, 2013. Of the total increase, $7.4 million related to severance and accelerated stock compensation costs for the termination of employment of our Chief Executive Officer and other employees, and $5.2 million related to an impairment charge on trade names that will no longer be used. The remainder of the increase related to increased headcount and marketing costs, offset by reduced professional fees and sales commissions. As a percentage of revenues, selling, administrative and other operating expenses were 34.7% for the nine months ended March 31, 2014; however excluding severance and accelerated amortization described above, selling, administrative and other expenses were 32.8% as a percentage of revenue, slightly less than the 33.6% for the nine months ended March 31, 2013.

Product development expenses. Product development expenses include costs related to new products and to information technology systems. Product development expenses for nine months ended March 31, 2014 were $11.9 million, representing a decrease of $2.9 million, or 19.6%, as compared to $14.8 million for the nine months ended March 31, 2013. As a percentage of revenues, product development expenses decreased between periods to 1.7% for nine months ended March 31, 2014 as compared to 2.3% for the same period in the prior year due to the stage and timing of development projects.

Interest expense, net. Net interest expense for nine months ended March 31, 2014 was $0.1 million compared to $0.8 million in the same period in the prior year. Net interest expense is primarily associated with interest on our student computer leases, offset by approximately $0.6 million in interest income during nine months ended March 31, 2014 associated with the exercise of our put option for our investment in Web International Education Group, Ltd.

Income tax expense. We had income tax expense of $3.7 million for the nine months ended March 31, 2014, or 37.7% of income before taxes, as compared to income tax expense of $18.2 million for the nine months ended March 31, 2013, or 41.9% of income before taxes. Excluding the impact of the accelerated depreciation and amortization, severance and inventory excess reserves of $31.2 million during the nine months ended March 31, 2014, the income tax expense would have been $16.0 million, or an estimated 38.9% of income before taxes for the nine months ended March 31, 2014. The decrease in the effective tax rate between periods after considering the items above, primarily relates to the impact of permanent differences between book and tax deductions.

Net income. Net income was $6.2 million for the nine months ended March 31, 2014, compared to net income of $25.3 million for the nine months ended March 31, 2013, a decrease of $19.1 million, or 75.5%. The change in net income is a result of the factors discussed above.

Noncontrolling interest. Net loss attributable to noncontrolling interest for nine months ended March 31, 2014 was $1.1 million as compared to $0.6 million net loss attributable to noncontrolling interest for the same period in the prior year. Noncontrolling interest reflects the after-tax loss attributable to minority interest owners in our joint venture investments and may fluctuate from period to period.

Liquidity and Capital Resources

As of March 31, 2014, we had net working capital, or current assets minus current liabilities, of $355.1 million. Our working capital includes cash and cash equivalents of $185.3 million, including $7.1 million associated with our two joint ventures, and net accounts receivable of $236.5 million. Our working capital provides a significant source of liquidity for our normal operating needs. Our accounts receivable balance fluctuates throughout the fiscal year based on the timing of customer billings which tend to be highest in our first fiscal quarter as we begin billing for students for the new school year. In addition, our cash and accounts receivable were significantly in excess of our accounts payable and short-term accrued liabilities at March 31, 2014.

We had a $35.0 million unsecured line of credit that expired on December 31, 2013 with PNC Bank, N.A., or PNC, for general corporate operating purposes. On January 31, 2014, we executed a $100.0 million unsecured line of credit to be used for general corporate operating purposes with Bank of America, N.A., or BOA. The line has a five year term, bears interest at the higher of the Bank's prime rate plus 0.25% or the Federal Funds Rates plus 0.75%, or the LIBOR rate plus 1.25% and incorporates customary financial and other covenants, including but not limited to a maximum debt leverage and a minimum fixed charge coverage ratio. As of March 31, 2014, we were in compliance with these covenants and we had no borrowings outstanding on the line of credit.

We incur capital lease obligations for student computers under a lease line of credit with PNC Equipment Finance, LLC with annual lease availability limits. We have $35.0 million of availability for new leasing during fiscal year 2014. This availability expires in June 2014 and interest rates on the new borrowings are based upon an initial rate of 2.40% modified by changes in the three year interest rate swaps rate as published in the Federal Reserve Statistical Release H.15, "Selected Interest Rates," between May 29, 2013 and the Lease Commencement Date, as defined in the lease line of credit.

As of March 31, 2014, the aggregate outstanding balance under the lease lines of credit was $37.6 million. Borrowings bore interest at rates ranging from 2.52% to 3.08% and included a 36-month payment term with a $1 purchase option at the end of the term. We have pledged the assets financed to secure the outstanding leases. We may extend our lease line of credit for additional periods, or consider alternative arrangements for financing student computers.

On November 4, 2013, the Board of Directors authorized the repurchase of up to $75.0 million of our outstanding common stock over a two year period. Any purchases under this buyback are dependent upon business and market conditions and other factors. The stock purchases may be made from time to time and may be made through a variety of methods including open market purchases and in accordance with the SEC's Rule 10b5-1. During the nine months ended March 31, 2014, cumulative treasury stock repurchases totaled $26.6 million resulting in remaining availability of $48.4 million for shares to be purchased under the plan.

Our cash requirements consist primarily of day-to-day operating expenses, capital expenditures and contractual obligations with respect to office facility leases, capital equipment leases and other operating leases. We expect to make future payments on existing leases from cash generated from operations. We believe that the combination of funds to be generated from operations and net working capital on hand will be adequate to finance our ongoing operations for the foreseeable future. In addition, to a lesser degree, we continue to explore acquisitions, strategic investments and joint ventures related to our business that we may acquire using cash, stock, debt, contribution of assets or a combination thereof.

Operating Activities

Net cash provided by operating activities for nine months ended March 31, 2014 was $81.5 million compared to net cash provided by operations of $59.2 million for the nine months ended March 31, 2013. The $22.3 million increase in cash flow from operations between periods was attributable to the accelerated depreciation and amortization and impairment charges, the acceleration of stock compensation related to severance arrangements and changes in working capital, offset by lower net income after deducting non-cash items and deferred income taxes.

Investing Activities

Net cash used in investing activities for nine months ended March 31, 2014 was $38.2 million compared to net cash used in investing activities of $36.7 million for the nine months ended March 31, 2013, an increase of $1.5 million. While we continued to invest in software and curriculum at similar levels to the prior year, this increase was due primarily to payment of a mortgage note to a managed school partner of $2.1 million and a decrease of $0.6 million in net property and equipment and capitalized costs.

Financing Activities

Net cash used in financing activities for nine months ended March 31, 2014 was $40.3 million compared to net cash used in financing activities of $10.2 million during the nine months ended March 31, 2013. Our primary uses of cash in financing activities are the purchase of treasury stock and the payment of capital lease obligations incurred for the acquisition of student computers. During the nine months ended March 31, 2014, the Company purchased treasury stock which totaled approximately $26.6 million. The Company made no treasury stock purchases during the nine months ended March 31, 2013. Our cash payments for capital leases increased approximately $2.3 million between periods resulting from increased purchases of student computers financed under capital leases. The nine month period ended March 31, 2014 included approximately $5.4 million more in proceeds from the exercise of stock options than the nine months ended March 31, 2013. The timing of cash from the exercise of options impacts our net cash used in financing activities.

Off Balance Sheet Arrangements, Contractual Obligations and Commitments

We have provided guarantees of approximately $9.1 million related to long-term lease commitments on the buildings for certain of our Flex schools. We contractually guarantee that certain schools under our management will not have annual operating deficits and our management fees from these schools may be reduced accordingly to cover any school operating deficits. Other than these lease and operating deficit guarantees, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk

At March 31, 2014 and June 30, 2013, we had cash and cash equivalents totaling $185.3 million and $181.5 million, respectively. Our excess cash has been invested primarily in U.S. Treasury money market funds although we may also invest in money market accounts, government securities, corporate debt securities and similar investments. Future interest and investment income is subject to the impact of interest rate changes and we may be subject to changes in the fair value of our investment portfolio as a result of changes in interest rates. At March 31, 2014, a 1% gross increase in interest rates earned on cash would result in a $1.9 million annualized increase in interest income.

