K12 INC
Form PRE 14A
October 17, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý
Filed by a Party other than the Registrant o
Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §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):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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October 28, 2016

Dear Fellow Stockholders:

On behalf of our Board of Directors, I cordially invite you to attend the 2016 Annual Meeting of Stockholders of K12 Inc. to be held at the law firm of Latham & Watkins LLP, 555 Eleventh Street, N.W., Suite 1000, Washington, D.C. 20004-1304, on December 15, 2016, 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 proxy materials.

IT IS IMPORTANT THAT YOU BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU OWN OR WHETHER OR NOT YOU ARE ABLE TO ATTEND THE ANNUAL MEETING IN PERSON. We urge you to vote promptly, even if you plan to attend the Annual Meeting. Please vote electronically via the Internet or by telephone, if permitted by the broker or other nominee that holds your shares, or if you receive a paper copy of the proxy materials, please complete, sign, date and return the accompanying proxy card. Voting electronically, by telephone or by returning your proxy card in advance of the Annual Meeting does not deprive you of your right to attend the Annual Meeting. Thank you for your continued support of K12.

Sincerely,

Nathaniel A. Davis

Executive Chairman of the Board of Directors

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K12 INC.

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 15, 2016

The annual meeting of stockholders of K12 Inc., a Delaware corporation (the "Company"), will be held at the law firm of Latham & Watkins LLP, 555 Eleventh Street, N.W., Suite 1000, Washington, D.C. 20004-1304, on Thursday, December 15, 2016, at 10:00 A.M., Eastern Time (the "Annual Meeting").

At the Annual Meeting, stockholders will be asked to:

1. Elect ten directors to the Company's Board of Directors to serve for one-year terms;
2. Consider and vote upon a non-binding advisory resolution approving the compensation of the named executive officers of the Company ("Say on Pay");
3. Consider and vote upon a proposal to approve the 2016 Equity Incentive Award Plan;
4. Consider and vote upon the ratification of the appointment of BDO USA, LLP, as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2017;
5. Consider and vote upon an amendment to the Company's Third Amended and Restated Certificate of Incorporation;
6. Consider and vote upon a stockholder proposal regarding a report on lobbying activities and expenditures; and
7. 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, 2016 (the "Annual Report"), which includes our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 ("fiscal 2016"), as filed with the U.S. Securities and Exchange Commission (the "SEC") on August 9, 2016.

The Board of Directors has fixed the close of business on October 19, 2016, as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting (the "Record Date"). Consequently, only stockholders of record at the close of business on October 19, 2016, 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 with these materials. Whether or not you plan to attend the Annual Meeting in person, please complete, date and sign the proxy card and return it promptly in the envelope provided, which requires no postage if mailed in the United States. Alternatively, you may vote by telephone or via the Internet as instructed in these materials. If you are the record holder of your shares and you attend the Annual Meeting, you may withdraw your proxy and vote in person, if you so choose.

For admission to the Annual 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 the close of business on October 19, 2016. In order to vote at the meeting, those who have beneficial ownership of stock through a bank or broker must bring a legal proxy, which can be obtained only from the broker or bank.

By Order of the Board of Directors,

Howard D. Polsky
Executive Vice President, General Counsel and Secretary

Herndon, VA
October 28, 2016

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on December 15, 2016:

The 2016 Proxy Statement and the 2016 Annual Report are available at: http://proxy.ir.k12.com.

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PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 15, 2016

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, 555 Eleventh Street, N.W., Suite 1000, Washington, D.C. 20004-1304, on Thursday, December 15, 2016, at 10:00 A.M., Eastern Time, and any adjournments or postponements thereof, which we refer to as the Annual Meeting. "K12," "we," "our," "us" and the "Company" each refer to K12 Inc. The mailing address of our principal executive offices is 2300 Corporate Park Drive, Herndon, VA 20171. This Proxy Statement, the accompanying proxy card and the notice of Annual Meeting will be made available on or about October 28, 2016, to holders of record as of the close of business on October 19, 2016 of our common stock, par value $0.0001 per share, which we refer to as our Common Stock.

VOTING SECURITIES

Record Date; Outstanding Shares; Shares Entitled to Vote

Our Board of Directors has fixed the close of business on October 19, 2016, as the Record Date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, we had [40,659,472] shares of Common Stock issued and outstanding.

