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 December 31, 2015

OR

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

For the transition period from to

Commission File Number: 001-33883

K12 Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

As of January 22, 2016 the Registrant had 39,004,035 shares of common stock, $0.0001 par value per share outstanding.

K12 Inc.
Form 10-Q
For the Quarterly Period Ended December 31, 2015
Index

PART I — FINANCIAL INFORMATION

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

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2015	June 30, 2015
	(In thousands, except share and per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 171,277	$ 195,852
Accounts receivable, net of allowance of $9,842 and $9,657 at December 31, 2015 and June 30, 2015, respectively	229,589	188,246
Inventories, net	17,858	29,571
Deferred tax asset	4,661	8,989
Prepaid expenses	21,239	11,428
Other current assets	25,105	24,877
Total current assets	469,729	458,963
Property and equipment, net	28,661	34,407
Capitalized software, net	66,360	62,683
Capitalized curriculum development costs, net	57,311	58,696
Intangible assets, net	19,964	21,195
Goodwill	66,160	66,160
Deposits and other assets	6,806	6,495
Total assets	$ 714,991	$ 708,599
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 14,369	$ 16,635
Accounts payable	16,760	29,819
Accrued liabilities	10,893	12,486
Accrued compensation and benefits	17,301	26,790
Deferred revenue	57,083	24,927
Total current liabilities	116,406	110,657
Capital lease obligations, net of current portion	10,059	13,022
Deferred rent, net of current portion	7,179	7,692
Deferred tax liability	27,529	22,456
Other long-term liabilities	8,714	8,233
Total liabilities	169,887	162,060
Commitments and contingencies	—	—
Redeemable noncontrolling interest	9,801	9,601
Stockholders' equity		
Common stock, par value $0.0001; 100,000,000 shares authorized; 42,423,963 and 41,837,894 shares issued and 38,921,365 and 38,335,296 shares outstanding at December 31, 2015 and June 30, 2015, respectively	4	4
Additional paid-in capital	665,807	663,461
Accumulated other comprehensive loss	(791)	(1,065)
Accumulated deficit	(54,717)	(50,462)
Treasury stock of 3,502,598 shares at cost at December 31, 2015 and June 30, 2015	(75,000)	(75,000)
Total stockholders' equity	535,303	536,938
Total liabilities, redeemable noncontrolling interest and equity	$ 714,991	$ 708,599

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 December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
	(In thousands, except share and per share data)			
Revenues	$ 208,811	$ 231,304	$ 430,041	$ 468,017
Cost and expenses				
Instructional costs and services	129,616	145,029	268,619	291,872
Selling, administrative, and other operating expenses	61,440	62,557	160,710	162,101
Product development expenses	3,028	3,245	6,441	6,727
Total costs and expenses	194,084	210,831	435,770	460,700
Income (loss) from operations	14,727	20,473	(5,729)	7,317
Interest (expense) income, net	(190)	151	(495)	182
Income (loss) before income tax expense and noncontrolling interest	14,537	20,624	(6,224)	7,499
Income tax (expense) benefit	(6,653)	(8,663)	1,444	(2,125)
Net income (loss)	7,884	11,961	(4,780)	5,374
Adjust net loss attributable to noncontrolling interest	654	370	525	183
Net income (loss) attributable to common stockholders	$ 8,538	$ 12,331	$ (4,255)	$ 5,557
Net income (loss) attributable to common stockholders per share				
Basic and Diluted	$ 0.23	$ 0.33	$ (0.11)	$ 0.15
Weighted average shares used in computing per share amounts:				
Basic	37,559,999	37,096,480	37,496,747	37,396,081
Diluted	37,680,879	37,160,829	37,496,747	37,599,930

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

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
	(In thousands)			
Net income (loss)	$ 7,884	$ 11,961	$ (4,780)	$ 5,374
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	120	(569)	274	(1,115)
Total other comprehensive income (loss), net of tax	8,004	11,392	(4,506)	4,259
Comprehensive loss attributable to noncontrolling interest	654	370	525	183
Comprehensive income (loss) attributable to common stockholders	$ 8,658	$ 11,762	$ (3,981)	$ 4,442

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

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(In thousands, except share and per share data)	K12 Inc Stockholders							
	Common Stock		Additional Paid-in Capital	Other Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance, June 30, 2015	41,837,894	$ 4	$ 663,461	$ (1,065)	$ (50,462)	(3,502,598)	$ (75,000)	$ 536,938
Net loss (1)	—	—	—		(4,255)	—	—	(4,255)
Foreign currency translation adjustment	—	—	—	274	—	—	—	274
Stock-based compensation expense	—	—	9,541	—	—	—	—	9,541
Exercise of stock options	1,000	—	14	—	—	—	—	14
Excess tax from stock-based compensation	—	—	(4,143)	—	—	—	—	(4,143)
Issuance of restricted stock awards	810,179	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	(65,413)	—	—	—	—	—	—	—
Accretion of redeemable noncontrolling interests to estimated redemption value	—	—	(726)	—	—	—	—	(726)
Retirement of restricted stock for tax withholding	(159,697)	—	(2,340)	—	—	—	—	(2,340)
Balance, December 31, 2015	42,423,963	$ 4	$ 665,807	$ (791)	$ (54,717)	(3,502,598)	$ (75,000)	$ 535,303

(1) Net loss excludes $0.5 million due to the redeemable noncontrolling interests related to Middlebury Interactive Languages and LearnBop, which are reported outside of permanent equity in the accompanying unaudited condensed consolidated balance sheets.

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

K12 INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31,	
	2015	2014
	(In thousands)	
Cash flows from operating activities		
Net (loss) income	$ (4,780)	$ 5,374
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	33,035	34,509
Stock-based compensation expense	9,541	8,969
Excess tax benefit from stock-based compensation	(6)	(7)
Deferred income taxes	5,745	5,203
Provision for doubtful accounts	2,766	836
Provision for excess and obsolete inventory	456	459
Benefit for student computer shrinkage and obsolescence	(389)	(226)
Expensed leased computer peripherals	1,995	—
Changes in assets and liabilities:		
Accounts receivable	(44,104)	(72,415)
Inventories	11,257	13,856
Prepaid expenses	(9,812)	(4,255)
Other current assets	(228)	(3,558)
Deposits and other assets	(42)	(466)
Accounts payable	(13,059)	(14,377)
Accrued liabilities	(2,063)	(10,683)
Accrued compensation and benefits	(9,488)	1,684
Deferred revenue	32,156	39,630
Deferred rent and other liabilities	(31)	2,476
Net cash provided by operating activities	12,949	7,009
Cash flows from investing activities		
Purchase of property and equipment	(2,024)	(6,687)
Capitalized software development costs	(16,925)	(17,093)
Capitalized curriculum development costs	(6,867)	(7,267)
Investment in LearnBop, Inc.	—	(6,512)
Net cash used in investing activities	(25,816)	(37,559)
Cash flows from financing activities		
Repayments on capital lease obligations	(9,370)	(11,487)
Purchase of treasury stock	—	(26,452)
Proceeds from exercise of stock options	14	161
Excess tax benefit from stock-based compensation	6	7
Retirement of restricted stock for income tax withholding	(2,340)	(1,468)
Net cash used in financing activities	(11,690)	(39,239)
Effect of foreign exchange rate changes on cash and cash equivalents	(18)	(2,086)
Net change in cash and cash equivalents	(24,575)	(71,875)
Cash and cash equivalents, beginning of period	195,852	196,109
Cash and cash equivalents, end of period	$ 171,277	$ 124,234

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., together with its subsidiaries ("K^{12}" or the "Company"), is a technology-based education company. The Company offers proprietary curriculum, software systems and educational services designed to facilitate individualized learning for students primarily in kindergarten through 12th grade ("K-12"). The Company's mission is to maximize a child's potential by providing access to an engaging and effective education, regardless of geographic location or socio-economic background. The Company's learning systems combine curriculum, instruction and related support services to create an individualized learning approach well-suited for virtual and blended public schools, school districts, charter schools and private schools that utilize varying degrees of online and traditional classroom instruction, and other educational applications. These unique set of products and services are provided primarily to three lines of business: Managed Public School Programs (curriculum and services sold to managed public schools in 33 states and the District of Columbia), Institutional (curriculum, technology and services provided to school districts, public schools and other educational institutions that the Company does not manage), and Private Pay Schools and Other (private schools for which the Company charges student tuition and makes direct consumer sales).

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

2. Basis of Presentation

The accompanying condensed consolidated balance sheet as of December 31, 2015, the condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended December 31, 2015 and 2014, the condensed consolidated statements of cash flows for the six months ended December 31, 2015 and 2014, and the condensed consolidated statement of equity for the six months ended December 31, 2015 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations for the periods presented. The results for the six months ended December 31, 2015 are not necessarily indicative of the results to be expected for the year ending June 30, 2016, or for any other interim period or future fiscal year. The condensed consolidated balance sheet as of June 30, 2015 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 (the "Exchange Act"). Accordingly, the Company does not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these statements reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations for the periods presented. Preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and footnotes. Actual results could differ from those estimates. This quarterly report on Form 10-Q should be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on August 4, 2015, which contains the Company's audited financial statements for the fiscal year ended June 30, 2015.

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

3. Summary of Significant Accounting Policies

Revenue Recognition

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

Where the Company has determined that it is the primary obligor for substantially all expenses under these contracts, the Company records the associated per student revenue received by the school from its state funding school district up to the expenses incurred in accordance with Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. As a result of being the primary obligor, amounts recorded as revenues and school operating expenses for the three months ended December 31, 2015 and 2014 were $72.3 million and $84.1 million, respectively, and for the six months ended December 31, 2015 and 2014 were $134.5 million and $152.8 million, respectively. For contracts where the Company is not the primary obligor, the Company records revenue based on its net fees earned under the contractual agreement.

The Company generates revenues under turnkey management contracts with virtual and blended public schools which include multiple elements. These elements include:

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

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

To determine the pro rata amount of revenues to recognize in a fiscal quarter, the Company estimates the total funds each school will receive in a particular school year. Total funds for a school are primarily a function of the number of students enrolled in the school and established per enrollment funding levels which are generally published on an annual basis by the state or school district. The Company reviews its estimates of funding periodically, and revises as necessary, amortizing any adjustments to earned revenues over the remaining portion of the fiscal year. Actual school funding may vary from these estimates and the impact of these differences could impact the Company's 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 funding and actual costs incurred (including costs for the Company's services to the schools plus other costs the schools may incur) in the calculation of school operating losses. The Company's schools reported results are subject to annual school district financial audits, which incorporate enrollment counts, funding and other routine financial audit considerations. The results of these audits are incorporated into the Company's monthly funding estimates and for the reported three and six months ended December 31, 2015 and 2014.

Under the contracts where the Company provides turnkey management services to schools, 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 or blended public school as reflected on its respective financial statements, including Company charges to the schools. To the extent a school does not receive funding for each student enrolled in the school, the school would still incur costs associated with serving the unfunded enrollment. If losses due to unfunded enrollments result in a net operating loss for the year that loss is reflected as a reduction in the revenue and net receivables that the Company collects from the school. A school net operating loss in one year does not necessarily mean the Company anticipates losing money on the entire contract with the school. However, a school operating loss may reduce the Company's ability to collect its management fees in full and recognized revenues are reduced accordingly to reflect the expected cash collections from such schools. The Company amortizes the estimated school operating loss against revenues based upon the percentage of actual revenues in the period to total estimated revenues for the fiscal year.

For turnkey revenue service contracts, a school operating loss may reduce the Company's ability to collect its management fees in full though as noted it does not necessarily mean that the Company incurs a loss during the period with respect to its services to that school. The Company recognizes revenue, net of its estimated portion of school operating losses, to reflect the expected cash collections from such schools. Revenue is recognized based on the Company's performance of services under the contract, which it believes is proportionate to its incurrence of costs. The Company incurs costs directly related to the delivery of services. Most of these costs are recognized throughout the year; however, certain costs related to upfront delivery of printed materials, workbooks, laboratory materials and other items are provided at the beginning of the school year and are recognized as expense when shipped.

Each state or school district has variations in the school funding formulas and methodologies that it uses to estimate funding for revenue recognition at its respective schools. As the Company builds the funding estimates for each school, it is mindful of the state definition for count dates on which reported enrollment numbers will be used for per pupil funding. The parameters the Company considers in estimating funding for revenue recognition purposes include school district count definitions, withdrawal rates, average daily attendance, special needs enrollment, student demographics, academic progress and historical completion, student location, funding caps and other state specified categorical program funding. The estimates the Company makes each period on a school-by-school basis takes into account the latest information available to it and considers material relevant information at the time of the estimate.

Management periodically reviews its estimates of full-year school revenues and 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 funding and actual costs incurred (including costs for the Company's services to the schools plus other costs the schools may incur) in the calculation of school operating losses. For the three months ended December 31, 2015 and 2014, the Company's revenue included a reduction for these school operating losses of $12.5 million and $15.1 million, respectively, and for the six months ended December 31, 2015 and 2014, were $26.6 million and $32.7 million, respectively.

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

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

During the three and six months ended December 31, 2015, the Company had a contract with one school that represented approximately 11% and 10% of revenue, respectively. During the three and six months ended December 31, 2014, the Company had a contract with a different school that represented approximately 14% and 13% of revenue, respectively. Approximately 3% and 9% of accounts receivable was attributable to each customer at December 31, 2015 and June 30, 2015.

In fiscal year 2015, the Agora Cyber Charter School ("Agora") renegotiated its service agreement and entered into a three-year contract with the Company to purchase the Company's curriculum and certain technology services and the school board assumed daily operational responsibilities, including its charter renewal process and marketing and enrollment activities. The net impact of this contract change on revenues for the three and six months ended December 31, 2015 resulted in an approximate $26.7 million and $50.2 million, respectively, decrease as compared to the prior year.

Reclassifications

The Company has reclassified certain prior year income tax accounts on the unaudited condensed consolidated statements of cash flows to conform to the current year presentation. There was no effect on related income tax assets or liabilities, or the income statement from such reclassification. The reclassification had no effect on net cash flows.

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 textbooks and curriculum materials, a majority of which are supplied to virtual public schools and blended public schools and utilized directly by students. Inventories represent items that are purchased and held for sale, and are recorded at the lower of cost (first-in, first-out method) or market value. Excess and obsolete inventory reserves are established based upon the evaluation of the quantity on hand relative to demand. The excess and obsolete inventory reserves were $2.6 million and $2.2 million at December 31, 2015 and June 30, 2015, respectively.

Other Current Assets

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is calculated using the straight-line method over the estimated useful life of the asset (or the lesser of the term of the lease and the estimated useful life of the asset under capital lease). Amortization of assets capitalized under capital lease arrangements is included in depreciation expense. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful life of the asset. The Company determines the lease term in accordance with ASC 840, *Leases*, as the fixed non-cancelable term of the lease plus all periods for which failure to renew the lease imposes a penalty on the lessee in an amount such that renewal appears, at the inception of the lease, to be reasonably assured. Depreciation expense for the three and six months ended December 31, 2015 and 2014 was $5.1 million and $7.2 million, respectively, and $10.3 million and $14.6 million, respectively. Additionally, beginning in fiscal 2016, the Company no longer recovers peripheral equipment as it was determined to be uneconomical. Accordingly, the Company fully expenses peripherals upon shipment and the impact was immaterial.

Property and equipment are depreciated over the following useful lives:

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

The Company updates its estimate of unreturned computers based on an analysis of recent trends of returns and utilization rates. During the three and six months ended December 31, 2015, the Company wrote off $0.8 million and $1.5 million, respectively, related to the estimate which was recorded in depreciation expense. During the three and six months ended December 31, 2014, the Company wrote off $1.4 million and $2.7 million, respectively, related to the estimate which was recorded in depreciation expense.

Capitalized Software Costs

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

Capitalized software development additions totaled $16.9 million and $17.1 million for the six months ended December 31, 2015 and 2014, respectively. Amortization expense for the three and six months ended December 31, 2015 and 2014 was $6.8 million and $5.3 million, respectively, and $13.2 million and $10.1 million, respectively.

Capitalized Curriculum Development Costs

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

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

Total capitalized curriculum development additions were $6.9 million and $7.3 million for the six months ended December 31, 2015 and 2014, respectively. These amounts are recorded on the accompanying condensed consolidated balance sheets net of amortization charges. Amortization is recorded in product development expenses on the accompanying condensed consolidated statements of operations. Amortization expense for the three and six months ended December 31, 2015 and 2014 was $4.0 million and $4.5 million, respectively, and $8.3 million and $8.5 million, respectively.

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.

