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, 2012

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	**95-4774688**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2300 Corporate Park Drive **Herndon, VA**	**20171**
(Address of principal executive offices)	(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 May 1, 2012 the Registrant had 36,445,790 shares of Common Stock, $0.0001 par value outstanding.

K12 Inc.
Form 10-Q
For the Quarterly Period Ended March 31, 2012
Index

[Table of Contents](#)

PART I — FINANCIAL INFORMATION

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

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2012	June 30, 2011
	(In thousands, except share and per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 123,653	$ 193,099
Restricted cash and cash equivalents	1,501	1,501
Accounts receivable, net of allowance of $2,891 and $1,777 at March 31, 2012 and June 30, 2011, respectively	205,307	96,235
Inventories, net	27,525	30,554
Current portion of deferred tax asset	4,969	7,175
Prepaid expenses	14,428	10,424
Other current assets	12,973	9,111
Total current assets	390,356	348,099
Property and equipment, net	61,385	46,625
Capitalized software development costs, net	29,496	24,386
Capitalized curriculum development costs, net	56,962	55,619
Intangible assets, net	37,912	38,291
Goodwill	62,404	55,627
Investment in Web International	10,000	10,000
Deposits and other assets	3,219	3,448
Total assets	$ 651,734	$ 582,095
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current liabilities		
Accounts payable	$ 17,276	$ 21,176
Accrued liabilities	16,252	14,126
Accrued compensation and benefits	16,127	13,086
Deferred revenue	46,558	21,907
Current portion of capital lease obligations	16,571	11,914
Current portion of notes payable	1,137	1,443
Total current liabilities	113,921	83,652
Deferred rent, net of current portion	5,499	4,698
Capital lease obligations, net of current portion	17,541	8,552
Notes payable, net of current portion	1,162	2,299
Deferred tax liability	15,283	9,604
Other long term liabilities	3,191	3,343
Total liabilities	156,597	112,148
Commitments and contingencies		
Redeemable noncontrolling interest	17,200	17,200
Equity:		
K12 Inc. stockholders' equity		
Common stock, par value $0.0001; 100,000,000 shares authorized; 36,389,121 and 35,927,452 shares issued and outstanding at March 31, 2012 and June 30, 2011, respectively	4	4
Additional paid-in capital	521,503	512,181
Series A Special Stock, par value $0.0001; 2,750,000 issued and outstanding at March 31, 2012 and June 30, 2011	63,112	63,112
Accumulated other comprehensive income	157	28
Accumulated deficit	(110,961)	(126,704)
Total K12 Inc. stockholders' equity	473,815	448,621
Noncontrolling interest	4,122	4,126
Total equity	477,937	452,747
Total liabilities, redeemable noncontrolling interest and equity	$ 651,734	$ 582,095

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, 2012	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
	(In thousands, except share and per share data)			
Revenues	$ 178,175	$ 130,293	$ 538,005	$ 394,167
Cost and expenses				
Instructional costs and services	105,955	77,727	314,410	229,004
Selling, administrative, and other operating expenses	53,619	36,763	175,836	122,438
Product development expenses	7,012	4,972	20,810	12,318
Total costs and expenses	166,586	119,462	511,056	363,760
Income from operations	11,589	10,831	26,949	30,407
Interest expense, net	(265)	(307)	(722)	(970)
Income before income tax expense and noncontrolling interest	11,324	10,524	26,227	29,437
Income tax expense	(4,638)	(5,260)	(11,311)	(14,310)
Net income – K12 Inc.	6,686	5,264	14,916	15,127
Add net loss attributable to noncontrolling interest	291	335	827	509
Net income attributable to common stockholders, including Series A stockholders	$ 6,977	$ 5,599	$ 15,743	$ 15,636
Net income attributable to common stockholders per share, excluding Series A stockholders:				
Basic	$ 0.18	$ 0.17	$ 0.41	$ 0.47
Diluted	$ 0.18	$ 0.16	$ 0.41	$ 0.46
Weighted average shares used in computing per share amounts:				
Basic	35,876,629	30,958,807	35,753,156	30,620,330
Diluted	35,913,576	31,758,313	36,023,023	31,327,544

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

Table of Contents

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

(In thousands, except share data)	K12 Inc Stockholders: Common Stock Shares	Common Stock Amount	Common Stock - Series A Shares	Common Stock - Series A Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Noncontrolling Interest	Total
Balance, June 30, 2011	35,927,452	$ 4	2,750,000	$63,112	$512,181	$ 28	$ (126,704)	$ 4,126	$452,747
Net income (loss) (1)							15,743	(4)	15,739
Foreign currency translation adjustments						129			129
Comprehensive Income									15,868
Stock based compensation expense					7,339				7,339
Exercise of stock options	205,732				3,123				3,123
Excess tax benefit from stock-based compensation					1,289				1,289
Issuance of restricted stock awards	348,940				—				—
Forfeiture of restricted stock awards	(40,129)				—				—
Accretion of redeemable noncontrolling interests to estimated redemption value					(825)				(825)
Retirement of restricted stock for tax withholding	(52,874)				(1,291)				(1,291)
Registration expenses for shares issued in private placement	—	—	—	—	(313)	—	—	—	(313)
Balance, March 31, 2012	36,389,121	$ 4	2,750,000	$63,112	$ 521,503	$ 157	$(110,961)	$ 4,122	$477,937

(1) Net income (loss) attributable to noncontrolling interests excludes $(0.8) million due to the redeemable noncontrolling interest related to Middlebury Interactive Languages, which is reported outside of permanent equity in the 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, 2012	Nine Months Ended March 31, 2011
	(In thousands)	
Cash flows from operating activities		
Net income	$ 14,916	$ 15,127
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Depreciation and amortization expense	42,312	30,463
Stock based compensation expense	7,339	7,453
Excess tax benefit from stock based compensation	(1,289)	(5,443)
Deferred income taxes	9,571	13,329
Provision for doubtful accounts	480	569
Provision for inventory obsolescence	464	729
Provision for student computer shrinkage and obsolescence	427	182
Changes in assets and liabilities:		
Accounts receivable	(109,128)	(52,728)
Inventories	2,565	7,235
Prepaid expenses	(4,004)	545
Other current assets	(3,635)	(1,994)
Deposits and other assets	229	(105)
Accounts payable	(3,901)	(4,150)
Accrued liabilities	2,124	1,516
Accrued compensation and benefits	3,040	(4,377)
Deferred revenue	24,310	14,478
Cash invested in restricted cash and cash equivalents	—	1,712
Deferred rent and other long term liabilities	650	2,483
Net cash (used in)/provided by operating activities	(13,530)	27,024
Cash flows from investing activities		
Purchase of property, equipment and software development costs	(22,478)	(20,295)
Capitalized curriculum development costs	(10,341)	(11,728)
Purchase of AEC, net of cash acquired of $3,841	—	(24,544)
Cash advanced for AEC performance escrow	—	(6,825)
Cash returned from AEC performance escrow	—	6,825
Cash paid for investment in Web	—	(10,000)
Cash paid for other investment	—	(2,040)
Purchase of Kaplan/Insight Assets	(12,641)	—
Net cash used in investing activities	(45,460)	(68,607)
Cash flows from financing activities		
Repayments on capital lease obligations	(11,950)	(11,113)
Repayments on notes payable	(1,443)	(1,251)
Borrowings from line of credit	—	15,000
Repayments under line of credit	—	(15,000)
Proceeds from exercise of stock options	3,123	8,252
Excess tax benefit from stock based compensation	1,289	5,443
Repurchase of restricted stock for income tax withholding	(1,291)	(1,595)
Payment of stock registration expense	(313)	—
Net cash (used in)/provided by financing activities	(10,585)	(264)
Effect of foreign exchange rate changes on cash and cash equivalents	129	176
Net change in cash and cash equivalents	(69,446)	(41,671)
Cash and cash equivalents, beginning of period	193,099	81,751
Cash and cash equivalents, end of period	$ 123,653	$ 40,080

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, or 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 the Company's inception, we have invested approximately $275 million 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 our curriculum and offerings with an individualized learning approach well-suited for virtual public schools, hybrid schools, school district online programs, charter schools and private schools that utilize varying degrees of online and traditional classroom instruction, and other educational applications. In contracting with a virtual or hybrid public school, the Company typically provides students with access to the *K12* online curriculum, offline learning kits, and use of a computer as required or needed, and we also provide management services to these schools. The Company offers foreign language courses and camps with Middlebury Interactive Languages, our joint venture with Middlebury College. We also operate three online private schools: K 12 International Academy, Keystone School and the George Washington University Online High School. In addition, we own a brick and mortar private school, the International School of Berne (IS Berne) located in Berne, Switzerland, and currently own a 20% interest in The Web International Education Group, Ltd., a company providing English instruction to young adults in China. Through Capital Education LLC, we provide online services to post-secondary institutions. During fiscal year 2012, the Company manages schools in 29 states and the District of Columbia. The Company sells access to its online curriculum and offline learning kits directly to individual consumers as well. We provide services through our institutional sales to customers in all 50 states.

2. Basis of Presentation

The accompanying condensed consolidated balance sheet as of March 31, 2012, the condensed consolidated statements of operations for the three months and nine months ended March 31, 2012 and 2011, the condensed consolidated statements of cash flows for the nine months ended March 31, 2012 and 2011, and the condensed consolidated statement of equity (deficit) for the nine months ended March 31, 2012 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 as of March 31, 2012, the results of operations for the three and nine months ended March 31, 2012 and 2011, cash flows for the nine months ended March 31, 2012 and 2011 and the condensed consolidated statement of equity (deficit) for the nine months ended March 31, 2012. The results of the three and nine month period ended March 31, 2012 are not necessarily indicative of the results to be expected for the year ending June 30, 2012 or for any other interim period or for any other future fiscal year. The consolidated balance sheet as of June 30, 2011 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 accounting principles generally accepted 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 ("Exchange Act"). Accordingly, they do 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 our 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 reports on Form 10K filed on October 7, 2011 and Form 10-K/A filed on December 8, 2011, which contains the Company's audited financial statements for the fiscal year ended June 30, 2011.

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 public schools, hybrid schools, traditional schools, school districts, public charter schools and private schools. In addition to providing the curriculum, books and materials under the virtual public school and hybrid school contracts from which most of the Company's revenue is derived, the Company usually is responsible for all aspects of the management of those 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 for schools that occur in the fourth fiscal quarter that are for the upcoming school year are recorded in deferred revenues.

Where it has been determined that the Company 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 ASC 605 – *Revenue Recognition*. For contracts in which the Company is not the primary obligor, the Company records revenue based on its net fees earned per the contractual agreement.

The Company generates revenues under contracts with virtual and hybrid public schools which include multiple elements. These elements include providing, in accordance with the policy of the governing body of the managed school, each of a school's students with access to the Company's online school and the online component of lessons; offline learning kits which include books and materials designed to complement and supplement the online lessons; the use of a computer where required or needed and associated reclamation services; internet access and technology support services; the services of a state-certified teacher and; all management and technology services required to operate a virtual public school or hybrid school. In certain managed school contracts, our revenue is determined directly by per enrollment funding. As our services are performed, we generally earn and recognize revenues ratably over that period.

The Company has determined that the elements of our contracts are valuable to schools in combination, but do not have standalone value. As a result, the elements within our multiple-element contracts do not qualify for treatment as separate units of accounting. Accordingly, the Company accounts for revenues received under multiple element arrangements as a single unit of accounting. We recognize the entire arrangement based upon the approximate rate at which we incur the costs associated with each element.