Our short-term debt obligations under our revolving credit facility are subject to interest rate exposure; however, as we had no outstanding balance on this facility during the nine months ended March 31, 2014, fluctuations in interest rates had no impact on our interest expense.

Foreign Currency Exchange Risk

We currently operate in several foreign countries, but we do not transact a material amount of business in a foreign currency and therefore fluctuations in exchange rates will not have a material impact on our financial statements. If we enter into any material transactions in a foreign currency or establish or acquire any subsidiaries that measure and record their financial condition and results of operation in a foreign currency, we will be exposed to currency transaction risk and/or currency translation risk. Exchange rates between U.S. dollars and many foreign currencies have fluctuated significantly over the last few years and may continue to do so in the future. Accordingly, we may decide in the future to undertake hedging strategies to minimize the effect of currency fluctuations on our financial condition and results of operations.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(f) of the Exchange Act) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

We carried out an evaluation, required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Exchange Act, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this review, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2014.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1. *Legal Proceedings*

In the ordinary conduct of our business, we are subject to lawsuits, arbitrations and administrative proceedings from time to time.

IpLearn

On October 26, 2011, IpLearn, LLC ("IpLearn") filed a complaint for patent infringement against us in the United States District Court for the District of Delaware, *IpLearn, LLC v. K12 Inc.,* Case No. 1:11-1026-LPS, which it subsequently amended on November 18, 2011. IpLearn is a privately-held technology development and licensing company for web and computer-based learning technologies. In its complaint, IpLearn alleges that we have infringed three of its patents for various computer-aided learning methods and systems and it is primarily seeking an injunction enjoining us from any continued infringement as well as an award of unspecified monetary damages. On July 2, 2012, the court granted our motion to dismiss IpLearn's allegations of indirect patent infringement and allowed IpLearn's allegations of direct patent infringement to proceed. On January 15, 2013, the court approved a stay of IpLearn's claims alleging infringement of one of the three patents in the case involving technology licensed to us by a third party. The discovery process is currently in progress and claims construction hearings were held on September 30, 2013.

Oklahoma Firefighters Complaint

On January 30, 2014, a securities class-action lawsuit captioned *Oklahoma Firefighters Pension & Retirement System v. K12 Inc., et al.*, was filed against us, four of our officers and directors, and a former officer, in the United States District Court for the Eastern District of Virginia, *Oklahoma Firefighters Pension & Retirement System v. K12, Inc*., Case No. 1:14-CV-108-AJT-JFA (the "Oklahoma Firefighters Complaint"). The plaintiff purports to represent a class of persons who purchased or otherwise acquired our common stock between March 11, 2013 and October 9, 2013, inclusive, and alleges violations by the defendants of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The Oklahoma Firefighters Complaint alleges, among other things, that the defendants made false or misleading statements of material fact, or failed to disclose material facts, about (i) our enrollment and revenue growth prospects for fiscal 2014, and (ii) our compliance with state regulations governing enrollment. The plaintiff seeks unspecified monetary damages and other relief. We intend to defend vigorously against the claims asserted in the Oklahoma Firefighters Complaint.

Item 1A. *Risk Factors*

There have been no material changes to the risk factors disclosed in "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 as filed with the SEC on August 29, 2013.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

On November 4, 2013, the Board of Directors authorized the repurchase of up to $75.0 million of the Company's outstanding common stock over a two year period. Any purchases under the buyback are dependent upon business and market conditions and other factors. The stock purchases are made from time to time and may be made through a variety of methods including open market purchases and in accordance with the SEC's Rule 10b5-1. For the three and nine months ended March 31, 2014, the Company paid approximately $20.7 million and $26.6 million, respectively, in cash to redeem 958,100 and 1,242,300 shares, respectively, of common stock at an average price of $21.62 and $21.43 per share, respectively. At March 31, 2014, there was approximately $48.4 million remaining under the plan for repurchase.

Monthly Period during the Quarter Ended March 31, 2014	Total Shares Purchased		Average Price Paid Per Share	Total Shares Purchased as Part of Publically Announced Plan		Approximate Dollar Amount of Shares Yet To Be Repurchased Under Plan
January 1, 2014 - January 31, 2014	134,900	$	22.24			
February 1, 2014 - February 28, 2014	355,200	$	21.68			
March 1, 2014 - March 31, 2014	468,000	$	21.39			
Total	958,100	$	21.62	1,242,300	$	48,400,142

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

None.

Item 5. ***Other Information***

None.

Item 6. *Exhibits*

(a) Exhibits.

Number	Description
10.1	Amended and Restated 2013 Employment Agreement of Nathaniel A. Davis, effective March 10, 2014.
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
101	The following financial statements and footnotes from the K12 Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets (unaudited), (ii) Condensed Consolidated Statements of Operations (unaudited), (iii) Condensed Consolidated Statement of Comprehensive Income (Loss) (unaudited), (iv) Condensed Consolidated Statement of Equity (Deficit) (unaudited), (v) Condensed Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Condensed Consolidated Financial Statements (unaudited).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

K12 Inc.

	/s/ JAMES J. RHYU
Name:	James J. Rhyu
Title:	Chief Financial Officer, Principal Accounting Officer and Authorized Signatory

Date: April 29, 2014

EXHIBIT 10.1

EXECUTION COPY

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

Between

K12 INC. and NATHANIEL A. DAVIS

Effective as of March 10, 2014

THIS AGREEMENT is entered into as of March 10, 2014, (the "Effective Date"), by and between K12 Inc., a Delaware corporation having a place of business at 2300 Corporate Park Drive, Herndon, Virginia 20171 (alternatively, "K12" or the "Corporation") and Nathaniel A. Davis ("EMPLOYEE") a resident of the Commonwealth of Virginia (K12 and EMPLOYEE are referred to collectively herein as the "Parties").

WHEREAS, K12 is engaged in the business of providing children access to exceptional curriculum and books that enable them to maximize success in life regardless of geography, financial, or demographic circumstances;

WHEREAS, EMPLOYEE serves as the Chairman of the Board of Directors of K12 (the "Board");

WHEREAS, effective as of January 7, 2013 (the "Original Effective Date"), K12 and EMPLOYEE previously entered into that certain Employment Agreement (as amended, the "Prior Agreement"), pursuant to which EMPLOYEE served as K12's Executive Chairman;

WHEREAS, effective as of January 1, 2014, EMPLOYEE has been appointed to the position of Chief Executive Officer of K12; and

WHEREAS, K12 and EMPLOYEE desire to enter into this Agreement to set forth the terms and conditions of EMPLOYEE's employment with K12 and to supersede and replace the Prior Agreement in all respects;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements of the Parties contained herein, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the terms defined in this Article 1 shall have the respective meanings set forth below:

1.1. "Affiliate" shall mean any corporation, partnership or other entity controlling, controlled by, or under common control with K12; provided, however, that no entity that holds capital stock of K12 and/or with board representation rights incidental to such holdings shall, as a result of such holding of capital stock or board representation rights, be deemed to be an Affiliate of K12 for purposes of this Agreement. For purposes of this definition, "control" (including the terms "controlling" and "controlled") means the right to direct or cause the direction of the management and policies of an entity, whether through the ownership of securities, by contract, or otherwise.

1.2. "Confidential Information" shall mean all information relating to the business of K12 known to EMPLOYEE or learned by EMPLOYEE in connection with and during the term of his employment or any prior service with K12 and its Affiliates which is not generally known to the public, including any and all general and specific knowledge, experience, information and data, technical or non-technical, and whether or not patentable, including without limitation, processes, skills, information, know-how, trade secrets, data, designs, formulae, algorithms, specifications, samples, methods, techniques, compilations, computer programs, devices, concepts, inventions, developments, discoveries, improvements, and commercial or financial information, in any form, including without limitation, oral, written, graphic, demonstrative, machine recognizable, specimen or sample form.