Redeemable Noncontrolling Interests

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. Noncontrolling interests in subsidiaries that are redeemable outside of the Company's control for cash or other assets are classified outside of permanent equity at redeemable value, which approximates fair value. However, if the redemption amount is other than fair value (e.g. fixed or variable), the redeemable noncontrolling interest is accounted for at the fixed or variable redeemable value. The redeemable noncontrolling interests are adjusted to their redeemable value at each balance sheet date. The resulting increases or decreases in the estimated redemption amount are affected by corresponding charges against retained earnings, or in the absence of retained earnings, additional paid-in-capital.

Goodwill and Intangible Assets

The Company records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. Finite-lived intangible assets acquired in business combinations subject to amortization are recorded at their fair value. Finite-lived intangible assets include trade names, acquired customers and non-compete agreements. Such intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense for the three and six months ended December 31, 2015 and 2014 was $0.6 million and $0.6 million, respectively, and $1.2 million and $1.3 million, respectively. Future amortization of intangible assets is $1.2 million, $1.9 million, $1.9 million, $1.9 million and $1.9 million in the fiscal years ending June 30, 2016 through June 30, 2020, respectively, and $10.7 million thereafter. At both December 31, 2015 and June 30, 2015, the goodwill balance was $66.2 million.

At December 31, 2015, the Company's stock market capitalization was below its net book value. However the Company continues to operate profitably and generate cash flow from operations, which is anticipated to continue in 2016 and beyond. At December 31, 2015, we didn't believe the decline in market value was a triggering event; however, we will continue to monitor the market capitalization and assess the potential of a triggering event to the extent the decline is not other than temporary.

ASC 350 prescribes a two-step process for impairment testing of goodwill and intangible assets with indefinite lives, which is performed annually, as well as when an event triggering impairment may have occurred. ASC 350 also allows the Company to qualitatively assess goodwill impairment through a screening process which would permit companies to forgo Step 1 of their annual goodwill impairment process. This qualitative screening process will hereinafter be referred to as "Step 0". Goodwill and intangible assets deemed to have an indefinite life are tested for impairment on an annual basis, or earlier when events or changes in circumstances suggest the carrying amount may not be fully recoverable. The Company has elected to perform its annual assessment on May 31st. The Step 0 analysis focused on a number of events and circumstances that may be considered when making this qualitative assessment.

On July 31, 2014, the Company acquired a 51% majority interest in LearnBop Inc. ("LearnBop"), for $6.5 million in cash (see Note 11). The purchase price allocation for the acquisition was finalized in fiscal year 2015.

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

Table of Contents

The following table represents the balance of intangible assets as of December 31, 2015 and June 30, 2015:

Intangible Assets:

	December 31, 2015			June 30, 2015		
($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 17.5	$ (6.2)	$ 11.3	$ 17.5	$ (5.7)	$ 11.8
Customer and distributor relationships	18.2	(9.8)	8.4	18.2	(9.1)	9.1
Developed technology	1.2	(1.2)	—	1.2	(1.2)	—
Other	0.5	(0.2)	0.3	0.5	(0.2)	0.3
	$ 37.4	$ (17.4)	$ 20.0	$ 37.4	$ (16.2)	$ 21.2

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, *Property, Plant and Equipment*, management reviews the Company's recorded long-lived assets for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company determines the extent to which an asset may be impaired based upon its expectation of the asset's future usability as well as on a reasonable assurance that the future cash flows associated with the asset will be in excess of its carrying amount. 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 such impairment charge for the three and six months ended December 31, 2015 and 2014.

Fair Value Measurements

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

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

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

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

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

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

The redeemable noncontrolling interest includes the Company's joint venture with Middlebury College to form Middlebury Interactive Languages ("MIL"). Under the agreement, Middlebury College has an irrevocable election to sell 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. As discussed below, Middlebury College exercised its put right on May 4, 2015.

The following table summarizes certain fair value information at December 31, 2015 and June 30, 2015 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	$ 6,801	$ —	$ —	$ 6,801
Total	$ 6,801	$ —	$ —	$ 6,801

The following table summarizes the activity during the six months ended December 31, 2015 for assets and liabilities measured at fair value on a recurring basis:

	Six Months Ended December 31, 2015			
Description	**Fair Value June 30, 2015**	**Purchases, Issuances, and Settlements**	**Unrealized Gains/(Losses)**	**Fair Value December 31, 2015**
	(In thousands)			
Redeemable Noncontrolling Interest in Middlebury Joint Venture	$ 6,801	$ —	$ —	$ 6,801
Total	$ 6,801	$ —	$ —	$ 6,801

The fair value of the redeemable noncontrolling interest in the Middlebury Joint Venture was accounted for in accordance with ASC 480-10-S99, *Accounting for Redeemable Equity Instruments*. The redeemable noncontrolling interests are redeemable outside of the Company's control and are recorded outside of permanent equity. The fair value of the Middlebury Joint Venture was based upon a valuation from a third-party valuation firm as of June 30, 2015. In determining the fair value, the valuation incorporated a number of assumptions and estimates including an income-based valuation approach. As of June 30, 2015 the fair value of the redeemable noncontrolling interest in the Middlebury Joint Venture was estimated at $6.8 million. As of December 31, 2015, the Company performed an internal analysis and determined there was no underlying change in the estimated fair value of the redeemable noncontrolling interest in the Middlebury Joint Venture.

On May 4, 2015, Middlebury College, under the joint venture agreement, exercised its right to require the Company to purchase all of its ownership interest in the joint venture at a mutually agreed upon fair market value or for a value to be determined by an independent valuation. At December 31, 2015, the Company was still in discussions with Middlebury to settle the terms under the put option. There has been no change in the fair value of the noncontrolling interest since June 30, 2015. The Company has the right to pay the redemption cost in cash, stock or a combination thereof, at the Company's option, which form of consideration has not yet been determined.

Net Income (Loss) Per Common Share

The Company calculates net income (loss) per share in accordance with ASC 260, *Earnings Per Share*. Under ASC 260, basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. The weighted average number of shares of common stock outstanding includes vested restricted stock awards. Diluted net income (loss) per share ("EPS") reflect the potential dilution that could occur assuming conversion or exercise of all dilutive unexercised stock options. The dilutive effect of stock options and restricted stock awards was determined using the treasury stock method. Under the treasury stock method, the proceeds received from the exercise of stock options and restricted stock awards, the amount of compensation cost for future service not yet recognized by the Company and the amount of tax benefits that would be recorded in additional paid-in capital when the stock options become deductible for income tax purposes are all assumed to be used to repurchase shares of the Company's common stock. Stock options and restricted stock awards are not included in the computation of diluted net income (loss) per share when they are antidilutive. Common stock outstanding reflected in the Company's condensed consolidated balance sheets include restricted stock awards outstanding. Securities that may participate in undistributed net income with common stock are considered participating securities.

Basic and dilutive income per share:	**Three Months Ended December 31, 2015**	**Three Months Ended December 31, 2014**	**Six Months Ended December 31, 2015**	**Six Months Ended December 31, 2014**
	(In thousands except shares and per share data)		**(In thousands except shares and per share data)**	
Net income (loss) attributable to common stockholders	$ 8,538	$ 12,331	$ (4,255)	$ 5,557
Weighted average common shares — basic	37,559,999	37,096,480	37,496,747	37,396,081
Weighted average common shares — diluted	37,680,879	37,160,829	37,496,747	37,599,930
Basic and Diluted net income (loss) per share	$ 0.23	$ 0.33	$ (0.11)	$ 0.15

For the three months ended December 31, 2015 and 2014, the dilutive shares totaled 120,880 and 64,349, respectively. The basic and diluted weighted average common shares were the same for the six months ended December 31, 2015 as the inclusion of dilutive securities would have been anti-dilutive. For the six months ended December 31, 2015 these anti-dilutive shares totaled 230,203. For the six months ended December 31, 2014, the dilutive shares totaled 203,849. At December 31, 2015, the Company had 42,423,963 shares issued and 38,921,365 shares outstanding.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes most existing revenue recognition guidance under US GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). On July 9, 2015, the FASB voted to defer the effective date of the new revenue recognition standard by one year. Based on the Board's decision, public organizations would apply the new revenue standard to annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which the Company will adopt the standard.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40)* ("ASU 2014-15"). ASU 2014-15 addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. ASU

2014-15 will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect to adopt this guidance early and does not believe that the adoption of this guidance will have a material impact on the Company's financial statements and disclosures.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-05, "*Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"). ASU 2015-05 provides guidance regarding whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the entity should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. ASU 2015-05 does not change the accounting for service contracts. ASU 2015-05 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of this guidance.

4. Income Taxes

Income tax expense is based on income reported in the condensed consolidated financial statements. A deferred income tax asset or liability is determined by applying currently enacted tax laws and rates to the expected reversal of the cumulative temporary differences between the carrying value of assets and liabilities for financial statement and income tax purposes. Deferred income tax expense or benefit is measured by the change in the deferred income tax asset or liability during the period. For the three months ended December 31, 2015 and 2014, the Company's effective income tax rate was 45.8% and 42.0%, respectively. For the six months ended December 31, 2015 and 2014, the Company's effective income tax rate was 23.2% and 28.3%, respectively. The effective income tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign operations, state taxes, tax credits, non-controlling interests, and current year permanent differences between book and tax treatment.

5. Long-term Obligations

Capital Leases

The Company incurs capital lease obligations for student computers under a separate lease line of credit with PNC Equipment Finance, LLC with annual borrowing limits. The Company had annual borrowing availability under the lease line of credit of $35.0 million as of December 31, 2015 and June 30, 2015, respectively. As of December 31, 2015 and June 30, 2015, the outstanding balance under the lease line of credit was $24.4 million and $29.7 million, respectively, with lease interest rates ranging from 1.95% to 3.08%. Individual leases under the lease line of credit include 36-month payment terms with a $1 purchase option at the end of each lease term. The Company has pledged the assets financed to secure the outstanding leases. The gross carrying value of leased student computers as of December 31, 2015 and June 30, 2015 was $40.2 million and $43.6 million, respectively. The net carrying value of leased student computers as of December 31, 2015 and June 30, 2015 was $11.4 million and $12.9 million, respectively.

The Company incurs capital lease obligations for student computers under a lease line of credit with PNC Equipment Finance, LLC with annual lease availability limits. The Company had $35.0 million of availability for new leasing during the second quarter of fiscal year 2016. Interest rates in July 2015 on the new borrowings were based upon an initial rate of 2.34% modified by changes in the three year interest rate swaps rate as published in the Federal Reserve Statistical Release H.15, "Selected Interest Rates," between June 25, 2014 and the Lease Commencement Date, as defined in the lease line of credit. This availability originally expired in July 2015, but was extended to July 2016. Interest rates on the new borrowings beginning in August 2015 under the extended agreement are based upon an initial rate of 1.88% modified by changes in the three year interest rate swaps rate as published in the Federal Reserve Statistical Release H.15, "Selected Interest Rates," between April 29, 2015 and the Lease Commencement Date, as defined in the lease line of credit.

The following is a summary as of December 31, 2015 of the present value of the net minimum payments due on outstanding capital leases under the Company’s commitments:

June 30,		Capital Leases
		($ in thousands)
2016	$	8,164
2017		11,152
2018		4,932
2019		756
Total minimum payments		25,004
Less amount representing interest (imputed weighted average capital lease interest rate of 2.44%)		(576)
Net minimum payments		24,428
Less current portion		(14,369)
Present value of minimum payments, less current portion	$	10,059

6. Line of Credit

On January 31, 2014, the Company executed a $100.0 million unsecured line of credit to be used for general corporate operating purposes with Bank of America, N.A. (“BOA”). The line has a five-year term, bears interest at the higher of the Bank’s prime rate plus 0.25%, or the Federal Funds Rates plus 0.75%, or the LIBOR rate plus 1.25%; and incorporates customary financial and other covenants, including but not limited to a maximum debt leverage and a minimum fixed charge coverage ratio. As of December 31, 2015 and June 30, 2015, the Company was in compliance with these covenants. During the six months ended December 31, 2015, there was no borrowing activity on this line of credit, and the Company had no borrowings outstanding on the line of credit as of December 31, 2015.

The BOA credit agreement contains a number of financial and other covenants that, among other things; restrict the Company and its subsidiaries’ ability to incur additional indebtedness, grant liens or other security interests, make certain investments, make specified restricted payments including dividends, dispose of assets or stock including the stock of its subsidiaries, make capital expenditures above specified limits and engage in other matters customarily restricted in senior credit facilities.

7. Equity Transactions

Our 2007 Equity Incentive Award Plan (the Plan) was designed to attract, retain and motivate key employees. Awards granted under the Plan may be settled in shares of the Company’s common stock or cash, in the case of performance share units (“PSUs”). At the beginning of each year, the Plan provides that the number of shares available for issuance automatically increases subject to the Board of Directors approval. During the six months ended December 31, 2015, the Company’s Board of Directors authorized 1,533,412 additional shares for issuance pursuant to the 2007 Plan’s evergreen provision. Through December 31, 2015, the remaining aggregate number of shares of the Company’s common stock authorized for future issuance under the Plan was 3,679,549. Through December 31, 2015, there were 5,033,228 shares of the Company’s common stock that were issued and remain outstanding as a result of equity awards granted under the Plan.

Table of Contents

Stock Options

Stock option activity during the six months ended December 31, 2015 was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, June 30, 2015	2,914,593	$ 20.33	4.05	$ 88
Granted	243,112	13.43		
Exercised	(1,000)	13.66		
Forfeited or canceled	(647,861)	18.17		
Outstanding, December 31, 2015	2,508,844	$ 20.20	4.42	$ —
Stock options exercisable at December 31, 2015	1,634,019	$ 21.91	3.08	$ —

The aggregate intrinsic value of options exercised during the six months ended December 31, 2015 and 2014 was zero and $0.3 million, respectively. The weighted-average grant date fair value of options granted during the six months ended December 31, 2015 and 2014 was $6.18 and $7.20, respectively.

As of December 31, 2015, there was $5.4 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 2.9 years. During the three months ended December 31, 2015 and 2014, the Company recognized $1.0 million and $0.9 million, respectively, of stock-based compensation expense related to stock options. During the six months ended December 31, 2015 and 2014, the Company recognized $2.0 million and $2.0 million, respectively, of stock-based compensation expense related to stock options.

Restricted Stock Awards

Restricted stock award activity during the six months ended December 31, 2015 was as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested, June 30, 2015	1,245,504	$ 22.30
Granted	810,179	13.88
Vested	(434,886)	24.16
Forfeited or canceled	(65,413)	22.55
Nonvested, December 31, 2015	1,555,384	$ 17.26

During the six months ended December 31, 2015, 111,690 new performance-based restricted stock awards were granted and 236,362 were nonvested at December 31, 2015. During the six months ended December 31, 2015, 131,104 performance-based awards vested. Vesting of the performance-based restricted stock awards is contingent on the achievement of certain financial performance goals and service vesting conditions. The remaining 698,489 awards granted during the six months ended December 31, 2015 were only service-based awards. The remaining 1,319,022 nonvested awards as of December 31, 2015 were only service-based awards. During the six months ended December 31, 2015, 303,782 service-based awards vested.

As of December 31, 2015, there was $16.3 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 2.0 years. The total fair value of shares vested during the six months ended December 31, 2015 and 2014 was $5.4 million and $4.2 million, respectively. During the three months ended December 31, 2015 and 2014, the Company recognized $4.0 million and $3.8 million, respectively, of stock-based compensation expense related to restricted stock awards. During the six months ended December 31, 2015 and 2014, the Company recognized $7.6 million and $6.9 million, respectively, of stock-based compensation expense related to restricted stock awards.

Performance Share Units

During September 2015, the Company granted a total of 999,000 PSUs to certain senior executives, having a weighted average grant date fair value of $13.45 per share. The PSUs were granted pursuant to the terms of the Plan and vest upon achievement of certain performance criteria and continuation of service over a two to three-year period. The level of performance will determine the number of PSUs earned as measured against threshold, target and stretch achievement levels. Each PSU represents the right to receive one share of the Company's common stock, or at the option of the Company, an equivalent amount of cash, and are classified as an equity award in accordance with *Accounting Standards Codification 718 — Stock Compensation*. If performance criteria exceed targets, then additional PSU's up to 499,500 could be earned by the participants.

In addition to the performance conditions, there is a service vesting condition which stipulates that thirty percent of the earned award will vest quarterly beginning November 15, 2017 and seventy percent of the earned award will vest on August 15, 2018, in both cases dependent upon continuing service by the grantee as an employee of the Company, unless the grantee is eligible for earlier vesting upon a change in control and qualifying termination, as defined by the PSU agreement. For equity performance awards, including the PSU's, subject to graded vesting schedules for which vesting is based on achievement of a performance metric in addition to grantee service, stock-based compensation expense is recognized on an accelerated basis by treating each vesting tranche as if it was a separate grant.