Under contracts with schools where the Company provides turnkey management services, the Company has generally agreed to absorb any operating losses of the schools in a given school year. These school operating losses represent the excess of costs incurred over revenues earned by the virtual public schools or hybrid schools as reflected on their financial statements. The costs include Company charges to the schools. The fact that a school has an operating loss in one year does not necessarily mean the Company anticipates losing money on the entire contract nor does it mean that K12 will lose money in that year, however, a school operating loss may reduce the Company's ability to collect invoices in full. Accordingly, the Company's recognized revenues reflect this reduction. 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 full year school operating expenses and amortizes the net impact of any changes to these estimates over the remainder of 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. However, there are some situations where revenue estimates from the prior year are adjusted during the next fiscal year related to school audits.

During the three months ended March 31, 2012 and 2011, no school accounted for more than 10% of revenues. Approximately 11% and 12% of accounts receivable was attributable to a contract with one school as of March 31, 2012 and June 30, 2011, respectively.

Consolidation

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

Inventories

Inventories consist primarily of schoolbooks and curriculum materials, a majority of which are supplied to virtual and hybrid 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. Excess and obsolete inventory reserves are established based upon the evaluation of the quantity on hand relative to demand. The excess and obsolete inventory reserve was $3.4 million and $2.9 million as of March 31, 2012 and June 30, 2011, respectively.

Series A Special Stock

The Company issued 2,750,000 shares of Series A Special stock in connection with an acquisition. The holders of the Series A Special stock have the right to convert those shares into common stock on a one-for-one basis and for 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 have no voting rights.

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 loss attributable to noncontrolling interest reflects only its share of the after-tax 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 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 statement of equity (deficit).

Redeemable Noncontrolling Interests

Noncontrolling interests in subsidiaries that are redeemable for cash or other assets and outside of the Company’s control are classified outside of permanent equity at fair value. The redeemable noncontrolling interests will be 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 Intangibles

The Company records as goodwill the excess of 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 in accordance with ASU Topic 350 – *Intangibles – Goodwill and Other Finite-lived intangible assets,* and include trade names and noncompete agreements. Such intangible assets are amortized on a straight-line basis over their estimated useful lives.

Under the amendments in ASU 2011-08, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit, as described in paragraph 350-20-35-4 of Topic 350. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any, as described in paragraph 350-20-35-9.

During the first nine months of 2012, the Company's goodwill increased by approximately $6.7 million due to its acquisition of certain assets of Kaplan Virtual Education (KVE) and Insight Schools (Kaplan/Insight Assets) a subsidiary of Kaplan, Inc (see Note 10). The Company also recorded approximately $4.3 million in finite-lived intangibles related to the acquisition of certain Kaplan/Insight Assets. The Company did not experience a significant adverse change in its business climate and therefore does not believe a triggering event occurred that would require a detailed test of goodwill for impairment as of an interim date. Consequently, the first step of the goodwill impairment test was not performed during the interim periods. The Company intends to complete its annual goodwill impairment test as of May 31, 2012.

The following table represents goodwill additions during the nine months ended March 31, 2012:

($ in millions) Rollforward of Goodwill	Amount
Balance as of June 30, 2011	$55.6
Acquisition of certain assets	6.7
Other adjustments	0.1
Balance as of March 31, 2012	$ 62.4

The following table represents the balance of intangible assets as of March 31, 2012 and June 30, 2011:

Intangible Assets:

	March 31, 2012			June 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 24.0	$ (2.6)	$ 21.4	$ 23.3	$ (1.6)	$ 21.7
Customer and distributor relationships	18.9	(3.4)	15.5	16.5	(1.3)	15.2
Developed technology	1.5	(0.8)	0.7	1.5	(0.4)	1.1
Other	0.5	(0.2)	0.3	0.5	(0.2)	0.3
	$ 44.9	$ (7.0)	$ 37.9	$ 41.8	$ (3.5)	$ 38.3

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. There was no impairment for the three and nine months ended March 31, 2012 and the year ended June 30, 2011.

Fair Value Measurements

ASC 820 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 instruments valuation.

The carrying values reflected in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and short and long term debt approximate their fair values. The redeemable noncontrolling interest is a result of the Company's 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 value of the put right. The Company has recorded its investment in Web International Education Group, Ltd. (Web) as an available for sale debt security in accordance with ASC 320 *Investments – Debt and Equity Securities* because of our ability to put the investment to other Web stockholders in return for the original $10 million purchase price plus interest. The fair value reflects management's best estimate of the investment in Web.

The following table summarizes certain fair value information at June 30, 2011 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	$17,200	—	—	$ 17,200
Investment in Web International Education Group	$ 10,000	—	—	$ 10,000
Total	$27,200	—	—	$ 27,200

The following table summarizes certain fair value information at March 31, 2012 for assets and liabilities measured at fair value on a recurring basis.

Table of Contents

Description	Fair Value	Fair Value Measurements Using: 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	$17,200	—	—	$ 17,200
Investment in Web International Education Group	$ 10,000	—	—	$ 10,000
Total	$27,200	—	—	$ 27,200

The following table presents activity related to our fair value measurements categorized as Level 3 of the valuation hierarchy, valued on a recurring basis:

Description	Nine Months Ended March 31, 2012: Fair Value June 30, 2011	Purchases, Issuances, and Settlements	Unrealized Gains/ (Losses)	Fair Value March 31, 2012
		(In thousands)		
Redeemable Noncontrolling Interest in Middlebury Joint Venture	$17,200	—	—	$17,200
Investment in Web International Education Group	$ 10,000	—	—	$ 10,000
Total	$27,200	—	—	$27,200

The fair value of the investment in Web as of March 31, 2012 was estimated to be $10 million. The fair value was measured based on the initial cost of the investment and Web's financial performance since initial investment. There was no underlying change in its estimated market value. There have been no transfers in or out of Level 3 of the hierarchy for the period presented.

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, 2011. As of March 31, 2012 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.

Net Income Per Common Share

The Company calculates net income per share in accordance with ASC 260. Under ASC 260, basic net income per common share is calculated by dividing net income 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") reflects the potential dilution that could occur assuming conversion or exercise of all dilutive unexercised stock options and restricted stock awards. 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 awards are not included in the computation of diluted earnings per share when they are antidilutive. Common stock outstanding reflected in our consolidated balance sheet includes restricted awards outstanding. Securities that may participate in undistributed earnings with common stock are considered participating securities. Since the Series A Shares participate in all dividends and distributions declared or paid with respect to common stock of the Company (as if a holder of common stock), the Series A Shares meet the definition of participating security under ASC 260 *Participating Securities and the Two-Class Method under FASB Statement No. 128*. All securities that meet the definition of a participating security, regardless of whether the securities are convertible, non-convertible, or potential common stock 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 to be 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.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
	(In thousands except shares and per share data)			
Basic earnings per share computation:				
Net income – K12	$ 6,977	$ 5,599	$ 15,743	$ 15,636
Amount allocated to participating Series A stockholders	$ (497)	$ (457)	$ (1,124)	$ (1,241)
Income available to common stockholders – basic	$ 6,480	$ 5,142	$ 14,619	$ 14,395
Weighted average common shares – basic historical	35,876,629	30,958,807	35,753,156	30,620,330
Basic net income per share	$ 0.18	$ 0.17	$ 0.41	$ 0.47
Dilutive earnings per share computation:				
Net income – K12	$ 6,977	$ 5,599	$ 15,743	$ 15,636
Amount allocated to participating Series A stockholders	$ (497)	$ (457)	$ (1,124)	$ (1,241)
Income available to common stockholders – diluted	$ 6,480	$ 5,142	$ 14,619	$ 14,395
Share computation:				
Weighted average common shares – basic historical	35,876,629	30,958,807	35,753,156	30,620,330
Effect of dilutive stock options and restricted stock awards	36,947	799,506	269,867	707,214
Weighted average common shares outstanding – diluted	35,913,576	31,758,313	36,023,023	31,327,544
Diluted net income per share	$ 0.18	$ 0.16	$ 0.41	$ 0.46

Recent Accounting Pronouncements

In December 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment test for Reporting Units with Zero or Negative Carrying Amounts,* which provides authoritative guidance on application of a goodwill impairment model when a reporting unit has a zero or negative carrying amount. When a reporting unit has a zero or negative carrying value, Step 2 of the goodwill impairment test should be performed if qualitative factors indicate that it is more likely than not goodwill impairment exists. The Company adopted the provisions of ASU 2010-28 as of July 1, 2011.

In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combination*, which provides authoritative guidance on disclosure of supplementary pro forma information for business combinations. The new guidance requires that pro forma financial information should be prepared as if the business combination has occurred as of the beginning of the prior annual period. The Company adopted the provisions of ASU 2010-29 as of July 1, 2011.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which provides authoritative guidance on disclosure requirements for comprehensive income. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of stockholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. This guidance will be effective for the Company beginning on July 1, 2012. The Company does not expect the guidance to impact its financial condition and results of operations, as it only requires a change in the format of presentation.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*, which provides authoritative guidance to simplify how entities, both public and nonpublic, test goodwill for impairment. This accounting update permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance will be effective for the Company beginning on July 1, 2012, with early adoption permitted. The Company does not expect the guidance to impact its consolidated financial statements.

4. 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. The provision for income taxes is based on earnings reported in the unaudited condensed consolidated financial statements. Deferred income tax expense or benefit is measured by the change in the deferred income tax asset or liability during the period. For the quarter ended March 31, 2012 and 2011, the Company's effective income tax rate was 41.0% and 50.0%, respectively. For the nine months ended March 31, 2012 and 2011, the Company's effective income tax rate was 43.1% and 49.0%, respectively. The effective income tax rate differs from the statutory federal income tax rate primarily due to state income taxes and certain expenses not deductible for income tax purposes.

5. Long-term Obligations

Capital Leases

As of March 31, 2012 and June 30, 2011, computer equipment under capital leases were recorded at a cost of $87.8 million and $61.2 million, respectively, and accumulated depreciation of $56.5 million and $43.7 million, respectively. Borrowings under lease lines had interest rates ranging from 2.62% to 6.24% and included a 36-month payment term with a $1 purchase option at the end of the term. The Company has pledged the assets financed to secure the amounts outstanding.

The Company's current lease line of credit with PNC Equipment Finance, LLC ("PNC") expires in August 2012. The Company expects to renew its lease line of credit prior to its expiration date. The interest rate on new advances under the PNC equipment lease line is set at the time the funds are advanced based upon interest rates in the Federal Reserve Statistical Release H.15.

Notes Payable

The Company has purchased computer software licenses and maintenance services through unsecured notes payable arrangements with various vendors at interest rates ranging up to 6.1% and payment terms of three years. There are no covenants associated with these notes payable arrangements. The balance of notes payable at March 31, 2012 and June 30, 2011 was $2.3 million and $3.7 million, respectively.

The following is a summary as of March 31, 2012 of the present value of the net minimum payments on capital leases and notes payable under the Company's commitments:

March 31,	Capital Leases	Notes Payable	Total
2012	$ 17,327	$ 1,178	$ 18,505
2013	$ 12,046	$ 1,178	$ 13,224
2014	$ 5,837	—	$ 5,837
Thereafter	$ 50	—	$ 50
Total minimum payments	$ 35,260	$ 2,356	$ 37,616
Less amount representing interest (imputed average capital lease interest rate of 3.7%)	$ (1,148)	$ (57)	$ (1,205)
Net minimum payments	$ 34,112	$ 2,299	$ 36,411
Less current portion	$ (16,571)	$ (1,137)	$ (17,708)
Present value of minimum payments, less current portion	$ 17,541	$ 1,162	$ 18,703

6. Line of Credit

The Company has a $35 million line of credit with PNC Bank that expires in December 2012. The Company expects to renew its line of credit prior to its expiration date. As of March 31, 2012 and June 30, 2011, no borrowings were outstanding on the line of credit and approximately $0.3 million was reserved for a letter of credit.