Holders of record of Common Stock on the Record Date will be entitled to one vote per share 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: (i) a plurality of votes present in person or represented by proxy at the Annual Meeting is required to elect the members of the Board of Directors; and an affirmative vote of a majority of the votes present in person or represented by proxy at the Annual Meeting must approve (ii) the non-binding advisory resolution on executive compensation, (iii) the 2016 Equity Incentive Plan, (iv) the ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2017, or fiscal 2017,(v) the stockholder proposal regarding a report on lobbying activities and expenditures, and (vi) such other matters as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

To amend Article V of the Company's Third Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), as discussed in Proposal 5, the Certificate of Incorporation requires the affirmative vote of the holders of at least 66.67% of the outstanding voting power of the Company.

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.

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

- **FOR** Proposal 1, the election of the Board of Director nominees named in this Proxy Statement;
- **FOR** Proposal 2, the approval, on a non-binding advisory basis, of the compensation of the named executive officers of the Company;
- **FOR** Proposal 3, the approval of the Company's 2016 Equity Incentive Award Plan;
- **FOR** Proposal 4, the ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for fiscal 2017;
- **FOR** Proposal 5, the approval of an amendment to the Company's Certificate of Incorporation;
- **AGAINST** Proposal 6, a stockholder proposal regarding a report on lobbying activities and expenditures; and
- In the discretion of the proxy holders regarding any other matters properly presented for a vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting.

A record holder who executes a proxy may revoke it before or at the Annual Meeting by: (i) delivering to our corporate secretary a written notice of revocation of a previously delivered proxy, with such notice dated after the previously delivered proxy; (ii) duly executing, dating and delivering to our corporate secretary a subsequent proxy; or (iii) 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. 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 who are entitled to vote and are present in person or represented by proxy at the Annual Meeting. Abstentions and broker non-votes will also have the effect of a vote against the approval of the amendment to the Company's Certificate of Incorporation, as discussed in Proposal 5, which requires the affirmative vote of the holders of at least 66.67% of the outstanding voting power of the Company.

Proxy Solicitation

We are soliciting proxies for the Annual Meeting from our stockholders and 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.

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The Company has retained MacKenzie Partners, Inc. to assist in obtaining proxies from shareholders for the Annual Meeting. The estimated cost of such services is $17,500, plus out-of-pocket expenses. MacKenzie Partners may be contacted at (800) 322-2885 or via email at proxy@mackenziepartners.com.

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 adjournments or postponements of the Annual Meeting, then the proxy holders will vote in their discretion 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.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THESE PROXY MATERIALS

The following addresses some questions you may have regarding the matters to be voted upon at the Annual Meeting. These questions and answers may not address all questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this Proxy Statement and the documents referred to or incorporated by reference in this Proxy Statement for additional information.

Why am I receiving this Proxy Statement?

The Company is soliciting proxies for the Annual Meeting. You are receiving a Proxy Statement because you owned shares of Common Stock at the close of business on October 19, 2016, the Record Date for the Annual Meeting, which entitles you to vote at the Annual Meeting. By use of a proxy, you can vote whether or not you attend the Annual Meeting. This Proxy Statement describes the matters on which we would like you to vote and provides information on those matters so that you can make an informed decision.

Why is K12 calling the Annual Meeting?

We are calling the Annual Meeting and submitting proposals to stockholders of the Company to consider and vote upon Annual Meeting matters, including electing directors, a non-binding advisory vote on executive compensation, approval of our 2016 Equity Incentive Award Plan, ratifying the appointment of our independent registered public accounting firm, approval of an amendment to the Company's Certificate of Incorporation and a stockholder proposal regarding a report on lobbying activities and expenditures.

How does the Board of Directors recommend that I vote?

Our Board of Directors recommends that you vote **FOR** the election of ten directors nominated by our Board of Directors, **FOR** the Company's executive compensation, **FOR** approval of our 2016 Equity Incentive Award Plan, **FOR** the ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for fiscal 2017, **FOR** approval of an amendment to the Company's Certificate of Incorporation and **AGAINST** the stockholder proposal regarding a report on lobbying activities and expenditures.

What do I need to do now?

After carefully reading and considering the information in this Proxy Statement, please complete, date, sign and promptly mail the proxy card in the envelope provided, which requires no postage if mailed in the United States, or vote electronically via the Internet or by telephone by following the instructions provided by your bank or broker.