Performance Share Unit activity during the six months ended December 31, 2015 was as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested, June 30, 2015	—	$ —
Granted	999,000	13.45
Vested	—	
Forfeited or canceled	(30,000)	13.45
Nonvested, December 31, 2015	969,000	$ 13.45

As of December 31, 2015, there was $11.5 million of total unrecognized compensation expense related to unvested performance share units granted.

8. Related Party Transactions

At December 31, 2015 and June 30, 2015, the Company had loaned a total of $4.0 million to its 60% owned joint venture Middlebury Interactive Languages LLC ("MIL") in accordance with the terms of the original joint venture agreement. The loan was repayable under terms and conditions specified in the loan agreement. The loan balance and related interest are eliminated since MIL is consolidated in the Company's financial statements; however, repayment of the loan is dependent on the continued liquidity of MIL.

On September 11, 2013, the Company issued a mortgage note ("Mortgage") lending $2.1 million to a managed school partner. The note bears interest at a fixed rate of 5.25% per year and has a term of five years. Monthly principal and interest payments began in October 2013 with a final balloon payment of $1.8 million at the term of the loan. The Mortgage is primarily secured by the underlying property. The borrower has defaulted on the loan payment and we are in the foreclosure process. Also see Note 10.

9. Commitments and Contingencies

Litigation

In the ordinary conduct of the Company's business, the Company is subject to lawsuits, arbitrations and administrative proceedings from time to time. The Company believes that the outcome of any existing or known threatened proceedings, even if determined adversely, should not have a material adverse effect on the Company's business, financial condition, liquidity or results of operations. The Company expenses legal costs as incurred.

On September 24, 2015, the Company, in connection with an industry-wide investigation styled "In the Matter of the Investigation of: For-Profit Virtual Schools," received a civil investigative subpoena for specified documents and responses to interrogatories from the Attorney General of the State of California, Bureau of Children's Justice. The Company is cooperating with the investigation and responding to the subpoena. At this stage, the Company is not aware of any material adverse effect this industry-wide investigation would have on the results of its operations and financial condition.

Consulting Agreement

On August 3, 2015, Mr. Timothy L. Murray, then President and Chief Operating Officer of K12 Inc. (the "Company"), notified the Company of his intent to resign, which became effective on September 15, 2015. The Company and Mr. Murray entered into a Consulting Agreement, effective September 16, 2015, whereby Mr. Murray provided transition and other consulting services for a term of up to six months and payment of $43,985 per month for services rendered. The Consulting Agreement terminated on December 31, 2015.

Employment Agreements

The Company has entered into employment agreements with certain executive officers that provide for severance payments and, in some cases other benefits, upon certain terminations of employment. Except for the agreements with the Company's CEO that has a three year term, all other agreements provide for employment on an "at-will" basis. If the employee is terminated for "good reason" or without cause, the employee is entitled to salary continuation, and in some cases benefit continuation, for varying periods depending on the agreement.

Off-Balance Sheet Arrangements

The Company provided guarantees of approximately $8.1 million related to lease commitments on the buildings for certain of the Company's Flex schools. The Company contractually guarantees that certain schools under the Company's management will not have annual operating deficits and the Company's management fees from these schools may be reduced accordingly to cover any school operating deficits. Other than these lease and operating deficit guarantees, the Company did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

10. Investments

Investment in Web International Education Group, Ltd.

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

The receivable is due and the Company accrued interest up through December 31, 2014. However, given the difficulties in expatriating money from China, and the resulting administrative hurdles related to collecting this receivable, starting January 1, 2015, the Company discontinued the accrual of interest. Furthermore, during the fourth quarter of 2015, and upon further negotiation with Web, the Company wrote off the full amount of accrued interest totaling $3.2 million. At December 31, 2015, the Web investment was included in other current assets. The Company and Web continue to mutually work toward a mechanism for collection of the principal.

During the three months ended December 31, 2015 and 2014, the Company recorded interest income of zero and $0.2 million, respectively, associated with Web. During the six months ended December 31, 2015 and 2014, the Company recorded interest income of zero and $0.4 million, respectively, associated with Web.

Investment in School Mortgage

On September 11, 2013, the Company issued a mortgage note (“Mortgage”) lending $2.1 million to the Maurice J. Moyer Academic Institute (“Moyer”). The note bears interest at a fixed rate of 5.25% per year and has a term of five years. Monthly principal and interest payments were scheduled to be made beginning October 2013 with a final balloon payment of $1.8 million at the term of the loan. The Mortgage is primarily secured by the underlying property.

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

During June 2015, the Company engaged a third party valuation firm to conduct an appraisal of the property to assess market value at June 30, 2015. The appraisal concluded a market value in excess of the note carrying value. As of December 31, 2015, there are no indications that these factors have changed.

During the six months ended December 31, 2015, Moyer defaulted on the loan agreement for non-payment of principal and interest, the school’s closure, and other contractual defaults. The Company continues to exercise its rights under the existing arrangement, including pursuing foreclosure and receivership. During the three months ended December 31, 2015, Moyer has filed a counterclaim against the Company asserting breach of contract and alleging that the breach caused it to default on the loan agreement. The Company believes that this breach of contract counterclaim is without merit.

11. Redeemable Noncontrolling Interest

Investment in LearnBop Inc.

On July 31, 2014, the Company acquired a majority interest in LearnBop Inc. (“LearnBop”), for $6.5 million in cash in return for a 51% interest in LearnBop. The purpose of the acquisition was to complement the Company’s K-12 math curriculum as LearnBop has developed an adaptive math curriculum learning software. As part of this transaction, the non-controlling shareholders have a non-transferable put option, which is exercisable between July 31, 2018 and December 31, 2018 for the remaining minority interest. The price of the put option will be determined based on the trailing twelve month revenue and contribution margin as defined in the Stockholders’ Agreement between the Company and LearnBop. Additionally, the Company has a non-transferable call option for the remaining minority interest at a price of $3.0 million, which becomes exercisable January 1, 2019 or thereafter. Acquisition costs incurred by the Company related to this transaction included in selling, administrative and other operating expenses were $0.1 million.

The purchase price of $6.5 million was allocated to the underlying assets and liabilities based on their estimated fair value at the date of acquisition. The Company recorded goodwill of $8.1 million, which will be non-deductible for tax purposes. Recognition of goodwill is largely attributed to the value paid for LearnBop’s capabilities in providing adaptive learning software for math curriculum to K-12 students. The Company has not disclosed current period or pro-forma revenue and earnings attributable to LearnBop as they are immaterial.

The Company finalized its allocation of the purchase price of LearnBop as of June 30, 2015. The purchase price was allocated as follows:

As of July 31, 2014	Amount	
Current assets	$	0.1
Capitalized Software		0.9
Goodwill		8.1
Current liabilities		(0.1)
Redeemable noncontrolling interest		(2.5)
Fair value of total consideration transferred	$	6.5

Given the provision of the put rights, the redeemable noncontrolling interests are redeemable outside of the Company's control and are recorded outside of permanent equity at their redemption value in accordance with ASC 480-10-S99, *Accounting for Redeemable Equity Instruments.* The Company will adjust the redeemable noncontrolling interests to redemption value on each balance sheet date with changes in redemption value recognized as an adjustment to retained earnings, or in the absence of retained earnings, by adjustment to additional paid-in-capital.

The noncontrolling interest is redeemable at other than fair value as the redemption value is determined based on a specified formula. The noncontrolling interest becomes redeemable after the passage of time, and therefore the Company records the carrying amount of the noncontrolling interest at the greater of 1) the initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss, or 2) the redemption value.

According to ASC 480-10-S99, to the extent that the noncontrolling interest holder has the contractual right to receive an amount upon share redemption that is other than fair value of such shares, only the portion of the periodic adjustment to the instrument's carrying amount that reflects redemption in excess of fair value is treated like a dividend for earnings per share computation purposes. No adjustment to the earnings per share computation was necessary as estimated fair value of the noncontrolling interest is greater than the redemption value.

Middlebury College Joint Venture

In May 2010, the Company entered into an agreement to establish a joint venture with Middlebury College ("Middlebury") to form Middlebury Interactive Languages LLC ("MIL"). The venture creates and distributes innovative, online language courses under the trademark Middlebury and other marks. The joint venture agreement provided Middlebury with the right at any time after the fifth (5th) anniversary of forming the joint venture, to irrevocably elect to sell all of its membership interest to the Company (put right) at the fair market value of Middlebury's membership interest. Additionally, Middlebury had an option to repurchase the camp programs at fair market value along with other contractual rights as certain milestones associated with its Language Academy summer camp programs were not met. On May 4, 2015, Middlebury exercised its right to require the Company to purchase all of its ownership interest in the joint venture but it has not exercised its option to repurchase the camps programs.

The redeemable noncontrolling interests are redeemable outside of the Company's control. Because of this the Company records the redemption fair value outside of permanent equity in accordance with ASC 480-10-S99. The Company adjusts the redeemable noncontrolling interests to redemption value on each balance sheet date with changes in redemption values recognized as an adjustment to retained earnings, or in the absence of retained earnings, by adjustment to additional paid-in-capital.

At December 31, 2015, the Company was still in discussions with Middlebury to settle the terms under the put option. There has been no change in the fair value of the noncontrolling interest since June 30, 2015. The Company has the right to pay the redemption cost in cash, stock or a combination thereof, at the Company's option, which form of consideration has not yet been determined.

12. Supplemental Disclosure of Cash Flow Information

	Six Months Ended December 31, 2015	2014
	(In thousands)	
Cash paid for interest	$ 420	$ 428
Cash paid for taxes, net of refunds	$ 787	$ 8,188
Supplemental disclosure of non-cash financing activities:		
New capital lease obligations	$ 4,140	$ 6,912
Supplemental disclosure of non-cash investing activities:		
Business Combinations:		
— Current assets	$ —	$ 27
— Property and equipment	$ —	$ 350
— Intangible assets	$ —	$ 27
— Goodwill	$ —	$ 8,982
— Assumed liabilities	$ —	$ (50)
— Deferred revenue	$ —	$ (23)

13. Common Stock Repurchases

On November 4, 2013, the Board of Directors authorized the repurchase of up to $75 million of the Company's outstanding common stock over a two year period. The stock purchases under the buyback were dependent upon business and market conditions and other factors. The stock purchases were made from time to time and may be made through a variety of methods including open market purchases and in accordance with the SEC's Rule 10b5-1. There were no shares purchased during the six months ended December 31, 2015. There were 1,307,402 shares of common stock at an average price of $20.23 per share purchased during the six months ended December 31, 2014. As of December 31, 2015 total shares purchased under the plan were 3,502,598, at an average cost of $21.41 per share, and there were no shares remaining to be repurchased under the plan.

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

Certain statements in Management's Discussion and Analysis or MD&A, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, which we refer to as our Annual Report. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance or achievements.

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

- *Executive Summary* — a general description of our business and key highlights of the six months ended December 31, 2015.
- *Critical Accounting Policies and Estimates* — a discussion of critical accounting policies requiring critical judgments and estimates.
- *Results of Operations* — an analysis of our results of operations in our condensed consolidated financial statements.
- *Liquidity and Capital Resources* — an analysis of cash flows, sources and uses of cash, commitments and contingencies, seasonality in the results of our operations and quantitative and qualitative disclosures about market risk.

Executive Summary

We are a technology-based education company. We offer proprietary curriculum, software systems and educational services designed to facilitate individualized learning for students primarily in kindergarten through 12th grade, or K-12. Our mission is to maximize a child's potential by providing access to an engaging and effective education, regardless of geographic location or socio-economic background. Since our inception, we have invested to develop and acquire curriculum and online learning platforms that promote mastery of core concepts and skills for students of all abilities. K12 provides a continuum of technology-based educational products and solutions to virtual and blended public schools, school districts, charter schools, private schools and families as we strive to transform the educational experience into one that delivers individualized education on a highly scalable basis. These unique set of products and services are provided primarily to three lines of business: Managed Public School Programs (curriculum and services sold to managed public schools), Institutional (curriculum, technology and services provided to school districts, public schools and other educational institutions that we do not manage), and Private Pay Schools, and Other (private schools for which we charge student tuition and make direct consumer sales).

Managed Public School Programs accounted for approximately 81% of our revenue in the six months ended December 31, 2015. With a Managed Public School Program, K12 assumes substantially all of the administrative oversight, technology and academic support services, in addition to the provisioning of curriculum, learning systems and instructional services. These arrangements are negotiated with and approved by the school boards, which are mostly virtual and blended public charter schools. We have Managed Public School Programs in 33 states and the District of Columbia.

With our Institutional business, we do not assume primary management responsibilities for the schools. Rather, the Institutional business sells online curriculum programs and technology (full time and part time), courses, teacher instruction, and various support tools and platforms (see description of PEAK below) to schools and school districts. Our Institutional business consists of both Non-managed Programs and Institutional Software and Services. Non-managed Programs include schools where K12 provides the curriculum and technology for full-time virtual and blended programs, and the school can also contract for instruction or other educational services. Non-managed Programs do not offer primary administrative oversight. The Institutional Software and Services offerings provide an array of online educational products and services to meet the specific needs of the school or school district and its students. In addition to curriculum, systems and programs, the services we provide to these customers are designed to assist them in launching their own online learning programs tailored to their own requirements and may include teacher training programs, administrator support and our PEAK management system. PEAK (Personalize, Engage and Achieve) is a platform designed to centrally manage multiple online solutions across a school or district through one application. With our array of services, schools and districts can offer programs that allow students to participate part-time, supplementing their education with core courses, electives, credit recovery options, remediation and supplemental content options.

Our International and Private Pay Schools include three accredited online private schools that we operate in which parents can enroll students on a tuition basis for a full-time online education or individual courses to supplement their children's traditional instruction. These schools are: (1) K^{12} International Academy, an online private school that enables us to offer students worldwide the same full-time education programs and curriculum that we provide to the virtual and blended public schools, (2) The Keystone School, a private school that offers online and correspondence courses, and (3) the George Washington University Online High School, a school that offers college preparatory curriculum and is designed for high school students who are seeking a challenging academic experience.

We believe that the acceptance of online education in grades K-12 continues to grow, and anticipate that increased overall demand for virtual options in education will translate into increased demand for our Institutional business (sold under the brand names FuelEducation or FuelEd) over time. Our Managed Public School Programs business, which serves primarily virtual and blended charter schools, is more mature and the independent governing boards of the virtual charter schools that contract with us are taking different approaches to virtual education depending upon their own charter school goals. This in turn may alter the nature of the agreements we have with those boards and the level of management services that are contracted. We continue to work with all independent governing authorities to offer the curriculum, technology and services to meet the needs of fully-managed virtual and blended schools as well as the self-managed virtual and blended schools, offering additional services to the self-managed schools as needed.

Overall, for all three lines of business, for the six months ended December 31, 2015, revenues decreased to $430.0 million from $468.0 million in the same period in the prior year, a decline of 8.1%. Over the same period, operating income decreased to a loss of ($5.7) million, from income of $7.3 million in the prior year period. Net income to common stockholders decreased to a loss of ($4.3) million, as compared to income of $5.6 million in the prior year period.

Critical Accounting Policies and Estimates

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

Results of Operations

We have three lines of business: Managed Public School Programs, Institutional (curriculum, technology, and services provided to school districts, public schools and other educational institutions that we do not manage), and Private Pay Schools and Other (private schools for which we charge student tuition and make direct consumer sales).

Managed Public School Programs	Institutional (includes non-managed schools)	International and Private Pay Schools
• Virtual public schools	• K^{12} curriculum and technology	• Managed private schools
• Blended public schools	• FuelEd Online Courses	—K^{12} International Academy
—Hybrid schools	• FuelEd Anywhere Learning System	—George Washington University Online HS
—Flex schools		—The Keystone School
—Passport schools	• Middlebury Interactive Languages	• Independent course sales (Consumer)
	• Pre-kindergarten	

Enrollment Data

The following table sets forth total enrollment data for students in our Managed Public School Programs and our Non-managed Programs.

	Three Months Ended December 31,		2015 / 2014		Six Months Ended December 31,		2015 / 2014	
	2015	2014	Change	Change %	2015	2014	Change	Change %
Public School Programs								
Managed Programs (1), (2)	103,751	116,258	(12,507)	-10.8%	103,920	116,850	(12,930)	-11.1%
Non-managed Programs (1)	27,513	20,249	7,264	35.9%	27,709	20,472	7,237	35.4%

(1) If a school changes from a Managed to a Non-managed Program, the corresponding enrollment classification would change in the period in which the contract arrangement changed.
(2) Managed Public School Programs include enrollments for which K12 receives no public funding or revenue.

Revenue by Business Lines

Revenue is captured by business line based on the underlying customer contractual agreements. The following represents our revenue for these lines of business for the three and six months ended December 31, 2015 and 2014.