7. Stock Option Plan

Stock Options

Stock option activity during the nine months ended March 31, 2012 was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, June 30, 2011	2,765,729	$ 19.23		
Granted	233,986	$ 26.78		
Exercised	(205,732)	$ 15.28		
Forfeited or canceled	(66,841)	$ 23.70		
Outstanding, March 31, 2012	2,727,142	$ 20.07	4.11	$ 13,330
Stock options exercisable at March 31, 2012	1,960,862	$ 19.09	3.41	$ 11,256

The total intrinsic value of options exercised during the nine months ended March 31, 2012 was $3.4 million. The weighted-average grant date fair value of options granted during the nine months ended March 31, 2012 was $11.61.

As of March 31, 2012, there was $6.0 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 2.2 years. During the three months ended March 31, 2012 and March 31, 2011, the Company recognized $1.0 million and $1.2 million, respectively of stock based compensation expense related to stock options. Stock based compensation expense related to stock options that was recognized during the nine months ended March 31, 2012 and March 31, 2011, aggregated $3.2 million and $3.9 million, respectively.

Table of Contents

Restricted Stock Awards

Restricted stock award activity during the nine months ended March 31, 2012 was as follows:

	Shares	Weighted-Average Fair Value
Nonvested, June 30, 2011	444,151	$ 23.62
Granted	348,940	$ 26.28
Vested	(176,629)	$ 23.30
Forfeited or canceled	(48,239)	$ 26.85
Nonvested, March 31, 2012	568,223	$ 25.08

As of March 31, 2012, there was $9.7 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 2.1 years. The total fair value of shares vested during the nine months ended March 31, 2012 was $4.1 million. During the three months ended March 31, 2012 and March 31, 2011, the Company recognized $1.6 million and $0.8 million, respectively of stock based compensation expense related to restricted stock awards. Stock based compensation expense related to restricted award that was recognized during the nine months ended March 31, 2012 and March 31, 2011, aggregated $4.1 million and $3.6 million, respectively.

8. Related Party

For the nine months ended March 31, 2012, the Company purchased services and assets in the amount of $0.6 million 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, a related party. Additionally, KCDL has capital leases with an outstanding balance due to KCDL Holdings, Inc. in the amount of $0.2 million as of March 31, 2012.

During the nine months ended March 31, 2012, the Company loaned $3.0 million to its 60% owned joint venture, Middlebury Interactive Language. The loan is repayable under terms and conditions specified in the loan agreement. The loan balance and related interest are eliminated since Middlebury Interactive Language is consolidated in the Company's financial statements; however, repayment of the loan is dependent on the continued liquidity of Middlebury Interactive Language.

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. On January 10, 2012, the Company filed its motion to dismiss IpLearn's amended complaint. IpLearn responded on January 27, 2012, and the Company replied on February 6, 2012.

Hoppaugh Complaint

On January 30, 2012, a securities class-action lawsuit captioned *Hoppaugh v. K12 Inc*., was filed against the Company and two of its officers in the United States District Court for the Eastern District of Virginia, *Hoppaugh v. K12, Inc*., Case No. 1:12-cv-00103-CMH-IDD. The plaintiff purports to represent a class of persons who purchased or otherwise acquired K12 common stock between September 9, 2009 and December 16, 2011, 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 Hoppaugh 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 financial results during the class period, (ii) the academic performance of the virtual schools served by the Company, and (iii) certain school administrative practices and sales strategies related to enrollments. On April 2, 2012, the Arkansas Teacher Retirement System filed a Motion for Appointment as Lead Plaintiff, which is pending. The plaintiff seeks unspecified monetary damages and other relief. The Company intends to defend vigorously against the claims asserted in the Hoppaugh Complaint. In addition to the above-described stockholder class action, on March 21, 2012, a federal stockholder derivative action, *Jared Staal v. Tisch, et. al*., Case No. 1:12-cv-00365-SLR, putatively initiated on behalf of the Company, was filed in the United States District Court for the District of Delaware. By stipulation, all matters in this derivative action have been stayed until motions to dismiss in the Hoppaugh Complaint are decided.

10. Business combination

Investment in Web International Education Group, Ltd.

On January 3, 2011, K12 invested $10 million in Web International Education Group, Ltd. (Web). This investment gives the Company a 20% minority interest in Web, with the option by June 30, 2012 to: (i) purchase no less than 51% of the shares of Web, (ii) purchase all remaining equity interest between January 1, 2013 and December 31, 2015, (iii) put the shares back to Web for the $10 million investment plus interest, or (iv) maintain the 20% minority interest. Web is a leader in English language training for learners of all ages throughout China with an extensive network of learning centers in cities throughout the country. The Company has recorded its investment in Web as an available for sale debt security because of our ability to put the investment to other Web stockholders in return for the original $10 million purchase price plus interest. During the nine months ended March 31, 2012, there was no change to the fair value of the Web investment based on the initial cost of the investment and Web's financial performance since the initial investment. The Company continues to evaluate whether it will exercise its option to purchase additional interest in Web.

International School of Berne

On April 1, 2011, the Company finalized its acquisition of the operations and substantially all assets of the International School of Berne (IS Berne) for 2 million Swiss francs ($2.2 million). IS Berne is a traditional school located in Berne, Switzerland serving students in grades Pre-K through 12. IS Berne is an International Baccalaureate school in its 50th year of operation. The Company purchased the right to operate IS Berne and acquired substantially all of its assets excluding real estate. Slightly more than half of the purchase price has been allocated on a preliminary basis to goodwill.

Acquisition of Assets from Kaplan Virtual Education and Insight Schools, Inc.

On July 1, 2011, the Company acquired certain assets of Kaplan Virtual Education (Kaplan/Insight Assets) for $12.6 million. The Kaplan/Insight Assets included contracts to serve nine virtual charter schools and private virtual high schools throughout the United States that have been integrated into the Company's existing operations. The majority of the purchase price on a preliminary basis has been allocated to goodwill and intangible assets for $6.7 million and $4.3 million, respectively.

11. Supplemental Disclosure of Cash Flow Information

	(In thousands) Nine Months Ended March 31,	
	2012	2011
Cash paid for interest	$ 726	$ 680
Cash paid for taxes, net of refunds	$ 84	$ 4,551
Supplemental disclosure of non-cash investing and financing activities:		
New capital lease obligations	$25,596	$15,613
Business Combinations:		
— Current assets	$ 1,049	$ 17,317
— Property and equipment	$ 1,941	$12,879
— Capitalized curriculum development costs	$ 100	$ 8,073
— Intangible assets	$ 3,115	$ 27,310
— Goodwill	$ 6,777	$51,727
— Other non-current assets	$ —	$ 138
— Deferred tax liabilities	$	$ (8,817)
— Assumed liabilities	$ —	$ (9,829)
— Deferred revenue	$ (342)	$ (3,671)
— Other noncurrent liabilities	$ —	$ (1,931)
— Contingent consideration	$ —	$ (1,700)
— Issuance of Series A Special Stock	$ —	$63,112

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

Certain statements in this Management's Discussion and Analysis (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 (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (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 (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 and nine month periods ended March 31, 2012.
- *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 approximately $275 million 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 our curriculum and offerings with an individualized learning approach well-suited for virtual public schools, hybrid 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. We offer foreign language courses and camps with Middlebury Interactive Languages (MIL), our joint venture with Middlebury College. We also operate three online private schools: K 12 International Academy, Keystone School and the George Washington University Online High School, as well as a brick and mortar private school, IS Berne. The Company currently has a 20% ownership interest in The Web International Education Group, Ltd. (Web) which provides English instruction to young adults in China. We also currently serve the post-secondary market through Capital Education LLC, a provider of online services to post-secondary institutions.

As with a traditional public school, a virtual public school or hybrid school must comply with state education regulations. The fundamental difference between traditional public schools and virtual public schools is that students attend virtual and hybrid public schools primarily over the Internet instead of traveling to a physical classroom. In their online learning environment, students receive assignments, complete lessons and obtain instruction from certified teachers with whom they interact online, telephonically, in virtual classroom environments and sometimes face-to-face. The majority of states have embraced virtual public schools or hybrid schools as a means to provide families with a publicly-funded alternative to a traditional classroom-based education. For parents who believe their child is not thriving and for whom relocating or attending a private school is not an option, virtual and hybrid public schools can provide a compelling choice. A hybrid school is a virtual public school that combines the benefits of face-to-face time for students and teachers in a traditional classroom setting along with the flexibility and individualized learning advantages of online instruction. From an education policy standpoint, virtual and hybrid public schools often represent a savings to taxpayers when compared with traditional public schools because they are generally funded at a lower per pupil level than the per pupil state average as reported by the U.S. Department of Education. Finally, because parents are generally not required to pay tuition to attend a public school, virtual and hybrid public schools make our learning system an attractive alternative within the public school system.

Our proprietary curriculum, online learning platform and varying levels of academic and management services, which can range from individual courses to complete turnkey online schools, are offered to our virtual public school, school district and private school partners. Virtual and hybrid public schools under turnkey management contracts (Managed Schools) account for approximately 84% of our revenue during the current fiscal year. For the 2011-12 school year, we manage schools in 29 states and the District of Columbia. In July 2010, through our acquisition of KC Distance Learning, Inc. (KCDL), we added iQ Academies and now manage these programs in five states where we also manage other virtual public schools. These Managed Schools generally are able to enroll students on a statewide basis. From time-to-time, service agreements with certain Managed Schools may not be renewed by us or the customer, although students are usually able to migrate to other Managed Schools serving the particular state.

We currently serve over 2,000 school districts or individual schools in all 50 states. The services we provide to these districts are designed to assist them in launching their own virtual school or hybrid programs and vary according to the needs of the individual school districts and may include teacher training programs, administrator support and our student account management system. With our services, 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 or credit recovery options. We are serving a growing number of schools and school districts enabling them to offer our course catalogue to students either full-time or on an individual course basis. We have established a dedicated sales team to focus on this sector and, through our acquisition of KCDL, specifically Aventa, in July 2010 and The American Education Corporation (AEC) in December 2010, we increased the size and expertise of our sales team, added a reseller network, and expanded our course portfolio.

We manage four private schools where parents can enroll students on a tuition basis for either a full-time online education or individual courses to supplement their children’s traditional instruction. In 2008, we launched the K 12 International Academy, a private school that we operate using our curriculum. This school is accredited and enables us to offer students worldwide the same full-time education programs that we provide to the virtual and hybrid public schools we manage, including the option to enroll in individual courses. This school is organized as a private international school and enrolled students can interact with their classmates from more than 85 countries. Through our acquisition of KCDL, we added The Keystone School, a private school that has been serving students for over 37 years and offers online and correspondence courses. In January 2011, we launched the George Washington University Online High School (GWUOHS), a program that offers our college preparatory curriculum and is designed for high school students who are seeking a challenging academic experience and aspire to attend top colleges and universities. In April 2011, we acquired the operations and substantially all the assets of the International School of Berne (IS Berne), a traditional private school located in Berne, Switzerland serving students in grades Pre-K through 12.

We provide educational services to post-secondary institutions through our subsidiary, Capital Education. Programs are designed for colleges and universities seeking to build or expand their online presence. Our services include course development and distribution through a proprietary learning management platform, hosting and technical support, student advisory services and program administration.