May I vote in person?

Yes. If you were a stockholder of record as of the close of business on October 19, 2016, you may attend the Annual Meeting and vote your shares in person instead of returning your signed proxy card. However, we urge you to vote in advance even if you are planning to attend the Annual Meeting.

How do I vote if my shares are held in "street name" by my bank, broker or agent?

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail your voting instructions as directed by your broker or bank to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

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If my shares are held in "street name" by a broker, will my broker vote my shares for me even if I do not give my broker voting instructions?

Under the rules that govern brokers who have record ownership of shares that are held in "street name" for their clients, brokers may vote such shares on behalf of their clients with respect to "routine" matters (such as the ratification of auditors), but not with respect to non-routine matters (such as the election of directors, the approval of an equity incentive award plan, the approval of an amendment to the Company's Certificate of Incorporation or a proposal submitted by a stockholder). If the proposals to be acted upon at the Annual Meeting include both routine and non-routine matters, the broker may turn in a proxy card for uninstructed shares that votes on the routine matters, but expressly states that the broker is not voting on non-routine matters. This is called a "broker non-vote" as to non-routine matters. Broker non-votes on non-routine matters will be counted for the purpose of determining the presence or absence of a quorum, but will not be counted for the purpose of determining the number of votes cast. We encourage you to provide specific instructions to your broker by returning your proxy card or by voting electronically via the Internet or by telephone, if permitted by the broker or other nominee that holds your shares. This ensures that your shares will be properly voted at the Annual Meeting.

Can I revoke my proxy and change my vote?

Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted at the Annual Meeting. If you are a stockholder of record, your proxy can be revoked in several ways: by timely delivery of a written revocation to our corporate secretary, by submitting another valid proxy bearing a later date or by attending the Annual Meeting and voting your shares in person, even if you have previously returned your proxy card.

When and where is the Annual Meeting?

The Annual Meeting will be held on December 15, 2016 at 10:00 A.M., Eastern Time, at the law firm of Latham & Watkins LLP, 555 Eleventh Street, NW, Suite 1000, Washington, DC 20004-1304.

Who can help answer my questions regarding the Annual Meeting or the proposals?

You may contact K12 to assist you with your questions. You may reach K12 at:

K12 Inc.
Attention: Investor Relations
2300 Corporate Park Drive
Herndon, VA 20171
(703) 483-7000

MacKenzie Partners, Inc.
105 Madison Avenue
New York, NY 10016
(800) 322-2885

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CORPORATE GOVERNANCE AND BOARD MATTERS

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Our Board of Directors oversees the management of the Company and its business for the benefit of our stockholders in order to enhance stockholder value over the long-term and to achieve its educational mission. The Board of Directors has adopted Corporate Governance Guidelines (the "Guidelines") to assist it in the exercise of its responsibilities. The Guidelines are reviewed annually and periodically amended as the Board of Directors enhances the Company's corporate governance practices. The Board of Directors has also adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees. The purpose of this code is to promote honest and ethical conduct for conducting the business of the Company consistent with the highest standards of business ethics. The Guidelines and Code of Business Conduct and Ethics are available on our website at www.K12.com under the *Investor Relations-Governance* section.

Our corporate governance and business conduct best practices include:

- Regular executive sessions of non-management directors
- All directors are independent except our Executive Chairman and our Chief Executive Officer
- A lead independent director with delineated authority and responsibility
- An over-boarding policy limiting other board service
- Director and executive officer stock ownership guidelines
- A policy prohibiting hedging, pledging and short sales of our stock by directors and employees

We intend to satisfy the disclosure requirements under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") regarding any amendment to, or waiver from a material provision of our Code of Business Conduct and Ethics involving our principal executive, financial or accounting officer or controller by posting such information on our website.

Board of Directors

Term of Office. All directors of the Company serve terms of one year and until the election and qualification of their respective successors.

Attendance at Board and Committee Meetings and the 2015 Annual Meeting. Our Board of Directors met nine times in person or telephonically during fiscal 2016. Each director attended at least 75% of the total Board and committee meetings to which they were assigned. Our policy with respect to director attendance at the annual meeting of stockholders is to encourage, but not require, director attendance. Two members of our Board of Directors attended our 2015 Annual Meeting of Stockholders: Mr. Davis and Mr. Engler. Our director attendance policy is included in our Corporate Governance Guidelines, which is available on our website at www.K12.com.

