K12 INC
Form DEF 14A
October 19, 2009

SCHEDULE 14A
(RULE 14a-101)

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Sec. 240.14a-12

K12 INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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October 19, 2009

Dear Fellow Stockholders:

On behalf of our Board of Directors, I cordially invite you to attend the 2009 Annual Meeting of the stockholders of K12 Inc. to be held at the law firm of Latham & Watkins LLP, 885 Third Avenue, Suite 1200, New York, NY 10022, on Wednesday, November 18, 2009, at 10:00 A.M., Eastern Time. The matters to be considered by the stockholders at the Annual Meeting are described in detail in the accompanying materials.

IT IS IMPORTANT THAT YOU BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU OWN OR WHETHER YOU ARE ABLE TO ATTEND THE ANNUAL MEETING IN PERSON. Let me urge you to mark, sign and date your proxy card today and to return it in the envelope provided.

Sincerely,

Andrew H. Tisch
Chairman of the Board of Directors

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K12 INC.

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 18, 2009

To the Stockholders of K12 Inc.:

Notice is hereby given that the annual meeting of stockholders of K12 Inc., a Delaware corporation (the Company), will be held at the law firm of Latham & Watkins LLP, 885 Third Avenue, Suite 1200, New York, NY 10022, on Wednesday, November 18, 2009, at 10:00 A.M., Eastern Time (the Annual Meeting). The matters to be considered by stockholders at the Annual Meeting are:

1. a proposal to elect directors to the Company s Board of Directors for one-year terms;

2. a proposal to ratify the appointment of BDO Seidman, LLP, as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2010; and

3. to act upon such other matters as may properly come before the annual meeting or any adjournments or postponements of the Annual Meeting.

The foregoing matters are described in more detail in the accompanying Proxy Statement. In addition, financial and other information about the Company is contained in the accompanying Annual Report to Stockholders for the fiscal year ended June 30, 2009. The Annual Report to Stockholders consists of our Annual Report on Form 10-K for the year ended June 30, 2009, as filed with the Securities and Exchange Commission on September 14, 2009, as well as certain information contained in the accompanying Proxy Statement.

The Board of Directors has fixed the close of business on October 9, 2009, as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting. Consequently, only stockholders of record at the close of business on October 9, 2009, will be entitled to notice of and to vote at the Annual Meeting. It is important that your shares be represented at the Annual Meeting regardless of the size of your holdings. A Proxy Statement, proxy card and self-addressed envelope are enclosed. Whether or not you plan to attend the Annual Meeting in person, please complete, date and sign the proxy card. Return it promptly in the envelope provided, which requires no postage if mailed in the United States. If you are the record holder of your shares and you attend the meeting, you may withdraw your proxy and vote in person, if you so choose.

For admission to the meeting, all stockholders should come to the stockholder check-in table. Those who own shares in their own names should provide identification and have their ownership verified against the list of registered stockholders as of the record date. Those who have beneficial ownership of stock through a bank or broker must bring account statements or letters from their banks or brokers indicating that they owned the Company s common stock as of October 9, 2009. In order to vote at the meeting, beneficial owners of stock must bring legal proxies, which can be obtained only from their brokers or banks.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON NOVEMBER 18, 2009

This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.

The proxy statement, the annual report to stockholders (Form 10-K), and the proxy card are available at: http:// proxy.ir.k12.com.

By Order of the Board of Directors

Howard D. Polsky
General Counsel and Secretary

Herndon, Virginia
October 19, 2009

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 18, 2009

This Proxy Statement and the accompanying proxy card and notice of annual meeting are provided in connection with the solicitation of proxies by and on behalf of the Board of Directors of K12 Inc., a Delaware corporation, for use at the annual meeting of stockholders to be held at the law firm of Latham & Watkins LLP, 885 Third Avenue, Suite 1200, New York, NY 10022, on Wednesday, November 18, 2009, at 10:00 A.M., Eastern Time, and any adjournments or postponements thereof (the Annual Meeting). We, our, us, the Company, and K12 each refer to K12 Inc. The mailing address of our principal executive office is 2300 Corporate Park Drive, Herndon, VA 20171. This Proxy Statement, the accompanying proxy card and the notice of Annual Meeting (Notice of Annual Meeting) are first being mailed on or about October 19, 2009, to holders of record as of October 9, 2009, of our common stock, par value $0.0001 per share (Common Stock).

VOTING SECURITIES

Record Date; Outstanding Shares; Shares Entitled to Vote

Our Board of Directors has fixed the close of business on October 9, 2009, as the record date (Record Date) for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, we had 29,482,149 shares of Common Stock issued and outstanding. We have no other class of voting securities outstanding.

Stockholders of record on the Record Date will be entitled to one vote per share of Common Stock on any matter that may properly come before the Annual Meeting and any adjournments or postponements of the Annual Meeting.

Quorum and Vote Required

The presence, in person or by duly executed proxy, of stockholders representing a majority of all the votes entitled to be cast at the Annual Meeting will constitute a quorum. If a quorum is not present at the Annual Meeting, we expect that the Annual Meeting will be adjourned or postponed to solicit additional proxies.

If a quorum is present, (1) the members of the Board of Directors must be elected by a plurality of votes properly cast at the Annual Meeting and (2) the proposal to ratify the appointment of BDO Seidman, LLP as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2010, and such other matters as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting, must be approved by the affirmative vote of a majority of the votes properly cast at the Annual Meeting.

Voting; Proxies; Revocation

Shares of our Common Stock represented at the Annual Meeting by properly executed proxies received prior to or at the Annual Meeting, and not revoked prior to or at the Annual Meeting, will be voted at the Annual Meeting, and at any adjournments, continuations or postponements of the Annual Meeting, in accordance with the instructions on the proxies.

If a proxy is duly executed and submitted without instructions, the shares of Common Stock represented by that proxy will be voted **FOR** :

1. a proposal to elect directors to the Company s Board of Directors for one-year terms; and

2. a proposal to ratify the appointment of BDO Seidman, LLP, as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2010.

If other matters are properly presented at the Annual Meeting, or any adjournment or postponement of the Annual Meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

The person who executes a proxy may revoke it at, or before, the Annual Meeting by: (A) delivering to our corporate secretary a written notice of revocation of a previously delivered proxy bearing a later date than the proxy; (B) duly executing, dating and delivering to our corporate secretary a subsequent proxy; or (C) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy. Any written notice revoking a proxy should be delivered to K12 Inc., Attn: General Counsel and Secretary, 2300 Corporate Park Drive, Herndon, VA 20171. If your shares of Common Stock are held in a brokerage account, you must follow your broker s instructions to revoke a proxy.

Abstentions and Broker Non-Votes

Broker non-votes occur when a nominee holding shares of voting securities for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power on that item and has not received instructions from the beneficial owner. Abstentions, withheld votes, and broker non-votes are included in determining whether a quorum is present but are not deemed a vote cast For or Against a given proposal, and therefore, are not included in the tabulation of the voting results. As such, abstentions, withheld votes, and broker non-votes do not affect the voting results with respect to the election of directors or the issues requiring the affirmative vote of a majority of the votes cast at the Annual Meeting. Abstentions and broker non-votes will have the effect of a vote against the approval of any items requiring the affirmative vote of the holders of a majority or greater of the outstanding Common Stock entitled to vote at the Annual Meeting.

Proxy Solicitation

We are soliciting proxies for the Annual Meeting from our stockholders. We will bear the entire cost of soliciting proxies from our stockholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding Common Stock for the benefit of others so that such brokerage houses, fiduciaries and custodians may forward the solicitation materials to such beneficial owners. We may reimburse persons representing beneficial owners of Common Stock for their expenses in forwarding solicitation materials to those beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone or personal solicitation by our directors, officers or other regular employees of the Company. No additional compensation will be paid to our directors, officers or other regular employees for these services.

Business; Adjournments

We do not expect that any matter other than the proposals presented in this proxy statement will be brought before the Annual Meeting. However, if other matters are properly presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

If a quorum is not present at the Annual Meeting, the Annual Meeting may be adjourned from time to time upon the approval of the holders of shares representing a majority of the votes present in person, or by proxy at the Annual Meeting, until a quorum is present. Any business may be transacted at the adjourned meeting which might have been transacted at the meeting originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. We do not currently intend to seek an adjournment of the Annual Meeting.

PROPOSAL 1:

ELECTION OF DIRECTORS

Our Board of Directors currently has eight members: Messrs. Guillermo Bron, Nathaniel A. Davis, Steven B. Fink, Ronald J. Packard, Andrew H. Tisch, Thomas J. Wilford, and Mesdames Mary H. Futrell and Jane M. Swift. The term of office of each member of our Board of Directors expires at the Annual Meeting, or in any event at such time as their respective successors are duly elected and qualified or their earlier resignation, death, or removal from office. Each year, the stockholders will elect the members of our Board of Directors to a one-year term of office.

Upon the recommendation of our Nominating and Corporate Governance Committee, the Board of Directors has approved the nomination of eight directors, Messrs. Bron, Davis, Fink, Packard, Tisch, Wilford, and Mesdames Futrell and Swift, for election at the Annual Meeting to serve until the next annual meeting of the stockholders (or until such time as their respective successors are elected and qualified or their earlier resignation, death, or removal from office).

Our Board of Directors has no reason to believe that the persons listed below as nominees for directors will be unable or decline to serve if elected. In the event of death or disqualification of any nominee or the refusal or inability of any nominee to serve as a director, proxies cast for that nominee may be voted with discretionary authority for a substitute or substitutes as shall be designated by the Board of Directors.

Nominees for election to the Board of Directors shall be elected by a plurality of votes properly cast at the Annual Meeting. The Board of Directors recommends that you vote **FOR** all of the nominees listed below.

Nominees for Election at the Annual Meeting

Set forth below are the names and other information pertaining to each person nominated to the Board of Directors:

Name	Age	First Year Elected Director	Position(s)
Guillermo Bron	57	2007	Director
Nathaniel A. Davis	55	2009	Director
Steven B. Fink	57	2003	Director
Mary H. Futrell	69	2007	Director
Ronald J. Packard	46	2000	Director and Chief Executive Officer
Jane M. Swift.	44	2008	Director
Andrew H. Tisch	59	2001	Director (Chairman)
Thomas J. Wilford	66	2002	Director

Guillermo Bron

Mr. Bron joined us as a director in July 2007. Mr. Bron is a Managing Director of Acon Funds Management LLC, a private equity firm, and the Managing Member of PAFGP, LLC, the sole general partner of Pan American Financial, L.P. Mr. Bron has served as Chairman of the Board and a director of United Pan Am Financial Corp. (UPFC) since April 1994, and he served as a director of Pan American Bank, FSB (Pan American), a former wholly-owned subsidiary of UPFC, from 1994 to 2005. Mr. Bron has also served as Chairman of the Board of idX Corporation since July 2008 and from 2000 to 2002, Mr. Bron was a director of Telemundo Group, Inc. From 1994 to 2003, Mr. Bron was an officer, director and principal stockholder of a general partner of Bastion Capital Fund, L.P., a private equity investment fund primarily focused on the Hispanic Market. Previously, Mr. Bron was a Managing Director of Corporate Finance and Mergers and Acquisitions at Drexel Burnham Lambert. Mr. Bron holds a B.S. in Electrical Engineering and Management from Massachusetts Institute of Technology and an M.B.A. from Harvard University.