We made a strategic investment for a 20% minority ownership interest in Web, a provider of English language training in China. This investment gives us the option by June 30, 2012 to: (i) purchase no less than 51% of Web before July 1, 2012, (ii) purchase all remaining equity interest between January 1, 2013 and December 31, 2015, (iii) put the shares back to Web for the $10 million investment plus interest, or (iv) maintain the 20% minority interest. Web serves learners of all ages including university students, government workers, and employees of international companies. Web currently has an extensive network of learning centers throughout China. Web education centers are outfitted with learning labs that use modern computer terminals and internet connections. Students can access our curriculum and other electronic learning resources from the Web centers. We are currently evaluating whether we will exercise our option to purchase additional interest in Web.

Across our educational programs, families come from a broad range of social, economic and academic backgrounds. They share the desire for individualized instruction so as to maximize their child's potential. Examples include, but are not limited to, families with: (i) students seeking to learn faster or slower than they could in a "one size fits all" traditional classroom; (ii) safety, social and health concerns about their local school; (iii) students with disabilities who are underserved in traditional classrooms; (iv) students with geographic or travel constraints; and (v) student-athletes and performers who are not able to attend regularly scheduled classes. Our individualized learning approach allows students to optimize their academic performance and, therefore, their chances of achieving their goals.

For the three months ended March 31, 2012, our total average enrollment was 147,728 students as compared to 101,030 students for the same period in the prior year, a growth rate of 46.2%. Our enrollments include students in Managed Schools, students in programs offered by school districts (Institutional Business) and students in our Private Schools. Students served through our Institutional Business and Private School offerings may enroll in a single course. For better comparability, these students are converted to full-time equivalents (FTEs) on a four course basis. We currently exclude selected programs from our reported enrollment. For example, we do not include students in our consumer channel as we do not monitor the progress of these students in the same way as we do in other programs. We typically sell our A+ curriculum as a site license. As these schools are not limited in the number of students who may access our curriculum, we do not include these students in our enrollment totals. We also exclude students from Capital Education and our classroom pilots. As our business continues to evolve and diversify, we will be evaluating other metrics that may be more useful to investors.

For the three months ended March 31, 2012, we increased revenues to $178.2 million from $130.3 million in the same period in the prior year, a growth rate of 36.8%. The growth of revenue in the quarter reflects our organic revenue growth in our core Managed Schools business, increases in revenue from our Institutional Business and Private Schools, plus revenue from our acquisition of the International School of Berne on April 1, 2011, and the Kaplan/Insight asset acquisition on July 1, 2011, neither of which were included in our prior period results. Our operating income increased to $11.6 million from $10.8 million in the same period in the prior year, a growth rate of 7.4%. Net income to stockholders increased to $6.7 million from net income to stockholders of $5.3 million, an increase of 26.4%. The increase in net income was primarily attributable to the increase in operating income and lower income tax expense compared to the same period in the prior year.

In the last two years, we completed several strategic transactions to accelerate our growth, expand our course catalogue and service offerings and extend our distribution capabilities. With these initiatives and our recent acquisitions, we believe we have improved our growth potential and the long-term ability to scale our business and operations. See Note 10 "Business combination" in the accompanying unaudited condensed consolidated financial statements for additional information on our acquisitions and investments.

Acquisition of The American Education Corporation

In December 2010, we acquired the stock of The American Education Corporation (AEC) for a total cash purchase price of $35.2 million, including certain amounts held in escrow (which the Company received back) of $6.8 million and cash of $3.8 million, resulting in a net purchase price of approximately $24.6 million. AEC is a leading provider of research-based core curriculum instructional software for kindergarten through adult learners. The acquisition increased our portfolio of innovative, high quality instruction and curriculum used by school districts all over the country.

Investment in Web International Education Group, Ltd.

In January 2011, we invested $10 million in cash in Web International Education Group Ltd. (Web). This investment gives us a 20% minority interest in Web, with the option by June 30, 2012 to: (i) purchase no less than 51% of the shares of Web, (ii) purchase all remaining equity interest between January 1, 2013 and December 31, 2015, (iii) put the shares back to Web for the $10 million investment plus interest, or (iv) maintain the 20% minority interest. Web is a provider of English language training for learners of all ages throughout China with an extensive network of learning centers in cities throughout the country. We are currently evaluating whether we will exercise our option to purchase additional interest in Web.

Acquisition of International School of Berne

In April, 2011, we finalized our acquisition of the operations of the International School of Berne (IS Berne) for 2 million Swiss Francs ($2.2 million). IS Berne is a traditional private school located in Berne, Switzerland serving students in grades Pre-K through 12. IS Berne is an International Baccalaureate school in its 50th year of operation. We acquired substantially all of IS Berne’s assets, excluding real estate, and our purchase provided us with the right to operate the school.

Investment by Technology Crossover Ventures in K12 Inc.

In April 2011, we completed a private placement sale of 4 million shares of restricted Common Stock at a price of $31.46 per share to investment funds affiliated with Technology Crossover Ventures (TCV). The proceeds of $125.8 million were unrestricted and may be used for acquisitions, strategic investments and general corporate purposes. Under the terms of the transaction, our Board of Directors (Board) appointed a director nominated by TCV to the Board to hold office until the next annual meeting of stockholders and on December 22, 2011, the TCV nominee was elected by the stockholders at the Company’s annual meeting. Additionally, we granted TCV the right to participate on a pro-rata basis in any subsequent private offerings of Common Stock by the Company, subject to certain exclusions such as issuances in connection with acquisitions or employee equity plans. As provided by the terms of the transaction, we filed a resale registration statement with respect to these shares with the Securities and Exchange Commission on December 8, 2011 and the shelf-registration became effective on December 28, 2011.

Acquisition of Assets from Kaplan Virtual Education

In July 2011, we completed the purchase of certain assets and Insight School management contracts (Kaplan/Insight Assets) of Kaplan Virtual Education, a subsidiary of Kaplan, Inc. The Kaplan/Insight Assets included contracts to serve online public schools in eight states serving students in grades 6-12. The acquisition allows us to serve more students with multiple curriculum platforms, leverage the Insight School brand in certain schools to create a differentiated product offering for “at-risk” students and leverage our existing virtual academy operations. The Kaplan/Insight Assets have been integrated with our online charter school operations.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions about future events that affect the amounts reported in our 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 year 2011 audited consolidated financial statements, which are included in our Annual Report. Other than those described in the condensed consolidated financial statements, there have been no significant updates to our critical accounting policies disclosed in our Annual Report.

Financial Statement Overview

The Company has experienced a number of changes that affect the comparability of period to period financial results. These changes include: the acquisition of KCDL on July 23, 2010; the acquisition of American Education Corporation (AEC) on December 1, 2010; the acquisition of the International School of Berne on April 1, 2011; and the acquisition of Kaplan Virtual Education and Insight Schools (Kaplan/Insight Assets), on July 1, 2011. The operating activities from these acquisitions are included in our third quarter and year to date financial results. The prior year to date results include KCDL for approximately eight months and AEC for four months.

The third quarter and year to date results include operating activities associated with investments to support our growth and business expansion that were not incurred during the prior year periods. These investments include our internal business support systems, a second data center to support operations, and expansion of our products and services into new international, academic and institutional sales markets. Certain business support systems and a second data center were under development during prior periods and development costs were generally capitalized. The third quarter includes maintenance and license costs, depreciation and other operating costs associated with operating these assets. The operating costs associated with maintaining these systems will continue in future periods.

Our student enrollment has experienced a shift in the mix of students in our programs with an increased level of high school students as compared to prior periods. The shift occurred from organic growth in our Virtual Academies, expansion of our private schools, and our acquisition of Kaplan/Insight Assets, which only included students in grades 6-12. Our continued expansion into the institutional sales business and private school markets also shifts the mix of our revenue and associated costs of providing services, including additional sales personnel, third party distributor costs and third party royalty costs for our institutional sales business. We may continue to experience changes in our enrollment, revenue and cost mix as we continue expansion into markets different than our traditional Virtual Academy business. Our other nascent businesses have not yet reached scale and are creating negative pressure on margins.

We incurred transition and integration costs during the current year to date period associated with the acquisition of the Kaplan/Insight Assets and temporary teach out costs associated with private school students acquired in the acquisition. During the three months ended March 31, 2012, we have incurred additional legal costs defending various litigation against the Company. We believe that all the above factors, particularly the large infrastructure investments, mergers and the lower current year capitalization rate for various development projects, reduce the comparability of our operating results for the periods ended March 31, 2012 with the comparable 2011 periods.

Funding Overview

State education budgets remain under pressure due to the current economic environment, and public school funding levels, including for the online public schools that we manage, have been reduced in many states over the past few years and even mid-year adjustments have occurred. We routinely monitor state legislative activity and regulatory proceedings that might impact the funding received by the schools we serve and to the extent possible, factor potential outcomes into our business planning decisions. We have taken reserves during the current year in light of certain funding proposals and for individual school deficit allowances in several states. In addition, because of current economic pressures on state funding, some states are delaying their payments to public schools. We have experienced delays in receiving payments from our Managed Schools that are dependent on state funding before remitting payment to us. As a result of these deferred payments, we have experienced higher accounts receivable throughout the third quarter and year, which has negatively impacted our cash position and cash provided from operations. We currently expect to receive payment from certain states that have deferred payment in the early part of our 2013 fiscal year.

Results of Operations

Enrollment

Our reported total average enrollments include students in Managed Schools, students taking K12 curriculum or Aventa online programs offered by school districts (Institutional Business), and students in Private Schools. Students served through our Institutional Business and Private School offerings may enroll in a single course. For better comparability, these students are converted to full-time equivalents (FTEs) on a four course basis. We currently exclude selected programs from our reported enrollment. For example, we do not include students in our consumer channel as we do not monitor the progress of these students in the same way as we do in other programs. We typically sell our A+ curriculum (acquired with AEC) as a site license. As these schools are not limited in the number of students who may access our curriculum, we do not include these students in our enrollment totals. We also exclude students from post-secondary institutions served by Capital Education and our classroom pilots. As our business continues to evolve and diversify, we will be evaluating other metrics that may be more useful to investors.

Total average enrollments for the three months ended March 31, 2012 increased to 147,728 or 46.2% as compared to 101,030 for the same period in the prior year. High school students comprised 44.8% of public school enrollment as compared to 26.1% in the same period in the prior year. Enrollments in Managed Schools for the three months ended March 31, 2012 increased 46.4% to 105,912 from 72,344 for the same period in the prior year. Managed Schools include virtual and hybrid public schools.

Enrollments in Institutional Business for the three months ended March 31, 2012 increased 49.4% to 31,367 from 21,002 for the same period in the prior year. Our Institutional Business provides curriculum and services to schools and school districts. For better comparability, enrollments reported are converted to full-time equivalents (FTEs) on a four course basis.

Enrollments in Private Schools for the three months ended March 31, 2012 increased 36.0% to 10,449 from 7,684 for the same period in the prior year. Private schools include the K12 International Academy, Keystone, GWUOHS, and *IS Berne*. These private schools offer educational services on a full and part-time basis. For better comparability, enrollments reported are converted to full-time equivalents (FTEs) on a four course basis.