	Three Months Ended December 31,		Change 2015 / 2014		Six Months Ended December 31,		Change 2015 / 2014	
($ in thousands)	2015	2014	$	%	2015	2014	$	%
Managed Public School Programs	$ 170,346	$ 196,735	$ (26,389)	-13.4%	$ 347,801	$ 399,114	$ (51,313)	-12.9%
Institutional								
Non-managed Public School Programs	15,590	11,440	4,150	36.3%	31,296	21,685	9,611	44.3%
Institutional Software & Services	12,200	11,833	367	3.1%	25,488	24,716	772	3.1%
Total Institutional	27,790	23,273	4,517	19.4%	56,784	46,401	10,383	22.4%
Private Pay Schools and Other	10,675	11,296	(621)	-5.5%	25,456	22,502	2,954	13.1%
Total	$ 208,811	$ 231,304	$ (22,493)	-9.7%	$ 430,041	$ 468,017	$ (37,976)	-8.1%

Beginning in fiscal 2016, the Company will present revenue from Non-managed Programs as part of the Institutional line of business, along with the Institutional Software and Services, which together constitute total Institutional revenue. In the prior year these revenues were presented as part of the Public School Programs line of business, which included both managed and non-managed public school programs. We believe this revised presentation clarifies and better aligns the disclosure of Non-Managed Program revenues with the Company's operational and sales structure.

	Three Months ended December 31,				Six Months ended December 31,			
	2015		2014		2015		2014	
	($ in thousands)				($ in thousands)			
Revenues	$ 208,811	100.0%	$ 231,304	100.0%	$ 430,041	100.0%	$ 468,017	100.0%
Costs and expenses								
Instructional costs and services	129,616	62.1	145,029	62.7	268,619	62.5	291,872	62.4
Selling, administrative, and other operating expenses	61,440	29.4	62,557	27.0	160,710	37.4	162,101	34.6
Product development expenses	3,028	1.5	3,245	1.4	6,441	1.5	6,727	1.4
Total costs and expenses	194,084	93.0	210,831	91.1	435,770	101.4	460,700	98.4
Income (loss) from operations	14,727	7.0	20,473	8.8	(5,729)	(1.4)	7,317	1.5
Interest (expense) income, net	(190)	(0.1)	151	0.1	(495)	—	182	0.1
Income (loss) before income tax expense and noncontrolling interest	14,537	6.9	20,624	8.9	(6,224)	(1.4)	7,499	1.6
Income tax (expense) benefit	(6,653)	(3.1)	(8,663)	(3.7)	1,444	0.3	(2,125)	(0.5)
Net income (loss)	7,884	3.9	11,961	5.2	(4,780)	(1.1)	5,374	1.1
Adjust net loss attributable to noncontrolling interest	654	0.2	370	0.1	525	0.1	183	0.1
Net income (loss) attributable to common stockholders	$ 8,538	4.1%	$ 12,331	5.3%	$ (4,255)	(1.0)%	$ 5,557	1.2%

Comparison of the Three Months Ended December 31, 2015 and December 31, 2014

Revenues. Our revenues for the three months ended December 31, 2015 were $208.8 million, representing a decrease of $22.5 million, or 9.7%, from $231.3 million for the same period in the prior year. Managed Public School Program revenue decreased $26.4 million, or 13.4%, year over year. The decline in Managed Public School Program revenue was primarily attributable to the 10.8% decline in enrollments, largely resulting from the loss of the management component of the Agora contract, offset in part by increases in the per pupil rate of achieved state funding in certain states. Additionally, other factors impacting the enrollment decline include regulatory and school board decisions to limit enrollments, marketing, and other market conditions. We anticipate the full fiscal year net impact of the Agora program transition to result in an approximate decrease of $110 million of total revenue from the prior year.

Total Institutional increased $4.5 million, or 19.4%, due primarily to the transition of the Agora contract from a managed to a non-managed program. Private Pay Schools and Other revenue decreased $0.6 million, or 5.5%, over the prior year.

Enrollments in Managed Public School Programs on average generate substantially more revenues than enrollments served through our Institutional business where we provide limited or no management services. As we continue to build our Institutional business and the Managed Public School Programs business continues to evolve, enrollment mix is expected to shift and may impact growth in revenues relative to the growth in enrollments.

Instructional costs and services expenses. Instructional costs and services expenses for the three months ended December 31, 2015 were $129.6 million, representing a decrease of $15.4 million, or 10.6%, from $145.0 million for the three months ended December 31, 2014. This decrease in expense was primarily associated with the transition of the Agora contract from managed to non-managed. Instructional costs and services expenses were 62.1% of revenue during the three months ended December 31, 2015, a slight decrease from 62.7% for the three months ended December 31, 2014.

Selling, administrative, and other operating expenses. Selling, administrative, and other operating expenses for the three months ended December 31, 2015 were $61.4 million, representing a decrease of $1.2 million, or 1.9% from $62.6 million for the three months ended December 31, 2014. Selling, administrative, and other operating expenses were 29.4% of revenue during the three months ended December 31, 2015, an increase from 27.0% for the three months ended December 31, 2014.

Product development expenses. Product development expenses for the three months ended December 31, 2015 were $3.0 million, representing a decrease of $0.2 million, or 6.3% from $3.2 million for the three months ended December 31, 2014. As a percentage of revenues, product development expenses represented 1.5% of revenue for the three months ended December 31, 2015, a slight increase from 1.4% for the three months ended December 31, 2014.

Interest (expense) income, net. Net interest expense for the three months ended December 31, 2015 was ($0.2) million as compared to net interest income of $0.2 million in the same period in the prior year. Net interest income in the prior year was primarily associated with approximately $0.3 million in interest income during the period ended December 31, 2014, associated primarily with our investment in Web International Education Group, Ltd., offset by interest expense on our student computer capital leases. During the year ended June 30, 2015, we placed our Web investment on non-accrual status and ceased accruing interest income given the delay in efforts to expatriate the cash. During the period ending December 31, 2015, there was ($0.2) million of interest expense on our student computer capital leases.

Income tax expense. We had income tax expense of $6.7 million for the three months ended December 31, 2015, or 45.8% of income before taxes, as compared to income tax expense of $8.7 million, or 42.0% of income before taxes for the three months ended December 31, 2014. The increase in the effective tax rate for the three months ended December 31, 2015 is related to the impact of the foreign losses and non-controlling interests.

Net income. Net income was $7.9 million for the three months ended December 31, 2015, compared to $12.0 million for the three months ended December 31, 2014, representing a decrease of $4.1 million.

Noncontrolling interest. Net loss attributable to noncontrolling interest for the three months ended December 31, 2015 was $0.7 million as compared to net loss attributable to noncontrolling interest of $0.4 million for the same period in the prior year. Noncontrolling interest reflects the after-tax losses attributable to minority interest owners in our investments, and fluctuate in proportion to the operating results of the investments.

Comparison of the Six Months Ended December 31, 2015 and December 31, 2014

Revenues. Our revenues for the six months ended December 31, 2015 were $430.0 million, representing a decrease of $38.0 million, or 8.1%, from $468.0 million for the same period in the prior year. Managed Public School Program revenue decreased $51.3 million, or 12.9%, year over year. The decline in Managed Public School Program revenue was primarily attributable to the 11.1% decline in enrollments, largely resulting from the loss of the management component of the Agora contract, offset in part by increases in the per pupil rate of achieved state funding in certain states. Additionally, other factors impacting the enrollment decline include regulatory and school board decisions to limit enrollments, marketing, and other market conditions. We anticipate the full fiscal year net impact of the Agora program transition to result in an approximate decrease of $110 million of total revenue from the prior year.

Total Institutional increased $10.4 million, or 22.4%, due primarily to the transition of the Agora contract from a managed to a non-managed program. Private Pay Schools and Other revenue increased $3.0 million, or 13.1%, over the prior year primarily due to business development activities.

Enrollments in Managed Public School Programs on average generate substantially more revenues than enrollments served through our Institutional business where we provide limited or no management services. As we continue to build our Institutional business and the Managed Public School Programs business continues to evolve, enrollment mix is expected to shift and may impact growth in revenues relative to the growth in enrollments.

Instructional costs and services expenses. Instructional costs and services expenses for the six months ended December 31, 2015 were $268.6 million, representing a decrease of $23.3 million, or 8.0%, from

$291.9 million for the six months ended December 31, 2014. This decrease in expense was primarily associated with the transition of the Agora contract from managed to non-managed. Instructional costs and services expenses were 62.5% of revenue during the six months ended December 31, 2015, a slight increase from 62.4% for the six months ended December 31, 2014.

Selling, administrative, and other operating expenses. Selling, administrative, and other operating expenses for the six months ended December 31, 2015 were $160.7 million, representing a decrease of $1.4 million, or 0.9% from $162.1 million for the six months ended December 31, 2014. Selling, administrative, and other operating expenses were 37.4% of revenue during the six months ended December 31, 2015, an increase from 34.6% for the six months ended December 31, 2014. This increase was primarily attributable to a write-off of receivables which was included in selling, administrative, and other operating expenses for the six months ended December 31, 2015.

Product development expenses. Product development expenses for the six months ended December 31, 2015 were $6.4 million, representing a decrease of $0.3 million, or 4.5% from $6.7 million for the six months ended December 31, 2014. As a percentage of revenues, product development expenses increased slightly to 1.5% for the six months ended December 31, 2015, from 1.4% for the six months ended December 31, 2014.

Interest (expense) income, net. Net interest expense for the six months ended December 31, 2015 was ($0.5) million as compared to net interest income of $0.2 million in the same period in the prior year. Net interest income in the prior year was primarily associated with approximately $0.6 million in interest income during the period ended December 31, 2014, associated primarily with our investment in Web International Education Group, Ltd., offset by interest expense on our student computer capital leases. During the year ended June 30, 2015, we placed our Web investment on non-accrual status and ceased accruing interest income given the delay in efforts to expatriate the cash. During the period ending December 31, 2015, there was ($0.5) million of interest expense on our student computer capital leases.

Income tax expense. We had an income tax benefit of $1.4 million for the six months ended December 31, 2015, or 23.2% of income before taxes, as compared to income tax expense of $2.1 million, or 28.3% of income before taxes for the six months ended December 31, 2014. The decrease in the effective tax rate for the six months ended December 31, 2015 is related to the impact of the foreign losses and non-controlling interests, offset by the tax elections made in the first quarter of fiscal year 2015 on the sale of assets in June 2014.

Net (loss) income. Net loss was ($4.8) million for the six months ended December 31, 2015, compared to net income of $5.4 million for the six months ended December 31, 2014, representing a decrease of $10.2 million.

Noncontrolling interest. Net loss attributable to noncontrolling interest for the six months ended December 31, 2015 was $0.5 million as compared to net loss attributable to noncontrolling interest of $0.2 million for the same period in the prior year. Noncontrolling interest reflects the after-tax losses attributable to minority interest owners in our investments, and fluctuate in proportion to the operating results of the investments.

Liquidity and Capital Resources

As of December 31, 2015, we had net working capital, or current assets minus current liabilities, of $353.3 million. Our working capital includes cash and cash equivalents of $171.3 million, including $1.8 million associated with our two joint ventures, and accounts receivable of $229.6 million. Our working capital provides a significant source of liquidity for our normal operating needs. Our accounts receivable balance fluctuates throughout the fiscal year based on the timing of customer billings and collections and tends to be highest in our first fiscal quarter as we begin billing for students. In addition, our cash and accounts receivable were significantly in excess of our accounts payable and short-term accrued liabilities at December 31, 2015.

On January 31, 2014, we executed a $100.0 million unsecured line of credit to be used for general corporate operating purposes with Bank of America, N.A. (“BOA”). The line has a five-year term, bears interest at the higher of the Bank’s prime rate plus 0.25%, or the Federal Funds Rates plus 0.75%, or the LIBOR rate plus 1.25%; and incorporates customary financial and other covenants, including but not limited to a maximum debt leverage and a minimum fixed charge coverage ratio. As of December 31, 2015, we were in compliance with these covenants and we had no borrowings outstanding on the line of credit.

We incur capital lease obligations for student computers under a lease line of credit with PNC Equipment Finance, LLC with annual lease availability limits. We had $35.0 million of availability for new leasing during fiscal year 2015. Interest rates in July 2015 on the new borrowings were based upon an initial rate of 2.34% modified by changes in the three year interest rate swaps rate as published in the Federal Reserve Statistical Release H.15, “Selected Interest Rates,” between June 25, 2014 and the Lease Commencement Date, as defined in the lease line of credit. This availability originally expired in July 2015, but was extended to July 2016. Interest rates on the new borrowings beginning in August 2015 under the extended agreement are based upon an initial rate of 1.88% modified by changes in the three year interest rate swaps rate as published in the Federal Reserve Statistical Release H.15, “Selected Interest Rates,” between April 29, 2015 and the Lease Commencement Date, as defined in the lease line of credit.

As of December 31, 2015, the aggregate outstanding balance under the lease lines of credit was $24.4 million. Borrowings bore interest at rates ranging from 1.95% to 3.08% and included a 36-month payment term with a $1 purchase option at the end of the term. We have pledged the assets financed to secure the outstanding leases. We may extend our lease line of credit for additional periods, or consider alternative arrangements for financing student computers.

On November 4, 2013, the Board of Directors authorized the repurchase of up to $75 million of our outstanding common stock over a two year period. The purchases under this buyback were dependent upon business and market conditions and other factors. The stock purchases were made from time to time and were made through a variety of methods including open market purchases and in accordance with the SEC’s Rule 10b5-1. The Company completed the purchases under the buyback plan in September 2014, and accordingly there were no purchases during the six months ended December 31, 2015.

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

On May 4, 2015, Middlebury College, under the joint venture agreement, exercised its right to require the Company to purchase all of its ownership interest in the joint venture at a mutually agreed upon fair market value or for a value to be determined by an independent valuation. At December 31, 2015, the Company was still in discussions with Middlebury to settle the terms under the put option. There has been no change in the fair value of the noncontrolling interest since June 30, 2015. The Company has the right to pay the redemption cost in cash, stock or a combination thereof, at the Company’s option, which form of consideration has not yet been determined.

Operating Activities

Net cash provided by operating activities for the six months ended December 31, 2015 was $12.9 million compared to $7.0 million for the six months ended December 31, 2014. The $5.9 million increase in cash provided by operations between periods was primarily attributable to an overall increase in cash flows from changes in working capital of approximately $12.7 million, offset by a decrease of approximately $6.8 million in net income including non-cash adjustments. These changes in working capital were primarily attributable to improved collections of accounts receivable, offset by decreased deferred revenue balances, among other factors.

Investing Activities

Net cash used in investing activities for the six months ended December 31, 2015 was $25.8 million compared to $37.6 million for the six months ended December 31, 2014, a decrease of $11.8 million. This decrease was due primarily to the $6.5 million investment in LearnBop during fiscal 2015, as well as a $4.7 million decrease from the prior year related to capital expenditures for certain computer related hardware.

Financing Activities

Net cash used in financing activities for the six months ended December 31, 2015 was $11.7 million compared to $39.2 million during the six months ended December 31, 2014. Our primary use of cash in financing activities during the six months ended December 31, 2015 was in connection with payments of capital lease obligations incurred for the acquisition of student computers. During the six months ended December 31, 2014, the Company purchased treasury stock totaling approximately $26.5 million, which concluded the buy-back plan. The Company made no such purchases during the six months ended December 31, 2015.

Off Balance Sheet Arrangements, Contractual Obligations and Commitments

We have provided guarantees of approximately $8.1 million related to long-term lease commitments on buildings for certain of our flex schools. We contractually guarantee that certain schools under our management will not have cumulative operating losses over the contract period and our management fees from these schools may be reduced accordingly. Other than these lease and operating deficit guarantees, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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

Interest Rate Risk

At December 31, 2015 and June 30, 2015, we had cash and cash equivalents totaling $171.3 million and $195.9 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 December 31, 2015, a 1% gross increase in interest rates earned on cash would result in a $1.7 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 six months ended December 31, 2015, 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. At December 31, 2015, a 1% change in exchange rates between the U.S. dollar and British pound would result in an approximate impact of less than $0.1 million on our financial statements. If we enter into any material transactions in a foreign currency or establish or acquire any subsidiaries that measure and record their financial condition and results of operation in a foreign currency, we will be exposed to currency transaction risk and/or currency translation risk. Exchange rates between U.S. dollars and many foreign currencies have fluctuated significantly over the last few years and may continue to do so in the future. Accordingly, we may decide in the future to undertake hedging strategies to minimize the effect of currency fluctuations on our financial condition and results of operations.

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

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

We carried out an evaluation, required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Exchange Act, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this review, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015.

Changes to Internal Control over Financial Reporting

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

Part II. Other Information

Item 1. *Legal Proceedings.*

In the ordinary conduct of our business, we are subject to lawsuits, arbitrations and administrative proceedings from time to time. We vigorously defend these claims; however, no assurances can be given as to the outcome of any pending legal proceedings. We believe, based on currently available information, that the outcome of any existing or known threatened proceedings, even if determined adversely, should not have a material adverse effect on our business, financial condition, liquidity or results of operations.