Communication with Directors. Stockholders and other interested parties may communicate directly with our Board of Directors, individually or as a group, 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, Attention: General Counsel and Secretary. Our General Counsel will monitor these communications and 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, the

Lead Independent Director or an individual director, or our management or independent advisors and will determine whether any response is necessary.

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Director Independence

Our Board of Directors has affirmatively determined that each of our non-employee directors is "independent" as defined in the currently applicable listing standards of the New York Stock Exchange ("NYSE") and the rules and regulations of the Securities and Exchange Commission ("SEC"). Messrs. Davis and Udell are not independent under either NYSE or SEC rules because they are each an executive officer of the Company. If the nominees for the Board of Directors are duly elected at the Annual Meeting, then each of our directors, other than Messrs. Davis and Udell, will serve as an independent director on our Board of Directors as the term is defined in applicable rules of the NYSE and the SEC.

Board of Directors Leadership Structure

Our Board of Directors is comprised of independent, accomplished and experienced directors who provide advice and oversight of management to further the interests of the Company and its stockholders. Our governance framework provides the Board of Directors with the flexibility to determine an optimal organizational structure for leadership and engagement while ensuring appropriate insight into the operations and strategic issues of the Company. The Board of Directors has evaluated its leadership structure and determined that Mr. Davis should serve as Executive Chairman of the Board and that Mr. Reynolds should serve as Lead Independent Director.

Chairman. Our Board of Directors elects a chairman from among the directors and determines whether to separate or combine the roles of chairman and chief executive officer based on what it believes best serves the needs of the Company and its stockholders at any particular time. Both approaches have been taken depending on the circumstances. The determination to appoint Mr. Davis as Executive Chairman was based on a number of factors that made him particularly well-suited for the role. These factors included his prior position as Executive Chairman and Chief Executive Officer, his prior service on the Board of Directors and its Compensation Committee, and his understanding of the Company's business and day-to-day operations, growth opportunities, challenges and risk management practices. This combination of Company experience and expertise enables Mr. Davis to provide strong and effective leadership to the Board of Directors and to ensure that the Board of Directors is informed of important issues. In consultation with our Lead Independent Director and the Chief Executive Officer, the Executive Chairman sets the agenda for the regular and special meetings of the Board of Directors, presides at the annual meeting of stockholders and performs such other functions and responsibilities as set forth in the Corporate Governance Guidelines, or as requested by the Board of Directors.

Lead Independent Director. The role of the Lead Independent Director is to facilitate communications between the Executive Chairman and the independent directors and the committees of the Board of Directors. In doing so, the Lead Independent Director, Mr. Reynolds, serves as the liaison between the Board of Directors and the Executive Chairman, thereby giving guidance to management in meeting the objectives set by the Board of Directors and monitoring compliance with corporate governance policies. Additionally, the Lead Independent Director serves as a liaison between the Board of Directors and stockholders. The Lead Independent Director has the authority to call meetings of the independent directors and chairs executive sessions of the Board of Directors during which no members of management are present. These meetings are intended to provide the Lead Independent Director with information that he can use to assist the Executive Chairman to function in the most effective manner. The Board of Directors believes the Lead Independent Director provides additional independent oversight of executive management and Board matters.

Executive Sessions of the Board. Our Board of Directors holds executive sessions without management directors or management present at each regularly scheduled meeting of the Board of Directors. The independent directors may also meet without management present at other times as requested by any independent director. As Lead Independent Director, Mr. Reynolds chairs the executive sessions of the Board of Directors.

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Committees of the Board of Directors

As of the date of this Proxy Statement, membership on the Committees of the Board of Directors is as follows:

	Chairperson	Member	Financial Expert
Craig R. Barrett			
Guillermo Bron			
Fredda J. Cassell			
Adam L. Cohn			
Nathaniel A. Davis			
John M. Engler			
Steven B. Fink			
Jon Q. Reynolds, Jr.			
Andrew H. Tisch			

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

Audit Committee

The Audit Committee, which was established in accordance with Section 3(a)(58)(A) of the Exchange Act, consists of Mr. Fink, who serves as the Chairman, Mr. Bron and Ms. Cassell. Our Board of Directors has determined that each of Messrs. Fink and Bron and Ms. Cassell qualify as independent directors under the applicable NYSE listing requirements and SEC regulations.