Nathaniel A. Davis

Mr. Davis joined us as a director in July 2009. He is currently managing director of RANND Advisory Group in Oakton, Virginia. Previously, Mr. Davis was Chief Executive Officer and President of XM Satellite Radio. He also served on the XM Board from 1999 through 2008. From 2000 2003, Mr. Davis was President and Chief Operating Officer, and board member of XO Communications Inc. Mr. Davis has also held senior executive positions at Nextel Communications (EVP, Network and Technical Service), MCI Telecommunications (CFO), and MCImetro (President and COO). Mr. Davis has previously served on the Board of several public and private firms including Capital Management Corporation, Charter Communications, and Telica Switching. Mr. Davis received an MBA from the Wharton School of the University of Pennsylvania, a Masters in Engineering Computer Science at the Moore School of the University of Pennsylvania, and a Bachelors of Engineering from Stevens Institute of Technology.

Steven B. Fink

Mr. Fink joined us as a director in October 2003. Mr. Fink has served as a director of Nobel Learning Communities since 2003. Mr. Fink also currently serves on the boards of private companies Zumbox and Vistage International and he serves on the board of the Foundation of the University of California, Los Angeles. From 1999 to 2009, Mr. Fink served as a director of Leapfrog, Inc. and as chairman of its board from 2004 to 2009. Mr. Fink has also served as Chairman and Vice Chairman of Heron International, a European real estate development company, since 1995. From 2000 to 2008, Mr. Fink was the Chief Executive Officer of Lawrence Investments, LLC, a technology and biotechnology private equity investment firm. Mr. Fink holds a B.S. in Psychology from the University of California, Los Angeles and a J.D. and an L.L.M. from New York University.

Mary H. Futrell

Dr. Futrell joined us as a director in August 2007. Dr. Futrell is currently the Dean of the Graduate School of Education and Human Development at the George Washington University. She is the co-director of the GWU Institute for Curriculum, Standards and Technology, the founding president of Education International and the past president of the World Confederation of the Teaching Profession. Previously, she served as president of the Virginia Education Association, and ERAmerica. Dr. Futrell served as president of the National Education Association (NEA) from 1983 to 1989. Dr. Futrell has also served on the boards of the Kettering Foundation, the Carnegie Foundation for the Advancement of Teaching Leadership, the Holmes Partnership, the National Commission on Teaching and America s Future, the National Society for the Study of Education. Dr. Futrell holds a B.A. in Business Education from Virginia State University, a M.A. in Secondary Education and an Ed.D. in Education Policy Studies from George Washington University. She is also the recipient of numerous honors and awards, including more than 20 honorary degrees.

Ronald J. Packard

Mr. Packard founded K12 in 2000 and has served as a director since that time. In May 2007, Mr. Packard became our Chief Executive Officer. Previously, Mr. Packard served as Vice President of Knowledge Universe and as Chief Executive Officer of Knowledge Schools, a provider of early childhood education and after school programs. Mr. Packard has also held positions at McKinsey & Company and Goldman Sachs in mergers and acquisitions. Additionally, Mr. Packard served on the Advisory Board of the Department of Defense Schools from 2002 to 2008, and is a member of the board of the Fairfax Education Foundation. From 2004 to 2006, Mr. Packard served as a director of Academy 123. Mr. Packard holds B.A. degrees in Economics and Mechanical Engineering from the University of California at Berkeley, an M.B.A. from the University of Chicago, and he was a Chartered Financial Analyst.

Jane M. Swift

Ms. Swift joined us as a director in August 2008. Ms. Swift served as Governor of the Commonwealth of Massachusetts from 2001 to 2003 after having served as Lieutenant Governor and as a member of the Massachusetts State Senate. Ms. Swift currently serves as an education advisor and principal of WNP Consulting, LLC, an organization that she also founded. Prior to WNP Consulting, Ms. Swift served as a general partner at Arcadia Partners L.P., a venture capital firm focused exclusively on the for-profit education industry. Ms. Swift has served as a director of Suburban Propane Partners L.P. since 2007 and she previously served as a director of WellCare Health

Plans, Inc. from 2004 to 2006. Ms. Swift holds a B.A. in American Studies from Trinity College. She has also held fellowships at Harvard University s John F. Kennedy School of Government and Williams College and she has received six honorary doctorates and numerous awards.

Andrew H. Tisch

Mr. Tisch joined us as a director in August 2001, and has served as Chairman of the Board of Directors since May 2007. Since 1985, Mr. Tisch has been a director of Loews Corporation, and is co-chairman of its board, chairman of its executive committee and, since 1999, has been a member of its office of the president. Mr. Tisch has also served as a director of CNA Financial Corporation since 2006, and at Texas Gas Transmission, LLC and Boardwalk Pipelines, LLC since 2005. Mr. Tisch previously served as a director of Bulova Corporation from 1979 to 2008 and as a director of Lord & Taylor from 2006 to 2008. Mr. Tisch holds a B.S. in Hotel Administration from Cornell University and an M.B.A. from Harvard University.

Thomas J. Wilford

Mr. Wilford joined us as a director in November 2002. Since 1993, Mr. Wilford has served as a director of Alscott, Inc., a privately-held real estate investment company, and since 1997, has served as its President. Since 2003, Mr. Wilford has been the Chief Executive Officer of the J.A. and Kathryn Albertson Foundation, Inc., a foundation focused on education within Idaho. Mr. Wilford has also served as a director of Idacorp, Inc. since 2004, and has served on its Audit Committee since 2005. Previously, Mr. Wilford served as an office managing partner of Ernst & Young LLP from 1979 to 1993. Mr. Wilford holds a B.S., and a M.S. in Business from the University of Minnesota and he is a Certified Public Accountant.

INFORMATION ABOUT THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors and Director Independence

Our Board of Directors met six times during the fiscal year ended June 30, 2009, or fiscal year 2009. During fiscal year 2009, each director attended at least 75% of the meetings of the Board of Directors and committees of the Board of Directors on which he or she served during the director s tenure, except Ms. Futrell who attended 70% of her total number of applicable meetings and Mr. Wilford who attended 73% of his total number of applicable meetings. Our policy with respect to director attendance at the annual meeting of the stockholders is to encourage, but not require, director attendance. Three members of our Board of Directors attended our 2008 Annual Meeting: Mesdames Futrell and Swift and Mr. Packard.

Our Board of Directors has determined that each of our directors, with the exception of Mr. Packard, is independent as defined in the currently applicable listing standards of the NYSE and the regulations of the U.S. Securities and Exchange Commission, or SEC. Mr. Packard is not independent because he is one of our executive officers. If the nominees for the Board of Directors are duly elected at the Annual Meeting, then each of our directors other than Mr. Packard will serve as an independent director as the term is defined in applicable rules of the NYSE and regulations of the SEC. Mr. Davis was appointed to the Board of Directors in July 2009 and he was appointed to the Audit and Compensation Committees in September 2009.

The Committees of the Board of Directors

The standing committees of our Board of Directors are the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

Audit Committee. The Audit Committee consists of Mr. Fink, who serves as the Chairman, and Messrs. Bron, Davis and Wilford. Our Board of Directors has determined that each of Messrs. Fink, Bron, Wilford and Davis qualify as independent directors under the applicable NYSE listing requirements and regulations of the SEC.

The Audit Committee met five times during fiscal year 2009. The Audit Committee and our Board of Directors have adopted a charter for the Audit Committee setting forth the structure, powers and responsibilities of the Audit Committee. Our Board of Directors has adopted a charter, available on our web site at www.K12.com, setting forth the structure, powers and responsibilities of the Audit Committee. Pursuant to the charter, the Audit Committee is comprised of at least three members appointed by our Board of Directors, each of whom satisfies the requirements of independence and financial literacy. Our Audit Committee has determined that Messrs. Davis, Fink and Wilford are audit committee financial experts as that term is defined under the Securities Exchange Act of 1934, as amended, or Exchange Act. Under its charter, the responsibilities of the Audit Committee include:

- annually reviewing and recommending to our Board of Directors the selection of an independent registered public accounting firm;
- reviewing and discussing with management significant accounting matters;
- discussing with our independent registered public accounting firm the conduct of the audit, the adequacy and effectiveness of our accounting, the effectiveness of internal control over financial reporting, and applicable requirements regarding auditor independence;
- approving the audited financial statements of the Company to be included in our annual report on Form 10-K; and
- pre-approving all audit and non-audit services and fees associated with our independent registered public accounting firm.

The Compensation Committee. The Compensation Committee consists of Mr. Tisch, who serves as the Chairman, Mr. Davis, and Mesdames Futrell and Swift. Our Board of Directors has determined that each of Messrs. Tisch and Davis and Mesdames Futrell and Swift qualify as independent directors within the meaning of the applicable NYSE listing requirements and regulations of the SEC. In May 2009, the Board of Directors adopted an amendment to the charter of the Compensation Committee which raised the threshold for approval of employee base salaries by the Chief Executive Officer from $200,000 to $250,000. In September 2009, the Board of Directors adopted an amendment to the Compensation Committee charter that reserves to itself the authority to approve the Chief Executive Officer s annual compensation based upon the Compensation Committee s recommendation, rather than the current delegation solely to the Compensation Committee.

The Compensation Committee met four times during fiscal year 2009. Our Board of Directors has adopted a charter, available on our web site at www.K12.com, setting forth the structure, powers and responsibilities of the Compensation Committee. Under its charter, the responsibilities of the Compensation Committee include:

- reviewing the compensation philosophy of our Company;
- reviewing and approving corporate goals and objectives relating to the compensation of our Chief Executive Officer and, based upon an evaluation of the achievement of these goals, recommending to the Board of Directors our Chief Executive Officer s total compensation;
- reviewing and approving salaries, bonuses and other forms of compensation for our other executive officers, including without limitation stock options, restricted shares, and other forms of equity compensation;
- considering and adopting changes to our compensation structure as applicable to all non-executive officer employees, including, but not limited to, salaries and benefits;
- performing such duties and exercising such authority as may be assigned to a committee of the Board of Directors under the terms of our equity incentive and bonus plans; and

performing such other duties and exercising such other authority as may be assigned from time to time to the Compensation Committee by our Board of Directors.

The Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Messrs. Bron, who serves as the Chairman, and Messrs. Fink and Tisch. Our Board of Directors has determined that each of Messrs. Bron, Fink and Tisch qualify as independent directors within the meaning of the applicable NYSE listing requirements and regulations of the SEC. The Nominating and Corporate Governance Committee met once during fiscal year 2009. Our Board of Directors has adopted a charter, available on our web site at www.K12.com, setting forth the structure, powers and responsibilities of the Nominating and Corporate Governance Committee. Under its charter, the Nominating and Corporate Governance Committee has the authority to nominate persons to stand for election to and to fill vacancies on our Board of Directors. The Nominating and Corporate Governance Committee may consider the following criteria, as well as any other factors the Committee deems appropriate, in recommending candidates for election to our Board of Directors: (i) personal and professional integrity, ethics and values; (ii) business judgment; (iii) experience in management and in the Company s industry; (iv) experience as a board member of another publicly-held company; and (v) academic or policy expertise in an area of the Company s operations. The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders, provided such recommendations are submitted in writing not later than the close of business on the ninetieth day or earlier than the close of business on the one hundred twentieth day prior to the anniversary of the preceding year s annual meeting of the stockholders. Such recommendations should include the name and address and other pertinent information about the candidate as is required to be included in the Company s proxy statement. Recommendations should be submitted to the corporate secretary of the Company.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all employees. The Code of Business Conduct and Ethics is available on our website at www.K12.com. We intend to satisfy the disclosure requirements under the Exchange Act regarding an amendment to or waiver from our Code of Business Conduct and Ethics by posting such information on our website.