On September 24, 2015, the Company, in connection with an industry-wide investigation styled "In the Matter of the Investigation of: For-Profit Virtual Schools," received a civil investigative subpoena for specified documents and responses to interrogatories from the Attorney General of the State of California, Bureau of Children's Justice. The Company is cooperating with the investigation and responding to the subpoena. At this stage, the Company is not aware of any material adverse effect this industry-wide investigation would have on the results of its operations and financial condition.

Item 1A. *Risk Factors.*

There have been no material changes to the risk factors disclosed in "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 as filed with the SEC on August 4, 2015.

Item 2. *Issuer Purchases of Equity Securities.*

On November 4, 2013, the Board of Directors authorized the repurchase of up to $75 million of the Company's outstanding common stock over a two year period. The stock purchases under the buyback were dependent upon business and market conditions and other factors. The stock purchases were made from time to time and may be made through a variety of methods including open market purchases and in accordance with the SEC's Rule 10b5-1. There were no shares purchased during the six months ended

December 31, 2015. There were 1,307,402 shares of common stock at an average price of $20.21 per share purchased during the six months ended December 31, 2014. As of December 31, 2015 total shares purchased under the plan were 3,502,598, at an average cost of $21.41 per share, and there were no shares remaining to be repurchased under the plan.

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

None.

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

None.

Item 5. ***Other Information.***

On January 7, 2016 , Mr. Stuart J. Udell, entered into an Employment Agreement effective February 8, 2016, to serve as our Chief Executive Officer. On January 27, 2016, Mr. Nathaniel A. Davis, our current Chairman and Chief Executive Officer, entered into a second amended and restated Employment Agreement effective February 8, 2016 to serve as the Executive Chairman of the Board of Directors. Additional detail on the material terms and conditions of both employment agreements are included in our Form 8-K filed on January 27, 2016.

Item 6. *Exhibits*

(a) Exhibits.

Number	Description
10.1	Employment Agreement for Nathaniel A. Davis, effective February 8, 2016.
10.2	Employment Agreement for Stuart J. Udell, effective February 8, 2016.
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
101	The following financial statements and footnotes from the K12 Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets (unaudited), (ii) Condensed Consolidated Statements of Operations (unaudited), (iii) Condensed Consolidated Statement of Comprehensive Income, (iv) Condensed Consolidated Statement of Equity (unaudited), (v) Condensed Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Condensed Consolidated Financial Statements (unaudited).

SIGNATURES

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

K12 Inc.

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

Date: January 28, 2016

Exhibit 10.1

EXECUTION VERSION

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT
Between
K12 INC. and NATHANIEL A. DAVIS

THIS AGREEMENT is entered into as of January 27, 2016, (the "Execution Date"), by and between K12 Inc., a Delaware corporation having a place of business at 2300 Corporate Park Drive, Herndon, Virginia 20171 (alternatively, "K12" or the "Corporation") and Nathaniel A. Davis ("EMPLOYEE") a resident of the Commonwealth of Virginia (K12 and EMPLOYEE are referred to collectively herein as the "Parties"). This Agreement will become effective upon and subject to the occurrence of the Effective Date (as defined below).

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

WHEREAS, EMPLOYEE serves as the Chairman of the Board of Directors of K12 (the "Board") and its Chief Executive Officer;

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

WHEREAS, effective as of January 1, 2014, EMPLOYEE was appointed to the position of Chief Executive Officer of K12 and has served in such position pursuant to an Amended and Restated Employment Agreement between EMPLOYEE and K12, dated as of March 10, 2014 (the "Prior Agreement"), which Prior Agreement superseded the Initial Agreement;

WHEREAS, with the participation and consent of the EMPLOYEE, the Board has identified a new Chief Executive Officer (the "New CEO") who will commence employment with K12 in such capacity on the Effective Date (as defined below); and

WHEREAS, K12 and EMPLOYEE desire that EMPLOYEE continue to serve as an employee of K12 in the position of Executive Chairman and are entering into this Agreement to set forth the terms and conditions of EMPLOYEE's employment with K12 and to supersede and replace, as of the Effective Date, the Prior Agreement in all respects;

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

ARTICLE I.
DEFINITIONS

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

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

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

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

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

1.5 "Effective Date" shall mean the date of commencement of employment of the New CEO with K12, which date is expected to be not later than February 15, 2016.

ARTICLE II.
<u>TERM OF AGREEMENT — EMPLOYMENT</u>

2.1 **Term.** Subject to the provisions of Section 2.3(b) and Article 4 hereof, this Agreement shall be in effect for a term commencing on Effective Date and ending on the two (2) year anniversary of the Effective Date (the "Initial Term"), subject to earlier termination as provided in <u>Section 4</u>. This Agreement shall automatically renew for additional twelve (12) month periods unless no later than sixty (60) days prior to the end of the Initial Term or any applicable 12- month renewal period, either party gives written notice of non-renewal ("<u>Notice of Non-Renewal</u>") to the other, in which case EMPLOYEE's employment shall terminate at the end of the Initial Term or 12-month renewal period, as applicable, subject to earlier termination as provided in <u>Section 4</u>. The period during which EMPLOYEE remains in employment with K12 pursuant to the terms of this Agreement is referred to herein as the "Term."

2.2 **Employment.** As of the Effective Date, K12 shall employ EMPLOYEE as its Executive Chairman (and EMPLOYEE will no longer serve as K12's Chief Executive Officer) and EMPLOYEE shall accept such employment by K12, on and subject to the terms and conditions set forth herein. EMPLOYEE represents and warrants that neither the execution and delivery nor performance by him of this Agreement will violate any agreement, order, judgment or decree to which he is a party or by which he is bound. In accepting the position of Executive Chairman, this Agreement specifically contemplates that EMPLOYEE shall not resign as a member of the current Board, but shall remain a member thereof, so long as he remains willing and able to serve on the Board and the requisite majority of the Corporation's stockholders re-elect him to serve in that capacity as provided under the Corporation's Certificate of Incorporation and By-Laws as then in effect.

2.3 **Duties.**

(a) During the Term, as Executive Chairman of K12, EMPLOYEE shall have duties and responsibilities related to leadership of the Board, building relations with shareholders, customers, industry policy makers, and other corporate constituencies, building corporate strategy, and achieving the financial and academic performance targets and other corporate objectives approved by the Board. While acting as Executive Chairman, EMPLOYEE shall continue to serve as Chairman of the Board.

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

(c) During the term of employment, it shall not be a violation of Section 2.3(a) or 2.3(b) of this Agreement for EMPLOYEE to, in all cases subject to Articles 5 and 6 hereof, (i) serve as an outside director on the board of directors of no more than three companies; (ii) serve as an officer or director of a cooperative housing, or civic or charitable organization or committee; (iii) deliver lectures, fulfill speaking engagements, or teach at university level or equivalent educational institutions; or (iv) manage personal passive investments, so long as such activities (individually or collectively) do not conflict or materially interfere with the performance of EMPLOYEE's duties hereunder.

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

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

ARTICLE III.
COMPENSATION

3.1 **Base Salary.**

(a) Subject to Sections 2.3(b) and 3.1(b) hereof, for the services EMPLOYEE shall render pursuant to this Agreement, K12 shall pay EMPLOYEE during the Term an annual base salary ("Base Salary") of at least Four Hundred Thousand Dollars ($400,000). Such rate of Base Salary will be effective as of February 15, 2016. Subject to Sections 2.3(b) and 3.1(b) hereof, such Base Salary shall not be reduced but, at the discretion of the Board, may be increased from time to time. Base Salary shall be payable in accordance with K12's then-prevailing executive payroll practices. The term "Base Salary" as used herein shall include any adjustment made thereto in accordance with the terms of this Agreement.

3.2 **Annual Performance Bonus.**

During the Term, EMPLOYEE will be eligible to receive a bonus (the "Performance Bonus"), based on objective criteria the Board shall establish after consultation with EMPLOYEE at the beginning of each fiscal year of the Company (each a "Fiscal Year"), but no later than 90 days after the start of such Fiscal Year. As soon as practicable following the close of each Fiscal Year for which a Performance Bonus is to be paid hereunder, the Board shall authorize, certify and declare the amount of such Performance Bonus based upon K12's and EMPLOYEE's performance, as measured against the objective criteria the Board established for EMPLOYEE for such Fiscal Year. The target for such Performance Bonus shall not be less than 150% of the Base Salary and not more than 300% of the Base Salary then payable to EMPLOYEE for the Fiscal Year covered by such Performance Bonus. For the Fiscal Year ending June 30, 2016, EMPLOYEE's Performance Bonus will be calculated reflecting a blended base salary rate, taking into account his services at Chief Executive Officer (at a base salary of $735,000) during such Fiscal Year prior to the Effective Date and his services as Executive Chairman (at a Base Salary of $300,000) during such Fiscal Year after the Effective Date, based on the relative periods of time during which he served in each position. Except as expressly set forth in this Section 3.2 or Article 4, EMPLOYEE's right to receive a Performance Bonus for any Fiscal Year shall be subject to his continued rendering of services to K12 either as an employee or member of the Board through the last day of the applicable Fiscal Year, provided that in the event the EMPLOYEE ceases to be an employee of K12 during any applicable Fiscal Year, but remains as a member of the Board through the last day of the applicable Fiscal Year, EMPLOYEE's Performance Bonus for such Fiscal Year shall be pro-rated to reflect the number of days during which he served as an employee for such Fiscal Year. Each Performance Bonus found to be due and payable hereunder shall be calculated, authorized and paid within such time so as to allow such bonus to qualify as a "short-term deferral" within the meaning of Treasury Regulation Section 1.409A-1(b)(4).

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

3.4 **Expenses.** During the Term, K12 shall reimburse EMPLOYEE for all reasonable, ordinary and necessary business expenses actually incurred by EMPLOYEE in connection with the performance of his duties hereunder, including ordinary and necessary expenses incurred by EMPLOYEE in connection with travel on K12 business. All expenses shall be approved by K12 in accordance with and subject to the terms and conditions of K12's then-prevailing expense policy. EMPLOYEE shall provide to K12 any and all statements, bills, or receipts evidencing the expenses for which EMPLOYEE seeks reimbursement, and such related information or materials as K12 may from time to time reasonably require. EMPLOYEE shall account to K12 for any expenses that are eligible for reimbursement under this Section 3.4 in accordance with K12 policy. EMPLOYEE shall be entitled to reimbursement of his reasonable attorneys' fees incurred in connection with the negotiation of this agreement in an amount not to exceed $20,000. Such reimbursement shall be made promptly upon submission of appropriate documentation of such expenses, but not later than December 31, 2016.

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

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

3.7 **Equity Compensation Grants.** Subject to any generally applicable terms and conditions set forth in the Corporation's shareholder-approved Equity Incentive Award Plan, as currently amended and in effect (the "EIA Plan"), EMPLOYEE shall be granted, and K12 shall make equity compensation awards to EMPLOYEE under the following terms and conditions:

(a) *Stock Price RSA Opportunity*. For a period of two years following the Effective Date, in addition to any regular annual or other periodic equity incentive awards to be granted to EMPLOYEE (and in addition to all previously granted awards), the EMPLOYEE shall have an opportunity to earn awards of restricted stock to be granted under the EIA Plan based on K12's Average Stock Price (as defined below) achieving the levels as set forth in this Section 3.7(a), provided in each case that EMPLOYEE is employed by K12 as of the date such Average Stock Price is achieved:

(i) For purposes of this Section 2(c)(i)(C), "Average Stock Price" means the average closing price of K12's common stock determined over any period of 30 consecutive days;

(ii) As of the first date upon which the Average Stock Price equals or exceeds $13.00, the EMPLOYEE shall receive a restricted stock award of a number of shares having a Fair Market Value at the time of grant of $500,000 (38,462 shares);

(iii) As of the first date upon which the Average Stock Price equals or exceeds $16.00, the EMPLOYEE shall receive a restricted stock award of a number of shares having a Fair Market Value at the time of grant of $1,500,000 (93,750 shares); and

(iv) As of the first date upon which the Average Stock Price equals or exceeds $19.00, the EMPLOYEE shall receive a restricted stock award of a number of shares having a Fair Market Value at the time of grant of $2,500,000 (131,579 shares).

EMPLOYEE shall also earn an award described in clauses (ii), (iii) or (iv) if EMPLOYEE's employment is terminated by K12 without Cause, or by EMPLOYEE for Good Reason, and the applicable Average Stock Price threshold is achieved within 30 days after the date of such termination. For the avoidance of doubt, the award opportunities in clauses (ii), (iii) and (iv) above are cumulative such that the EMPLOYEE shall have a total opportunity to earn up to $4,500,000 (263,791 shares) in restricted stock value (as of the applicable grant dates) pursuant to this Section 3.7(a). The Average Stock Price thresholds stated above will be automatically adjusted to account for any stock dividend, stock split or other similar non-reciprocal transaction. With respect to any award of restricted stock granted under this Section 3.7(a) (each and any such award a "Stock Price RSA Grant"), 50% of the shares subject to such grant shall be immediately vested on the date the applicable Stock Price threshold is achieved and the remaining 50% of the total number of restricted shares in such Stock Price RSA Grant shall vest ratably in semi-annual intervals until the two year anniversary of the Effective Date, such that all restricted shares that are earned under this Section 2(c)(i)(C) and granted as part of a Stock Price RSA Grant shall be 100% vested as of the two year anniversary of the Effective Date. For the avoidance of doubt, if an applicable Stock Price threshold is not achieved prior to the two year anniversary of the Effective Date, no Stock Price RSA Grant will be made in respect of such Stock Price threshold. In the event of a Change in Control prior to the two year anniversary of the Effective Date, if a Stock Price RSA Grant for a particular Stock Price threshold has not yet been made, the shares of restricted stock for such Stock Price threshold will be considered earned and will be granted immediately prior to the occurrence of the Change in Control if the stock price paid or implied in such transaction equals or exceeds the corresponding dollar threshold. Any such shares that are granted immediately prior to a Change in Control will be 100% vested upon grant. No further Stock Price RSA Grant will be made under this Section 2(c)(i)(C) following the date of such Change in Control.

(b) *Ongoing Equity Incentive Awards*. During the Term, EMPLOYEE shall also be eligible to participate in and will receive additional awards under K12's equity incentive award plans and programs as in effect from time to time at a level and on terms commensurate with his position as Executive Chairman of K12 ("Ongoing Equity Awards"). Ongoing Equity Awards are currently granted on an annual basis at or near the beginning of each fiscal year of K12, in each case as determined by the Board or the Compensation Committee of the Board, and are expected to be granted in the form of performance-based restricted stock, restricted stock units or similar awards, in each case as determined by the Board or the Compensation Committee of the Board in their discretion from time to time. Prior to the Effective Date, the EMPLOYEE received a regular annual award for Fiscal Year 2016 (the "FY2016 Award"). This Agreement is not intended to impact the FY2016 Award or any other previously granted equity compensation awards, including the awards that were granted pursuant to the terms of the Initial Agreement or the Prior Agreement (such awards, together with the FY2016 Award are referred to herein as the "Prior Equity Awards"). Commencing with Fiscal Year 2017, EMPLOYEE's initial annual target award level is $2,000,000. For the avoidance of doubt, all equity compensation awards are subject to approval by the Board on an annual basis or otherwise at the time of grant.

(c) *S-8 Registration; 409A*. K12 covenants and acknowledges, as applicable, that: (i) to the extent permitted by law and for so long as K12 is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, all shares of K12 common stock issued to EMPLOYEE in respect of awards granted hereunder shall be registered under the Securities Act of 1933, as amended, on an effective Form S-8 registration statement; and (ii) it intends that all compensation paid or payable to EMPLOYEE shall comply with, or be exempt from, the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and related rulings and regulations ("Section 409A"), it being understood that nothing in this Agreement is intended to provide EMPLOYEE with any gross-up or indemnification in respect of any taxes or penalties imposed as a result of Section 409A.