The Audit Committee met seven times during fiscal 2016. The meetings to review the Company's quarterly and annual periodic filings with the SEC each include at least two separate sessions (which together count as only one meeting). Mr. Fink engaged in routine separate communications with the Company's external auditors and Chief Financial Officer, held the required executive sessions at each meeting, and requested participation by outside counsel, as needed. The Audit Committee has a charter, available on our website at www.K12.com, setting forth its structure, powers and responsibilities. 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. In addition, our Board has determined that Messrs. Fink and Bron and Ms. Cassell are each an audit committee financial expert as that term is defined under the Exchange Act. Under its charter, the responsibilities of the Audit Committee include:

- discussing with our independent registered public accounting firm the conduct of the annual 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;

reviewing and recommending annually to our Board of Directors the selection of an independent registered public accounting firm;

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- pre-approving all audit and non-audit services and fees associated with our independent registered public accounting firm; and
- reviewing and discussing with management significant accounting matters and disclosures.

In addition, our Corporate Governance Guidelines provide that members of the Audit Committee may not serve on the audit committees of more than two other companies at the same time as they serve on our Audit Committee.

Compensation Committee

The Compensation Committee consists of Mr. Cohn, who serves as the Chairman, and Messrs. Fink and Reynolds. Our Board of Directors has determined that each of Messrs. Cohn, Fink and Reynolds qualify as independent directors within the meaning of the applicable NYSE listing requirements and SEC regulations.

The Compensation Committee met nine times during fiscal 2016. The Compensation Committee has a charter, available on our website at www.K12.com, setting forth its structure, powers and responsibilities. These include:

- reviewing the compensation philosophy of our Company;
- reviewing, approving and recommending corporate goals and objectives relating to the compensation of our Executive Chairman and our CEO and, based upon an evaluation of the achievement of these goals, recommending to the Board of Directors our Executive Chairman and our CEO'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; and
- performing such duties and exercising such authority as may be assigned by the Board of Directors, including under the terms of our equity incentive and bonus plans.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Mr. Tisch, who serves as the Chairman, and Messrs. Bron and Engler. Our Board of Directors has determined that each of Messrs. Tisch, Bron and Engler qualify as independent directors within the meaning of the applicable NYSE listing requirements and SEC regulations. Our Board of Directors has adopted Corporate Governance Guidelines which are available on our website at www.K12.com.

The Nominating and Corporate Governance Committee met two times during fiscal 2016. The Nominating and Corporate Governance Committee has a charter, available on our website at www.K12.com, setting forth its structure, powers and responsibilities. Under its charter, the Nominating and Corporate Governance Committee has the authority to nominate persons to stand for election 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 it deems appropriate, in recommending candidates for election to our Board of Directors:

- personal and professional integrity, ethics and values;

experience in corporate management, such as serving as an officer or former officer of a publicly-traded company, and a general understanding of marketing, finance, operations, governance and other elements relevant to the success of the Company in today's business and regulatory environment;

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- experience in the field of education policy and administration;
- service as a board member of another publicly-traded company; and
- practical and mature business judgment, including ability to make independent analytical inquiries.

For fiscal year 2017, the Board amended its Corporate Governance Guidelines to include consideration of diversity in identifying director nominees. The Board strives to nominate directors with a variety of complementary skills so that, as a group, the Board of Directors will possess a mix of the appropriate backgrounds, talent, gender, race, perspectives, skills and expertise to oversee the Company's business. 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 90th day, or earlier than the close of business on the 120th 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 at K12 Inc., 2300 Corporate Park Drive, Herndon, VA 20171, Attention: General Counsel and Secretary. The Nominating and Corporate Governance Committee will consider the criteria set forth above and other relevant information when evaluating director candidates recommended by stockholders.

Academic Committee

The Academic Committee consists of Dr. Barrett, who serves as the Chairman, and Messrs. Davis and Engler. The primary role of the Academic Committee is to make recommendations and assist management in discharging its responsibility to ensure continuous improvement in academic outcomes for the students and schools we serve.