Stockholder Communications with the Board of Directors

Stockholders may communicate directly with our Board of Directors by sending an email to our General Counsel at OGC@K12.com, or by mailing a letter to K12 Inc., 2300 Corporate Park Drive, Herndon, VA 20171, Attn: General Counsel. Our General Counsel will monitor these communications and will provide summaries of all received communications to our Board of Directors at its regularly scheduled meetings. Where the nature of a communication warrants, our General Counsel may decide to seek the more immediate attention of the appropriate committee of the Board of Directors or a director, or our management or independent advisors and will determine whether any response is necessary.

Director Compensation for Fiscal Year 2009

Our Directors Compensation Plan provides for an annual cash retainer, fees for attending Board and committee meetings and stock option awards. In November 2008, the Directors Compensation Plan was amended to reduce the Chairman s annual cash retainer from $50,000 to $25,000 and to increase the Chairman s annual option award level from 7,000 to 10,000 stock options. Accordingly, and for service during the fiscal year ended June 30, 2009, Mr. Tisch, the Chairman of our Board of Directors and Compensation Committee received options to purchase 10,000 shares of our Common Stock, each other chairperson of our Board s committees received options to purchase 7,000 shares of our Common Stock, and the other non-employee directors received options to purchase 5,000 shares of our Common Stock. All option awards to directors vest equally in quarterly installments over a four-year period. Mr. Packard, our Chief Executive Officer, who is also a director, receives no additional compensation for his service on our Board of Directors. Also pursuant to the Directors Compensation Plan, each non-employee director received an annual cash retainer of $25,000, paid quarterly. Each non-employee director also received $1,500 for each Board and committee meeting they attended with the exception of Messrs. Tisch and Fink, the Chairman of our Board of Directors and Audit Committee, respectively, who received $2,500 per meeting.

Name	Option Awards(1)	Other Compensation	Total
Andrew H. Tisch(2)	$ 30,497	$ 33,750	$ 64,247

Guillermo Bron(3)	21,305	40,000	61,305
Steven B. Fink(4)	29,424	55,000	84,424
Mary H. Futrell(5)	16,052	34,000	50,052
Jane M. Swift(6)	12,697	38,285	50,982
Thomas J. Wilford(7)	18,829	37,000	55,829

(1) This column represents the dollar amount recognized by us for financial statement reporting purposes of the fair value of stock options granted in the fiscal year ended June 30, 2009, and prior years, in accordance with FAS 123(R), assuming no forfeitures. For additional information, including information regarding the assumptions used when valuing the stock options, refer to note 10 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2009 and note 9 of our consolidated financial statements as set forth in our Form S-1 for the year ended June 30, 2007. The amounts set forth in this column reflect our accounting expense for these awards and do not correspond to the actual value that may be realized by the directors receiving the awards.

(2) During the fiscal year ended June 30, 2009, Mr. Tisch was granted 10,000 options on May 7, 2009 with a fair value of $85,865. As of June 30, 2009, Mr. Tisch held options to purchase 70,916 shares of Common Stock, consisting of 10,000 granted on May 7, 2009; 7,000 granted on February 8, 2008; 9,803 granted on May 17, 2007; 9,803 granted on April 27, 2006; 9,803 granted on March 24, 2005; 9,803 granted on March 31, 2004; 9,803 granted on February 10, 2003; and 4,901 granted on July 23, 2002.

(3) During the fiscal year ended June 30, 2009, Mr. Bron was granted 7,000 options on May 7, 2009 with a fair value of $60,106. As of June 30, 2009, Mr. Bron held options to purchase 16,450 shares of Common Stock consisting of 7,000 granted on May 7, 2009; 7,000 granted on February 8, 2009; and 2,450 on July 3, 2007.

(4) During the fiscal year ended June 30, 2009, Mr. Fink was granted 7,000 options on May 7, 2009 with a fair value of $60,106. As of June 30, 2009, Mr. Fink held options to purchase 54,326 shares of Common Stock, consisting of 7,000 granted on May 7, 2009; 7,000 granted on February 8, 2008; 9,803 granted on May 17, 2007; 9,803 granted on April 27, 2006; 9,803 granted on March 24, 2005; 9,803 granted on March 31, 2004; 188 granted on December 18, 2003; and 926 granted on October 24, 2003.

(5) During the fiscal year ended June 30, 2009, Dr. Futrell was granted 5,000 options on May 7, 2009 with a fair value of $42,933. As of June 30, 2009, Dr. Futrell held options to purchase 11,838 shares of Common Stock, consisting of 5,000 granted on May 7, 2009; 5,000 granted on February 8, 2008; and 1,838 granted on August 15, 2007.

(6) During the fiscal year ended June 30, 2009, Ms. Swift was granted 5,000 options on May 7, 2009 with a fair value of $42,933 and 5,000 options on August 21, 2008 with a fair value of $52,358. As of June 30, 2009, Ms. Swift held options to purchase 10,000 shares of Common Stock.

(7) During the fiscal year ended June 30, 2009, Mr. Wilford was granted 5,000 options on May 7, 2009 with a fair value of $42,933. As of June 30, 2009, Mr. Wilford held options to purchase 34,505 shares of Common Stock, consisting of 5,000 granted on May 7, 2009; 5,000 granted on February 8, 2008; 4,901 granted on May 17, 2007; 4,901 granted on April 27, 2006; 4,901 granted on March 24, 2005; 4,901 granted on March 31, 2004; and 4,901 granted on February 10, 2003.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of October 9, 2009, certain information with respect to the beneficial ownership of Common Stock by each beneficial owner of more than 5% of the Company s voting securities (based solely on review of filings with the SEC), each director and each named executive officer and all directors and executive officers of the Company as a group, except as qualified by the information set forth in the notes to this table. As of October 9, 2009, there were 29,482,149 shares of the Company s Common Stock outstanding.

Unless otherwise noted, the address for each director and executive officer is c/o K12 Inc., 2300 Corporate Park Drive, Herndon, VA 20171.

	Shares Beneficially Owned(1)	
Name of Beneficial Owner	**Number**	**Percent**
Named Executive Officers		
Ronald J. Packard(2)	1,281,336	4.20
John F. Baule(3)	121,429	*
Bruce J. Davis(4)	75,838	*
George B. Hughes, Jr.(5)	41,154	*
Celia M. Stokes(6)	49,491	*
Directors		
Andrew H. Tisch(7)	369,075	1.25
Thomas J. Wilford(8)	377,824	1.28
Guillermo Bron(9)	90,602	*
Steven B. Fink(10)	89,985	*
Mary H. Futrell(11)	4,157	*
Jane M. Swift(12)	2,499	*
Nathaniel A. Davis(13)	156	*
All Directors and Executive Officers as a Group (12 persons)(14)	2,503,546	8.10
Beneficial Owners of 5% or More of Our Outstanding Common Stock		
Learning Group LLC(15)	5,158,741	17.49
William Blair & Co.(16)	3,066,235	10.40
TCW Group Inc.(17)	1,610,276	5.46

* Denotes less than 1%.

(1) Beneficial ownership of shares is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, to our knowledge, each stockholder identified in the table possesses sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by the stockholder. The number of shares beneficially owned by a person includes shares of Common Stock subject to options and warrants held by that person that are currently exercisable or exercisable within 60 days of October 9, 2009 and not subject to repurchase as of that date. Shares issuable pursuant to options and warrants are deemed outstanding for calculating the percentage ownership of the person holding the options and warrants but are not deemed outstanding for the purposes of calculating the percentage ownership of any other

person. For the purposes of this table, the number of shares of Common Stock outstanding as of October 9, 2009 is deemed to be 29,482,149.

(2) Includes 274,117 shares of Common Stock and options for 1,007,219 shares of Common Stock. These totals include both shares and options held individually and in the 2006 Packard Investment Partnership, L.P.

(3) Represents options for 121,429 shares of Common Stock.

(4) Represents options for 75,838 shares of Common Stock.

(5) Represents options for 41,154 shares of Common Stock.

(6) Represents options for 49,491 shares of Common Stock.

(7) Includes options for 50,274 shares of Common Stock and warrants to purchase 2,497 shares of Common Stock. Also includes 244,882 shares of Common Stock held by Andrew H. Tisch 1991 Trust #2, 35,711 shares of Common Stock held by KAL Family Partnership and 35,711 shares of Common Stock held by KSC Family Partnership. Mr. Tisch has voting and investment control with respect to the shares held by these entities. The address of these stockholders is c/o Loews Corporation, 667 Madison Avenue, 7th Floor, New York, NY 10021.

(8) Includes options for 22,790 shares of Common Stock. Also includes 355,034 shares of Common Stock held by Alscott Investments, LLC. Mr. Wilford has voting and investment power with respect to shares held by this stockholder. The address of Alscott Investments, LLC is 501 Baybrook Court, Boise, ID 83706. Mr. Wilford disclaims beneficial ownership of the shares held by Alscott Investment, LLC except to the extent of his pecuniary interest therein.

(9) Includes options for 5,752 shares of Common Stock. Also includes 84,850 shares of Common Stock held by The Bron Trust, dated July 27, 1998. Mr. Bron is not the trustee of The Bron Trust, however, he is the beneficiary of The Bron Trust and, therefore, is deemed to beneficially own such shares. Mr. Bron disclaims beneficial ownership of the shares held by The Bron Trust except to the extent of his pecuniary interest, if any, therein. The address for Mr. Bron is 1901 Avenue of the Stars #1551, Los Angeles, CA 90067.

(10) Includes 48,962 shares of Common Stock and options for 41,023 shares of Common Stock. The address for Mr. Fink is 2300 Corporate Park Drive, Herndon, VA 20171.

(11) Represents options for 4,157 shares of Common Stock. The address for Dr. Futrell is 2134 G Street N.W., Washington, D.C. 20052.

(12) Represents options for 2,499 shares of Common Stock. The address for Ms. Swift is 580 Henderson Road, Williamstown, MA 01267.

(13) Represents options for 156 shares of Common Stock. The address for Mr. Davis is 2300 Corporate Park Drive, Herndon, VA 20171.

(14) Includes 1,129,267 shares of Common Stock, options for 1,421,782 shares of Common Stock and warrants to purchase 2,497 shares of Common Stock.