1.3. “Conflicting Product or Service” shall mean any product or service of any person or organization other than K12, in existence or under development, which resembles or competes with a product or service of K12.

1.4. “Conflicting Organization” shall mean any person or organization engaged in research on or development, production, marketing, or selling of a “Conflicting Product or Service.”

ARTICLE 2
TERM OF AGREEMENT— EMPLOYMENT

2.1. **Term.** Subject to the provisions of Section 2.3(b) and Article 4 hereof, this Agreement shall be in effect for a term commencing on Effective Date and ending on the three (3) year anniversary of the Original Effective Date. The Parties mutually acknowledge that the term of this Agreement (together with the Prior Agreement) shall, subject to Article 4 hereof, cause EMPLOYEE to provide personal services to K12, as an employee, during four (4) separate but consecutive fiscal years of the Corporation, commencing with the Corporation’s twelve-month fiscal year ending June 30, 2013 (each, a “Fiscal Year”). The period during which EMPLOYEE remains in employment with K12 pursuant to the terms of this Agreement is referred to herein as the “Term.”

2.2. **Employment.** K12 shall employ EMPLOYEE as its Chief Executive Officer and EMPLOYEE shall accept such employment by K12, on and subject to the terms and conditions set forth herein. EMPLOYEE represents and warrants that neither the execution and delivery nor performance by him of this Agreement will violate any agreement, order, judgment or decree to which he is a party or by which he is bound. In accepting the position of Chief Executive Officer, this Agreement specifically contemplates that EMPLOYEE shall not resign as a member of the current Board, but shall remain a member thereof, so long as he remains willing and able to serve on the Board and the requisite majority of the Corporation’s stockholders re-elect him to serve in that capacity as provided under the Corporation’s Certificate of Incorporation and By-Laws as then in effect.

2.3. **Duties.**

(a) During the Term, as Chief Executive Officer of K12, EMPLOYEE shall have duties and responsibilities related to building the organization and business, including but not limited to, achieving agreed revenue, cost, profit, cash-flow, and academic performance targets and shall report to the Board. While acting as Chief Executive Officer, EMPLOYEE shall continue to serve as Chairman of the Board. The Chief Operating Officer ("COO"), General Counsel ("GC") and Chief Financial Officer ("CFO") shall report directly to EMPLOYEE. Other executives at K12 may also report directly to EMPLOYEE, as determined by EMPLOYEE or by the Board from time to time.

(b) EMPLOYEE's employment with K12 shall be full-time and exclusive. During the Term, excepting only those personal services EMPLOYEE performs as a member of the Board, EMPLOYEE shall devote the whole of EMPLOYEE's business time, attention, skill, and ability to the faithful and diligent fulfillment of EMPLOYEE's duties hereunder. EMPLOYEE acknowledges and agrees that EMPLOYEE may be required, without additional compensation, to perform services for any Affiliates, and to accept such office or position with any Affiliate as the Board may require, including, but not limited to, service as an officer or director thereof, provided however, that such services, and such office or position, shall be consistent with EMPLOYEE's position as Chief Executive Officer of K12. So long as EMPLOYEE serves as an employee of K12 covered by this Agreement, EMPLOYEE shall comply with all applicable policies of K12 and all policies of Affiliates that are consistent therewith.

(c) During the term of employment, it shall not be a violation of Section 2.3(a) or 2.3(b) of this Agreement for EMPLOYEE to, in all cases subject to Articles 5 and 6 hereof, (i) serve on the boards of directors of Unisys Corporation, RLJ Lodging Trust, and/or Mutual of America Capital Management Corporation; (ii) serve as an officer or director of a cooperative housing, or civic or charitable organization or committee; (iii) deliver lectures, fulfill speaking engagements, or teach at university level or equivalent educational institutions; or (iv) manage personal passive investments, so long as such activities (individually or collectively) do not conflict or materially interfere with the performance of EMPLOYEE's duties hereunder.

2.4. **Indemnification.** During and after the term of this Agreement, K12 shall provide EMPLOYEE with both Side A and Side B directors' and officers' insurance, and shall indemnify EMPLOYEE and his legal representatives to the fullest extent permitted by the laws of the State of Delaware and the By-Laws of K12 as in effect on the date hereof, against all damages, costs, expenses and other liabilities reasonably incurred or sustained by EMPLOYEE or his legal representatives in connection with any suit, action or proceeding to which EMPLOYEE or his legal representatives may be made a party by reason of EMPLOYEE being or having been a director or officer of K12 or any Affiliate, or having served in any other capacity or taken any other action purportedly on behalf of or at the request of K12 or any Affiliate. During and after the term of this Agreement and without the need for further approval by the Board of Directors of K12 or any Affiliate, K12 will promptly advance or pay any and all amounts for costs or expenses (including but not limited to legal fees and expenses reasonably incurred by counsel of EMPLOYEE's choice retained by EMPLOYEE) for which EMPLOYEE may claim K12 is obligated to indemnify him.

EMPLOYEE undertakes to repay such amounts if it is ultimately determined that he is not entitled to be indemnified by K12 as provided in this Section 2.4.

ARTICLE 3
COMPENSATION

3.1. **Base Salary.**

(a) Subject to Sections 2.3(b) and 3.1(b) hereof, for the services EMPLOYEE shall render pursuant to this Agreement, K12 shall to pay EMPLOYEE during the Term an annual base salary ("Base Salary") of at least Six Hundred Seventy Five Thousand Dollars ($675,000) beginning with (and retroactive to) January 1, 2014. Subject to Sections 2.3(b) and 3.1(b) hereof, such Base Salary shall not be reduced but, at the discretion of the Board, may be increased from time to time in 2014 and 2015 during the first quarter of K12's Fiscal Year (which runs from July 1 to June 30), but no later than September 15 of each year. Base Salary shall be payable in accordance with K12's then-prevailing executive payroll practices. The term "Base Salary" as used herein shall include any adjustment made thereto in accordance with the terms of this Agreement.

3.2. **Annual Performance Bonus.**

During the Term, EMPLOYEE will be eligible to receive a bonus (the "Performance Bonus"), based on objective criteria the Board shall establish after consultation with EMPLOYEE at the beginning of such Fiscal Year, but no later than September 15 of that year. As soon as practicable following the close of each Fiscal Year for which a Performance Bonus is to be paid hereunder, the Board shall authorize, certify and declare the amount of such Performance Bonus based upon K12's and EMPLOYEE's performance, as measured against the objective criteria the Board established for EMPLOYEE for such Fiscal Year. The target for such Performance Bonus shall not be less than 150% of the Base Salary and not more than 300% of the Base Salary then payable to EMPLOYEE for the Fiscal Year covered by such Performance Bonus. For the Fiscal Year ending June 30, 2016, in the event EMPLOYEE's employment by the Corporation ends upon or following the expiration of this Agreement but prior to the end of such Fiscal Year (other than pursuant to Section 4.4 hereof), EMPLOYEE shall be entitled to be paid a pro-rated bonus which takes into account that part of such Fiscal Year EMPLOYEE was so employed, based on EMPLOYEE's partial satisfaction of the objective criteria established by the Board for such Fiscal Year, without regard to EMPLOYEE's failure or inability to remain an employee of K12 throughout such Year. Except as expressly set forth in this Section 3.2 or Article 4, EMPLOYEE's right to receive a Performance Bonus for any Fiscal Year shall be subject to his continued rendering of services to K12 either as an employee or member of the Board through the last day of the applicable Fiscal Year, provided that in the event the EMPLOYEE ceases to be an employee of K12 during any applicable Fiscal Year, but remains as a member of the Board through the last day of the applicable Fiscal Year, EMPLOYEE's Performance Bonus for such Fiscal Year shall be pro-rated to reflect the number of days during which he served as an employee for such

Fiscal Year. Each Performance Bonus found to be due and payable hereunder shall be calculated, authorized and paid no later than at the same time performance bonuses are paid to other K12 executives, but in no event later than the September 15 th next following the close of the Fiscal Year with respect to which it is earned.