The Academic Committee has a charter, available on our website at www.K12.com, setting forth the structure, powers and responsibilities of the Academic Committee. Members of the Academic Committee participated in three meetings of the Company's Educational Advisory Committee. Under its charter, the responsibilities of the Academic Committee include:

- monitoring the effectiveness of the Company's education products and services;
- evaluating and implementing recommendations of the Company's Educational Advisory Committee; and
- making recommendations to the Board of Directors and management to ensure continuous improvement in academic outcomes for the public and private schools served by the Company.

Risk Management

Our Board of Directors believes full and open communication with management is essential for effective enterprise risk management and oversight. Members discuss strategy and risks facing the Company with our Executive Chairman, our CEO and our senior management at meetings of our Board of Directors or when members of our Board of Directors seek to focus on a particular area of risk, such as meeting state academic accountability standards at the schools we manage, ensuring the privacy of student information, compliance with state regulatory and reporting requirements or information technology cyber-security protections and preparedness. Because our Executive Chairman and our CEO also set the agenda for the Board of Directors meetings, each functional division of the Company can identify risk-related topics that may require added attention, such as evolving state curriculum standards, student engagement and retention, education technology, legal and policy matters, and information security. Each quarter, our Executive Chairman and our CEO also present an assessment of the strategic, financial and operational issues facing the Company, which includes a review of associated risks and opportunities.

Management is responsible for identifying, prioritizing, remediating and monitoring the day-to-day management of risks that the Company faces, while our Board of Directors, as a whole and through its committees, is responsible for the oversight of enterprise risk management. In fiscal 2016, the Audit Committee continued to work directly with a major independent accounting firm to support the Company's internal audit function in risk management. This

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combination provides us with the focus, scope, expertise and continuous attention necessary for effective risk management.

While our Board of Directors is ultimately responsible for risk oversight, three of its committees concentrate on specific risk areas.

The Audit Committee oversees financial reporting and internal controls, and discusses with management the Company's policies with respect to those matters. This includes various risk management reports prepared by our internal audit department and provided to our Audit Committee on a quarterly basis. In addition, our Audit Committee assists the Board of Directors in the oversight of legal risk management. In June 2013, the Board of Directors approved the charter of a Legal Compliance and Ethics Committee (consisting of senior management members) to implement and maintain a Legal and Compliance Ethics Program, which includes a Chief School Compliance Officer within the Office of the General Counsel. The Legal Compliance and Ethics Committee is tasked with providing semi-annual reports to the Audit Committee on the Company's legal risks and compliance-related matters in the schools we serve.

Our Compensation Committee assists our Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs, and retains outside compensation and legal experts for that purpose, as further explained in the Compensation Committee's Report which begins on page 58.

Finally, our Nominating and Corporate Governance Committee assists our Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks associated with the organization, membership and structure of the Board of Directors, succession planning for our directors and corporate governance.

Director Compensation for Fiscal 2016

In fiscal 2016, pursuant to our Amended Non-Employee Directors Compensation Plan ("Directors Compensation Plan"), our non-employee directors received annual cash retainers for service on the Board of Directors and assigned committees and annual restricted stock awards. Messrs. Davis and Udell, our Executive Chairman and Chief Executive Officer, respectively, received no additional compensation for their service on our Board of Directors.

Pursuant to the terms of the Directors Compensation Plan, each non-employee director receives an annual cash retainer of $50,000 and an additional $5,000 for each committee on which the non-employee director serves. For service as the Chairman of a Board committee, an additional annual cash retainer is provided in the following amounts:

Audit	$20,000
Compensation	$15,000
Nominating and Corporate Governance	$10,000
Academic	$5,000

The retainer for service on the Audit Committee includes attendance at up to five Audit Committee meetings. Should the Audit Committee meet more than five times per year, members receive an additional fee of $1,500 per meeting attended.

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The Directors Compensation Plan also provides for annual restricted stock awards for each non-employee director, valued at $100,000 as of the grant date (prorated for a partial year of service), with the shares underlying such awards vesting in equal annual installments over a period of three years. The restricted stock awards were granted on January 4, 2016.