(15) Includes 4,665,083 shares of Common Stock held by Learning Group LLC, 399,171 shares of Common Stock held by Learning Group Partners, 82,503 shares of Common Stock and warrants to purchase 2,497 shares of Common Stock held by Cornerstone Financial Group LLC, warrants to purchase 7,965 shares of Common Stock held by Knowledge Universe Learning Group LLC, and 1,522 shares of Common Stock held by Hampstead Associates, L.L.C.. These entities may be deemed to be controlled by Michael R. Milken and/or Lowell J. Milken and as such, Michael R. Milken and/or Lowell J. Milken may be deemed to have the power to exercise investment and voting control over, and to share in the beneficial ownership of, the shares beneficially owned by these entities. The above information is based solely on publicly available filings with the SEC, including the Schedule 13G/A filed on February 12, 2009. The address for Messrs. M. Milken and L. Milken and Learning Group LLC and Learning Group Partners is 1250 Fourth Street, Santa Monica, CA 90401.

(16) Based solely on publicly available filings with the SEC, including the Schedule 13G/A filed on July 10, 2009.

(17) Based solely on publicly available filings with the SEC, including the Schedule 13G filed on February 9, 2009.

EXECUTIVE OFFICERS

Set forth below is biographical information for each executive officer of our Company who is not also a director.

Name	Age	Position(s)
Howard L. Allentoff	47	Senior Vice President, Human Resources
John F. Baule	45	Chief Operating Officer and Chief Financial Officer
Bruce J. Davis	46	Executive Vice President, Worldwide Business Development
George B. Hughes, Jr.	50	Executive Vice President, School Services
Howard D. Polsky	58	General Counsel and Secretary
Celia M. Stokes	45	Executive Vice President and Chief Marketing Officer

Executive Officers

Howard L. Allentoff, Senior Vice President, Human Resources

Dr. Allentoff joined us in December 2008 and serves as Senior Vice President of Human Resources. From 2003 until joining the Company, he was Consultant and President of Strategic People Solutions where he assisted companies of all types in both strategic and operational human resources issues. Primary areas of expertise included staffing, retention, compensation, performance management, training and development, process improvement, organizational development, communication and project management. Prior to Strategic People Solutions, Dr. Allentoff worked at Blackboard as the company s first Vice President of Human Resources from 2002 to 2003. He previously served in other human resources consulting roles as well as in corporate human resources environments at Prometric (formerly of Sylvan and Thomson Learning), Ward Machinery and Westinghouse. Dr. Allentoff holds a B.S. in Psychology from the University of Maryland, College Park as well both M.S. and Ph.D. degrees in Industrial & Organizational Psychology from Auburn University.

John F. Baule, Chief Operating Officer and Chief Financial Officer

Mr. Baule joined us in March 2005, and serves as Chief Operating Officer and Chief Financial Officer. Previously, Mr. Baule spent five years at Headstrong, a global consultancy services firm, first serving as Senior Vice President of Finance from 1999 until 2001 and later as Chief Financial Officer from 2001 to 2004. Prior to Headstrong, Mr. Baule worked for Bristol-Myers Squibb (BMS) from 1990 to 1999, initially joining their corporate internal audit division. He then spent six years with BMS based in the Asia Pacific region, first as the Director of Finance for BMS Philippines, and then as the Regional Finance Director for BMS Asia-Pacific, based in Hong Kong. He later served as Director of International Finance for the BMS Nutritional Division. Mr. Baule began his career working in the audit services practice at KPMG from 1986 to 1990. Mr. Baule holds a B.B.A. in Accounting from the College of William and Mary and he is a Certified Public Accountant.

Bruce J. Davis, Executive Vice President, Worldwide Business Development

Mr. Davis joined us in January 2007, and serves as Executive Vice President, Worldwide Business Development. From 2005 until joining us, Mr. Davis was Sr. Vice President of Business Development for Laureate Education Inc. with a focus on the Middle East region. From 2003 to 2004, Mr. Davis was a strategic advisor to Discovery Communications where he developed plans for Discovery s entry into the education video market and the creation of the United Streaming product. From 1994 to 2002, Mr. Davis held various positions with Sylvan Learning Systems including Principal at Sylvan Ventures, Chief Operating Officer of Prometric and Vice President of International Operations. From 1985 to 1991, Mr. Davis was a Manager of Information Systems Strategy at Deloitte and Touche where he managed its practice office in Egypt. Mr. Davis holds a B.S. in Computer Science from Loyola University and an M.B.A. from Columbia University.

George B. (Chip) Hughes, Jr., Executive Vice President, School Services

Mr. Hughes joined us in July 2007, and serves as Executive Vice President, School Services. From 1997 until joining us, Mr. Hughes was a co-founder and Managing Director of Blue Capital Management, L.L.C., a middle-market private equity firm. Mr. Hughes previously served as a Partner of McKinsey & Company, Inc., a global management consulting firm, in McKinsey s Los Angeles and New Jersey offices, where he was a member of the firm s Strategy and Health Care practices. Mr. Hughes serves on the National Board and the Executive Committee of Recording for the Blind & Dyslexic, and on the Board of Councilors of the College of Letters, Arts & Sciences at the University of Southern California. Previously he was a member of the Board of Trustees at Big Brothers of Greater Los Angeles and of Big Brothers Big Sisters of Morris, Bergen, and Passaic Counties (New Jersey). Mr. Hughes holds a B.A. in Economics from the University of Southern California and an M.B.A. from Harvard University.

Howard D. Polsky, General Counsel and Secretary

Mr. Polsky joined us in June 2004, and serves as General Counsel and Secretary. Mr. Polsky previously held the position of Vice President and General Counsel of Lockheed Martin Global Telecommunications from 2000 to 2002. Prior to its acquisition by Lockheed Martin, Mr. Polsky worked at COMSAT Corporation from 1992 to 2000, initially serving as Vice President and General Counsel of COMSAT s largest operating division, and subsequently serving on the executive management team as Vice President of Federal Policy and Regulation. From 1983 to 1992, Mr. Polsky was a partner at Wiley, Rein & Fielding, and was an associate at Kirkland & Ellis from 1979 to 1983. Mr. Polsky began his legal career at the Federal Communications Commission. Mr. Polsky received a B.A. in Government from Lehigh University, and a J.D. from Indiana University.

Celia M. Stokes, Executive Vice President and Chief Marketing Officer

Ms. Stokes joined us in March 2006, and serves as Executive Vice President and Chief Marketing Officer. Before joining K12, Ms. Stokes served as Vice President of Marketing at Independence Air from 2003 to 2006. Previously, Ms. Stokes ran her own marketing firm providing consulting services to organizations such as Fox TV, PBS, the National Gallery of Art, JWalter Thompson, and ADP. From 1993 to 1998, Ms. Stokes served in successive roles leading to Vice President of Marketing at Bell Atlantic and at a joint venture of Bell Atlantic and two other Regional Bell Operating Companies. From 1990 to 1993, Ms. Stokes was Manager of Marketing at Software AG, and from 1988 to 1990, was Client Group Manager at Targeted Communications, an Ogilvy & Mather Direct company. Ms. Stokes holds a B.A. in Economics from the University of Virginia.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth below. Based on its review and discussion with management, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s 2009 proxy statement and incorporated by reference in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009. This report is provided by the following independent directors, who comprise the Compensation Committee:

Andrew H. Tisch (Chairman)
Nathaniel A. Davis
Mary H. Futrell
Jane M. Swift

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Objectives and Philosophy of Executive Compensation

The Compensation Committee, composed entirely of independent directors, administers our executive compensation programs. The Compensation Committee s role as described in its charter is to discharge the Board of Directors responsibilities relating to compensation of our executives, including the named executive officers, and to oversee and advise the Board of Directors on the adoption of policies that govern our compensation and benefit programs. Our executive compensation programs are designed to:

- attract and retain individuals of superior ability and managerial talent;
- ensure senior executive compensation is aligned with our corporate strategies, business objectives and the long-term interests of our stockholders;
- provide an incentive to achieve key strategic and financial performance measures by linking incentive award opportunities to the achievement of performance goals in these areas; and
- enhance the executives incentives to maximize stockholder value, as well as promote retention of key people, by providing a portion of total compensation opportunities for senior management in the form of direct ownership in our stock through stock options and restricted stock awards.

To achieve these objectives, the Compensation Committee has implemented and maintains compensation plans that tie a substantial portion of the executives overall compensation to key strategic financial and operational goals such as our annual revenues and earnings. The Compensation Committee also evaluates individual executive performance with the goal of setting compensation at levels the Compensation Committee believes are comparable with executives in other companies of similar size, stage of development, geographic coverage, and that operate in the major education and high-technology industries, taking into account our relative performance and our strategic goals.

Determination of Compensation Awards

The Compensation Committee has the authority to determine and recommend the compensation awards available to our named executive officers. We have historically set base salaries and annual incentive targets based on both individual performance and scope of responsibilities and have traditionally used a one-team-one-goal philosophy for awarding annual bonuses. Base salaries and annual incentive targets for the named executive officers were first set as of the date of hire, and base salaries are generally reviewed annually by the Compensation Committee and adjusted to reflect individual performance and any changes in position within the Company to both reward the executives for superior performance and to further our goals of attracting and retaining managerial talent. To aid the Compensation Committee in making its determination, the Chief Executive Officer and Chief Operating

Officer/Chief Financial Officer provided recommendations annually to the Compensation Committee regarding the compensation of all executive officers, excluding themselves. Each named executive officer other than our Chief Executive Officer and Chief Operating Officer/Chief Financial Officer, in turn, participate in an ongoing performance updates with either the Chief Executive Officer or the Chief Operating Officer/Chief Financial Officer to provide input regarding the named executive officer s contributions to our success for the period being assessed. The performance of our Chief Executive Officer and Chief Operating Officer/Chief Financial Officer is reviewed annually by the Compensation Committee.

In 2008, the Compensation Committee retained an independent compensation consultant specializing in compensation matters in both the technology and education industries to assist the Compensation Committee with determining the key elements of our compensation programs for fiscal year 2009 and future fiscal years. The compensation consultant provided advice to the Compensation Committee with respect to competitive practices and the amounts and nature of compensation paid to the named executive officers. The compensation consultant also advised us on, among other things, structuring our various compensation programs and determining the appropriate levels of salary, bonus and other incentive awards payable to our named executive officers. Based upon the compensation consultant s recommendations, our executive compensation package for fiscal year 2009 consisted of a fixed base salary and variable cash and option-based incentive awards, with a significant portion weighted towards the variable components to ensure that total compensation reflects our overall success or failure and to motivate executive officers to meet appropriate performance measures, thereby maximizing total return to stockholders. Within our performance-based compensation program, we aim to compensate the named executive officers in a manner that is tax effective for us.

Compensation Benchmarking and Peer Group

For fiscal year 2009, we set base salaries and bonus incentive targets for the named executive officers near the median of a peer group of major education and high-technology companies. An important component of setting and structuring compensation for our named executive officers is determining the compensation packages offered by leading education and high-technology companies in order for us to offer competitive compensation within that group of companies. With the assistance of the compensation consultant, the Compensation Committee determined a peer group of companies and surveyed the executive compensation of that peer group to assess our competitiveness. Our peer group for fiscal year 2009 consists of eight publicly-traded companies, each of which have a profile of similar size, industry and technology to us (the Peer Group): American Public Education, Inc.; Blackboard Inc.; Blue Nile, Inc.; Capella Education Company; Corporate Executive Board Company; Lincoln Educational Services Corporation; Strayer Education, Inc.; and thinkorswim Group Inc. Overall, our independent compensation consultant determined that our compensation programs, as structured, achieve our market philosophy relative to the Peer Group.