3.3. **Participation in Benefit Plans.** During the Term, subject to any generally-applicable eligibility requirements but also to the specific terms of this Agreement, EMPLOYEE shall be eligible throughout the term of this Agreement to participate in any pension, thrift, profit-sharing, group term life or long- or short-term disability insurance, medical or dental, or other employee benefit plan, program or policy that K12 sponsors and maintains at any time during the term of this Agreement (other than plans providing severance benefits, which are covered exclusively by this Agreement, except to the extent any such plan may, following the Effective Date, expressly provide for EMPLOYEE's participation therein) for the benefit of its employees, under the same terms and conditions as the Corporation's other executive employees. EMPLOYEE shall be generally entitled to paid vacation, paid and unpaid sick leave, and holidays under the same terms and conditions as applied to other K12 executive employees; however, EMPLOYEE shall be entitled to five (5) weeks of paid vacation, with the ability to carry over and use a maximum of two (2) weeks of such vacation during the immediately following ninety (90) day period.

3.4. **Expenses.** During the Term, K12 shall reimburse EMPLOYEE for all reasonable, ordinary and necessary business expenses actually incurred by EMPLOYEE in connection with the performance of his duties hereunder, including ordinary and necessary expenses incurred by EMPLOYEE in connection with travel on K12 business. All expenses shall be approved by K12 in accordance with and subject to the terms and conditions of K12's then-prevailing expense policy. EMPLOYEE shall provide to K12 any and all statements, bills, or receipts evidencing the expenses for which EMPLOYEE seeks reimbursement, and such related information or materials as K12 may from time to time reasonably require. EMPLOYEE shall account to K12 for any expenses that are eligible for reimbursement under this Section 3.4 in accordance with K12 policy.

3.5. **Employment and Supplies.** During the Term, K12 shall provide EMPLOYEE with administrative support relating to the performance of EMPLOYEE's duties of the same type and at least the same extent as is provided to other executive employees. K12 shall acquire and/or provide to EMPLOYEE for his business use: a multimedia portable computer and subscriptions to various trade publications and various trade books. Such items shall remain the exclusive property of K12, are to be used solely for K12's benefit, and shall be returned promptly to K12 upon request at the termination of EMPLOYEE's employment for whatever reason.

3.6. **Withholding.** Anything in this Agreement to the contrary notwithstanding, all payments required to be made by K12 hereunder to EMPLOYEE or EMPLOYEE's estate or designated beneficiaries in connection with EMPLOYEE's employment hereunder shall be subject to all applicable tax and other withholding, as K12 may reasonably determine pursuant to applicable laws and regulations.

3.7. **Stock Option and Restricted Stock Grants.** Subject to any generally applicable terms and conditions set forth in the Corporation's shareholder-approved Equity Incentive Award Plan, as currently amended and in effect (the "EIA Plan"), EMPLOYEE shall be granted, and K12 shall award and issue, restricted stock and options to purchase Common Stock of K12 ("K12 Stock") under the following terms and conditions:

(a) The parties acknowledge that on the Original Effective Date, the Board or its Compensation Committee (as applicable) awarded to EMPLOYEE Two Hundred Ten Thousand (210,000) restricted shares of K12 Common Stock, at no out-of-pocket cost to EMPLOYEE and that such restricted shares are subject to the vesting provisions set forth in Section 3.7(d) hereof. The parties also acknowledge that on the Original Effective Date, the Board or its Compensation Committee (as applicable) granted EMPLOYEE an option to purchase Four Hundred Twenty Thousand (420,000) shares of K12 Stock, subject to the vesting provisions set forth in Section 3.7(e) hereof.

(b) All subsequent grants of stock options, awards of restricted shares or other equity or equity-based awards that may be granted to EMPLOYEE shall be made at the discretion of the Board or its Compensation Committee (as applicable) and under the general terms and conditions of the EIA Plan, as it may be amended, restated, replaced or succeeded from time to time, provided that for each Fiscal Year this Agreement or the Prior Agreement remains in effect after June 30, 2013, EMPLOYEE shall be eligible for an award of restricted shares of K12 Common Stock (each an "Annual Restricted Stock Award"), subject to the Executive's continued employment with the Company on each applicable date of grant. The number of shares subject to each Annual Restricted Stock Award shall have a Fair Market Value (as of the date of grant of each such Annual Restricted Stock Award) equal to between zero ($0) dollars and two million ($2,000,000) dollars, and the actual amount of each Annual Restricted Stock Award shall be determined in the sole discretion of the Board or the Compensation Committee and based upon the attainment of one or more pre-established, objective performance goals, with the intent that each such Annual Restricted Stock Award shall be treated as qualified performance based compensation for purposes of Section 162(m) of the Code; provided further however, that notwithstanding the foregoing, in the event EMPLOYEE's employment terminates pursuant to Section 4.2 or Section 4.3, the performance goals established with respect to the particular grant or award shall be deemed fulfilled. In addition to the foregoing, within ninety (90) days following the close of each Fiscal Year this Agreement remains in effect, EMPLOYEE shall be eligible to receive a stock option award in an amount that is consistent with EMPLOYEE's position as the head of the Corporation's executive team and competitive with the market for similarly situated executives, as determined in the sole discretion of the Board, taking into account Executive's total compensation for such Fiscal Year.

(c) All of the options granted pursuant to Section 3.7(a) hereof will be non-qualified. The exercise price for such options shall be, with respect to each grant, the fair market value of K12 Common Stock on the date of grant, as further determined in accordance with the EIA Plan or its successor.

(d) Subject to the provisions of Article 4 hereof, the restricted shares awarded pursuant to Section 3.7(a) hereof will vest, if at all, in twelve (12) equal quarterly installments of 17,500 shares apiece. The parties acknowledge that pursuant to the terms of the Prior Agreement, the vesting of each such quarterly installment other than the first quarterly installment was subject to the Company's attainment of an operating income target for the third and fourth quarter of fiscal year 2013, with the intent that the restricted shares awarded pursuant to Section 3.7(a) hereof shall be treated as qualified performance based compensation for purposes of Section 162(m) of the Code, and that such operating income target was attained as previously determined and certified by the Compensation Committee. In the event that EMPLOYEE holds unvested restricted shares at the time his employment by K12 terminates, such restricted shares shall vest or shall be forfeited, as the case may be, in accordance with the provisions of Article 4 hereof.

(e) Subject to the provisions of Article 4 hereof, the options initially granted pursuant to Section 3.7(a) hereof will vest in accordance with the following schedule: with respect to each such grant, one twelfth (1/12) of the shares shall vest at five o'clock Eastern Standard Time on each April 6, July 6, October 6 and January 6 which arises during the term of this Agreement, commencing with April 6, 2013. In the event that EMPLOYEE holds non-vested options at the time his employment by K12 terminates, such non-vested options shall vest or shall be forfeited, as the case may be, in accordance with the provisions of Article 4 hereof, subject only to the general provisions of the EIA Plan.

(f) All options that vest may be exercised within eight (8) years of the date on which such options were granted. In the event that EMPLOYEE holds unexercised vested options at the time his employment by K12 terminates, however, such vested options may be exercised within the time periods set forth in Article 4 hereof.

(g) K12 represents and warrants that the issuance of the K12 Common Stock granted to EMPLOYEE in accordance with the provisions of Section 3.7(a) hereof will have been registered under the Securities Act of 1933, as amended, on an effective Form S-8 registration statement.