The following table sets forth average enrollment data by distribution channel for each of the periods indicated:

	Three Months Ending March 31,		Growth 2012 / 2011		Nine Months Ending March 31,		Growth 2012 / 2011	
	2012	2011	Change	Change %	2012	2011	Change	Change %
K12 Average Enrollment								
Managed Public Schools	105,912	72,344	33,568	46.4%	105,109	72,332	32,777	45.3%
Institutional Business	31,367	21,002	10,365	49.4%	29,981	19,674	10,307	52.4%
Private Schools	10,449	7,684	2,765	36.0%	10,125	7,650	2,475	32.4%
Total Average Enrollment	147,728	101,030	46,698	46.2%	145,215	99,656	45,559	45.7%

The following table sets forth statements of operations data for each of the periods indicated:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
Revenues	$ 178,175	$ 130,293	$ 538,005	$394,167
Cost and expenses				
Instructional costs and services	105,955	77,727	314,410	229,004
Selling, administrative, and other operating expenses	53,619	36,763	175,836	122,438
Product development expenses	7,012	4,972	20,810	12,318
Total costs and expenses	166,586	119,462	511,056	363,760
Income from operations	11,589	10,831	26,949	30,407
Interest expense, net	(265)	(307)	(722)	(970)
Income before income taxes and noncontrolling interest	11,324	10,524	26,227	29,437
Income tax expense	(4,638)	(5,260)	(11,311)	(14,310)
Net income	$ 6,686	$ 5,264	$ 14,916	$ 15,127
Add net loss attributable to noncontrolling interest	291	335	827	509
Net Income — K12 Inc.	$ 6,977	$ 5,599	$ 15,743	$ 15,636

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
Revenues	100.0%	100.0%	100.0%	100.0%
Cost and expenses				
Instructional costs and services	59.5	59.7	58.4	58.1
Selling, administrative, and other operating expenses	30.1	28.2	32.7	31.1
Product development expenses	3.9	3.8	3.9	3.1
Total costs and expenses	93.5	91.7	95.0	92.3
Income from operations	6.5	8.3	5.0	7.7
Interest expense, net	(0.2)	(0.2)	(0.1)	(0.2)
Income before income taxes and noncontrolling interest	6.3	8.1	4.9	7.5
Income tax expense	(2.6)	(4.0)	(2.1)	(3.6)
Net income	3.7%	4.1%	2.8%	3.9%
Add net loss attributable to noncontrolling interest	0.2	0.2	0.1	0.1
Net income — K12 Inc.	3.9%	4.3%	2.9%	4.0%

We have included below a discussion of our operating results and significant items which explain the material changes in our operating results during the three and nine months ended March 31, 2012 as compared to the same periods in the prior year.

Comparison of the Three Months Ended March 31, 2012 and Three Months Ended March 31, 2011

Revenues. Our revenues for the three months ended March 31, 2012 were $178.2 million, representing an increase of $47.9 million, or 36.8%, as compared to revenues of $130.3 million for the same period in the prior year. This increase was primarily attributable to 46.2% increase in enrollments in all K12 programs from organic growth and acquisitions. Our acquisitions contributed approximately $9.3 million revenue growth during the three ending March 31, 2012 compared to the prior year period. Managed

Schools revenues increased by $37.7 million to $151.8 million during the third quarter as compared to the prior year. Institutional Business revenues increased by $4.5 million to $14.4 million during the third quarter as compared to the prior year. Private Schools and other revenues increased by $5.7 million to $12.0 million during the third quarter as compared to the prior year.

Instructional costs and services expenses. Instructional costs and services expenses for the three months ended March 31, 2012 were $106.0 million, representing an increase of $28.3 million, or 36.4%, as compared to instructional costs and services expenses of $77.7 million for the same period in the prior year. Instructional costs and services expenses decreased slightly as a percentage of revenue during the periods. The increase includes expenses to operate and manage schools including the Insight Schools acquired from KVE and newly launched schools. In addition, costs to supply curriculum, books, educational materials and computers to students increased $6.8 million associated with our increased enrollments.

Selling, administrative, and other operating expenses. Selling, administrative, and other operating expenses for the three months ended March 31, 2012 were $53.6 million, representing an increase of $16.8 million, or 45.7%, as compared to selling, administrative and other operating expenses of $36.8 million for the same period in the prior year. The primary drivers of this increase were: personnel costs, including salaries, benefits and incentive compensation; marketing; professional fees including student support center costs, the implementation costs of internal business support systems, legal costs associated with ongoing litigation and license and maintenance costs associated with internal infrastructure; and depreciation and amortization expenses. As a percentage of revenues, selling, administrative, and other operating expenses increased to 30.1% for the three months ended March 31, 2012 as compared to 28.2% for the same period in the prior year, primarily associated with the items identified above.

Product development expenses. Product development expenses include costs related to new products and information technology systems. For the three months ended March 31, 2012, product development expenses were $7.0 million, representing an increase of $2.0 million, or 40.0% as compared to $5.0 million for the same period in the prior year. The increase is primarily due to the increase in internal software development projects and other non-capitalizable work, which decreased the Company's capitalization rate. This increase was offset by decreased amortization costs for the period. Due to timing and nature of the projects, the capitalization rate during the period was lower than historical levels, resulting in higher current period expense. As a percentage of revenues, product development expenses increased slightly to 3.9% for the three months ended March 31, 2012 as compared to 3.8% for the same period in the prior year primarily due to the items identified above.

Interest expense, net. Net interest expense for the three months ended March 31, 2012 was $0.3 million as compared to net interest expense of $0.3 million for the same period in the prior year.

Income taxes. Income tax expense for the three months ended March 31, 2012 was $4.6 million, or 41.0% of income before income taxes, as compared to an income tax expense of $5.3 million, or 50.0% of income before taxes, for the same period in the prior year. The decrease in the tax rate is primarily due to a decrease in non-deductible transaction costs and other non-deductible expenses in the current period.

Noncontrolling interest. Noncontrolling interest for the three months ended March 31, 2012 was $0.3 million as compared to $0.3 million for the same period in the prior year. Noncontrolling interest reflects the after-tax losses attributable to stockholders in our joint venture in the Middle East and Middlebury Interactive Languages.

Comparison of the Nine Months Ended March 31, 2012 and Nine Months Ended March 31, 2011

Revenues. Our revenues for the nine months ended March 31, 2012 were $538.0 million, representing an increase of $143.8 million, or 36.5%, as compared to revenues of $394.2 million for the same period in the prior year. This increase was primarily due to organic revenue growth in our core schools business and enrollment growth. Managed Schools revenues increased by $105.5 million to $451.5 million during the nine months as compared to the prior year. Institutional Business revenues increased by $20.8 million to $49.7 million during the nine months as compared to the prior year. Private Schools and other revenues increased by $17.5 million to $36.8 million during the nine months as compared to the prior year.

Instructional costs and services expenses. Instructional costs and services expenses for the nine months ended March 31, 2012 were $314.4 million, representing an increase of $85.4 million, or 37.3%, as compared to instructional costs and services expenses of $229.0 million for the same period in the prior year. This increase was primarily attributable to an increase in expenses to operate and manage schools including the Insight Schools acquired from KVE and newly launched schools. In addition, costs to supply curriculum, books, educational materials and computers to students increased $14.7 million due to our enrollment growth. As a percentage of revenues, instructional costs and services expenses remained relatively consistent at 58.4% compared with 58.1% for the nine month periods ended March 31, 2012 and 2011, respectively.

Selling, administrative, and other operating expenses. Selling, administrative, and other operating expenses for the nine months ended March 31, 2012 were $175.8 million, representing an increase of $53.4 million, or 43.6%, as compared to selling, administrative and other operating expenses of $122.4 million for the same period in the prior year. This increase was primarily attributable to increases in: personnel costs, including salaries, benefits and incentive compensation; marketing and student enrollment counseling; third party commissions related to the Company's institutional sales; accounting and internal and external audit fees related to the Company's public filing and tax returns; investment in the institutional sales organization and distribution network; professional fees which included costs associated with the internal business support systems, transaction costs, and legal costs associated with ongoing litigation, and license and maintenance costs associated with internal infrastructure; and depreciation and amortization expense. As a percentage of revenues, selling, administrative, and other operating expenses increased to 32.7% for the nine months ended March 31, 2012 as compared to 31.1% for the same period in the prior year.

Product development expenses. Product development expenses for the nine months ended March 31, 2012, were $20.8 million, representing an increase of $8.5 million, or 69.1%, as compared to $12.3 million for the same period in the prior year. Product development expenses include costs related to new products and information technology systems. The increase is primarily due to the increase of preliminary design work related to internal software development projects. Due to timing and nature of the projects, the capitalization rate during the period was lower than historical levels. As a percentage of revenues, product development expenses increased to 3.9% for the nine months ended March 31, 2012 as compared to 3.1% for the same period in the prior year primarily due to the items identified above.

Interest expense, net. Net interest expense for the nine months ended March 31, 2012 was $0.7 million as compared to net interest expense of $1.0 million for the same period in the prior year. The decrease in net interest expense is primarily due to lower average interest rates on capital lease obligations.

Income taxes. Income tax expense for the nine months ended March 31, 2012 was $11.3 million, or 43.1% of income before income taxes, as compared to an income tax expense of $14.3 million, or 48.6% of income before taxes for the same period in the prior year. The decrease in the tax rate is primarily due to a decrease in non-deductible transaction costs and other non-deductible expenses in the nine month period.

Noncontrolling interest. Noncontrolling interest for the nine months ended March 31, 2012 was $0.8 million as compared to noncontrolling interest of $0.5 million for the same period in the prior year. Noncontrolling interest reflects the after-tax losses attributable to stockholders in our joint venture in the Middle East and Middlebury Interactive Languages.

Liquidity and Capital Resources

As of March 31, 2012 and June 30, 2011, we had cash and cash equivalents of $123.7 million and $193.1 million, respectively, excluding restricted cash. The decrease of $69.4 million was primarily due to an increase in accounts receivable from our Managed Schools. Because of current economic pressures on certain states' funding, some states have delayed their payments to public schools, and as a public school, we have experienced delays in receiving payments from some of our Managed Schools that are dependent on state funding before remitting payment to us. As a result, we have experienced higher accounts receivable throughout the current fiscal year than during prior fiscal years, which, in conjunction with an increase in capital expenditures, contributed to a reduction in our cash position. The buildup of accounts receivable has also contributed to a reduction in our cash provided from operations during the current fiscal year. In addition, we used cash to acquire the Kaplan/Insight Assets and invest in capital expenditures and product development. We also provided working capital to operate the acquired Kaplan/Insight schools and launches of new schools. We financed our capital expenditures during the nine months ended March 31, 2012 primarily with cash and capital lease financing. As of March 31, 2012 and June 30, 2011, our cash balance included $6.7 million and $6.6 million, respectively, associated with our consolidated joint ventures.

In addition to our cash and line of credit availability, we had accounts receivable of $205.3 million and $96.2 million as of March 31, 2012 and June 30, 2011, respectively. Our accounts receivable provide an additional source of liquidity as cash payments are collected from customers in the normal course of business. Our accounts receivable balance fluctuates throughout the year based on the timing of customer billings and collections. Accounts receivable typically are at the highest levels in the first quarter as we begin billing for students and at the lowest levels during the fourth quarter as we receive final payments from the states. Our accounts payable and accrued expenses also impact our liquidity as cash payments are made to vendors in the normal course of business. Our accounts payable balance fluctuates throughout the year based on the timing of expenses incurred and tend to be highest in the first quarter as we prepare for the school year and students.

We have a $35 million line of credit with PNC Bank that expires December 2012. As of March 31, 2012 no borrowings were outstanding on the line of credit and approximately $0.3 million was reserved for a letter of credit. We intend to renew our line of credit prior to its expiration in December 2012.