Elements of Compensation

Base Salary

Base salaries for our named executive officers are generally established in line with the scope of their responsibilities, taking into account competitive market compensation paid by other companies for like positions, and recognizing cost of living considerations. Base salaries are reviewed at least annually, and are adjusted from time to time according to performance, additional duties, promotions, inflation and market levels. Salaries among the named executive officers also reflect, in part, the terms negotiated for their position at the time of hire and subsequent adjustments determined by the Compensation Committee to account for executive performance, peer group trends, and new responsibilities assigned. Based upon the foregoing considerations, for fiscal year 2009, the Compensation Committee determined to increase the base salaries for our named executive officers, in amounts as shown in the Summary Compensation Table below. For fiscal year 2010, the Compensation Committee decided to maintain the base salaries of our named executive officers at the fiscal year 2009 levels subject to a review of base salaries after the first half of fiscal year

2010.

Annual Performance Bonus

We maintain an annual cash bonus program, the Executive Bonus Plan, which is intended to reward executive officers based on our Company s overall performance and the individual named executive officer s contributions to that performance. In determining an annual performance bonus for each named executive officer, the Compensation Committee evaluates performance as measured against a number of objective factors, which included, among others, revenues, earnings, existing and new school expansion, and student enrollments. The Compensation Committee believes that the performance bonus program provides incentives that are necessary to retain executives and reward them for our short-term performance.

For fiscal year 2009, the amounts payable to our named executive officers other than Mr. Packard under our annual cash performance bonus program were determined by the Compensation Committee based upon predetermined financial performance metrics, namely annual revenue and EBITDA results. For this purpose, our corporate-level performance goals for revenue and EBITDA were $300.2 million and $37.7 million, respectively. The performance goals for fiscal year 2009 were difficult to achieve in the view of the Compensation Committee, as executives were required to improve the financial results of the Company during a challenging economic period, including mid-year education funding cuts as certain states struggled with recessionary budgets. The results of performance are set forth under the heading entitled Summary Compensation Table for 2009 below.

For fiscal year 2009, Messrs. Davis and Hughes and Ms. Stokes target bonus was 40% of base salary and Mr. Baule s target bonus was 70% of base salary. Bonus targets have historically been negotiated at the time of hire, which have typically ranged between 30%-40% of base salary for executive vice president and senior vice president positions. During fiscal year 2009, we encountered the effects of the global economic downturn and reacted to these economic challenges by seeking to manage expenses, including by reducing the cash costs of our incentive compensation program. This action limited the total amount of cash available for payment of incentive compensation to our named executive officers. The amount of cash available for payment of performance bonuses was below the level that the Compensation Committee determined would otherwise be warranted by the strong performance of our named executive officers in fiscal year 2009. As a result, and although we achieved our corporate-level performance goals for fiscal year 2009, namely the specific revenue and EBITDA targets listed above, the Compensation Committee determined to award performance bonuses for fiscal year 2009 at a reduced level equal to a maximum of 65% of each named executive officer s target bonus amount.

For fiscal year 2009, Mr. Packard s target bonus amount was 100% of base salary and Mr. Packard s fiscal year 2009 performance bonus was determined by the Compensation Committee based upon the same corporate-level revenue and EBITDA goals set forth above. Because we achieved those performance goals for fiscal year 2009, and for the same reasons discussed above, the Compensation Committee determined that Mr. Packard is eligible to receive a performance bonus for fiscal year 2009 equal to 65% of his target bonus amount. However, the Compensation Committee determined, in the exercise of its discretion under our Executive Bonus Plan, that it was appropriate in view of the Company s strategic development to make the payment after the completion of other actions by December 31, 2009. These additional actions would require Mr. Packard to recruit and hire one or more new company executives, complete and submit organizational and operational plans to manage projected company growth, and prepare strategies for student enrollment and retention. The Compensation Committee believes it is likely that Mr. Packard will complete these actions and that Mr. Packard s fiscal year 2009 annual performance bonus will be paid on or about December 31, 2009.

Early in fiscal year 2010, the Compensation Committee decided to implement a new Company-wide equity compensation program involving grants of restricted stock awards, and it granted such awards to our named executive officers in the following amounts: Messrs. Hughes and Davis and Ms. Stokes each received 3,056 shares of restricted stock. In addition, the Compensation Committee determined that Mr. Packard would be eligible to receive

15,000 shares of restricted stock, subject to his completing the same goals discussed above with respect to Mr. Packard s fiscal year 2009 bonus. These shares of restricted stock will vest over the three-year period following the grant date and are intended as forward-looking retention compensation and not as compensation for performance in fiscal year 2009. However, the Compensation Committee considered the amount of these restricted stock grants as one factor in determining the size of the annual performance bonuses for fiscal year 2009 and the performance bonuses for fiscal year 2009 also influenced the size of these restricted stock awards. The

Compensation Committee expects that restricted stock awards will continue to be an important feature of our executive compensation program going forward.

Stock Options

We believe providing long-term incentive awards through the grant of stock options promotes our goal of aligning executive compensation with the long-term interests of our stockholders in building the value of our Company. Historically, some of our employees, including the named executive officers, were eligible to participate in our Amended and Restated Stock Option Plan and/or received grants of stock options pursuant to stand alone stock option agreements. No stock options have been granted under the Amended and Restated Stock Option Plan or pursuant to stand alone stock option agreements since the date of our initial public offering. Currently, our named executive officers, along with a large portion of our employees, are eligible to participate in our 2007 Equity Incentive Award Plan, or the Equity Incentive Award Plan, pursuant to which we grant awards of stock options. Initial stock option grants are typically made as of the date of hire. We also award options to employees based upon our overall annual performance reviews as well as in connection with individual promotions. Participants in the Equity Incentive Award Plan, including the named executive officers, become eligible for stock option grants based on individual performance, as determined by the Compensation Committee; however, generally the amount of stock options granted to each participant has been determined using a procedure approved by the Compensation Committee based upon several factors, including our financial performance, measured generally on the basis of revenue and EBITDA targets, the value of the stock option at the time of grant and the recipient s contributions to our Company. In addition, the Compensation Committee reviews external factors such as market data and equity award policies of comparable companies when determining the grants of stock options to participants, including the named executive officers.

Stock options granted under our Equity Incentive Award Plan generally have a four-year vesting schedule designed to maximize employee retention. The exercise price of options awarded under the stock option plan is set to be equal to the fair market value of the underlying stock, which is defined as the closing price for one share of our Common Stock on the NYSE on the date of grant. To more closely align Mr. Packard s equity compensation with our success, we developed a dual vesting schedule with a portion of his option grant subject to time-based vesting and a portion based upon our Company s achievement of pre-established corporate-level financial performance metrics and jurisdictional expansion targets. For fiscal year 2009, the corporate-level financial targets were the same revenue and EBITDA targets set forth above with respect to the fiscal year 2009 performance bonuses. The jurisdictional expansion targets consisted of a series of individualized enrollment targets for a variety of jurisdictions. This dual vesting takes into consideration Mr. Packard s role as our Chief Executive Officer and steward of achieving our Company s corporate goals, as well as his role as an individual contributor to business development efforts and revenue generation. Similarly, we developed a dual vesting schedule for Mr. Baule s options with a portion of his option grant subject to time-based vesting and a portion subject to our Company s achievement of the pre-established corporate-level financial performance metrics referenced above. The dual vesting model of Mr. Baule s options was designed to align his incentives with that of our Chief Executive Officer s and to reflect his dual roles of Chief Financial Officer and Chief Operating Officer.

For the same reasons as stated above with respect to the performance metrics relating to annual performance-bonuses for executives, the Compensation Committee believed the achievement of these performance metrics would be difficult for Messrs. Packard and Baule in fiscal year 2009, especially given the impact of the recession on state education budgets. In addition, our revenue and EBITDA targets are in part dependent upon the ability to serve virtual public schools in more states or the removal of enrollment restrictions in states where we currently operate. In addition, Mr. Packard s performance-based vesting targets relating to jurisdictional and enrollment expansion for fiscal year 2009 were directly dependent upon these factors. Achieving these goals typically requires a major initiative to secure legislation or regulations permitting our form of public education and attracting the forecasted number of students. These efforts include coordinating grass-roots support, converting this support into state-specific legislative proposals, and managing advocacy efforts to ensure the adoption of enabling legislation. This process often takes multiple legislative sessions over several years. The difficulty and uncertainty of this process is a major factor in measuring our Company s performance.

In fiscal year 2009, the named executive officers received awards of stock options as detailed in the Grants of Plan Based Awards During 2009 table. These awards were made early in fiscal year 2009 and were designed to reward our named executive officers performance in fiscal year 2008 and were based upon the attainment of our fiscal year 2008 performance goals. In addition, based upon our attainment of our corporate-level financial performance goals during fiscal year 2009, and to reward performance for fiscal year 2009, the Compensation Committee awarded stock options to all of the named executive officers on July 13, 2009 at an exercise price of $17.46. Mr. Packard received 176,000 stock options, Mr. Hughes received 36,300 stock options, Mr. Davis received 29,700 stock options, and Ms. Stokes received 36,300 options. The Compensation Committee determined not to award any stock options to Mr. Baule in early fiscal year 2010 due to organizational management concerns, including the possible need to separate operations and finance responsibilities given our growth over the past few years.

The Compensation Committee determined that Messrs. Packard and Baule achieved their fiscal year 2009 performance-based vesting targets for stock options previously granted such that a portion of these stock options became fully vested following the close of fiscal year 2009. Specifically, the Compensation Committee found that Mr. Packard had met a portion of his performance-based targets relating to jurisdictional and enrollment expansion that had been established in his employment agreement for fiscal year 2009, thereby resulting in the vesting of 29,412 options. The Compensation Committee also found that Mr. Packard met the fiscal year 2009 revenue and EBITDA targets resulting in the vesting of 26,144 options. Finally, the Compensation Committee determined that Mr. Packard had met a portion of his performance-based targets relating to jurisdictional expansion and related EBITDA goals resulting in vesting of 88,235 options. With respect to Mr. Baule, the Compensation Committee determined that he had met the fiscal year 2009 performance-based revenue and EBITDA targets, resulting in the vesting of 26,144 options.

Deferred Compensation Plan

In June 2008, we adopted a non-qualified deferred compensation plan, or the Deferred Compensation Plan, for members of our management team, including our named executive officers. Under the Deferred Compensation Plan, our named executive officers are eligible to elect to defer up to 50% of their annual salary and up to 100% of any annual incentive bonus. These amounts may be deferred until retirement. Earnings are credited on deferred amounts based upon a variety of investment options that may be elected by each participant. We believe that the addition of the Deferred Compensation Plan provides our Company an additional means to further its philosophy of attracting and retaining individuals of superior ability. Certain information with respect to amounts deferred by our named executive officers under this plan are set forth below in the Nonqualified Deferred Compensation Table.