(h) When granting, issuing and transferring restricted stock, stock options and other stock-based rights hereunder, K12 shall use commercially reasonable efforts to not do anything to directly or indirect cause such stock, options and rights to qualify as, or to constitute, "deferred compensation" within the meaning of Section 409A of the Internal Revenue Code (the "Code") and related rulings and regulations.

(i) Notwithstanding the preceding provisions of this Section 3.7 to the contrary, in the event EMPLOYEE separates from employment with K12 either due to a termination of EMPLOYEE's employment by K12 Without Cause or EMPLOYEE's resignation of his employment for Good Reason as specifically described in Section 4.5, the following special vesting provision shall apply: (i) if such separation occurs on or prior to the first anniversary of the Original Effective Date, all of the then-non-vested awards and grants that would have vested at any time during the one year period following the separation shall immediately and automatically vest; (ii) if such separation occurs after the first anniversary of the Original Effective Date, all of the then-non-vested awards and grants that would have vested at any time during the two year period following the separation shall immediately and automatically vest; and (iii) if such separation occurs within one year following the occurrence of a "Change in Control" (as defined in the EIA Plan), all of the non-vested awards and grants that are then outstanding shall immediately and automatically vest.

ARTICLE 4
TERMINATION

4.1. **General.** EMPLOYEE's employment by K12 shall terminate in accordance with the provisions of this Article 4 upon EMPLOYEE's death or Disability, upon EMPLOYEE's discharge by K12 with or without Cause, upon EMPLOYEE's resignation with or without Good Reason, or upon the expiration of the term of this Agreement without extension or renewal. Upon termination of EMPLOYEE's rendering of services to K12 either as an employee or member of the Board for any reason, EMPLOYEE will promptly deliver to K12 all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents or property containing Confidential Information.

4.2. **Death.** If EMPLOYEE's employment terminates because of his death, the date of termination shall be the date of death.

(a) If EMPLOYEE's employment terminates because of his death, K12 shall continue to pay EMPLOYEE's then-current Base Salary through the end of the third consecutive calendar month following EMPLOYEE's death, and a pro-rated Performance Bonus based on the Performance Bonus most recently paid or becoming payable to EMPLOYEE. Such payments shall be made to EMPLOYEE's legal representatives, estate, beneficiaries or heirs, in accordance with K12's then-prevailing executive payroll practices, subject to any and all then-applicable state and federal laws. In addition, K12 shall continue to pay and provide for any health, medical, dental, or vision benefits then being provided to the plan-eligible dependents of EMPLOYEE for a period of one year, provided that in lieu of such benefit continuation, K12 in its discretion may pay EMPLOYEE's legal representatives, estate, beneficiaries or heirs an amount equal to the out-of-pocket cost EMPLOYEE's covered dependents otherwise would incur to obtain continuation coverage for such one year period pursuant to COBRA, which amount shall be paid in a single lump sum to EMPLOYEE's legal representatives, estate, beneficiaries or heirs within ninety (90) calendar days following the date EMPLOYEE's employment by K12 terminates.

(b) If EMPLOYEE's employment terminates because of his death, all of EMPLOYEE's non-vested options and non-vested restricted stock that would have vested at any time during the one year period following the date of EMPLOYEE's death shall immediately and automatically vest. EMPLOYEE's legal representative, estate, beneficiaries and heirs shall thereupon be entitled to exercise any of EMPLOYEE's then-vested options within the one (1) year period immediately following such EMPLOYEE's date of death, based on their respective interests in such options and restricted shares.

4.3. **Disability.** For purposes of this Agreement, EMPLOYEE shall be deemed to have experienced a "Disability" at such time as EMPLOYEE experiences a disability within the meaning of Section 409A of the Code and related rulings and regulations.

(a) Upon EMPLOYEE's Disability, the payment of benefits under K12's short-term and long-term disability insurance plans, if any, shall offset and reduce K12's obligation to pay Base Salary and a Performance Bonus under Section 3.1 and 3.2, where EMPLOYEE can be shown to have received such payments.

(b) Subject to any applicable legal requirements, in the event EMPLOYEE shall remain under a Disability for a period exceeding one hundred twenty (120) consecutive days in any twelve (12) month period, K12 shall have the right to terminate EMPLOYEE's employment hereunder. K12 shall effect such termination by giving EMPLOYEE a notice specifying the effective date of such termination, which date shall not be earlier than the last day of the calendar month following the giving of notice.

(c) If K12 terminates EMPLOYEE's employment because of Disability, K12 shall continue to pay EMPLOYEE's then-current Base Salary through the end of the third consecutive calendar month following EMPLOYEE's Disability, and a pro-rated Performance Bonus based on the Performance Bonus most recently paid or becoming payable to EMPLOYEE. Such payments shall be made to EMPLOYEE, or in the event of employee's subsequent death, EMPLOYEE's legal representatives, estate, beneficiaries or heirs, in accordance with K12's then-prevailing executive payroll practices, subject to any and all then-applicable state and federal laws. In addition, K12 shall continue to pay and provide for any health, medical, dental or vision benefits then being provided to EMPLOYEE and the plan-eligible dependents of EMPLOYEE for a period of one year, provided that in lieu of such benefit continuation, K12 in its discretion may pay EMPLOYEE an amount equal to the out-of-pocket cost EMPLOYEE's covered dependents otherwise would incur to obtain continuation coverage for such one year period pursuant to COBRA, which amount shall be paid in a single lump sum to EMPLOYEE within ninety (90) calendar days following the date EMPLOYEE's employment by K12 terminates.

(d) If K12 terminates EMPLOYEE's employment because of Disability, all of EMPLOYEE's non-vested options and non-vested restricted stock that would have vested at any time during the one year period following the date of such termination shall immediately and automatically vest. EMPLOYEE (or in the event of EMPLOYEE's death, his legal representative, estate, beneficiaries or heirs, based on their respective interests) shall thereupon be entitled to exercise any of EMPLOYEE's then-vested options within the one (1)-year period immediately following such EMPLOYEE's date of termination.

4.4. **Discharge for Cause or Voluntary Resignation.**

(a) For purposes of this Agreement, Cause shall mean a good faith finding by the Board of Directors of: (i) EMPLOYEE's willful or gross misconduct, willful or gross negligence in the performance of his duties for K12, intentional or habitual neglect of his duties for K12, or material breach or violation by Employee of this Agreement or any other material agreement between EMPLOYEE and K12 or any material policy of K12 (such as the K12 Code of Business Conduct and Ethics or any successor policy), provided that K12 shall have given EMPLOYEE notice specifying the conduct it believes to fall within this sentence and EMPLOYEE shall have failed to remedy such conduct within ten (10) days thereafter; or (ii) EMPLOYEE's theft or misappropriation of funds of K12 or conviction of a felony. K12 shall effectuate a discharge for Cause by giving EMPLOYEE a notice specifying the effective date of such termination.

(b) For purposes of this Agreement, voluntary resignation means the EMPLOYEE's resignation of his employment hereunder without Good Reason (as defined in Section 4.5(b) hereof). EMPLOYEE shall effect a termination by voluntary resignation by giving K12 a notice specifying the effective date of such termination, which date shall not be earlier than thirty (30) days after the giving of notice.

(c) In the event EMPLOYEE is discharged by K12 for Cause or EMPLOYEE terminates his K12 employment by voluntary resignation:

(i) K12 shall pay or provide to EMPLOYEE, in accordance with K12's then-prevailing executive payroll practices, all Base Salary, vested benefits and other payments to which EMPLOYEE and his plan-eligible dependents (if any) are entitled hereunder through the effective date of termination.