The following table sets forth the compensation paid to our non-employee directors for their services during fiscal 2016:

Craig R. Barrett (2)	55,000	100,000	155,000
Guillermo Bron (3)	65,500	100,000	165,500
Fredda J. Cassell (4)	58,000	100,000	158,000
Adam L. Cohn (5)	60,000	100,000	160,000
John M. Engler (6)	57,500	100,000	157,500
Steven B. Fink (7)	78,000	100,000	178,000
Mary H. Futrell (8)	30,000		30,000
Jon Q. Reynolds, Jr. (9)	57,500	100,000	157,500
Andrew H. Tisch (10)	65,000	100,000	165,000

(1) Represents the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. On January 4, 2016, each non-employee director serving on such date received an award of 11,696 shares of restricted stock that vest in equal installments on an annual basis over a period of three years.

(2) As of June 30, 2016, Dr. Barrett held 18,981 unvested restricted shares.

(3) As of June 30, 2016, Mr. Bron held 18,981 unvested restricted shares and 7,000 vested options granted on May 7, 2009.

(4) As of June 30, 2016, Ms. Cassell held 18,287 unvested restricted shares.

(5) As of June 30, 2016, Mr. Cohn held 18,981 unvested restricted shares.

(6) As of June 30, 2016, Mr. Engler held 18,981 unvested restricted shares.

(7) As of June 30, 2016, Mr. Fink held 18,981 unvested restricted shares and 7,000 vested options granted on May 7, 2009.

(8) Dr. Futrell did not stand for re-election at the 2015 Annual Meeting of Stockholders and her term on the Board of Directors ended at the conclusion of such Annual Meeting. The amount of fees shown represents a pro-rated portion of Dr. Futrell's annual retainer based on her partial year of service. Dr. Futrell was not granted a restricted stock award for fiscal 2016. Dr. Futrell continues to serve on the

Company's Educational Advisory Committee, which works in conjunction with the Board's Academic Committee and, as of June 30, 2016, held 7,285 restricted shares and 7,000 vested options granted on May 7, 2009.

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(9)
As of June 30, 2016, Mr. Reynolds held 18,981 unvested restricted shares.

(10)
As of June 30, 2016, Mr. Tisch held 18,981 unvested restricted shares and 10,000 vested options granted on May 7, 2009.

Please see the Security Ownership of Certain Beneficial Owners and Management table starting on page 79 for additional information on the beneficial ownership of the Company's common stock by each of our directors.

Director Stock Ownership Guidelines

The Company encourages directors to purchase shares of the Company's common stock and to maintain a minimum ownership level during his or her tenure to foster alignment with our investing stockholders. To reinforce this objective, in early fiscal 2017 we adopted minimum director stock ownership guidelines for all of our non-management directors. Pursuant to those guidelines, these directors must hold shares of the Company's stock equal to the lesser of: (i) shares having a value equal to three times the annual cash retainer paid to non-management directors for board service or (ii) 15,000 shares. Non-management directors must be in compliance with this policy by September 28, 2021 or five years after they begin Board service, whichever date is later.

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PROPOSAL 1:
ELECTION OF DIRECTORS

Our Board of Directors currently has ten members: Messrs. Guillermo Bron, Adam L. Cohn, Nathaniel A. Davis, John M. Engler, Steven B. Fink, Jon Q. Reynolds, Jr., Andrew H. Tisch, Stuart J. Udell, Ms. Fredda J. Cassell, and Dr. Craig R. Barrett.

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 ten directors, Messrs. Bron, Cohn, Davis, Engler, Fink, Reynolds, Tisch, Udell Ms. Cassell, and Dr. Barrett, 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 present in person or by proxy at the annual meeting and entitled to vote.

OUR 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.

Craig R. Barrett, Age 77

Dr. Barrett joined us as a director in September 2010 and currently serves as Chairman of our Academic Committee. He served as Chairman and Chief Executive Officer of Intel Corporation, which he joined in 1974, until his retirement in 2009. Prior to Intel Corporation, Dr. Barrett was a member of the Department of Materials Science and Engineering faculty of Stanford University. Dr. Barrett currently serves as Co-Chairman of Achieve, Inc., an independent, bipartisan, non-profit education reform organization; Chairman of Change the Equation, an organization promoting widespread literacy in science, technology, engineering and math (STEM); President and Chairman of BASIS Schools, Inc.; Vice Chair of the Science Foundation Arizona; and Co-Chairman of the Business Coalition for Student Achievement. Dr. Barrett holds B.S., M.S. and Ph.D. degrees in Materials Science from Stanford University. Dr. Barrett was selected as a director because of his deep knowledge and experience in information technology innovation, as well as his global, operational, and leadership experience as Chairman and Chief Executive Officer of Intel Corporation. He also brings a unique perspective to the Board of Directors from his tenure as a professor and his volunteer work and support of numerous educational organizations.