Defined Contribution Plan

We maintain a Section 401(k) Savings/Retirement Plan, or the 401(k) Plan, which covers our eligible employees, including our named executive officers. The 401(k) Plan allows participants to defer a portion of their annual compensation, subject to certain limitations imposed by the Internal Revenue Code. The employees elective deferrals are immediately vested and nonforfeitable upon contribution to the 401(k) Plan. We currently provide matching contributions equal to $0.25 for each dollar of a participant s contributions, up to a maximum of 4% of the participant s annual salary, subject to certain other limits. Our matching contributions are subject to a four-year vesting schedule.

Employee Benefits and Perquisites

We provide our named executive officers with certain personal benefits and perquisites. While we do not consider these benefits and perquisites to be a significant component of executive compensation, we recognize that they are an important factor in attracting and retaining talented executives. Named executive officers are eligible under the same plans as all other employees for medical, dental, vision, disability and life insurance. These benefits are provided through a professional employer organization and are intended to be market competitive. We also pay for supplemental long-term disability and life insurance premiums for our executive officers. We may also reimburse certain executives for their relocation expenses.

Employment, Severance and Change in Control Arrangements

We currently have employment agreements in place with each of our named executive officers that provide for severance payments in connection with certain terminations of employment. During fiscal year 2009, Mr. Packard had an employment agreement with us that provided for salary continuation for 450 days following a termination of his employment without cause by us or due to constructive termination. In addition, each of the other named executive officers have employment agreements with us that provide for employment on an at will basis and provide for severance payments ranging from six months to 12 months (plus benefit continuation in certain cases) generally in connection with terminations of employment without cause by us or for good reason by the executive. These agreements were generally negotiated at hire and the potential severance payments were determined considering the executive s level of experience and perceived marketability and the desired length of any post-employment restrictive covenants. Severance is considered by us and our executives to be an integral part of the overall compensation package. We provide severance to the executives as a means to attract and retain individuals with superior ability and managerial talent.

While the named executive officers are generally not entitled to receive payments solely as a result of a change in control of the Company, upon certain corporate transactions (including a sale of all or substantially all of the assets, certain mergers or consolidations and certain sales of our outstanding stock) all outstanding options will become fully vested and exercisable.

We believe that providing the named executive officers with severance payments upon certain terminations of employment and accelerated vesting of stock options upon a change in control are key retention tools that assist us with remaining competitive with the companies in our peer group, further our goal of attracting and retaining key executives with superior ability and managerial talent and protect our intellectual capital and competitive position. These employment agreements are further described below under the heading entitled Potential Payments Upon Termination or Change in Control.

Summary Compensation Table for 2009

The following table provides information regarding the compensation that we paid to our named executive officers for services rendered during the fiscal year ended June 30, 2009.

Name and Principal Position	Year	Salary	Bonus	Option Awards(1)	Nonequity Incentive Plan Compensation(2)	All Other Compensation(3)	Total
Ronald J. Packard	2009	$ 475,000	$	$ 831,148	$ 309,000	$ 116,382	$ 1,731,530
Chief Executive Officer	2008	425,000		729,710	525,000	7,222	1,686,932
	2007	410,000		167,998	410,000	2,050	990,048
John F. Baule	2009	351,900		201,125	123,165	5,905	682,095
Chief Operating Officer and	2008	340,000		133,838	238,000	4,860	716,698
Chief Financial Officer	2007	300,000			210,000	1,646	511,646
George B. Hughes, Jr.	2009	300,248		145,461	78,064	4,785	528,558
	2008	253,109		66,919	109,003	1,261	430,292

Executive Vice President of School Services							
Bruce J. Davis	2009	309,000		98,896	80,340	7,842	496,078
Executive Vice President of	2008	300,000		38,283	120,000	6,485	464,768
Worldwide Business Development	2007	144,423	120,000	12,760			277,183
Celia M. Stokes	2009	300,300		148,720	78,078	5,506	532,604
Executive Vice President and	2008	245,000		38,258	110,000	4,641	397,899
Chief Marketing Officer	2007	221,052			80,000	1,847	302,899

(1) This column represents the dollar amount recognized by us for financial statement reporting purposes of the fair value of stock options granted in the fiscal year ended June 30, 2009, and prior years in accordance with FAS 123(R), assuming no forfeitures. For additional information, including information regarding the

assumptions used when valuing the stock options, refer to note 10 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2009 and note 9 of our consolidated financial statements as set forth in our Form S-1 for the year ended June 30, 2007. The amounts set forth in this column reflect our accounting expense for these awards and do not correspond to the actual value that may be realized by the named executive officer receiving the awards. See the following table entitled Grants of Plan-Based Awards During 2009 for additional information on stock options granted during the fiscal year ended June 30, 2009.

(2) This column represents cash awards to the named executive officers for performance with respect to the fiscal year ended June 30, 2009. Other than for Mr. Packard, these cash awards were paid in September 2009, and were based upon corporate performance, and not individual performance targets, as discussed in more detail above under Elements of Compensation-Annual Performance Bonus. For Mr. Packard, the 2009 amount represents Mr. Packard s 2009 performance bonus that is expected to be paid to Mr. Packard on or about December 31, 2009, subject to Mr. Packard s completion of specific actions, as described in more detail in Elements of Compensation-Annual Performance Bonus.

(3) The amounts in this column consist of 401(k) matching contributions, additional life insurance, long-term disability premiums and, with respect to Mr. Packard, relocation expenses paid by us. For Mr. Packard, the relocation expenses paid by the Company include: $27,766 for moving expenses, including the transportation of household goods, $2,524 for expense reimbursements in connection with house hunting trips for Mr. Packard and his family, and $77,683 for temporary housing costs.

Grants of Plan-Based Awards During 2009

The following table provides information regarding grants of plan-based awards to our named executive officers during the fiscal year ended June 30, 2009. The awards described in the following table were granted under our Executive Bonus Plan and Equity Incentive Award Plan.

Name and Principal Position	Grant Date	Estimated Possible Payouts under Nonequity Incentive Plan Awards Target ($)	Estimated Future Payouts under Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Option Awards: Number of Securities Underlying Options(2) (#)	Exercise or Base Price of Option Awards	Closing Market Price on Date of Grant(3)	Grant Date Fair Value of Option Awards ($/Sh)
Ronald J. Packard	8/21/08	$ 475,000				150,000	$ 23.45	$ 23.45	$ 10.47
John F. Baule	8/21/08	246,330				30,000	23.45	23.45	10.47
George B. Hughes, Jr.	8/21/08	120,099				35,000	23.45	23.45	10.47
Bruce J. Davis	8/21/08	123,600				27,000	23.45	23.45	10.47

Celia M. Stokes	8/21/08	120,120		41,000	23.45	23.45	10.47

(1) Stock options were granted with exercise prices equal to or in excess of the fair market value of a share of our Common Stock subject to such option on the date of grant and are subject to performance vesting schedules, as further described in the footnotes to the following table entitled Outstanding Equity Awards at Fiscal Year End for 2009. The stock options with performance vesting schedules do not have minimum or maximum payout amounts.

(2) Stock options were granted with exercise prices equal to or in excess of the fair market value of a share of our Common Stock subject to such option on the date of grant and are subject to a four year time-based vesting schedule.

(3) The closing market price of our Common Stock on the date of grant is the closing price on the NYSE on that date.

Outstanding Equity Awards at Fiscal Year End for 2009

The following table provides information regarding outstanding equity awards held by our named executive officers as of June 30, 2009. All such equity awards consist of stock options granted pursuant to our Amended and Restated Stock Option Plan, our Equity Incentive Award Plan or stand-alone stock option agreements, and no restricted stock or other stock awards had been granted to any of the named executive officers as of the end of fiscal year 2009. The section titled Stock Options in this Compensation Discussion and Analysis section provides additional information regarding the outstanding equity awards set forth in this table.

	Option Awards				
Name and Principal Position	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options**	**Option Exercise Price**	**Option Expiration Date**
Ronald J. Packard(1)		150,000		$ 23.45	8/21/16
	89,631	67,231		13.66	7/12/15
			147,058	13.66	7/12/15
	52,288		26,143	13.66	7/12/15
	78,431			13.66	7/12/15
	68,627			7.65	12/31/12
	117,645			7.65	12/31/12
	29,411			7.65	12/31/12
	39,215			7.65	12/31/12
	39,215			7.65	12/31/12
	117,647			7.65	12/31/12
	88,235		147,059	7.65	12/31/12
			294,117	30.60	12/31/12
	132,353			6.83	12/31/10
John F. Baule(2)		30,000		23.45	8/21/16
	52,288		26,143	13.66	7/12/15
	52,287	26,144		13.66	7/12/15
	58,823	19,608		7.65	6/01/14
	46,086			6.83	12/31/12
George B. Hughes, Jr.(3)		35,000		23.45	8/21/16
	20,413	44,118		13.66	7/03/15
Bruce J. Davis(4)		27,000		23.45	8/21/16
	55,146	42,893		9.18	2/01/15
Celia M. Stokes(5)		41,000		23.45	8/21/16
	5,790	7,445		22.82	2/08/16
	12,867	16,544		13.66	7/03/15
	14,705	4,902		7.65	4/26/14

2,310	3,677		7.65	4/26/14

(1) Mr. Packard s outstanding unvested options are subject to time-based and performance-based vesting as described above. With respect to time-based vesting option grants, 37,500 options with an exercise price of $23.45 per share vested on August 21, 2009 and 9,375 options with an exercise price of $23.45 per share will vest every three months beginning on November 21, 2009 through August 21, 2012, subject to Mr. Packard s continued employment through each such date. 44,816 options with an exercise price of $13.66 per share will

vest on June 30, 2010 and 22,415 options with an exercise price of $13.66 per share will vest on January 1, 2011, subject to Mr. Packard s continued employment through each such date. With respect to performance-based vesting of option grants, 26,144 options with an exercise price of $13.66 per share vested on June 30, 2009 resulting from the achievement of the aforementioned revenue and EBITDA targets set by the Board of Directors for fiscal year 2009, and 26,143 options with an exercise price of $13.66 per share will vest in the fiscal year ending June 30, 2010 contingent upon our Company s attaining revenues and EBITDA goals during the preceding fiscal year. 29,412 of 147,058 options with an exercise price of $13.66 per share related to achievement of certain jurisdictional expansion and enrollment targets subsequent to January 1, 2009 vested on September 24, 2009 and the remaining 117,646 options will vest on dates that such achievement of certain jurisdictional expansion and enrollment targets are attained. 88,235 of 147,059 options with an exercise price of $7.65 per share related to EBITDA contributions associated with jurisdictional expansion vested on September 24, 2009, and the remaining 58,824 options will vest on dates that such jurisdictional expansion and related EBITDA goals are attained. Finally, 294,117 options with an exercise price of $30.60 per share will vest upon the fair market value of a share of our Common Stock equaling $30.60, defined as the average closing price on the 10 most recent trading days immediately prior to such date.

(2) Mr. Baule s outstanding unvested options are subject to time-based and performance-based vesting as described above. With respect to time-based vesting of option grants, 7,500 options with an exercise price of $23.45 per share vested on August 21, 2009 and 1,875 options with an exercise price of $23.45 per share will vest every three months beginning on November 21, 2009 through August 21, 2012, subject to Mr. Baule s continued employment through each such date. 26,144 options with an exercise price of $13.66 per share will vest on June 30, 2010 and 4,902 options with an exercise price of $7.65 per share will vest every three months beginning on September 1, 2009 through June 1, 2010, subject to Mr. Baule s continued employment through each such date. With respect to performance-based vesting of option grants, 26,144 options with an exercise price of $13.66 per share vested on June 30, 2009 resulting from the achievement of the aforementioned revenue and EBITDA targets set by the Board of Directors for fiscal year 2009, and 26,143 options with an exercise price of $13.66 per share will vest in the fiscal year ending June 30, 2010 contingent upon our Company s achievement of certain revenues and EBITDA goals during the preceding fiscal year.