(ii) EMPLOYEE's non-vested restricted shares as well as non-vested options shall be immediately forfeited. EMPLOYEE shall be entitled to exercise any of his vested options within the one hundred eighty (180) consecutive day period immediately following the termination of EMPLOYEE's employment or the EMPLOYEE's removal from the Board, whichever is later, provided, however, that if the Company provides EMPLOYEE with a notice of termination for Cause, EMPLOYEE shall be permitted to exercise any vested options for a period not to exceed ninety (90) days after the effective date of a termination for Cause. In all cases, the foregoing shall be subject to earlier termination of the options upon the regular expiration date of the options or upon the occurrence of a Change in Control or other corporate event or extraordinary transaction as provided in the EIA Plan or its successor.

(iii) Except as set forth in this Section 4.4, K12 shall have no further obligation to EMPLOYEE (or EMPLOYEE's legal representative, estate, beneficiaries or heirs) for any compensation, benefits or other payments hereunder, provided that nothing herein shall be deemed to affect EMPLOYEE's entitlement, if any, to any vested pension or similar benefits to which he may be or may become entitled.

4.5. **Discharge Without Cause or Resignation for Good Reason.**

(a) For the purposes of this Agreement, discharge without Cause is any termination by K12 of EMPLOYEE's employment hereunder without Cause, as defined in Section 4.4(a) hereof. K12 shall effectuate a discharge without Cause by giving EMPLOYEE a notice specifying the effective date of such discharge, which date shall not be earlier than thirty (30) days after the giving of notice.

For the purposes of this Agreement, Good Reason shall mean: (i) a material diminution of EMPLOYEE's authority, duties or responsibilities; or (ii) a material change in the geographic location at which EMPLOYEE must perform his personal services for K12 (at present, the Greater Washington, D.C. area); or (iii) a material breach of this Agreement by K12, so long as in each case EMPLOYEE shall have given K12 notice of the conduct he believes constituted the material diminution, change or breach within ninety (90) days of its occurrence and K12 shall have failed to remedy such diminution, change or breach within thirty (30) days thereafter. EMPLOYEE shall effect an employment termination by resignation for Good Reason by giving K12 a notice specifying the effective date of such employment termination.

(b) In the event EMPLOYEE is discharged by K12 Without Cause or EMPLOYEE terminates his K12 employment by resigning for Good Reason, and subject to EMPLOYEE's execution within 30 days following the EMPLOYEE's termination of employment, and non-revocation of a general release of all claims against the Company and its affiliates in the form attached hereto as Exhibit A (as such form may be revised to reflect changes in applicable law), no later than 8 days following the EMPLOYEE's termination of employment (a "Release"):

(i) K12 shall pay EMPLOYEE an amount equal to three (3) times EMPLOYEE's then-current Base Salary, determined as of his date of discharge or termination. Such amount shall be paid in a single sum, net of any applicable withholding, within ninety (90) calendar days following the date EMPLOYEE's employment by K12 terminates, or if earlier, on the March 15th next following the close of the taxable year in which EMPLOYEE's employment by K12 terminates. In addition, EMPLOYEE shall remain eligible to receive a Performance Bonus for the Fiscal Year in which such termination occurs, subject to the attainment of the performance criteria previously established for such Fiscal Year by the Compensation Committee, which amount shall be pro-rated to reflect the partial year of service and shall be paid at the earlier of the time the amount and entitlement to the performance bonus can be determined or the performance bonuses are paid to other K12 executives and in accordance with the payment timing provisions of Section 3.2. K12 also shall continue to provide the health, medical, dental and vision benefits then being provided or made available to EMPLOYEE and his plan-eligible dependents for a period of one (1) year following the date EMPLOYEE's employment by K12 terminates, provided that in lieu of such benefit continuation, K12 in its discretion may pay EMPLOYEE an amount equal to the out-of-pocket cost EMPLOYEE and his covered dependents otherwise would incur to obtain continuation coverage for such one year period pursuant to COBRA, which amount shall be paid in a single lump sum to EMPLOYEE within ninety (90) calendar days following the date EMPLOYEE's employment by K12 terminates. In addition, vesting shall occur as set forth in Section 3.7(i) hereof. In no event shall amounts payable in one taxable year affect amounts payable in any other taxable year.

(ii) To the extent the amount payable to EMPLOYEE pursuant to this Section 4.5(b) (other than in connection with and as a result of a Change in Control) exceeds the maximum amount permitted under Income Tax Regulations Section 1.409A-1(b)(9)(iii) (pertaining to certain separation pay plans), determined as of the first of the year in which EMPLOYEE separates from service, such excess amount shall be paid as a separate single sum, but shall be treated as subject to the requirements of Section 409A of the Code and related regulations and rulings and shall be subjected to the payment protocols set forth in Section 4.7 hereof.

(c) In the event EMPLOYEE is discharged by K12 without Cause or EMPLOYEE terminates his K12 employment by resigning for Good Reason, and in addition to the special vesting provided pursuant to Section 3.7(i) hereof, EMPLOYEE shall be entitled to exercise any of his vested options through the earlier of three hundred sixty five (365)-consecutive day period immediately following such discharge or termination or the original expiration date of such options and subject to earlier termination in the event of a Change in Control or other corporate event or extraordinary transaction as provided in the EIA Plan or its successor.

4.6. **Expiration of Contract Term.**

(a) For the purposes of this Agreement, Renewal Offer means a bona fide offer by K12 to enter into a new employment agreement with EMPLOYEE, on terms at least as favorable to EMPLOYEE as this Agreement, made to EMPLOYEE at least four (4) months before the expiration of this Agreement.

(b) In the event that K12 makes a Renewal Offer to EMPLOYEE, but the Parties nevertheless do not enter into a new employment agreement and EMPLOYEE's employment by K12 terminates upon the expiration of this Agreement, any options scheduled to vest on the third anniversary of the Original Effective Date shall immediately vest and EMPLOYEE shall be entitled to exercise any of his vested options within three (3) months after such termination. In addition thereto, any restricted shares scheduled to vest at the close of the final calendar quarter coincident with or immediately preceding the third anniversary of the Effective Date shall thereupon vest, provided EMPLOYEE has satisfied the performance criteria selected by the Board or the Compensation Committee (as applicable).

(c) In the event that K12 does not make a Renewal Offer to EMPLOYEE and EMPLOYEE's employment by K12 therefore terminates at the expiration of the term of this Agreement, and EMPLOYEE is asked to leave the Board of Directors, all options granted to EMPLOYEE shall immediately vest (to the extent not already vested), and EMPLOYEE shall be entitled to exercise any of his vested options within the three hundred sixty five (365)-consecutive day period immediately following the date of such employment termination. In addition thereto, any restricted shares scheduled to vest at the close of the final calendar quarter coincident with or immediately preceding the third anniversary of the Original Effective Date shall thereupon vest, provided EMPLOYEE has satisfied the performance criteria selected by the Board or the Compensation Committee (as applicable). If no Renewal Offer is made to EMPLOYEE, but EMPLOYEE remains on the Board, the vesting and exercise of any shares and options will continue to vest as if EMPLOYEE had continued to remain employed by K12 for purposes of the vesting and exercise of any shares or options.

4.7. **Compliance with Section 409A of the Code**. The provisions of this Section 4.7 (other than subsections (c), (d) and (e) hereof) shall apply solely to any payment, otherwise determined to be due and payable under this Agreement, which constitutes "deferred compensation" subject to Section 409A of the Code and related regulations and rulings.

(a) General Suspension of Payments. If, at the time EMPLOYEE incurs a separation from service (within the meaning of subsection (d) hereof), K12 qualifies as a "public company" (within the meaning of Section 409A of the Code and related regulations and rulings) and EMPLOYEE is then a "specified employee," as such term is defined within the meaning of Section 409A of the Code and related regulations and rulings, any payments or benefits payable or provided as a result of such separation that would otherwise be paid or provided prior to the first day of the seventh month following such separation (other than due to death or Disability within the meaning of Section 4.3 hereof) shall instead be paid or provided on the earlier of (i) one hundred eighty one (181) days following such separation; or (ii) the date of EMPLOYEE's death; or (iii) that date certain which otherwise complies with Section 409A of the Code. In the event that EMPLOYEE is entitled to receive payments during the 181-day suspension period described in this Section 4.7(a), EMPLOYEE shall receive the accumulated benefits that would have been paid or provided under this Agreement within the suspension period on the earliest day that would be permitted under Section 409A of the Code.