(d) *Special Vesting Provisions For Equity Compensation Awards*. Notwithstanding the preceding provisions of this Section 3.7 to the contrary, in the event EMPLOYEE separates from employment with K12 either due to a termination of EMPLOYEE's employment by K12 Without Cause (which does not include termination of EMPLOYEE by reason of K12 giving Notice of Non-Renewal pursuant to Section 2.1) or EMPLOYEE's resignation of his employment for Good Reason as specifically described in Section 4.5, the following special vesting provisions shall apply to the EMPLOYEE's equity compensation awards: (i) if such separation does not occur within two years following the occurrence of a "Change in Control" (as defined in the EIA Plan) all of the then-non-vested awards and grants that would have vested at any time during the two year period following the separation shall immediately and automatically vest, provided that, unless a provision more favorable to EMPLOYEE is included in an applicable award agreement, any such awards that are subject to performance-based vesting conditions shall only be payable subject to the attainment of the performance measures for the applicable performance period as provided under the terms of the applicable award agreement; and (ii) if such separation occurs within two years following the occurrence of a "Change in Control" (as defined in the EIA Plan), all of the non-vested awards and grants that are then outstanding shall immediately and automatically vest, provided that (A) any such awards that are subject to performance-based vesting conditions shall remain subject to the attainment of the applicable performance metrics to the same extent as such performance metrics continue to apply following the Change in Control for K12's other executive officers, and (B) the Stock Price RSA Grants which have not theretofore been earned shall be granted and become vested only if the Change in Control conditions specified in Section 3.7(a) are satisfied.

ARTICLE IV.
TERMINATION

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

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

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

(b) If EMPLOYEE's employment terminates because of his death, all of EMPLOYEE's non-vested equity compensation awards that would have vested at any time during the one year period following the date of EMPLOYEE's death shall immediately and automatically vest, provided that, unless a provision more favorable to EMPLOYEE is included in an applicable award agreement, any such awards that are subject to performance-based vesting conditions shall only be payable subject to the attainment of the performance measures for the applicable performance period as provided under the terms of the applicable award agreement. EMPLOYEE's legal representative, estate, beneficiaries and heirs shall thereupon be entitled to exercise any of EMPLOYEE's then-vested options within the one (1) year period immediately following such

EMPLOYEE's date of death, based on their respective interests in such options and restricted shares.

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

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

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

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

(d) If K12 terminates EMPLOYEE's employment because of Disability, all of EMPLOYEE's non-vested equity compensation awards that would have vested at any time during the one year period following the date of such termination shall immediately and automatically vest, provided that, unless a provision more favorable to EMPLOYEE is included in an applicable award agreement, any such awards that are subject to performance-based vesting conditions shall only be payable subject to the attainment of the performance measures for the applicable performance period as provided under the terms of the applicable award agreement. EMPLOYEE (or in the event of EMPLOYEE's death, his legal representative, estate, beneficiaries or heirs, based on their respective interests) shall thereupon be entitled to exercise any of EMPLOYEE's then-vested options within the one (1)-year period immediately following such EMPLOYEE's date of termination.

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

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

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

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

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

(ii) EMPLOYEE's non-vested equity compensation awards shall be immediately forfeited. EMPLOYEE shall be entitled to exercise any of his vested options within the one hundred eighty (180) consecutive day period immediately following the termination of EMPLOYEE's employment or the EMPLOYEE's removal from the Board, whichever is later, provided, however, that if K12 provides EMPLOYEE with a notice of termination for Cause, EMPLOYEE shall be permitted to exercise any vested options for a period not to exceed ninety (90) days after the effective date of a termination for Cause. In all cases, the foregoing shall be subject to earlier termination of the options upon the regular expiration date of the options or upon the occurrence of a Change in Control or other corporate event or extraordinary transaction as provided in the EIA Plan or its successor.

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

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

(a) For the purposes of this Agreement, discharge without Cause is any termination by K12 of EMPLOYEE's employment hereunder without Cause, as defined in Section 4.4(a) hereof and does not include the termination of EMPLOYEE by reason of K12 giving Notice of Non-Renewal pursuant to Section 2.1. K12 shall effectuate a discharge without Cause by giving EMPLOYEE a notice specifying the effective date of such discharge, which date shall not be earlier than thirty (30) days after the giving of notice.

For the purposes of this Agreement, Good Reason shall mean: (i) a material diminution of EMPLOYEE's authority, duties or responsibilities; or (ii) a material change in the geographic location at which EMPLOYEE must perform his personal services for K12 (at present, the Greater Washington, D.C. area); or (iii) a material breach of this Agreement by K12, so long as in each case EMPLOYEE shall have given K12 notice of the conduct he believes constituted the material diminution, change or breach within ninety (90) days of its occurrence and K12 shall have failed to remedy such diminution, change or breach within thirty (30) days thereafter. EMPLOYEE shall effect an employment termination by resignation for Good Reason by giving K12 a notice specifying the effective date of such employment termination. EMPLOYEE agrees that neither his no longer serving as K12's Chief Executive Officer as of the Effective Date nor any of the changes to his compensation or other terms and conditions of employment as provided for under this Agreement shall constitute Good Reason hereunder.

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

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

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

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

4.6 **Expiration of Contract Term.** In the event that K12 elects not to renew the Term of this Agreement by giving Notice of Non-Renewal pursuant to Section 2.1 and EMPLOYEE's employment by K12 therefore terminates at the expiration of the Term of this Agreement, the severance payments under Section 4.5 and the special vesting provisions under Section 3.7(d) shall not apply, provided that if in such event EMPLOYEE is asked to leave the Board, all options granted to EMPLOYEE shall immediately vest (to the extent not already vested), and EMPLOYEE shall be entitled to exercise any of his vested options within the three hundred sixty five (365)-consecutive day period immediately following the date of such employment termination. In addition thereto, any restricted shares or other equity awards scheduled to vest at the close of the final calendar quarter coincident with or immediately preceding the expiration of the Term shall thereupon vest, provided EMPLOYEE has satisfied the performance criteria selected by the Board or the Compensation Committee (as applicable). If K12 elects not to renew the Term of this Agreement by giving Notice of Non-Renewal pursuant to Section 2.1 and EMPLOYEE remains on the Board, all vesting shall continue in accordance with the terms of the applicable award agreements for so long as the EMPLOYEE remains on the Board.

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

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

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

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

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

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

4.8 **Parachute Payments**.

(a) It is the objective of this Agreement to maximize EMPLOYEE's Net After-Tax Benefit (as defined herein) if payments or benefits provided under this Agreement are subject to excise tax under Section 4999 of the Code. Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit by K12 or otherwise to or for the benefit of EMPLOYEE, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (all such payments and benefits, including the payments under Sections 4(b) and 4(c) hereof, being hereinafter referred to as the "Total Payments"), would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced to the extent necessary so that no portion of the Total Payments shall be subject to the Excise Tax, but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of Excise Tax to which EMPLOYEE would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(b) The Total Payments shall be reduced by K12 in the following order: (i) reduction of any cash severance payments otherwise payable to EMPLOYEE that are exempt from Section 409A, (ii) reduction of any other cash payments or benefits otherwise payable to EMPLOYEE that are exempt from Section 409A, but excluding any payments attributable to the acceleration of vesting or payments with respect to any equity award with respect to the K12's common stock that is exempt from Section 409A, (iii) reduction of any other payments or benefits otherwise payable to EMPLOYEE on a pro-rata basis or such other manner that complies with Section 409A, but excluding any payments attributable to the acceleration of vesting and payments with respect to any equity award with respect to K12's common stock that are exempt from Section 409A, and (iv) reduction of any payments attributable to the acceleration of vesting or payments with respect to any other equity award with respect to K12's common stock that are exempt from Section 409A.

(c) All determinations regarding the application of this Section 4.8 shall be made by an accounting firm with experience in performing calculations regarding the applicability of Section 280G of the Code and the Excise Tax selected by K12 and acceptable to EMPLOYEE ("Independent Advisors"), a copy of which report and all worksheets and background materials relating thereto shall be provided to EMPLOYEE. For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which EMPLOYEE shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which, in the opinion of the Independent Advisors, does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. The costs of obtaining such determination and all related fees and expenses (including related fees and expenses incurred in any later audit) shall be borne solely by K12.

ARTICLE V.
RESTRICTIVE COVENANTS

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

5.2 **Unfair Competition.** During his employment pursuant to this Agreement and for a period of 12 months thereafter (the "Post-Termination Non-Compete Period), EMPLOYEE shall not, within the United States, directly or indirectly, and whether or not for compensation, as a stockholder owning beneficially or of record more than five percent (5%) of the outstanding shares of any class of stock of an issuer, or as an officer, director, employee, consultant, partner, joint venturer, proprietor, or otherwise, engage in or become interested in any Conflicting Organization in connection with research, development, consulting, manufacturing, purchasing, accounting, engineering, marketing, merchandising or selling of any Conflicting Product or Service, directly or indirectly, in competition with K12 or any of its Affiliates (or any of their successors) as conducted from time to time during such period, provided, however, that if within two years following the occurrence of a "Change in Control" (as defined in the EIA Plan), the EMPLOYEE separates from employment with K12 either due to a termination of EMPLOYEE's employment by K12 Without Cause or EMPLOYEE's resignation of his employment for Good Reason as specifically described in Section 4.5, and, in either case, the K12 or the applicable successor or acquiring entity elects to continue to require EMPLOYEE's continued compliance with this Section 5.2, K12 (or the successor or acquiring entity, as applicable) shall pay EMPLOYEE an amount equal to one (1) times EMPLOYEE's then-current Base Salary, determined as of his date of discharge or termination. Such amount shall be paid in a single sum, net of any applicable withholding, within ninety (90) calendar days following the date EMPLOYEE's employment terminates, or if earlier, on the March 15th next following the close of the taxable year in which EMPLOYEE's employment terminates.

5.3 **Non-Solicitation.**

(a) EMPLOYEE shall not, at any time during his employment pursuant to this Agreement and for a period of 12 months thereafter (the "Restriction Period"), directly or indirectly, recruit or otherwise solicit or induce any customer, subscriber, vendor, business affiliate, or supplier of K12 or its Affiliates to (i) terminate its arrangement with K12 or its Affiliates, or (ii) otherwise change its relationship with K12 or its Affiliates.

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

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

ARTICLE VI.
INVENTIONS, WORKS OF AUTHORSHIP, PATENTS AND COPYRIGHTS

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

ARTICLE VII.
MISCELLANEOUS

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

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

If to EMPLOYEE: (Copy to K12 Executive Office)

Nathaniel A. Davis
2300 Corporate Park Drive
Herndon, Virginia 20171

If to K12:

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

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

7.3 **Entire Agreement.** From and after the Effective Date, this Agreement constitutes the entire agreement between the Parties hereto, and expressly supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein, including the Prior Agreement.

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

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

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

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

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

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

[*Signature Page Follows*]

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

K12 INC.

By: /s/ Adam Cohn
Adam Cohn
Chairman, Compensation Committee

/s/ Nathaniel A. Davis
Nathaniel A. Davis

EXHIBIT A

Separation Agreement and Release

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

WHEREAS, the Parties have previously entered into that certain Second Amended and Restated Employment Agreement, dated as of , 2016 (the "Employment Agreement"); and

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

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

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

2. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company and all of its direct or indirect subsidiaries and Affiliates (as defined in the Employment Agreement), and any of their current and former officers, directors, managers, employees, agents, attorneys, administrators, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on his own behalf and on behalf of any of

Executive's affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement (as defined in Section 7 below), including, without limitation:

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

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

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

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

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

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

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

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

3. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has 21 days within which to consider this Agreement; (c) Executive has 7 days following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

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

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

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

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

revoked by either Party before that date (the “Effective Date”). If Executive has not attained the age of 40 as of the date of Executive’s termination of employment, then the “Effective Date” shall be the date on which Executive signs this Agreement.

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

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

EXECUTIVE

Dated: ____________________

COMPANY

Dated: ____________________

By: ____________________

Name:

Title:

Exhibit 10.2

EXECUTION VERSION

Employment Agreement

This Employment Agreement ("Agreement"), dated as of January 7, 2016 ("Execution Date") is made by and between K12 Inc., a Delaware corporation (together with any successor thereto, the "Company"), and Stuart Udell ("Executive") (collectively referred to herein as the "Parties").

RECITALS

A. It is the desire of the Company to assure itself of the services of Executive by entering into this Agreement.

B. Executive and the Company mutually desire that Executive provide services to the Company on the terms herein provided.

AGREEMENT

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. The Company shall employ Executive for the period and in the position set forth in this Section 1, and subject to the other terms and conditions herein provided.

(b) Employment Term; Effectiveness. The term of employment under this Agreement ("Term") shall be for the period beginning on the Effective Date and ending on the third anniversary of the Effective Date, subject to earlier termination as provided in Section 3. The "Effective Date" will be a date that is mutually agreed between the Company and the Executive but will not be later than February 15, 2016. The Executive agrees that he will notify his prior employer of his intent to commence employment with the Company at least 20 days before the Effective Date. The Term shall automatically renew for additional twelve (12) month periods unless no later than sixty (60) days prior to the end of the applicable Term either party gives written notice of non-renewal ("Notice of Non-Renewal") to the other, in which case Executive's employment shall terminate at the end of the then-applicable Term, subject to earlier termination as provided in Section 3.

(c) Position and Duties. Executive shall serve as Chief Executive Officer of the Company with such responsibilities, duties and authority normally associated with such positions, and such other duties, consistent with the position of Chief Executive Officer, as may from time to time be assigned to Executive by the Board of Directors of the Company ("Board"). Executive shall also be appointed to the Board until the first Annual Shareholders Meeting following the Effective Date, and thereafter be subject to the nomination and election process applicable to all members of the Board. 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) and shall not engage in outside business activities (including serving on outside boards or committees) without the consent of the Board, provided that Executive shall be permitted to (i) manage Executive's personal, financial and legal affairs, (ii) participate in trade associations, (iii) serve on the board of directors of not-for-profit or tax-exempt charitable organizations, in each case, subject to compliance with this Agreement and provided that such activities do not materially interfere with the Executive's duties and responsibilities hereunder. Executive agrees to observe and comply in all material respects with the rules and policies of the Company and its affiliates as adopted by the Company or its affiliates from time to time and applicable to the Company's executive officers and directors generally, 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").

(d) Indemnification. During and after the term of this Agreement, the Company shall provide Executive with both Side A and Side B directors' and officers' insurance, and shall indemnify Executive and his legal representatives to the fullest extent permitted by the laws of the State of Delaware and the By-Laws of the Company as in effect on the date hereof, against all damages, costs, expenses and other liabilities reasonably incurred or sustained by Executive or his legal representatives in connection with any suit, action or proceeding to which Executive or his legal representatives may be made a party by reason of Executive being or having been a director or officer of the Company or any of its affiliates, or having served in any other capacity or taken any other action purportedly on behalf of or at the request of the Company or any of its affiliates. During and after the term of this Agreement and without the need for further approval by the Board, the Company will promptly advance or pay any and all amounts for costs or expenses (including but not limited to legal fees and expenses reasonably incurred by counsel of Executive's choice retained by Executive) for which Executive may claim the is obligated to indemnify him. Executive undertakes to repay such amounts if it is ultimately determined that he is not entitled to be indemnified by the Company as provided in this Section 1(d).

2. Compensation and Related Matters. During the Term, Executive will be entitled to the following:

(a) Annual Base Salary. Executive shall receive a base salary at a rate of $650,000 per annum, which shall be paid in accordance with the customary payroll practices of the Company and shall be pro-rated for partial years of employment. Such Annual Base Salary shall be reviewed during the Term and may be adjusted from time to time (but not reduced, except as contemplated by Section 11(e)(iv)) by the Board (such annual base salary, as it may be so adjusted, the "Annual Base Salary").

(b) Bonus.

(i) *Annual Bonus*. During the Term, Executive shall be eligible to participate in the Company's annual incentive program. Executive's annual incentive compensation under such incentive program ("Annual Bonus") shall be targeted at 150% of his Annual Base Salary ("Target Annual Bonus"), with the expectation that the bonus will scale upward and downward based on actual performance, as determined by the Board in the exercise of its discretion. The Executive's maximum Annual Bonus opportunity will be 300% of the Executive's base salary. The payment of any Annual Bonus pursuant to the incentive program shall be subject to Executive's continued employment with the Company through the date of payment, except as otherwise provided in Section 4(b) and (c). Any Annual Bonus for fiscal year 2016 shall be pro-rated based on the number of days Executive is employed by the Company during such fiscal year. Each annual bonus due and payable hereunder shall be paid within such time so as to allow such bonus to qualify as a "short-term deferral" within the meaning of Treasury Regulation Section 1.409A-1(b)(4).

(ii) *Signing Bonus*. Executive shall receive a one-time special signing bonus in an amount equal to $400,000, payable in cash in two installments, less all applicable withholdings (the "Signing Bonus").The first payment of $200,000 shall be made no later than thirty (30) days after the Effective Date, and the second payment of $200,000 shall be made no later than one-hundred eighty (180) days after the Effective Date, with such second payment being reduced (but not below zero) by an amount up to 20% of certain costs incurred by the Company in connection with the Executive becoming employed with the Company (excluding for the avoidance of doubt costs associated with the negotiation and execution of this Agreement). If Executive's employment with the Company terminates due to Executive's resignation without Good Reason or by the Company for Cause, in either case, prior to the one year anniversary of the Effective Date, Executive will repay the Signing Bonus to the Company in full.