(3) Mr. Hughes outstanding unvested options are subject to time-based vesting. 8,750 options with an exercise price of $23.45 per share vested on August 21, 2009 and 2,187 options with an exercise price of $23.45 per share will vest every three months beginning on November 21, 2009 through August 21, 2012, subject to Mr. Hughes s continued employment through each such date. 4,902 options with an exercise price of $13.66 per share will vest every three months beginning on July 3, 2009 through July 3, 2011, subject to Mr. Hughes s continued employment through each such date.

(4) Mr. Davis outstanding unvested options are subject to time-based vesting. 6,750 options with an exercise price of $23.45 per share vested on August 21, 2009 and 1,687 options with an exercise price of $23.45 per share will vest every three months beginning on November 21, 2009 through August 21, 2012, subject to Mr. Davis continued employment through each such date. 6,127 options with an exercise price of $9.18 per share will vest every three months beginning on July 8, 2009 through January 8, 2011, subject to Mr. Davis continued employment through each such date.

(5) Ms. Stokes outstanding unvested options are subject to time-based vesting. 10,250 options with an exercise price of $23.45 per share vested on August 21, 2009 and 2,562 options with an exercise price of $23.45 per share will vest every three months beginning on November 21, 2009 through August 21, 2012, subject to Ms. Stokes continued employment through each such date. 827 options with an exercise price of $22.82 per share will vest every three months beginning on July 3, 2009 through July 3, 2011, subject to Ms. Stokes continued employment through each such date. 1,838 options with an exercise price of $13.66 per share will vest every three months

beginning on July 3, 2009 through July 3, 2011, subject to Ms. Stokes continued employment through each such date. 1,225 options with an exercise price of $7.65 per share will vest every three months beginning on September 21, 2009 through March 21, 2010, subject to Ms. Stokes continued employment through each such date. 1,226 options with an exercise price of $7.65 per share will vest every three months beginning on September 21, 2009 through March 21, 2010, subject to Ms. Stokes continued employment through each such date.

Option Exercises and Stock Vested

The following Option Exercises and Stock Vested table provides additional information about the value realized by the Named Executive Officers on option award exercises during the year ended June 30, 2009. No restricted stock awards became vested during the fiscal year ended June 30, 2009.

	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)
Ronald J. Packard	176,469	$ 2,109,715
John F. Baule	113,100	1,310,580
George B. Hughes, Jr.	13,900	115,978
Bruce J. Davis		
Celia M. Stokes	6,620	107,783

Nonqualified Deferred Compensation

The following table sets forth certain information with respect to amounts deferred by the Named Executive Officers under our non-qualified deferred compensation plan, which is discussed in more detail above.

Name	Executive Contributions in Last Fiscal Year ($)(1)	Company Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
Ronald J. Packard	$ 46,784	$	$ 1,481	$	$ 48,265
John F. Baule					
George B. Hughes, Jr.					
Bruce J. Davis					
Celia M. Stokes					

(1) The entire amount reported in this column is included within the amount reported in the Salary column of the Summary Compensation Table for 2009.

(2) We do not make contributions to our non-qualified deferred compensation for the benefit of our Named Executive Officers.

Potential Payments Upon Termination or Change in Control

The Company has employment agreements with each of our named executive officers that provide for severance payments and, in some cases, other benefits upon certain terminations of employment.

Employment Agreements

On July 12, 2007, our Board of Directors approved an amended and restated employment agreement for Mr. Packard. This amended and restated agreement extended the term of Mr. Packard s employment until January 1, 2011, and provides for (i) an initial annual base salary of $425,000 subject to annual review, (ii) an annual cash bonus to be awarded by the Board of Directors in its discretion with a target amount not to exceed 100% of his base salary, (iii) additional stock option grants subject to both time-based and performance-based vesting, (iv) full vesting of all outstanding stock options upon a change in control of the Company, and (v) severance upon a termination of Mr. Packard s employment without cause by us or due to constructive termination (generally, a material reduction in Mr. Packard s duties, responsibilities or title) equal to 18 months of base salary and the extension of the exercise date for Mr. Packard s outstanding vested stock options until the expiration of the option term. Upon termination of Mr. Packard s employment due to his death, his estate will receive salary continuation payments for 180 days following his death. The amended and restated agreement also provides that Mr. Packard is subject to restrictive covenants during the term of the agreement and for certain periods following termination of employment, including confidentiality restrictive covenants during the term and for three years following termination, intellectual property restrictive covenants during the term, and nonsolicitation and noncompetition restrictive covenants during the period that Mr. Packard receives any compensation from us (including severance) and one year thereafter.

On July 12, 2007, our Board of Directors approved an amendment to Mr. Baule s employment agreement. This amendment provides for (i) an initial annual base salary of $340,000 subject to annual review, (ii) an annual cash bonus to be awarded by the Board of Directors in its discretion with a target amount of 70% of his base salary, (iii) additional stock option grants subject to both time-based and performance-based vesting, and (iv) full vesting of all stock options upon a change in control of the Company. Mr. Baule s amended employment agreement provides for his employment with us on an at-will basis. Upon a termination of Mr. Baule s employment for good reason (generally, a material reduction in Mr. Baule s compensation, assignment of a materially different title and responsibilities effectively resulting in a demotion, relocation of Mr. Baule s place of work more than 50 miles from our headquarters, or we otherwise materially breach the employment agreement), or by us for any reason other than cause, death or disability, Mr. Baule is entitled to severance equal to 365 days of his then-current salary, paid in six monthly installments following termination, and medical and dental benefit continuation for 365 days, or if earlier, until eligible for benefits elsewhere (or reimbursement of COBRA costs to the extent our employee benefit plans do not allow post-termination participation by Mr. Baule). The amended agreement also provides that Mr. Baule will be subject to the terms of the Company s Confidentiality, Proprietary Rights and Non-Solicitation Agreement, which generally prohibits the unauthorized disclosure of our confidential information during and after the period of employment, ensures our right of ownership of any intellectual property developed during the period of employment, prohibits the solicitation of employees for one year following termination of employment and requires that any disputes regarding employment or termination of employment be subject to binding arbitration.

Mr. Hughes employment agreement, effective as of July 9, 2007, provides for his employment with us on an at-will basis. Upon a termination of Mr. Hughes employment for good reason (generally, a material breach of the employment agreement by us that is not cured within 60 days after written notice from Mr. Hughes or a reduction in base salary), or by us without cause, Mr. Hughes is entitled to 180 days of salary continuation, payable at the same time and in the same manner as such salary had been paid prior to termination. The agreement also provides that Mr. Hughes will be subject to the terms of our Confidentiality, Proprietary Rights and Non-Solicitation Agreement which generally prohibits the unauthorized disclosure of our confidential information during and after the period of employment, ensures our right of ownership of any intellectual property developed during the period of employment, prohibits the solicitation of employees for one year following termination of employment and requires that any disputes regarding employment or termination of employment be subject to binding arbitration.

Mr. Davis employment agreement, effective as of January 3, 2007, provides for his employment with us on an at-will basis. Upon a termination of Mr. Davis employment for good reason (generally, a material breach of the employment agreement by us that is not cured within 60 days, a reduction in base salary, a diminution or adverse change to title or the person to whom Mr. Davis reports prior to a change in control of the Company, a material diminution in authority, responsibilities or duties, a relocation of place of employment more than 25 miles from our headquarters, a material reduction in Mr. Davis compensation, assignment of a materially different title and responsibilities effectively demoting Mr. Davis, or if the employment agreement is not assumed by the successor within 90 days following a change in control of the Company), or by us without cause, Mr. Davis is entitled to 365 days of salary continuation. The agreement also provides that Mr. Davis will be subject to the terms of our Confidentiality, Proprietary Rights and Non-Solicitation Agreement which generally prohibits the unauthorized disclosure of our confidential information during and after the period of employment, ensures our right of ownership of any intellectual property developed during the period of employment, prohibits the solicitation of employees for one year following termination of employment and requires that any disputes regarding employment or termination of employment be subject to binding arbitration.

Ms. Stokes employment agreement, effective as of March 20, 2006, provides for her employment with us on an at-will basis. Upon a termination of Ms. Stokes employment for good reason (generally, a material breach of the employment agreement by us that is not cured within 30 days), or by us without cause, Ms. Stokes is entitled to 180 days of salary continuation. The agreement also provides that Ms. Stokes will be subject to the terms of our Confidentiality, Proprietary Rights and Non-Solicitation Agreement which generally prohibits the unauthorized disclosure of our confidential information during and after the period of employment, ensures our right of ownership of any intellectual property developed during the period of employment, prohibits the solicitation of employees for one year following termination of employment and requires that any disputes regarding employment or termination of employment be subject to binding arbitration.

Change in Control Arrangements

The stock option agreements for outstanding stock options generally provide for accelerated and full vesting of unvested stock options upon certain corporate events. These events include a sale of all or substantially all of our assets, a merger or consolidation which results in the Company s stockholders immediately prior to the transaction owning less than 50% of our voting stock immediately after the transaction, and a sale of our outstanding securities (other than in connection with an initial public offering) which results in our stockholders immediately prior to the transaction owning less than 50% of our voting stock immediately after the transaction. Other than the foregoing, none of the named executive officers is entitled to any additional payments upon a change in control of the Company.

Potential Value of Termination and Change in Control Benefits

The following table provides the dollar value of potential payments and benefits that each named executive officer would be entitled to receive upon certain terminations of employment and upon a change in control of the Company, assuming that the termination or change in control occurred on June 30, 2009, and the price per share of our Common Stock subject to the stock options equaled $21.55, the value of one share of our Common Stock on June 30, 2009. For a discussion of our analysis of the fair market value of our Common Stock, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Accounting for Stock-based Compensation of our Annual Report on Form 10-K for the year ended June 30, 2009.

Name	**Payment**	**Death**	**Without Cause**	**Good Reason**	**Change in Control**
Ronald J. Packard	Salary continuation	$ 234,247	$ 712,500	$ 712,500	$
	Benefit continuation				
	Option vesting				3,941,129
John F. Baule	Salary continuation		351,900	351,900	
	Benefit continuation		22,493	22,493	
	Option vesting				685,096
George B. Hughes, Jr.	Salary continuation		148,067	148,067	
	Benefit continuation				
	Option vesting				545,740
Bruce J. Davis	Salary continuation		309,000	309,000	
	Benefit continuation				
	Option vesting				530,586
Celia M. Stokes	Salary continuation		148,093	148,093	
	Benefit continuation				
	Option vesting				249,780

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

During fiscal year 2009, there were no transactions to which we were a party in which the amount involved exceeded $120,000 and in which any of our executive officers, directors or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements that are described under the section of this proxy statement entitled Compensation Discussion and Analysis.