(b) Reimbursement Payments. The following rules shall be followed when paying any amount under this Agreement that is capable of being treated as a "reimbursement" or a "separation payment" within the meaning of Income Tax Regulations Section 1.409A-1(b)(9)(v) : (i) the amount of expenses eligible for reimbursement in one calendar year shall not limit the available reimbursements for any other calendar year (other than an arrangement providing for the reimbursement of medical expenses qualifying as such for purposes of Section 105(b) of the Code); (ii) EMPLOYEE shall file a claim for all reimbursement payments not later than thirty (30) days following the end of the calendar year during which such expenses were incurred, (iii) K12 shall make such reimbursement payments within thirty (30) days following the date EMPLOYEE delivers written notice of such expenses to K12; and (iv) EMPLOYEE's right to such reimbursement payments shall not be subject to liquidation or exchange for any other payment or benefit.

(c) Separation from Service. For purposes of this Agreement, any reference to a "termination" of EMPLOYEE's K12 employment shall be interpreted consistent with the meaning of the term "separation from service" in Section 409A(a)(2)(A)(i) of the Code, Income Tax Regulations Section 1.409A-1(h), and related regulations and rulings.

(d) Installment Payments. For purposes of Section 409A of the Code and related regulations and rulings, and any state law of similar import (including without limitation Treasury Regulations Section 1.409A-2(b)(2)(iii)), any installment payments scheduled to be made under this Agreement will be treated as the right to receive a series of separate payments, causing each such installment payment to at all times be considered a separate and distinct payment.

(e) General. Notwithstanding anything to the contrary in this Agreement, the Parties intend that the payments becoming due and payable under this Agreement shall satisfy, to the greatest extent possible, one (1) or more of the exemptions set forth in Section 409A of the Code and Income Tax Regulations Sections 1.409A-1(b)(4), 1.409A-1(b)(5), and 1.409A-(b)(9). This Agreement will be construed to the greatest extent possible as consistent with those provisions. Without limiting the generality of the foregoing, to the extent any series of payments to be made hereunder is found to be subject to Section 409A of the Code, the Parties shall not take any action to change the timing of such payments.

ARTICLE 5
RESTRICTIVE COVENANTS

5.1. **Confidentiality.** Except as authorized or directed by K12, EMPLOYEE shall not, at any time during which EMPLOYEE is receiving any compensation from K12, and for a period of three (3) years thereafter, directly or indirectly publish or disclose any Confidential Information of K12 or of any of its Affiliates, or Confidential Information of others that has come into the possession of K12 or of any of its Affiliates, or into the EMPLOYEE's possession in the course of his employment with K12 or of his services and duties hereunder, to any other person or entity, and EMPLOYEE shall not use any such Confidential Information for EMPLOYEE's own personal use or advantage or make it available to others for use. All confidential information, whether oral or written, regarding the business or affairs of K12 or any of its Affiliates, including, without limitation, information as to their products, services, systems, designs, inventions, software, finances (including prices, costs and revenues), marketing plans, programs, methods of operation, prospective and existing contracts, customers and other business arrangements or business plans, procedures, and strategies, shall all be deemed Confidential Information, except to the extent the same shall have been lawfully and without breach of the EMPLOYEE'S confidentiality obligation made available to the general public, or that EMPLOYEE can prove, by documentary evidence, was previously known to EMPLOYEE prior to the term of EMPLOYEE's employment or other service with K12. Upon expiration or termination of this Agreement for any reason, EMPLOYEE shall promptly return to K12 all

Confidential Information, including all copies thereof in EMPLOYEE's possession, whether prepared by him or others.

5.2. **Unfair Competition.** During his employment pursuant to this Agreement and for a period of 24 months thereafter (the " Post-Termination Non-Compete Period), EMPLOYEE shall not, within the United States, directly or indirectly, and whether or not for compensation, as a stockholder owning beneficially or of record more than five percent (5%) of the outstanding shares of any class of stock of an issuer, or as an officer, director, employee, consultant, partner, joint venturer, proprietor, or otherwise, engage in or become interested in any Conflicting Organization in connection with research, development, consulting, manufacturing, purchasing, accounting, engineering, marketing, merchandising or selling of any Conflicting Product or Service, directly or indirectly, in competition with K12 or any of its Affiliates (or any of their successors) as conducted from time to time during such period, provided, however, that in the event EMPLOYEE separates from employment with K12 either due to a termination of EMPLOYEE's employment by K12 Without Cause or EMPLOYEE's resignation of his employment for Good Reason as specifically described in Section 4.5, and, in either case, the Board elects to continue to require EMPLOYEE's continued compliance with this Section 5.2, K12 shall pay EMPLOYEE an amount equal to two (2) times EMPLOYEE's then-current Base Salary, determined as of his date of discharge or termination. Such amount shall be paid in a single sum, net of any applicable withholding, within ninety (90) calendar days following the date EMPLOYEE's employment by K12 terminates, or if earlier, on the March 15th next following the close of the taxable year in which EMPLOYEE's employment by K12 terminates.

5.3. **Non-Solicitation**.

(a) EMPLOYEE shall not, at any time during his employment pursuant to this Agreement and for a period of 18 months thereafter (the "Restriction Period"), directly or indirectly, recruit or otherwise solicit or induce any customer, subscriber, vendor, business affiliate, or supplier of K12 or its Affiliates to (i) terminate its arrangement with K12 or its Affiliates, or (ii) otherwise change its relationship with K12 or its Affiliates.

(b) EMPLOYEE shall not, at any time during the Restriction Period, directly or indirectly, either on his own account or for any other person or entity, solicit any employee of K12 or its Affiliates to terminate his or her employment with K12 or its Affiliates.

5.4. **Injunctive Relief; Survival.** EMPLOYEE acknowledges that a breach of the covenants contained in this Article 5 and in Article 6 will cause irreparable damage to K12 and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, EMPLOYEE agrees that in the event of a breach of any of the covenants contained in this Article 5 or in Article 6, in addition to any other remedy which may be available at law or in equity, K12 will be entitled to specific performance and injunctive relief. The provisions of this Article 5 and Article 6 shall survive any termination or expiration of the term of this Agreement.

ARTICLE 6
INVENTIONS, WORKS OF AUTHORSHIP,
PATENTS AND COPYRIGHTS

6.1. EMPLOYEE shall assign and transfer to K12, and does hereby assign and transfer to K12 all right title and interest in and to all K12 IP (as defined below). All K12 IP is and shall be the sole property of K12. EMPLOYEE shall disclose all K12 IP promptly in writing to K12. Upon request of K12, EMPLOYEE shall promptly execute a written assignment of title to K12 for all K12 IP, and EMPLOYEE will preserve all such K12 IP as Confidential Information. As used herein "K12 IP" shall mean all inventions and intellectual property rights (including, but not limited to, designs, discoveries, inventions, improvements, ideas, devices, techniques, processes, writings, trade secrets, trademarks, patents, copyrights and all plans, memoranda and other tangible information relating to such intellectual property, whether or not subject to protection under applicable laws) that EMPLOYEE solely or jointly with others conceives, makes, acquires, suggests or participates in at any time during EMPLOYEE'S employment with K12 and that relate to the actual business, products, processes, work, operations, research and development or other activities of K12.

ARTICLE 7
MISCELLANEOUS

7.1. **Assignment.** The rights and obligations of K12 under this Agreement shall be binding upon its successors and assigns and, subject to EMPLOYEE's rights under Section 4.5 hereof, may be assigned by K12 to the successors in interest of K12. The rights and obligations of EMPLOYEE under this Agreement shall be binding upon EMPLOYEE's heirs, legatees, personal representatives, executors or administrators. This Agreement may not be assigned by EMPLOYEE, but any amount owed EMPLOYEE upon EMPLOYEE's death shall inure to the benefit of EMPLOYEE's heirs legatees, personal representatives, executors, or administrators.