(c) Equity Compensation.

(i) *Initial Sign-on Awards.*

(A) Time- Based RSA Award. As soon as reasonably practicable following the Effective Date, the Company shall grant to Executive an initial time-based restricted stock award ("Initial Time RSA") under the Company's stockholder approved 2007 Equity Incentive Plan (such plan or any applicable successor plan, the "Plan"). The number of shares subject to the Initial Time RSA will be determined by dividing $1,500,000 by the Fair Market Value on the Effective Date, with any partial shares that result being rounded down to the nearest whole share. The Initial Time RSA shall vest as to 25% of the restricted shares on the one-year anniversary of the Effective Date, and as to the remaining 75% of the restricted shares in eight (8) substantially equal quarterly installments thereafter.

(B) Performance Share Unit Award. As soon as reasonably practicable following the Effective Date, the Company shall grant to Executive an initial award of performance share units ("Initial PSUs"). The target number of shares for the Initial PSUs will be determined by dividing $1,500,000 by the Fair Market Value on the Effective Date. The Initial PSUs shall be subject to such terms and conditions, including the attainment of performance goals, as apply to the performance share units granted to other senior executives of the Company under the Long Term Incentive Plan approved by the Board in September of 2015, including an opportunity to earn performance share units at a maximum level of 150% of the target grant.

(C) Stock Price RSA Opportunity. In addition to the Initial Time RSA and the Initial PSUs, each as described above, and the Ongoing Equity Awards, as described below, for a period of three years following the Effective Date, the Executive shall have an opportunity to earn additional awards of restricted stock to be granted under the Plan based on the Company's Average Stock Price (as defined below) achieving the levels as set forth in this Section 2(c)(i)(C), provided in each case that Executive is employed by the Company as of the date such Average Stock Price is achieved:

(1) For purposes of this Section 2(c)(i)(C), "Average Stock Price" means the average closing price of the Company's common stock determined over any period of 30 consecutive days;

(2) As of the first date upon which the Average Stock Price equals or exceeds $13.00, the Executive shall receive a restricted stock award of a number of shares having a Fair Market Value at the time of grant of $1,000,000 (76,923 shares);

(3) As of the first date upon which the Average Stock Price equals or exceeds $16.00, the Executive shall receive a restricted stock

award of a number of shares having a Fair Market Value at the time of grant of $1,500,000 (93,750 shares); and

(4) As of the first date upon which the Average Stock Price equals or exceeds $19.00, the Executive shall receive a restricted stock award of a number of shares having a Fair Market Value at the time of grant of $3,000,000 (157,895 shares).

Executive shall also earn an as award described in clauses (2), (3) or (4) if Executive's employment is terminated by the Company without Cause, or by Executive for Good Reason, and the applicable Average Stock Price threshold is achieved within 30 days after the date of such termination. For the avoidance of doubt, the award opportunities in clauses (2), (3) and (4) above are cumulative such that the Executive shall have a total opportunity to earn up to $5,500,000 (328,568 shares) in restricted stock value (as of the applicable grant dates) pursuant to this Section 2(c)(i)(C). The Average Stock Price thresholds stated above will be automatically adjusted to account for any stock dividend, stock split or other similar non-reciprocal transaction. With respect to any award of restricted stock granted under this Section 2(c)(i)(C) (each and any such award a "Stock Price RSA Grant"), 50% of the shares subject to such grant shall be immediately vested on the date the applicable Stock Price threshold is achieved and the remaining 50% of the total number of restricted shares in such Stock Price RSA Grant shall vest ratably in semi-annual intervals until the three year anniversary of the Effective Date, such that all restricted shares that are earned under this Section 2(c)(i)(C) and granted as part of a Stock Price RSA Grant shall be 100% vested as of the three year anniversary of the Effective Date. For the avoidance of doubt, if an applicable Stock Price threshold is not achieved prior to the three year anniversary of the Effective Date, no Stock Price RSA Grant will be made in respect of such Stock Price threshold. In the event of a Change in Control prior to the three year anniversary of the Effective Date, if a Stock Price RSA Grant for a particular Stock Price threshold has not yet been made, the shares of restricted stock for such Stock Price threshold will be considered earned and will be granted immediately prior to the occurrence of the Change in Control if the stock price paid or implied in such transaction equals or exceeds the corresponding dollar threshold. Any such shares that are granted immediately prior to a Change in Control will be 100% vested upon grant. No further Stock Price RSA Grant will be made under this Section 2(c)(i)(C) following the date of such Change in Control.

(ii) *Ongoing Equity Incentive Awards*. During the Term, Executive shall also be eligible to participate in and will receive additional awards under the Company's equity incentive award plans and programs as in effect from time to time at a level and on terms commensurate with his position as Chief Executive Officer of the Company ("Ongoing Equity Awards"). Ongoing Equity Awards are currently granted on an annual basis at or near the beginning of each fiscal year of the Company, in each case as determined by the Board or the Compensation Committee of the Board, and are expected to be granted in the form of performance-based restricted stock, restricted stock units or similar awards, in each case as determined by the Board or the Compensation Committee of the Board in their discretion from time to time. Executive's initial annual target award level is $2,000,000. For the avoidance of doubt, all equity compensation awards are subject to approval by the Board on an annual basis or otherwise at the time of grant.

(iii) *Separate Award Agreements*. Each of the Initial Time RSA, Initial PSUs, the Stock Price RSA Grants, if any, and the Ongoing Equity Awards shall be granted subject to the terms and conditions of the Plan and individual award agreements to be entered into between the Company and the Executive, provided that in the event of any conflict between the terms of such award agreements and this Agreement, this Agreement shall control.

(d) Benefits. Executive shall be eligible to participate in employee benefit plans, programs and arrangements of the Company (including medical, dental and defined contribution retirement plans), consistent with the terms thereof and as such plans, programs and arrangements may be amended from time to time. To the extent the Board adopts any severance plan or program of the Company that is greater in value for the Executive than provided in Section 4 of this Agreement, Executive shall be eligible to participate in that plan or program in lieu of the benefits provided under Section 4.

(e) Vacation. Executive shall be entitled to paid personal leave in accordance with the Company's Policies with a minimum of four (4) weeks of paid vacation. Any vacation shall be taken at the reasonable and mutual convenience of the Company and Executive.

(f) Business Expenses. The Company shall reimburse Executive for all reasonable 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. In addition, the Company will reimburse Executive for reasonable legal fees incurred by him in connection with the negotiation and execution of this Agreement in an amount not to exceed $15,000. Such legal fee reimbursement will be made as soon as practicable after the Effective Date and in no event later than December 31, 2016.

(g) Relocation.

(i) *Temporary Commuting Allowance*. Beginning on the Effective Date and ending on the six month anniversary of the Effective Date, the Company shall pay to Executive $ 8,333 per month, less applicable withholdings to help offset Executive's temporary commuting expenses.

(ii) *Relocation Expenses*. The Company shall reimburse Executive up to a maximum amount of $40,000 for reasonable, documented moving expenses incurred during calendar year 2016 as a result of Executive establishing a residence in the northern Virginia area, which relocation expense reimbursement shall be paid (subject to all tax withholdings which the Company reasonably determines are required) as soon as reasonably practicable following Executive's submission of documentation of such expenses reasonably requested by the Company, but no later than December 31, 2017 ("Relocation Expenses"). If Executive's employment with the Company terminates due to Executive's resignation without Good Reason or by the Company for Cause, in either case, prior to the one year anniversary of the Effective Date, Executive shall repay the Relocation Expenses to the Company in full.

(h) S-8 Registration; 409A. The Company covenants and acknowledges, as applicable, that: (i) to the extent permitted by law and for so long as the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, all shares of Company common stock issued to Executive in respect of awards granted hereunder shall be registered under the Securities Act of 1933, as amended, on an effective Form S-8 registration statement; and (ii) it intends that all compensation paid or payable to Executive shall comply with, or be exempt from, the provisions of Section 409A of the Internal Revenue Code and related rulings and regulations ("Section 409A"), it being understood that nothing in this Agreement is intended to provide Executive with any gross-up or indemnification in respect of any taxes or penalties imposed as a result of Section 409A.

(j) Key Person Insurance. At any time during the Term, the Company shall have the right to insure the life of Executive for the Company's sole benefit. The Company shall have the right to determine the amount of insurance and the type of policy. Executive shall reasonably cooperate with the Company in obtaining such insurance by submitting to physical examinations, by supplying all information reasonably required by any insurance carrier, and by executing all necessary documents reasonably required by any insurance carrier, provided that any information provided to an insurance company or broker shall not be provided to the Company without the prior written authorization of Executive. Executive shall incur no financial obligation by executing any required document, and shall have no interest in any such policy.

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 in Section 11 (d) below, the Company may terminate Executive's employment.

(iii) *Termination for Cause*. The Company may terminate Executive's employment for Cause, as defined in Section 11 (a) below.

(iv) *Termination without Cause*. The Company may terminate Executive's employment without Cause, which shall include termination of Executive by reason of the Company giving Notice of Non-Renewal pursuant to Section 1(b).

(v) *Resignation from the Company for Good Reason*. Executive may resign Executive's employment with the Company for Good Reason, as defined in Section 11(e) below.

(vi) *Resignation from the Company Without Good Reason*. Executive may resign Executive's employment with the Company for any reason other than Good Reason or for no reason, which shall include a termination of Executive by reason of Executive giving Notice of Non-Renewal pursuant to Section 1(b).

(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)) herein or by reason of either party giving Notice of Non-Renewal pursuant to Section 1(b)) 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, if submitted by Executive in a resignation without Good Reason, 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. A Notice of Termination submitted by the Company may provide for a Date of Termination on the date Executive receives the Notice of Termination, or any date thereafter elected by the Company in its sole discretion. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of such Party hereunder or preclude such Party from asserting such fact or circumstance in enforcing such Party'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 vacation time that has been accrued but unused in accordance with Company's Policies, (iii) any expenses owed to Executive pursuant to Section 2(f); 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, Executive's sole and exclusive remedy shall be to receive the 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.

4. Severance Payments.

(a) Termination for Cause, or Termination Upon Death, Disability or Resignation from the Company Without Good Reason. 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), pursuant to Section 3(a)(iii) for Cause, or pursuant to Section 3(a)(vi) for Executive's resignation from the Company without Good Reason, then Executive shall not be entitled to any severance payments or benefits, except as provided in Section 3(c), provided, however, that in the event of Executive's death or Disability, Executive's equity incentive awards may vest or remain eligible to vest to the extent set forth in an applicable award agreement covering such award.

(b) Termination without Cause, or Resignation from the Company for Good Reason. If Executive's employment terminates without Cause pursuant to Section 3(a)(iv), or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason (in either case, a "Qualifying Termination") that does not occur within twenty-four months following a Change in Control, then, subject to Executive signing on or before the 45th day following Executive's Separation from Service (as defined below), and not revoking, a release of claims substantially in the form attached as Exhibit A to this Agreement ("Release"), and Executive's continued compliance with Sections 6 and 7, Executive shall receive, in addition to payments and benefits set forth in Section 3(c), the following:

(i) an amount in cash equal to three (3) times the Annual Base Salary, payable in a single lump sum on the First Payment Date (as defined below), except as otherwise provided in Section 12(l);

(ii) a pro-rated portion (based on the number of days Executive was employed by the Company during the fiscal year in which the Date of Termination occurs) of the Annual Bonus that Executive would have earned had Executive remained employed through the end of the fiscal year in which the Date of Termination occurs, as determined by the Board based upon the Company's actual performance for such year and paid at the same time annual bonuses are generally paid to the Company's senior executives;

(iii) to the extent unpaid as of the Date of Termination, an amount of cash equal to any Annual Bonus earned by Executive for the Company's fiscal year prior to the fiscal year in which the Date of Termination occurs, as determined by the Board based upon the Company's actual performance for such year and paid in the fiscal year in which the Date of Termination occurs when bonuses for such prior fiscal year are generally to the Company's senior executives; and

(iv) any of Executive's unvested equity or equity-based awards granted under any equity compensation plans of the Company (for the avoidance of doubt, including the Initial Time RSA, including any Stock Price RSA Grant under Section 2(c)(i)(C) for which the applicable Average Stock Price threshold has been attained prior to, or is attained within 30 days following, the Date of Termination) and that would have vested within the next twelve (12) months after the Date of Termination, shall immediately become 100% vested, provided that, unless a provision more favorable to Executive is included in an applicable award agreement, any such awards that are subject to performance-based vesting conditions shall only be payable subject to the attainment of the performance measures for the applicable performance period as provided under the terms of the applicable award agreement

(v) if Executive elects to receive continued medical, dental or vision coverage under one or more of the Company's group healthcare plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company shall directly pay, or reimburse Executive for, an amount equal to the COBRA premium paid by the Company for active employees for Executive and Executive's covered dependents under such plans during the period commencing on Executive's Separation from Service and ending upon the earliest of (X) the expiration of the 18 month period following Executive's Date of Termination, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer (and Executive agrees to promptly notify the Company of such eligibility). Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or incurring an excise tax, the Company shall in lieu thereof provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue Executive's and Executive's covered dependents' group health coverage in effect on the Date of Termination (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence in the month following the month in which the Date of Termination occurs and shall end on the earlier of (X) the expiration of the 18 month period following Executive's Date of Termination, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer (and Executive agrees to promptly notify the Company of such eligibility).

(c) Change in Control Severance Payments. If Executive has a Qualifying Termination that occurs within twenty-four months following a Change in Control, then, subject to Executive signing on or before the 45th day following Executive's Separation from Service and not revoking a Release, and Executive's continued compliance with Sections 6 and 7, then Executive shall receive the following:

(i) the payments and benefits set forth in Section 3(c);

(ii) an amount in cash equal to three (3) times the Annual Base Salary, payable in a single lump sum on the First Payment Date (as defined below), except as otherwise provided in Section 12(l);

(iii) a pro-rated portion (based on the number of days Executive was employed by the Company during the fiscal year in which the Date of Termination occurs) of the Annual Bonus that Executive would have earned had Executive remained employed through the end of the fiscal year in which the Date of Termination occurs, as determined by the Board based upon the Company's actual performance for such year and paid at the same time annual bonuses are generally paid to the Company's senior executives;

(iv) to the extent unpaid as of the Date of Termination, an amount of cash equal to any Annual Bonus earned by Executive for the Company's fiscal year prior to the fiscal year in which the Date of Termination occurs, as determined by the Board based upon the Company's actual performance for such year and paid in the fiscal year in which the Date of Termination occurs when bonuses for such prior fiscal year are generally to the Company's senior executives;

(v) all of Executive's unvested equity or equity-based awards granted under any equity compensation plans of the Company shall immediately become 100% vested, provided that (i) any such awards that are subject to performance-based vesting conditions shall remain subject to the attainment of the applicable performance metrics to the same extent as such performance metrics continue to apply following the Change in Control for the Company's other executive officers, and (ii) the Stock Price RSA Grants which have not theretofore been earned shall be granted and become vested only if the Change in Control conditions specified in Section2(c)(i)(C) are satisfied; and

(vi) if Executive elects to receive continued medical, dental or vision coverage under one or more of the Company's group healthcare plans pursuant to COBRA, the Company shall directly pay, or reimburse Executive for, an amount equal to the COBRA premium paid by the Company for active employees for Executive and Executive's covered dependents under such plans during the period commencing on Executive's Separation from Service and ending upon the earliest of (X) the expiration of the 18 month period following Executive's Date of Termination, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer (and Executive agrees to promptly notify the Company of such eligibility). Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or incurring an excise tax, the Company shall in lieu thereof provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue Executive's and Executive's covered dependents' group health coverage in effect on the Date of Termination (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence in the month following the month in which the Date of Termination occurs and shall end on the earlier of (X) the expiration of the 18 month period following Executive's Date of Termination, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer (and Executive agrees to promptly notify the Company of such eligibility).

(d) Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 5 through 10 and Section 12 will survive the termination of Executive's employment and the expiration or termination of the Term.

5. Parachute Payments.

(a) It is the objective of this Agreement to maximize Executive's Net After-Tax Benefit (as defined herein) if payments or benefits provided under this Agreement are subject to excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (the "Code"). Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit by the Company or otherwise to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (all such payments and benefits, including the payments under Sections 4(b) and 4(c) hereof, being hereinafter referred to as the "Total Payments"), would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced to the extent necessary so that no portion of the Total Payments shall be subject to the Excise Tax, but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of Excise Tax to which Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(b) The Total Payments shall be reduced by the Company in the following order: (i) reduction of any cash severance payments otherwise payable to Executive that are exempt from Section 409A, (ii) reduction of any other cash payments or benefits otherwise payable to Executive that are exempt from Section 409A, but excluding any payments attributable to the acceleration of vesting or payments with respect to any equity award with respect to the Company's common stock that is exempt from Section 409A, (iii) reduction of any other payments or benefits otherwise payable to Executive on a pro-rata basis or such other manner that complies with Section 409A, but excluding any payments attributable to the acceleration of vesting and payments with respect to any equity award with respect to the Company's common stock that are exempt from Section 409A, and (iv) reduction of any payments attributable to the acceleration of vesting or payments with respect to any other equity award with respect to the Company's common stock that are exempt from Section 409A.