We have amended our equipment lease line of credit with PNC Equipment Finance, LLC to increase the amount available for new purchases of student computers to $27.0 million through August 2012. The interest rate on the borrowings is set at the time of borrowing based upon interest rates in the Federal Reserve Statistical Release H.15. We intend to renew our equipment lease line of credit for future student computer financing prior to its expiration in August 2012 or to pursue other methods of financing student computers in future periods.

For the nine months ended March 31, 2012, we entered into capital leases totaling $25.6 million to finance the purchase of student computers and other equipment at an interest rate of approximately 2.76% bringing the total lease balance outstanding at March 31, 2012 to $34.1 million. These leases include a 36-month payment term with a bargain purchase option at the end of the term. Accordingly, we include this equipment in property and equipment and the related liability in capital lease obligations. In addition, we have pledged the assets financed with the equipment lease line to secure the amounts outstanding.

Our cash requirements consist primarily of day-to-day operating expenses, capital expenditures and contractual obligations with respect to facility leases, capital equipment leases and other operating leases. We lease all of our office facilities. We expect to make future payments on existing leases from cash generated from operations. We believe that the combination of funds currently available and funds to be generated from operations will be adequate to finance our ongoing operations for the foreseeable future. In addition, 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. Should we exercise our option to make an additional investment in Web, we anticipate making the investment using our available cash or common stock or our available line-of-credit.

Redemption Right of Middlebury College

In the formation of our joint venture with Middlebury College (Middlebury), at any time after the fifth (5th) anniversary of the agreement, Middlebury may give written notice of its irrevocable election to sell all (but not less than all) of its Membership Interest to us (put right). Given the put right is redeemable outside of our control, it is recorded outside of permanent equity at its estimated redemption value. The purchase price for Middlebury's Membership Interest shall be its fair market value and we may, in our sole discretion, pay the purchase price in cash or shares of our common stock. We will record the redemption value of the redeemable noncontrolling interest on each balance sheet date in accordance with EITF Topic D-98 and any changes to the redemption value should be recognized as adjustments to retained earnings, or in the absence of retained earnings, by adjustment to additional paid-in capital. As of March 31, 2012, the redeemable noncontrolling interest was $17.2 million. The agreement also includes a provision whereby, if certain milestones are not met related to expanding the business by June 2014, Middlebury will have the option to repurchase certain contributed assets at their fair market value.

Operating Activities

Net cash (used in)/provided by operating activities for the nine months ended March 31, 2012 and 2011 was $(13.5) million and $27.0 million, respectively. Cash from operations reflects the timing of cash collections from services provided and payment of operating costs to fund the continued growth and expansion of our business. The decrease in cash from operations was the result of increases in accounts receivable, prepaid expenses and other current assets, and decreases in accounts payable; offset by deferred revenue, depreciation expense, deferred taxes, accrued expenses and inventory. We have experienced delays in receiving payments of our accounts receivables from certain Managed Schools that are dependent on state funding before remitting payment to us. As a result, we have experienced higher accounts receivable throughout the current fiscal year than during the prior fiscal year, which has negatively impacted our cash flows from operations.

Accounts receivable balances tend to be at the highest levels in the first quarter as we begin billing for students. Deferred revenues are primarily a result of invoicing upfront fees, not cash payments. Deferred revenues increased primarily due to growth in enrollments and institutional sales. Deferred revenue balances tend to be highest in the first quarter, when the majority of students enroll, and are generally amortized over the course of the fiscal year.

The increase in accrued expenses is primarily due to the timing of payments to vendors and service providers for strategic marketing, student recruiting expenses, professional services, and equipment purchases. The decrease in inventories is primarily due to materials shipped to students, partially offset by purchases. Depreciation expense increased as a result of the Company’s continued investment in infrastructure to support current and future growth, including capital expenditures.

Investing Activities

Net cash used in investing activities for the nine months ended March 31, 2012 and 2011 was $45.5 million and $68.6 million, respectively.

Net cash used in investing activities for the nine months ended March 31, 2012 was primarily due to purchases of property and equipment, including capitalized software, of $22.5 million, the purchase of Kaplan/Insight Assets of $12.6 million, and investment in capitalized curriculum development of $10.3 million, primarily related to the production of high school courses and middle school math courses.

Net cash used in investing activities for the nine months ended March 31, 2011 was primarily due to acquisition activities including the acquisition of AEC for $24.5 million (net of $3.8 million acquired cash and refunded escrow amounts), a $10 million investment of a 20% interest in Web International, and approximately $2.0 million for our acquisition of the International School of Berne, which formally closed on April 1, 2011. In association with the AEC acquisition, we deposited $6.8 million into a performance escrow with payment dependent on AEC achieving specified financial targets, and we were repaid the full $6.8 million during the period. In addition, investing activities included purchases of property and equipment, including capitalized software of $20.3 million, including $5.7 million for license and implementation of an enterprise software application, $2.2 million for expansion of our corporate offices, and $1.5 million for equipment in the build out of our second data center; investment in capitalized curriculum development of $11.7 million, primarily related to the production of high school courses, middle school math courses, and language courses.

In addition to the investing activities above, for the nine months ended March 31, 2012 and 2011, we financed through capital leases, purchases of student computers and other equipment in the amount of $25.6 million and $15.6 million, respectively.

Financing Activities

Net cash used in financing activities for the nine months ended March 31, 2012 and 2011 was $10.6 million and $0.3 million, respectively.

For the nine months ended March 31, 2012, net cash used in financing activities was primarily due to payments on capital leases and notes payable of $13.4 million and the repurchase of restricted stock for income tax withholding of $1.3 million, partially offset by proceeds from the exercise of stock options of $3.1 million and the related tax benefit of $1.2 million.

For the nine months ended March 31, 2011, net cash used in financing activities was primarily due to repayments of capital lease and notes payable obligations of $12.4 million and withholding tax payments on vesting of restricted stock awards of $1.6 million, offset by proceeds from the exercise of stock options of $8.3 million, and the excess tax benefit from stock-based compensation of $5.4 million. During the period, we borrowed $15 million under our line of credit for the acquisition of AEC and subsequently repaid the amount with cash provided by operations. As of March 31, 2011, there were no borrowings outstanding on our $35 million line of credit.

Off Balance Sheet Arrangements, Contractual Obligations and Commitments

During the nine months ended March 31, 2012, we provided a guarantee of approximately $6.7 million related to a 10-year lease commitment on the building for a newly managed hybrid school. There were no other changes to our guarantee and obligations from those disclosed in our fiscal year 2011 audited consolidated financial statements.

Our contractual obligations consist primarily of leases for office space, capital leases for equipment and other operating leases. The total amount due under contractual obligations increased during the nine months ended March 31, 2012 primarily due to approximately $25.6 million for capital leases related to student computers, net of payments.

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

Interest Rate Risk

At March 31, 2012 and June 30, 2011, we had cash and cash equivalents totaling $123.7 million and $193.1 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, 2012, a 1% gross increase in interest rates earned on cash would result in $1.2 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, 2012, 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. Therefore, fluctuations in exchange rates will not have a material impact on our financial statements. However, we are pursuing additional opportunities in international markets and expect our international presence to grow. 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(e) 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.

As described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, a material weakness in our internal control over financial reporting was identified. The material weakness related to project management of a new enterprise-wide financial system ("ERP") and affected the timeliness of our year-end close. Management assessed the processes surrounding the project management of the ERP implementation and determined that the ERP system implementation plan was insufficiently comprehensive which caused delays and ultimately prevented the year-end close from being completed in a timely manner. Rule 12b-2 and Rule 1-02 of Regulation S-X define a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2011, our disclosure controls and procedures were not effective at a reasonable assurance level.

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 not effective as of March 31, 2012 as the material weakness identified as of June 30, 2011 still exists.

Changes in Internal Control over Financial Reporting

As a result of management's evaluation of our internal control over financial reporting, management identified a material weakness in our internal control. Specifically, management concluded that a material weakness relating to project management of a new enterprise-wide financial system ("ERP") and the resulting effects on the timeliness of our year-end and quarterly close process existed in our internal control over financial reporting.

Management has assessed the processes surrounding the project management of the ERP implementation and determined that the ERP system implementation plan was insufficiently comprehensive which caused delays and ultimately prevented the year-end close from being completed in a timely manner. To address implementation challenges, external resources and Company information technology and accounting staff have been engaged in intensive quality control and checking of the new ERP system, including the interfaces with the multiple accounting systems inherited with our recent acquisitions to perform the year end close and ensure accurate financial reporting. The Company has completed its initial implementation and anticipates future enhancements and updates to the new ERP system. The Company will thoroughly review and improve its system implementation plans and related processes that impact future internal business support systems, enhancements and updates.

This control deficiency could have resulted in a material misstatement to the interim consolidated financial statements that would not be prevented or detected as of the initial filing date deadline. Accordingly, management determined that this control deficiency constituted a material weakness as of March 31, 2012.

During the nine months ended March 31, 2012, in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act, the effort to remediate the material weakness in our internal control over financial reporting has had a positive effect on our internal control over financial reporting. Management anticipates that these measures and other ongoing enhancements will continue to have a positive impact on our internal control over financial reporting in future periods. Notwithstanding such efforts, the material weakness related to project management of a new enterprise-wide financial system ("ERP") and the resulting effects on the timeliness of our year-end close existed in our internal control over financial reporting described above will not be remediated until the new controls operate for a sufficient period of time and are tested to enable management to conclude that the controls are effective. Management will consider the design and operating effectiveness of these controls and intends to make additional changes that management determines to be appropriate.

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 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. On January 10, 2012, the Company filed its motion to dismiss IpLearn's amended complaint. IpLearn responded on January 27, 2012, and the Company replied on February 6, 2012.

Hoppaugh Complaint

On January 30, 2012, a securities class-action lawsuit captioned *Hoppaugh v. K12 Inc*., was filed against the Company and two of its officers in the United States District Court for the Eastern District of Virginia, *Hoppaugh v. K12, Inc*., Case No. 1:12-cv-103-CMH-IDD (the "Hoppaugh Complaint"). The plaintiff purports to represent a class of persons who purchased or otherwise acquired K12 common stock between September 9, 2009 and December 16, 2011, 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 Hoppaugh 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 financial results during the class period, (ii) the academic performance of the virtual schools served by the Company, and (iii) certain school administrative practices and sales strategies related to enrollments. The plaintiff seeks unspecified monetary damages and other relief. On April 2, 2012, the Arkansas Teacher Retirement System filed a Motion for Appointment as Lead Plaintiff, which is pending. The Company intends to defend vigorously against the claims asserted in the Hoppaugh Complaint. In addition to the above-described stockholder class action, on March 21, 2012, a federal stockholder derivative action, *Jared Staal v. Tisch, et. al.*, Case No. 1:12-cv-00365-SLR, putatively initiated on behalf of the Company, was filed in the United States District Court for the District of Delaware. By stipulation, all matters in this derivative action have been stayed until motions to dismiss in the Hoppaugh Complaint are decided.

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.

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

None.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. *Mine Safety Disclosures*

Not Applicable

Item 5. *Other Information.*

None.

Item 6. *Exhibits.*

(a) Exhibits.

Number	Description
10.1*	Employment Agreement for Timothy L. Murray
31.1*	Certification of Principal Executive Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2*	Certification of Principal Financial Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1*	Certification of Principal Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, 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, 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, 2012, 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 Equity (Deficit) (unaudited), (iv) Condensed Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Condensed Consolidated Financial Statements (unaudited).

* Filed herewith.

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/ RONALD J. PACKARD

Name: Ronald J. Packard

Title: Chief Executive Officer

Date: May 8, 2012

Exhibit 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), dated as of March 7, 2012, is made by and among K12 Services Inc., a Delaware corporation (together with any successor thereto, the "Company"), K12, Inc., a Delaware Corporation ("Parent") and Timothy L. Murray ("Executive") (collectively referred to herein as the "Parties").