7.2. **Notice.** For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand delivered, sent by overnight courier, or mailed by first-class, registered, or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, facsimile, or telex addressed as follows:

If to EMPLOYEE: (Copy to K12 Executive Office)

Nathaniel A. Davis
[REDACTED]

If to K12:

K12 Inc.
Attn: General Counsel
2300 Corporate Park Drive
Herndon, Virginia 20171

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7.3. **Entire Agreement.** From and after the Effective Date, this Agreement constitutes the entire agreement between the Parties hereto, and expressly supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein, including the Prior Agreement, which, as of the Effective Date, is null and void and of no further force or effect.

7.4. **Headings.** Article and Section headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

7.5. **Severability**. In the event any provision of this Agreement, or any portion thereof, is determined by any arbitrator or court of competent jurisdiction to be unenforceable as written, such provision or portion thereof shall be interpreted so as to be enforceable. In the event any provision of this Agreement or any portion thereof is determined by any arbitrator or court of competent jurisdiction to be void, the remaining portions of this Agreement shall nevertheless be binding upon K12 and EMPLOYEE with the same effect as though the void provision or portion thereof had been severed and deleted.

7.6. **Arbitration.** Without prejudice to K12's right to seek an injunction pursuant to Section 5.4 hereof from a court of competent jurisdiction, any dispute between the Parties hereto arising out of this Agreement, or otherwise arising out of or relating to EMPLOYEE's employment by K12, or the termination thereof, shall be submitted to non-binding mediation before a mediator to be agreed upon by the Parties or, failing agreement, to be appointed by the American Arbitration Association ("AAA"). In the event that mediation is unsuccessful, such dispute shall be resolved by binding arbitration, before a single arbitrator, under the rules of the AAA. The arbitrator shall have the authority to apportion the costs of arbitration and to render an award including reasonable attorney's fees, as and to the extent he deems appropriate under the circumstances.

7.7. **Governing Law.** Except as otherwise provided in Section 2.4 hereof, this Agreement, the rights and obligations of the Parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the substantive laws of the Commonwealth of Virginia (excluding the choice of law rules thereof).

7.8. **Amendment; Modification; Waiver.** No amendment, modification or waiver of the terms of this Agreement shall be valid unless made in writing and duly executed by EMPLOYEE and K12. No delay or failure at any time on the part of EMPLOYEE or K12 in exercising any right, power or privilege under this Agreement, or in enforcing any provision of this Agreement, shall impair any such right, power, or privilege, or be construed as a waiver of any default or as any acquiescence therein, or shall affect the right of EMPLOYEE or K12 thereafter to enforce each and every provision of this Agreement in accordance with its terms.

7.9. **Additional Obligations.** Both during and after the term of employment, EMPLOYEE shall, upon reasonable notice, furnish K12 with such information as may be in EMPLOYEE's possession or control, and cooperate with K12, as may reasonably be requested by K12 (and, after the term of employment, with due consideration for EMPLOYEE's obligations with respect to any new employment or business activity) in connection with any litigation or other adversarial proceedings in which K12 or any Affiliate is or may become a party. K12 shall reimburse EMPLOYEE for all reasonable expenses incurred by EMPLOYEE in fulfilling EMPLOYEE's obligations under this Section 7.9.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the Effective Date.

K12 INC.

By: /s/ Andrew H. Tisch
Andrew H. Tisch
Chairman, Compensation Committee

/s/ Nathaniel A. Davis
Nathaniel A. Davis
Chairman and CEO

EXHIBIT A

Separation Agreement and Release

This Separation Agreement and Release ("Agreement") is made by and between Nathaniel A. Davis ("Executive") and K12 Inc. (the "Company") (collectively, referred to as the "Parties" or individually referred to as a "Party"). Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Amended and Restated Employment Agreement, dated as of March 10, 2014 (the "Employment Agreement"); and

WHEREAS, in connection with Executive's termination of employment with the Company effective , 20 , the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive's employment with or separation from the Company or its subsidiaries or affiliates but, for the avoidance of doubt, nothing herein will be deemed to release any rights or remedies in connection with Executive's rights as a shareholder of the Company or Executive's right to indemnification by the Company or any of its affiliates pursuant to contract or applicable law, Executive's rights to Side A and Side B directors' and officers' insurance coverage as set forth in the Employment Agreement, and any rights Executive or his dependents have or may have under the Employee Retirement Income Security Act of 1974 ("ERISA") with respect to any Company-sponsored employee benefit plans in which he or they then have an interest (collectively, the " Retained Claims").

NOW, THEREFORE, in consideration of the severance payments described in Section 4.5 of the Employment Agreement, which, pursuant to the Employment Agreement, are conditioned on Executive's execution and non-revocation of this Agreement, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. Severance Payments; Salary and Benefits . The Company agrees to provide Executive with the severance payments and benefits described in Section 4.5 of the Employment Agreement, payable at the times set forth in, and subject to the terms and conditions of, the Employment Agreement. In addition, to the extent not already paid, and subject to the terms and conditions of the Employment Agreement, the Company shall pay or pay to Executive all amounts of base salary through the date of termination.

2. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company and all of its direct or indirect subsidiaries and Affiliates (as defined in the Employment Agreement), and any of their current and former officers, directors, managers, employees, agents, attorneys, administrators, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on his own behalf and on behalf of any of Executive's affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown,

suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement (as defined in Section 7 below), including, without limitation:

(a) any and all claims relating to or arising from Executive's employment or service relationship with the Company or any of its direct or indirect subsidiaries or affiliates and the termination of that relationship;

(b) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the ERISA (except for any Retained Claims) ; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; and the Sarbanes-Oxley Act of 2002;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of the Employment Agreement or this Agreement; and

(h) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment (including but not limited to any claims Executive may have under the Equity Incentive Award Plan or any option or award agreements to which Executive is then a party), pursuant to written terms of any employee benefit plan of the Company or its affiliates and Executive's right under applicable law and any Retained Claims. This release further does not release claims for breach of Article 4 of the Employment Agreement.

3. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this

Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has 21 days within which to consider this Agreement; (c) Executive has 7 days following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

4. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

5. No Oral Modification. This Agreement may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

6. Governing Law; Dispute Resolution. This Agreement shall be subject to the provisions of Sections 7.6 and 7.7 of the Employment Agreement.

7. Effective Date. If Executive has attained or is over the age of 40 as of the date of Executive's termination of employment, then each Party has seven days after that Party signs this Agreement to revoke it and this Agreement will become effective on the eighth day after Executive signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "Effective Date"). If Executive has not attained the age of 40 as of the date of Executive's termination of employment, then the "Effective Date" shall be the date on which Executive signs this Agreement.

8. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Agreement; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of his own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Agreement and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

EXECUTIVE

Dated: ______________________________ ______________________________

Nathaniel A. Davis

COMPANY

Dated: ____________________ By: ____________________

Name:

Title:

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Nathaniel A. Davis, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of K12 Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2014

/s/ NATHANIEL A. DAVIS

Nathaniel A. Davis
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James J. Rhyu, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of K12 Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2014

/s/ JAMES J. RHYU

James J. Rhyu
Chief Financial Officer

Exhibit 32.1

The following certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of K12 Inc., a Delaware corporation (the “Company”), hereby certifies, to his knowledge, that:

(1) the accompanying Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2014 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2014

/s/ NATHANIEL A. DAVIS
Nathaniel A. Davis
Chief Executive Officer

Exhibit 32.2

The following certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of K12 Inc., a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

(1) the accompanying Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2014

/s/ JAMES J. RHYU

James J. Rhyu
Chief Financial Officer