Policies and Procedures for Related-Party Transactions

We recognize that related-party transactions present a heightened risk of conflicts of interest and have adopted a policy to which all related-party transactions shall be subject. Pursuant to the policy, the Audit Committee of our Board of Directors, or in the case of a transaction in which the aggregate amount is, or is expected to be, in excess of $250,000, the Board of Directors, will review the relevant facts and circumstances of all related-party transactions, including, but not limited to (i) whether the transaction is on terms comparable to those that could be obtained in arm s length dealings with an unrelated third party, and (ii) the extent of the related party s interest in the transaction. Pursuant to the policy, no director, including the Chairman of the Audit Committee may participate in any approval of a related-party transaction to which he or she is a related party. The Board of Directors or Audit Committee, as applicable, will then, in its sole discretion, either approve or disapprove the transaction.

Certain types of transactions, which would otherwise require individual review, have been pre-approved by the Audit Committee. These types of transactions include, for example, (i) compensation to an officer or director where such compensation is required to be disclosed in our proxy statement, (ii) transactions where the interest of the related party arises only by way of a directorship or minority stake in another organization that is a party to the transaction and (iii) transactions involving competitive bids or fixed rates. Additionally, pursuant to the terms of our related-party transaction policy, all related-party transactions are required to be disclosed in our applicable filings as required by the Securities Act of 1933 and the Exchange Act and related rules. Furthermore, any material related-party transactions are required to be disclosed to the full Board of Directors. In connection with becoming a public company, we have established new internal policies relating to disclosure controls and procedures, which include policies relating to the reporting of related-party transactions that must be pre-approved under our related-party transactions policy.

Employment Agreements

We have entered into employment with certain of our executive officers. For more information regarding these agreements. See Compensation Discussion and Analysis Employment Agreements.

Compensation Committee Interlocks and Insider Participation

In fiscal year 2009, there were no interlocking relationships existing between members of our Board of Directors and the compensation committee of any other company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Exchange Act requires directors and executive officers and persons, if any, owning more than ten percent of a class of the Company s equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of the Company s equity and equity derivative securities. Based solely upon a review of the copies of such reports and written representations from reporting persons, we believe that all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent stockholders were complied with on a timely basis for the year ended June 30, 2009, except for the Forms 4 disclosing the annual grant of stock options to each of our non-employee directors which were filed late on July 15, 2009 due to an administrative error.

PROPOSAL 2:

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

Subject to stockholder ratification, the Audit Committee has appointed the firm of BDO Seidman, LLP, or BDO Seidman, as the Company s independent registered public accounting firm for fiscal year 2010. Although ratification is not required by law, our Board of Directors believes that stockholders should be given the opportunity to express their view on the subject. While not binding on the Audit Committee, if the stockholders do not ratify this appointment, the appointment will be reconsidered by the Audit Committee. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders. We currently anticipate that a representative of BDO Seidman will attend the Annual Meeting and this representative will be provided an opportunity to make a statement, if he or she desires, and will be available to respond to appropriate questions of shareholders, if any.

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of BDO Seidman as the Company s independent registered public accounting firm.

Our Board of Directors recommends you vote **FOR** ratification of BDO Seidman as the Company s independent registered public accounting firm.

Fees Paid to Independent Registered Public Accounting Firm

The following table sets forth the aggregate fees and expenses billed to us by BDO Seidman for the fiscal years ended June 30, 2008 and 2009:

	2008	**2009**
Audit Fees	$ 966,350	$ 909,000
Audit-Related Fees		
Tax Fees		
All Other Fees		
Total	$ 966,350	$ 909,000

Audit Fees are for professional services for the Company s annual audit, including the audit of internal control over financial reporting for 2009, reviews of the interim financial statements included in the Company s quarterly reports on Form 10-Q, review of the Company s registration statement on Form S-1 in connection with the Company s initial public offering declared effective by the SEC on December 12, 2007, and other professional services provided in connection with statutory and regulatory filings or engagements.

The Audit Committee maintains policies and procedures for the pre-approval of work performed by the independent auditors in that, under the Audit Committee charter, all auditor engagements must be approved in advance by the Audit Committee. All of the services provided to the Company by BDO Seidman during fiscal years 2008 and 2009 were pre-approved by the Audit Committee.

AUDIT COMMITTEE REPORT

In accordance with a written charter adopted by the Board of Directors, the Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the Company s financial reporting processes and its internal audit function. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls and for assessing the effectiveness of the Company s internal control over financial reporting. The independent auditors are responsible for performing an independent audit of the Company s consolidated financial statements and internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and for issuing reports thereon.

In this context, the Audit Committee has met and held discussions with management and the independent auditors, as well as legal counsel. Management represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 114, as amended (Codification of Statements on Auditing Standards, AU § 380).

In addition, the Audit Committee has received the written disclosures and the letter from the independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence and has discussed with the independent auditors the auditors independence from the Company and its management.

The Audit Committee discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company s internal controls and the overall quality of the Company s accounting principles.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the audited financial statements of the Company for the year ended June 30, 2009, in the Company s Annual Report on Form 10-K for the year ended June 30, 2009, filed with the Securities and Exchange Commission on September 14, 2009. The Audit Committee also recommended to the Board of Directors, subject to stockholder ratification, the selection of BDO Seidman, LLP, as the Company s independent registered public accounting firm for fiscal year 2010, and the Board of Directors concurred in its recommendation.

Members of the Audit Committee

Steven B. Fink (Chairman)
Guillermo Bron
Nathaniel A. Davis
Thomas J. Wilford

The foregoing report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, as amended (together, the Acts), except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under the Acts.

PROPOSALS BY OUR STOCKHOLDERS

Stockholder proposals intended for inclusion in next year s proxy statement under Rule 14a-8 of the Exchange Act should be sent to our principal executive offices and must be received not less than 120 calendar days prior to October 9, 2010. Accordingly, stockholder proposals must be received no later than June 12, 2010. As the rules of the SEC make clear, simply submitting a proposal does not guarantee that it will be included.

Rule 14a-5(e) of the Exchange Act additionally provides that stockholders desiring to nominate a director or bring any other business before the stockholders at an annual meeting must notify our Secretary of this proposal in writing at least 45 days prior to the anniversary of the date on which we mailed our proxy materials for the prior year s annual meeting of stockholders. Accordingly, for our 2010 annual meeting, any notification must be made no later than September 3, 2010. If during the prior year we did not hold an annual meeting, or if the date of the meeting has changed more than 30 days from the prior year, then notice must be received a reasonable time before we mail our proxy materials for the current year. The stockholder must be a stockholder of record both at the time of giving notice and at the time of the annual meeting. The fact that the Company may not insist upon compliance with these requirements should not be construed as a waiver of our right to do so at any time in the future.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information filing requirements of the Exchange Act and, in accordance with the Exchange Act, file certain reports and other information with the SEC relating to our business, financial condition and other matters. You may read and copy any reports, statements or other information that the Company filed with the SEC at the SEC s public reference room at 100 F Street, NE, Washington, DC 20549.

Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Copies of these materials can be obtained, upon payment of the SEC s customary charges, by writing to the SEC s principal office at 100 F Street, NE, Washington, DC 20549. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy statements and other information.

Any person from whom proxies for the meeting are solicited may obtain, if not already received, from the Company, without charge, a copy of the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009, by written request addressed to K12 Inc., 2300 Corporate Park Drive, Herndon, VA 20171, Attention: Investor Relations Department. The Annual Report on Form 10-K is not soliciting material and is not incorporated in this document by reference.

In order to obtain any documents you request from the Company in time for the Annual Meeting, you must request the documents from the Company by Wednesday, November 11, 2009, which is five business days prior to the date of the Annual Meeting.

You should rely only on the information contained in this document to vote your shares of Common Stock at the Annual Meeting. We have not authorized anyone to provide you with information that is different from what is contained in this document. This document is dated October 19, 2009. You should not assume that the information contained in this document is accurate as of any date other than that date, and the mailing of this document to stockholders does not create any implication to the contrary. This document does not constitute a solicitation of a proxy in any jurisdiction where, or to or from any person to whom, it is unlawful to make such solicitation in that jurisdiction.

x	**PLEASE MARK VOTES AS IN THIS EXAMPLE**	**REVOCABLE PROXY** **K12 INC.**

2009 ANNUAL MEETING OF STOCKHOLDERS
This Proxy is solicited by the Board of Directors
for the Annual Meeting of
Stockholders on November 18, 2009, 10:00 A.M.

The undersigned stockholder of K12 Inc., a Delaware corporation (the Company), hereby constitutes and appoints Ronald J. Packard and Howard D. Polsky, and each of them, as proxies (the Proxy Holders) for the undersigned, with full power of substitution in each, to attend the annual meeting of stockholders of the Company to be held at the law firm of Latham & Watkins LLP, located at 885 Third Avenue, Suite 1200, New York, NY 10022, on Wednesday, November 18, 2009, at 10:00 A.M., Eastern Time, and any adjournment, continuation or postponement thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such meeting and otherwise to represent the undersigned at the annual meeting with all powers possessed by the undersigned if personally present at the annual meeting.

Please be sure to date and sign this proxy card in the box below. Date

Sign above

	For	With-hold
1. ELECTION OF DIRECTORS To serve one-year terms:	c	c

01 Guillermo Bron	**05 Ronald J. Packard**
02 Nathaniel A. Davis	**06 Jane M. Swift**
03 Steven B. Fink	**07 Andrew H. Tisch**
04 Mary H. Futrell	**08 Thomas J. Wilford**

(INSTRUCTION: To withhold authority to vote for any individual nominee, write the number(s) of the nominee(s) on the line below.)

	For	Against	Abstain
2. RATIFICATION OF BDO SEIDMAN, LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2010	c	c	c

The Board of Directors recommends a vote **FOR** the proposals set forth in the paragraphs above. This Proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no instruction is indicated, such Proxy will be voted **FOR** the proposals.

When properly executed, this Proxy will be voted in the manner directed herein by the undersigned stockholder(s). If this Proxy is executed, but no direction is given, this Proxy will be voted FOR the proposals set forth on the reverse side hereof. Stockholders who plan to attend the annual meeting may revoke their Proxy by attending and casting their vote at the annual meeting in person.

PLEASE CHECK BOX IF YOU PLAN TO ATTEND THE MEETING. c

Detach above card, sign, date and mail in postage paid envelope provided.

K12 INC.

PLEASE ACT PROMPTLY

PLEASE COMPLETE, DATE, SIGN, AND MAIL THIS PROXY CARD PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

The abovesigned hereby acknowledge(s) receipt of a copy of the accompanying Notice of 2009 Annual Meeting of Stockholders and the proxy statement with respect thereto and hereby revoke(s) any proxy or proxies heretofore given with respect to such meeting.

PLEASE SIGN name(s) exactly as shown on reverse. Where there is more than one holder, each should sign. When signing as an attorney, administrator, executor, guardian or trustee or in another representative capacity, please add your title as such. If executed by a corporation or partnership, the Proxy should be executed in the full corporate or partnership name and signed by a duly authorized person, stating his or her title or authority.

THESE PROPOSALS ARE FULLY EXPLAINED IN THE ENCLOSED NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

PROXY MATERIALS ARE AVAILABLE ON-LINE AT: proxy.ir.K12.com

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