WHEREAS, Executive and the Company desire that Executive provide services to the Company on the terms herein provided;

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the Parties hereto agree as follows:

1. EMPLOYMENT.

(a) General. As of the Effective Date (as defined below), the Company shall employ Executive and Executive shall enter into the employ of the Company, for the period and in the position set forth in this Section 1, and upon the other terms and conditions herein provided.

(b) Employment Term. The term of employment under this Agreement (the "Term") shall be for the period beginning on or about April 9, 2012 (the "Effective Date"), and ending on the date Executive's employment is terminated as provided in Section 3.

(c) Position and Duties. Executive shall serve as President and Chief Operating Officer of the Parent and the Company with such customary responsibilities, duties and authority as may from time to time be reasonably assigned to Executive by the Chief Executive Officer of the Parent ("CEO"), consistent with such position. Executive will report directly to the CEO and Executive's principal place of employment shall be the Parent's headquarters in Herndon, Virginia. Executive shall devote substantially all of Executive's working time and efforts to the business and affairs of the Company (which shall include service to its affiliates). Executive agrees to observe and comply with the rules and policies of the Company as adopted by the Company from time to time, in each case as amended from time to time, as set forth in writing, and as delivered or made available to Executive (each, a "Policy"). During the Term, it shall not be a violation of this Agreement for Executive to (i) serve on industry trade, civic, charitable or not-for-profit corporate boards or committees, (ii) serve on one for-profit board, which shall initially be the advisor board to PulsePoint, provided, however, Executive may serve on additional such boards with the prior written consent of the Board of Directors; (iii) deliver lectures or fulfill speaking engagements; or (iv) manage personal investments, as long as such activities do not materially interfere with the performance of Executive's duties and responsibilities hereunder. Notwithstanding the foregoing, the Company acknowledges that Executive is contractually and legally required by PulsePoint to reasonably cooperate with PulsePoint with certain legal matters following the Effective Date that arose during Executive's employment with PulsePoint. In such case, Executive shall use his reasonable best efforts to provide such cooperation if requested in writing by PulsePoint at times convenient for the Company and that do not materially interfere with his duties. Executive shall notify Company in writing when such cooperation obligations with regard to such legal matters are concluded, at which time Executive shall no longer provide such services without obtaining the consent of the Company.

2. COMPENSATION AND OTHER BENEFITS.

(a) Annual Base Salary. During the Term, Executive shall receive a base salary at a rate of $500,000.00 per annum (the "Annual Base Salary"), which shall be paid in accordance with the customary payroll practices of the Company. Such Annual Base Salary shall be reviewed (and may be increased but not decreased) from time to time by the Parent's Board of Directors (the "Board") or the compensation committee of the Board (the "Compensation Committee").

(b) Bonus. During the Term, Executive will be eligible to participate in the Company's annual incentive cash bonus plan ("Bonus Plan"). Under the Bonus Plan, Executive may receive a bonus in the sole and absolute discretion of the Compensation Committee, which bonus shall have a target of 60% of Executive's Annual Base Salary (the "Target Bonus") for achievement of 100% of the performance goals under the Bonus Plan for a given year. Executive shall also be eligible to receive a bonus in excess of the Target Bonus, as determined by specific performance management objectives and ratios set annually by the Compensation Committee, up to a maximum amount (the "Maximum Bonus"). For purposes of illustration, pursuant to the FY 2012 Bonus Plan, Executive could have been eligible to receive a Maximum Bonus of up to 132.5% of Executive's Annual Base Salary. The bonus awards payable under the Bonus Plan shall be based upon the overall success of the Parent or Company and the achievement of performance goals to be determined by the Board or the Compensation Committee. Except as otherwise provided for herein, the payment of any bonus pursuant to the Bonus Plan shall be subject to Executive's continued employment with the Company through the date of payment. Any annual bonus earned by Executive shall be paid to Executive when bonuses under the performance period in question are paid to similarly-situated employees of the Company, but in no event later than the last day to qualify such bonus as a "short-term deferral" under Treasury Regulation Section 1.409A-1(b)(4).

(c) Benefits. During the Term, Executive shall be eligible to participate on the same basis as other similarly situated senior executives of the Company in employee benefit plans, programs and arrangements of the Company, consistent with the terms thereof and as such plans, programs and arrangements may be amended from time to time. Executive's participation in such plans, programs and arrangements shall be subject to (i) the terms of the applicable plan documents, and (ii) Company Policies. These plans or programs are subject to change or termination at the sole discretion of the Company. Executive shall have thirty days from the Effective Date (or such other qualifying event as required by the terms of an applicable plan) to enroll or decline benefits, or make changes to benefits elections. Unless Executive elects otherwise, Executive will be automatically enrolled at a rate of 3% of Annual Base Salary to be withheld, pretax, and deposited into Executive's 401(k) plan account. In no event shall Executive be eligible to participate in any severance plan or program of the Company, except as set forth in Section 4 of this Agreement.

(d) Equity Awards.

(i) Subject to the approval of the Compensation Committee, the Company shall cause the Parent to give Executive an initial grant of options to purchase one hundred and fifty thousand (150,000) shares of common stock of Parent (" Common Stock") with a per share exercise price equal to the closing price of a share of Common Stock on the New York Stock Exchange on the date of grant (the " Option"). The Option shall be granted following the approval of the Compensation Committee which shall be no later than thirty (30) days following the Effective Date. All stock option grants are made at the discretion of the Compensation Committee and the Company has no reason to believe that the Option will not be approved by the Compensation Committee. Executive will receive a stock option agreement that incorporates the terms of Parent's equity incentive plan and sets forth the terms and conditions of the Option grant, including the vesting schedule and applicable exercise price, following approval thereof by the Compensation Committee. One Fourth (1/4th) of the shares subject to the Option shall vest on the first anniversary of the date of grant (the "First Vesting Date"), and an additional one-sixteenth (1/16th) of such shares shall vest every three (3) months following the First Vesting Date. Notwithstanding the terms of the equity incentive plan or the stock option agreement, in the event of (X) a Change in Control (as defined in the applicable equity incentive plan), the vesting of the Option shall automatically accelerate and all unvested shares of Common Stock subject to such Option shall then become fully vested and exercisable as of the effective date of the Change in Control; or (Y) in the event Executive's employment is terminated without Cause or Executive resigns for Good Reason, and in either case such termination or resignation occurs prior to the one year anniversary of the grant date of the option, then, twenty-five (25%) percent of the shares of Common Stock subject to such Option shall automatically accelerate and become fully vested and exercisable. In such case, Executive shall have 180 days following the date of termination to exercise the vested shares under the Option. Such shares shall also be subject to the terms and conditions, including the vesting schedule, set forth in a stock option agreement and Parent's equity incentive plan.

(ii) Subject to the approval of the Compensation Committee, the Company shall cause the Parent to give Executive an initial grant of fifty thousand (50,000) shares of restricted Common Stock pursuant to a restricted stock award agreement to be entered into between Executive and Parent ("Restricted Common Stock"). The Restricted Common Stock shall be granted following the approval of the Compensation Committee which shall be no later than thirty (30) days following the Effective Date. Executive will receive a restricted stock award agreement that incorporates the terms of Parent's equity incentive plan and sets forth the terms and conditions of the restricted shares, including the vesting schedule, following approval thereof by the Compensation Committee. The restrictions on the Restricted Common Stock shall lapse semi-annually with twenty percent (20%) of the total Restricted Common Stock vesting during the first year from the date of grant and forty(40%) vesting each year thereafter for the following two (2) years. Notwithstanding the terms of the equity incentive plan or the restricted stock agreement, (X) in the event Executive's employment is terminated without Cause or Executive resigns for Good Reason immediately prior to or following a Change in Control, all restrictions on the Restricted Common Stock shall automatically lapse, or (Y) in the event Executive's employment is terminated without Cause or Executive resigns for Good Reason, and in either case such termination or resignation occurs prior to the one year anniversary of the grant date of the Restricted Common Stock, all restrictions on twenty-five (25%) percent of the shares shall automatically lapse. After August 1, 2012, and subject to Executive's continued employment with the Company, Executive will receive an additional grant of ten thousand (10,000) shares of Restricted Common Stock of Parent, to be granted at the next regularly scheduled meeting of the Compensation Committee following such date. Such shares shall also be subject to the terms and conditions, including vesting schedule, set forth in a restricted stock award agreement and Parent's equity incentive plan.

(iii) The Parties acknowledge that Executive shall be eligible to receive annual equity grants on the same basis as other similarly situated senior executives of the Company and in accordance with the equity compensation plans determined by the Compensation Committee, in its sole discretion.

(e) Vacation. During the Term, Executive shall be entitled to twenty (20) days of paid vacation per year in accordance with the Company's Policies (vacation days shall be prorated for any partial year of service). Any vacation shall be taken at the reasonable and mutual convenience of the Company and Executive.

(f) Expenses. During the Term, the Company shall reimburse Executive for all reasonable and approved travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's expense reimbursement Policy.

(g) Lodging; Commuting Expenses. Beginning on the Effective Date and during Executive's first twelve (12) months of employment with the Company, the Company will reimburse Executive at a rate of five thousand dollars ($5,000) per month for an apartment in or near Herndon, Virginia and for Executive's reasonable expenses to commute on a weekly basis to and from Executive's home in New Jersey, which shall be paid in accordance with the customary payroll practices of the Company any.

(h) Legal Expenses. The Company will reimburse executive up to $5,000 of Executive's legal expenses incurred during calendar year 2012 in connection with the review of this Agreement and any other agreements referred to herein.

3. TERMINATION.

Executive's employment hereunder may be terminated by the Company or Executive, as applicable, without any breach of this Agreement under the following circumstances:

(a) Circumstances.

(i) *Death*. Executive's employment hereunder shall terminate upon Executive's death.

(ii) *Disability*. If Executive has incurred a Disability, as defined below, the Company may terminate Executive's employment.

(iii) *Termination for Cause*. The Company may terminate Executive's employment for Cause, as defined below.

(iv) *Termination without Cause*. The Company may terminate Executive's employment without Cause.

(v) *Resignation from the Company without Good Reason.* Executive may resign Executive's employment with the Company without Good Reason, as defined below.

(vi) *Resignation from the Company for Good Reason.* Executive may resign Executive's employment with the Company for Good Reason.

(b) Notice of Termination. Any termination of Executive's employment by the Company or by Executive under this Section 3 (other than termination pursuant to paragraph (a)(i)) shall be communicated by a written notice to the other party hereto (i) indicating the specific termination provision in this Agreement relied upon, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, if applicable, and (iii) specifying a Date of Termination which, other than termination pursuant to paragraph (a)(iii), shall be at least thirty (30) days following the date of such notice (a "Notice of Termination"); *provided, however,* that in the event that Executive delivers a Notice of Termination to the Company, the Company may, in its sole discretion, change the Date of Termination to any date that occurs following the date of Company's receipt of such Notice of Termination and is prior to the date specified in such Notice of Termination. The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights hereunder.

(c) Company Obligations upon Termination. Upon termination of Executive's employment pursuant to any of the circumstances listed in Section 3, Executive (or Executive's estate) shall be entitled to receive the sum of: (i) the portion of Executive's Annual Base Salary earned through the Date of Termination, but not yet paid to Executive; (ii) any expenses owed to Executive pursuant to Section 2(f); (iii) any accrued but unused vacation days through the Date of Termination, and (iv) any amount accrued and arising from Executive's participation in, or benefits accrued under any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (collectively, the "Company Arrangements"). Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other compensatory amounts hereunder (if any) shall cease upon the termination of Executive's employment hereunder. In the event that

Executive's employment is terminated by the Company for any reason and Executive executes the Release (defined below), Executive's sole and exclusive remedy shall be to receive the severance payments and benefits described in this Section 3(c) or Section 4, as applicable.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates.