(c) All determinations regarding the application of this Section 5 shall be made by an accounting firm with experience in performing calculations regarding the applicability of Section 280G of the Code and the Excise Tax selected by the Company and acceptable to Executive ("Independent Advisors"), a copy of which report and all worksheets and background materials relating thereto shall be provided to Executive. For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which, in the opinion of the Independent Advisors, does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. The costs of obtaining such determination and all related fees and expenses (including related fees and expenses incurred in any later audit) shall be borne solely by the Company.

6. Non-Solicitation and Unfair Competition. Executive acknowledges that during the Term, the Company will provide Executive with access to Confidential Information (as defined below). Ancillary to the rights provided to Executive as set forth in this Agreement, Executive's continued employment with the Company during the Term (subject to earlier termination as provided herein) and the Company's provision of Confidential Information, and Executive's agreements regarding the use of same, in order to protect the value of any Confidential Information, the Company and Executive agree to the following provisions against unfair competition, which Executive acknowledges represent a fair balance of the Company's rights to protect its business and Executive's right to pursue employment:

(a) Executive shall not, at any time during the Restriction Period (as defined below), directly or indirectly engage in, have any equity interest in, or manage, provide services to or operate any person, firm, corporation, partnership or business (whether as director, officer, employee, agent, representative, partner, security holder, consultant or otherwise) that engages in any business which directly competes with any portion of the Business (as defined below) of the Company in the United States or any other country in which the Company is actively engaged (or has taken substantial and material steps to become engaged) in the Business. Nothing herein shall prohibit Executive from being a passive owner of less than 5% of the outstanding equity interest of any entity, so long as Executive has no active participation in the business of such entity.

(b) Executive shall not, at any time during the Restriction Period, directly or indirectly, (i) solicit, divert or take away any customers or clients, or any acquisition or other Business opportunity that the Company is pursuing or with respect to which the Company has expended non-de minimis efforts to identify or pursue, (ii) contact or solicit, for the purpose of hiring, or hire any employee of the Company or any person employed by the Company at any time during the 12-month period immediately preceding the Date of Termination, (iii) induce or otherwise encourage any employee of the Company to leave the employment of the Company, or (iv) induce any distributor, representative or agent of the Company to terminate or adversely modify its relationship with the Company.

(c) In the event the terms of this Section 6 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

(d) As used in this Section 6, (i) the term "Company" shall include the Company and its direct and indirect subsidiaries; (ii) the term "Business" shall mean the business of the Company, as such business may be expanded or altered by the Company during the Term (including any new lines of business as to which substantial and material steps have been taken by the Company to develop or implement); and (iii) the term "Restriction Period" shall mean the period beginning on the Effective Date and ending on the date 12-months following the Date of Termination.

(e) 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 violate any non-solicitation agreements that 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 its affiliates or use any unpublished documents or any property belonging to any former employer or other third party, in violation of any lawful agreements with that former employer or third party.

(f) Each Party (which, in the case of the Company, shall mean its officers and the members of the Board) agrees, during the Term and following the Date of Termination, to refrain from Disparaging (as defined below) the other Party and its affiliates, including, in the case of the Company, any of its services, technologies or practices, or any of its directors, officers, agents, representatives or stockholders, either orally or in writing. Nothing in this paragraph shall preclude any Party from making truthful statements that are reasonably necessary to comply with applicable law, regulation or legal process, or to defend or enforce a Party's rights under this Agreement. For purposes of this Agreement, "Disparaging" means remarks, comments or statements, whether written or oral, that impugn the character, integrity, reputation or abilities of the Person being disparaged.

7. Nondisclosure of Proprietary Information.

(a) Except in connection with the faithful performance of Executive's duties hereunder or pursuant to Section 7(c) and (e), Executive shall, in perpetuity, maintain in confidence and shall not directly, indirectly or otherwise, use, disseminate, disclose or publish, or use for Executive's benefit or the benefit of any person, firm, corporation or other entity (other than the Company) any confidential or proprietary information or trade secrets of or relating to the Company (including, without limitation, business plans, business strategies and methods, acquisition targets, intellectual property in the form of patents, trademarks and copyrights and applications therefor, ideas, inventions, works, discoveries, improvements, information, documents, formulae, practices, processes, methods, developments, source code, modifications, technology, techniques, data, programs, other know-how or materials, owned, developed or possessed by the Company, whether in tangible or intangible form, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, litigation or investigations, prospects and compensation paid to employees or other terms of employment) (collectively, the "Confidential Information"), or deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such Confidential Information. The Parties hereby stipulate and agree that, as between them, any item of Confidential Information is important, material and confidential and affects the successful conduct of the businesses of the Company (and any successor or assignee of the Company). Notwithstanding the foregoing, Confidential Information shall not include (i) any information legally acquired by or otherwise becoming known to Executive from or through any party other that the Company or its affiliates, or (ii) information that has been published in a form generally available to the public or is publicly available or has become public knowledge prior to the date Executive proposes to disclose or use such information, *provided, that* such publishing or public availability or knowledge of the Confidential Information shall not have resulted from Executive directly or indirectly breaching Executive's obligations under this Section 7(a) or any other similar provision by which Executive is bound, or from any third-party breaching a provision similar to that found under this Section 7(a). For the purposes of the previous sentence, Confidential Information will not be deemed to have been published or otherwise disclosed merely because individual portions of the information have been separately published, but only if material features comprising such information have been published or become publicly available.

(b) Upon termination of Executive's employment with the Company for any reason, Executive will promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents or property concerning the Company's customers, business plans, marketing strategies, products, property or processes.

(c) Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and shall assist such counsel at Company's expense in resisting or otherwise responding to such process, in each case to the extent permitted by applicable laws or rules.

(d) As used in this Section 7 and Section 8, the term "Company" shall include the Company and its direct and indirect parents and subsidiaries.

(e) Nothing in this Agreement shall prohibit Executive from (i) disclosing information and documents when required by law, subpoena or court order (subject to the requirements of Section 7(c) above), (ii) disclosing information and documents to Executive's attorney, financial or tax adviser for the purpose of securing legal, financial or tax advice, (iii) disclosing Executive's post-employment restrictions in this Agreement in confidence to any potential new employer, or (iv) retaining, at any time, Executive's personal correspondence, Executive's personal contacts and documents related to Executive's own personal benefits, entitlements and obligations.

8. Inventions.

All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of the Company, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the Term, either alone or with others and whether or not during working hours or by the use of the facilities of the Company ("Inventions"), shall be the exclusive property of the Company. Executive shall promptly disclose all Inventions to the Company, shall execute at the request of the Company any assignments or other documents the Company may deem reasonably necessary to protect or perfect its rights therein, and shall assist the Company, upon reasonable request and at the Company's expense, in obtaining, defending and enforcing the Company's rights therein. Executive hereby appoints the Company as Executive's attorney-in-fact to execute on Executive's behalf any assignments or other documents reasonably deemed necessary by the Company to protect or perfect its rights to any Inventions.

9. Injunctive Relief.

It is recognized and acknowledged by Executive that a breach of the covenants contained in Sections 6, 7 and 8 will cause irreparable damage to Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that in the event of a breach of any of the covenants contained in Sections 6, 7 and 8, in addition to any other remedy which may be available at law or in equity, the Company will be entitled to specific performance and injunctive relief without the requirement to post bond.

10. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any of its affiliates or 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 Arrangements, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

11. 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 willful failure to perform Executive's material responsibilities under this Agreement or failure to comply with, in any material respect, any Policy of the Company, in each case that causes material and demonstrable harm to the Company;

(ii) Executive's willful failure to 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);

(iii) Executive's breach, in any material respect, of this Agreement that causes material and demonstrable harm to the Company (it being understood that any material breach of Section 6(a) of this Agreement shall be deemed to cause material and demonstrable harm to the Company without any requirement of the Company to show or prove actual harm);

(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;

(vi) Executive's commission of an act of fraud, embezzlement or misappropriation against the Company or any of its affiliates;

Provided, that no action or inaction on Executive's part described in (a)(i), (ii) or (iii) of this Section 11(a) shall constitute "Cause" unless (i) Executive has received written notice from the Board stating that "Cause" for termination exists and specifying, in reasonable detail, the action or inaction alleged to constitute "Cause", (ii) Executive has been given an opportunity to be heard before the Board, with counsel of his choosing, and at least thirty (30) days to cure such action and inaction (to the extent such action or inaction is susceptible of cure), and (iii) the Board, having given Executive such written notice, opportunity to be heard and to cure, reasonably concludes that "Cause" for termination continues to exist and has not been so cured, or is not susceptible to cure.

(b) Change in Control. “Change in Control” means and includes each of the following:

(i) A transaction or series of transactions (other than an offering of the Company’s common stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(ii) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 11(b)(i) or Section 11(b)(iii)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(A) Which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(B) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this Section 11(b)(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

(c) 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 pursuant to Section 3(a)(ii) — (vi) either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 3(b), whichever is earlier.

(d) Disability. "Disability" shall mean, at any time the Company or any of its affiliates sponsors a long-term disability plan for the Company's employees, "disability" as defined in such long-term disability plan 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. At any time the Company does not sponsor a long-term disability plan for its employees, Disability shall mean Executive's inability to perform, with or without reasonable accommodation, the essential functions of Executive's position hereunder for a total of three months during any six-month period as a result of incapacity due to mental or physical illness as determined by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representative, with such agreement as to acceptability not to be unreasonably withheld or delayed. Any refusal by Executive to submit to a medical examination for the purpose of determining Disability shall be deemed to constitute conclusive evidence of Executive's Disability.

(e) Good Reason. "Good Reason" shall mean:

(i) a material breach by the Company of the terms of this Agreement, or any other equity or compensation written agreement between the Company 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 diminution in Executive's authority, duties or responsibilities as Chief Executive Officer, except in connection with a corporate transaction (including a merger, consolidation, joint venture, acquisition or sale of assets or other similar transaction) where the Executive continues to serve as chief executive officer of (i) the Company or (ii) the ultimate parent company of the Company's successor (whether public or private), reporting to the board of directors of such ultimate parent company;

(iii) the failure of the Company to continue Executive in the position of Chief Executive Officer and member of the Board (it being understood that a failure of the Company's stockholders to re-elect the Executive to the Board will not, in and of itself, constitute Good Reason hereunder);

(iv) any material reduction in Executive's Annual Base Salary (excluding 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 ninety (90) 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.

(f) Person. "Person" shall mean any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, trust, governmental authority or other entity of any kind.

12. 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 the Commonwealth 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) 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, the General Counsel at its headquarters,

(ii) If to Executive, at the last address that the Company has in its personnel records for Executive, or

(iii) At any other address as any Party shall have specified by notice in writing to the other Party.

(d) 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.

(e) Entire Agreement. The terms of this Agreement are intended by the Parties to be the final expression of their agreement with respect to the subject matter hereof 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.

(f) 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 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.

(g) 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.

(h) 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. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any," "all," "each," or "every" means "any and all," and "each and every"; (d) "includes" and "including" are each "without limitation"; (e) "herein," "hereof," "hereunder" and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (f) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the entities or persons referred to may require.

(i) Mediation; Arbitration. In case any controversy, claim or dispute (each, a "Dispute") arises out of or relating to this Agreement that the parties cannot resolve through negotiation, the parties first agree to try in good faith to settle the Dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Procedures. If the Dispute is not settled by mediation within 30 days after submission to mediation, then the Dispute shall be settled solely and exclusively by a binding arbitration process administered by the AAA in Washington, D.C. Such arbitration shall be conducted in accordance with the AAA's then-existing Commercial Arbitration Rules. Each Party shall bear its own attorney's fees and expenses and one-half of the fees and expenses of the arbitration; provided, that the arbitrator shall have the authority to apportion the costs of arbitration and to render an award including reasonable attorneys' fees, as and to the extent the arbitrator deems appropriate under the circumstances. The arbitrator's decisions and awards will be rendered in a reasoned written opinion, and the Parties agree to abide by all such decisions and awards. Such decisions and awards rendered by the arbitrator shall be final and conclusive and may be entered in any court having jurisdiction. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity; provided, however, that nothing in this subsection shall be construed as precluding the bringing an action for injunctive relief or specific performance as provided in this Agreement. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

(j) Enforcement. If any provision of this 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.

(k) 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.

(l) 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 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 considered nonqualified deferred compensation under Section 409A and 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 described in Section 4(b) or Section 4(c) shall not be paid, or, in the case of installments, shall not commence payment, until the fifty-third (53rd) day following Executive's Separation from Service (the "First Payment Date"). Any installment payments that would have been made to Executive during the fifty-three (53) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the First Payment Date 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.

13. **Executive 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. Executive also acknowledges and agrees that any compensation payable under this Agreement or otherwise shall be subject to the terms of any applicable compensation clawback policy adopted by the Company to comply with any provisions of applicable law or any securities exchange listing standards.

[*Signature Page Follows*]

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

COMPANY

By: Nathaniel A. Davis
Name: Nathaniel A. Davis
Title: Chairman and Chief Executive Officer

EXECUTIVE

By: /s/ Stuart Udell
Stuart Udell

[Signature Page to Employment Agreement]

EXHIBIT A

Separation Agreement and Release

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

WHEREAS, the Parties have previously entered into that certain Employment Agreement, dated as of , 20 (the "Employment Agreement"); and

WHEREAS, in connection with Executive's termination of employment with the Company or a subsidiary or affiliate of the Company effective , 20 , the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive's employment with or separation from the Company or its subsidiaries or affiliates but, for the avoidance of doubt, nothing herein will be deemed to release any rights or remedies in connection with (i) Executive's ownership of vested equity securities of the Company or any of its affiliates, (ii) Executive's rights under any directors & officers liability insurance policies then in effect, or to indemnification (including advancement of expenses) by the Company or any of its affiliates pursuant to contract or applicable law (collectively, the "Retained Claims").

NOW, THEREFORE, in consideration of the Severance Payments described in Section 4 of the Employment Agreement, which, pursuant to the Employment Agreement, are conditioned on Executive's execution and non-revocation of this Agreement, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. Severance Payments; Salary and Benefits. The Company agrees to provide Executive with the severance payments and benefits described in [Section 4(b)/4(c)] of the Employment Agreement, payable at the times set forth in, and subject to the terms and conditions of, the Employment Agreement. In addition, to the extent not already paid, and subject to the terms and conditions of the Employment Agreement, the Company shall pay or provide to Executive all other payments or benefits described in Section 3(c) of the Employment Agreement, subject to and in accordance with the terms thereof.

2. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company, any of its direct or indirect subsidiaries and affiliates, and any of their current and former officers, directors, equity holders, managers, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on his own behalf and on behalf of any of Executive's affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement (as defined in Section 7 below), including, without limitation:

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

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of any shares of stock or other equity interests of the Company or any of its affiliates, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

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

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; and the Sarbanes-Oxley Act of 2002;

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

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

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

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

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or its affiliates and Executive's right under applicable law and any Retained Claims. This release further does not release claims for breach of Section 3(c), Section 4(b) or Section 4(c) of the Employment Agreement.

3. <u>Acknowledgment of Waiver of Claims under ADEA</u>. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age

Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has 21 days within which to consider this Agreement; (c) Executive has 7 days following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

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

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

6. Governing Law; Dispute Resolution. This Agreement shall be subject to the provisions of Sections 12(a), 12(c) and 12(i) of the Employment Agreement.

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

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

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

EXECUTIVE

Dated: ______________________ ______________________

Stuart Udell

COMPANY

Dated: ______________________ By: ______________________

Name:
Title:

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Nathaniel A. Davis, certify that:

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

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

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

(4) The registrant's other certifying officers 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 officers 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: January 28, 2016

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James J. Rhyu, certify that:

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

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

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

(4) The registrant's other certifying officers 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 officers 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: January 28, 2016

/s/ JAMES J. RHYU

James J. Rhyu
Chief Financial Officer

Exhibit 32.1

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

Certification of Principal Executive Officer

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

(1) the accompanying Quarterly Report of the Company on Form 10-Q for the period ended December 31, 2015 (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.

Date: January 28, 2016

/s/ NATHANIEL A. DAVIS

Nathaniel A. Davis

Chief Executive Officer

Exhibit 32.2

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

Certification of Principal Financial Officer

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

(1) the accompanying Quarterly Report of the Company on Form 10-Q for the period ended December 31, 2015 (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.

Date: January 28, 2016

/s/ JAMES J. RHYU

James J. Rhyu

Chief Financial Officer