(e) Post-Termination Cooperation. Executive agrees that following Executive's termination of employment with Company, Executive shall, to the extent reasonably requested by Company and reasonably convenient for Executive, reasonably cooperate and assist Company at Company's expense in any dispute, controversy, or litigation in which Company may be involved and with respect to which Executive obtained knowledge while employed by Company or any of its affiliates, successors, or assigns, including, but not limited to, Executive's participation in any court or arbitration proceedings, giving of testimony, signing of affidavits, or such other personal cooperation as counsel for Company shall reasonably request. The Company shall reimburse Executive for his reasonable expenses incurred in the course of such cooperation, and, in the event such cooperation shall require a significant amount of Executive's time (as reasonably determined by the Parties) shall pay Executive a reasonable per diem amount to be reasonably agreed to by Parties for Executive's time.

4. SEVERANCE PAYMENTS.

(a) Termination for Cause, or Termination Upon Death, Disability or Resignation from the Company. If Executive's employment shall terminate as a result of Executive's death pursuant to Section 3(a)(i), or Disability pursuant to Section 3(a)(ii), or for Cause pursuant to Section 3(a)(iii), or upon Executive's resignation from the Company without Good Reason pursuant to Section 3(a)(v), then Executive shall not be entitled to any severance payments or benefits, except for the Company Arrangements as provided in Section 3(c).

(b) Termination without Cause or Resignation for Good Reason. If Executive's employment shall terminate without Cause pursuant to Section 3(a)(iv) or upon Executive's resignation from the Company for Good Reason pursuant to Section 3(a)(vi), then, subject to Executive signing on or before the 21st day following Executive's Separation from Service (as defined below), and not revoking, a release of claims in the form attached as Exhibit A to this Agreement (the "Release"), and Executive's continued compliance with the Confidentiality Agreement (as defined below), Executive shall receive, in addition to the Company Arrangements set forth in Section 3(c), the following:

(i) an amount in cash equal to one (1) times the Annual Base Salary of Executive as of the Date of Termination, payable in the form of salary continuation in regular installments over the twelve-month period following the date of Executive's Separation from Service (the "Severance Period") in accordance with the Company's normal payroll practices;

(ii) an amount equal to any accrued and earned annual bonus for the completed fiscal year immediately preceding the Date of Termination that has been declared by the Board or the Compensation Committee but is not yet paid as of the Date of Termination (to be paid when such annual bonuses are paid to similarly situated employees); and

(iii) reimbursement (or direct payment to the carrier), for the Severance Period, for a portion of the premium costs incurred by Executive (and his spouse and dependents, where applicable) to obtain COBRA coverage pursuant to one of the group health plans sponsored by the Company, which reimbursement (or direct payment) shall equal the premium costs incurred by the Company for the Severance Period, on behalf of a similarly-situated employee, to obtain coverage under the same group health plan sponsored by the Company. Notwithstanding the foregoing, if reimbursement or direct payment of health care premium violates any applicable health care laws, then Executive shall be entitled to a monthly payment of such amount payment, less applicable taxes and withholding, in lieu of such reimbursement.

Notwithstanding the foregoing, in the event Executive is entitled to the payments and benefits set forth in this Section 4(b) as a result of a termination or resignation of employment that occurs on, immediately prior to or within one (1) year following a Change in Control, then the such payments in subparagraphs (i), and (ii) shall be made in lump-sum on the first business day following the date on which the Release shall be non-revocable by Executive, if such Release is required, if not required, on the Date of Termination.

5. COMPETITION; CONFIDENTIALITY; INVENTIONS.

Prior to the Effective Date, Executive shall enter into Parent's standard form of Employee Confidentiality, Proprietary Rights and Non-Solicitation Agreement (the "Confidentiality Agreement"), a form of which is attached to this Agreement as Exhibit B.

6. ASSIGNMENT AND SUCCESSORS.

The Company may assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise), and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law. Notwithstanding the foregoing, Executive shall be entitled, to the extent permitted under applicable law and applicable company Policies, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

7. EXECUTIVE REPRESENTATIONS.

Executive represents that Executive's employment by the Company does not and will not breach any agreement with any former employer, including any non-compete agreement or any agreement to keep in confidence or refrain from using information acquired by Executive prior to Executive's employment by the Company. During Executive's employment by the Company, Executive agrees that Executive will not intentionally violate any non-solicitation agreements Executive entered into with any former employer or improperly make use of, or disclose, any information or trade secrets of any former employer or other third party, nor will Executive bring onto the premises of the Company or use any unpublished documents or any property belonging to any former employer or other third party, that Executives knows is in violation of any lawful agreements with that former employer or third party.

8. CERTAIN DEFINITIONS.

(a) Cause. The Company shall have "Cause" to terminate Executive's employment hereunder if the Board determines, in good faith, that any of the following have occurred:

(i) Executive's (A) willful failure or continual neglect to perform Executive's material responsibilities under this Agreement, in each case, that causes material and demonstrable damage to the Company, or (B) failure to comply with, in any material respect, any of the Company's Policies, which failure is not remedied by Executive within thirty (30) days after receiving written notice from the Board specifying such failure;

(ii) Executive failed in any material respect to carry out or comply with any lawful and reasonable written directive of the Board consistent with the terms of this Agreement (other than as a result of Executive's Disability), which failure is not remedied by Executive within thirty (30) days after receiving written notice from the Board specifying such failure;

(iii) Executive's breach, in any material respect, of the Confidentiality Agreement or Sections 6 or 7 of this Agreement or any material written Policy of the Company, which breach is not remedied, if possible, by Executive within thirty (30) days after receiving written notice from the Board specifying such failure;

(iv) Executive's conviction or plea of no contest (or of *nolo contendere)*, for any felony or for any crime involving moral turpitude;

(v) Executive's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its affiliate's) premises or while performing Executive's duties and responsibilities under this Agreement; or

(vi) Executive's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company or any of its affiliates.

(b) Date of Termination. “Date of Termination” shall mean (i) if Executive’s employment is terminated by Executive’s death, the date of Executive’s death; (ii) if Executive’s employment is terminated for any other reason, either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 3(b), whichever is earlier.

(c) Disability. “Disability” shall have the meaning provided in the long-term disability insurance plan provided to the senior executives of the Company pursuant to Section 2(c) herein for the purpose of determining a participant’s eligibility for benefits, provided, however, if the long-term disability plan contains multiple definitions of disability, “Disability” shall refer to that definition of disability which, if Executive qualified for such disability benefits, would provide coverage for the longest period of time. The determination of whether Executive has a Disability shall be made by the person or persons required to make disability determinations under the long-term disability plan.

(d) Good Reason. “Good Reason” shall mean:

(i) a material breach by the Company or Parent of the terms of this Agreement, or any other equity or compensation written agreement between the Company or Parent and Executive, including, but not limited to, the failure of the Company to make any material payment or provide any material benefit specified under this Agreement,

(ii) any material adverse change in the nature or scope of Executive’s authority, duties or responsibilities;

(iii) the failure of the Company to continue Executive in the position of President and Chief Operating Officer;

(iv) any reduction in Executive’s Salary (other than a proportional reduction as part of a generalized reduction in the base salaries of senior management of the Company not to exceed five-percent (5%) of Annual Base Salary then in effect); or

(v) the relocation of the site of Executive’s principal place of employment by a distance in excess of fifty (50) miles;

provided, however, that Executive may not resign his employment for Good Reason unless: (x) Executive provided the Company with at least thirty (30) days prior written notice of his intent to resign for Good Reason (which notice must be provided within sixty (60) days following the date on which Executive has knowledge of the occurrence of the event(s) purported to constitute Good Reason); and (y) the Company has not remedied the alleged violation(s) within the thirty (30) day period.

9. MISCELLANEOUS PROVISIONS.

(a) Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the Commonwealth of Virginia without reference to the principles of conflicts of law of Virginia or any other jurisdiction, and where applicable, the laws of the United States.

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Claw-Back. All compensation received by Executive shall be subject to the provisions of any claw-back policy that are applicable to other similarly situated employees of the Company that are implemented by the Company to comply with applicable law, regulation or stock exchange rule, including, without limitation, any claw-back policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

(d) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile or certified or registered mail, postage prepaid, as follows:

(i) If to the Company:

K12 Inc.
2300 Corporate Park Drive
Herndon, Virginia 22102
Attention: Office of the General Counsel
Fax: 703-483-7496

If to Executive:

Timothy L. Murray
[REDACTED]

or at any other address as any Party shall have specified by notice in writing to the other Party.

(e) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

(f) Entire Agreement. The terms of this Agreement, including the Confidentiality Agreement and the Arbitration Agreement, the terms of which are expressly incorporated herein, are intended by the Parties to be the final expression of their agreement with respect to the subject matters herein and supersede all prior understandings and agreements, whether written or oral. The Parties further intend that this Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

(g) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided*, *however*, *that* such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(h) No Inconsistent Actions. The Parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the Parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

(i) Construction. This Agreement shall be deemed drafted equally by both the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary.

(j) Arbitration. Prior to the Effective Date, Executive shall enter into Parent's standard form of Agreement to Arbitrate (the " Arbitration Agreement"), the form of which is attached to this Agreement as Exhibit C.

(k) Enforcement. If any provision of this Agreement (including the Confidentiality Agreement or the Arbitration Agreement) is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(l) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(m) Section 409A.

(i) *General.* The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, " Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

(ii) *Separation from Service.* Notwithstanding anything in this Agreement to the contrary, any compensation or benefits payable under this Agreement that is designated under this Agreement as payable upon Executive's termination of employment shall be payable only upon Executive's "separation from service" with the Company within the meaning of Section 409A (a " Separation from Service") and, except as provided below, any such compensation or benefits shall not be paid, or, in the case of installments, shall not commence payment, until the thirtieth (30th) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the thirty (30) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the thirtieth (30th) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

(iii) *Specified Employee.* Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(iv) *Expense Reimbursements.* To the extent that any reimbursements under this Agreement are subject to Section 409A, any such reimbursements payable to Executive shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred; provided, that Executive submits Executive's reimbursement request promptly following the date the expense is incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(v) *Installments.* Executive's right to receive any installment payments under this Agreement, including without limitation any continuation salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A.

10. EXECUITIVE ACKNOWLEDGEMENT .

Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and year first above written.

COMPANY

By: /s/ Ronald J. Packard
Ronald J. Packard
Chief Executive Officer

PARENT

By: /s/ Ronald J. Packard
Ronald J. Packard
Chief Executive Officer

EXECUTIVE

By: /s/ Timothy L. Murray
Timothy L. Murray

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Ronald J. Packard, 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(s) 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(s) 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: May 8, 2012

/s/ RONALD J. PACKARD

Ronald J. Packard

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Harry T. Hawks, 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(s) 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(s) 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: May 8, 2012

/s/ HARRY T. HAWKS

Harry T. Hawks

Chief Financial Officer

(Principal 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, 2012 (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: May 8, 2012

/s/ RONALD J. PACKARD

Ronald J. Packard

Chief Executive Officer

(Principal 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, 2012 (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: May 8, 2012

/s/ HARRY T. HAWKS

Harry T. Hawks

Chief Financial Officer

(Principal Financial Officer)