Guillermo Bron, Age 64

Mr. Bron joined us as a director in July 2007, and currently serves as a member of our Nominating and Corporate Governance Committee and our Audit Committee. Mr. Bron is a Managing Director at Pine Brook Road Partners, LLC, an investment firm, and served as a Managing Director of Acon Funds Management LLC, a private equity firm, from 2006 to 2012. Mr. Bron has also served as Chairman and a director of United Pan Am Financial Corp. (UPFC) since 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 served as Chairman of idX Corporation since 2008, and

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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. Mr. Bron was selected as a director because of his extensive executive leadership and international experience, as well as his expertise in investment banking and capital markets, which enables him to bring valuable insights to the Board of Directors in the areas of finance and strategy. The Board of Directors also benefits from his prior experience as a public company director and audit committee member.

Fredda J. Cassell, Age 61

Ms. Cassell joined us as a director in May 2014, and is a member of our Audit Committee. Ms. Cassell was with PricewaterhouseCoopers LLP for 32 years, having been a partner with the firm from 1992 until her retirement in June 2012. Ms. Cassell is a CPA, received her B.A. from Washington University in St. Louis and holds an M.B.A. from Washington University's John M. Olin School of Business. She previously served on the Board of Directors of the United Hospital Fund and was a member of its Audit Committee. Ms. Cassell was selected as a director because she is a highly accomplished senior executive. Ms. Cassell also possesses experience and expertise working with senior management of both public and private multinational companies in many industries, dealing extensively with complex technical accounting matters, acquisitions and divestitures, financial reporting, and internal control over financial reporting.

Adam L. Cohn, Age 45

Mr. Cohn joined us as a director in February 2013 and currently serves as the Chairman of our Compensation Committee. He is Co-CEO of Stone Canyon Industries LLC ("SCI"), a company he co-founded in September of 2014. SCI is a holding company that owns and invests in operating companies around the world. Mr. Cohn serves on the board of directors of SCI, Fleischmann's Vinegar Company and FLY Wheel Sports, each a privately-held company in which SCI invests. In addition, he is a partner at Knowledge Universe, or KU, where he is head of mergers and acquisitions and business development for KU and its portfolio companies. Mr. Cohn has been employed by KU since March of 2000. Prior to joining KU, he was a senior associate with Whitney & Co., a leading private equity firm. At Whitney & Co., he was responsible for sourcing and executing transactions for the Whitney Mezzanine Fund. Prior to Whitney & Co., Mr. Cohn was an investment banker in the Financial Sponsors Group at Bankers Trust Company and Deutsche Bank. He has a B.S. in business from Skidmore College and an M.B.A. from Columbia University. Mr. Cohn was selected as a director based on his significant financial and transactional experience in private equity and investment banking, as well as his experience with education companies. The Board of Directors also benefits from his extensive board experience.

Nathaniel A. Davis, Age 62

Mr. Davis joined us as a director in July 2009 and has served as our Chairman since June 2012. In January 2013, he became our Executive Chairman, and in January 2014, Mr. Davis was appointed to be our Chief Executive Officer, serving in that role through February 2016. He also is a member of our Academic Committee. Prior to joining the Company, he served as the managing director of RANND Advisory Group from 2003 until December 2012. Previously, Mr. Davis worked for XM Satellite Radio from June 2006 to November 2008, serving as President and then Chief Executive Officer until the company's merger with Sirius Radio. He also served on the XM Satellite Radio board from 1999 through 2008. From 2000 to 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 (Chief Financial Officer) and MCI Metro (President and Chief Operating Officer). Since 2011, Mr. Davis has served as a director of Unisys Corporation and RLJ Lodging Trust. Mr. Davis has also previously served on the board of several public and private firms including Mutual of America Capital Management Corporation, Charter Communications and Telica Switching. Mr. Davis received an M.B.A. from the Wharton School of the University of Pennsylvania, an M.S. in Engineering Computer Science at the Moore School of the University of Pennsylvania, and a B.S. in Engineering from Stevens Institute of Technology. Mr. Davis was selected as a director based on his strong record of executive management, finance and systems engineering skills, as well as his insight into the considerations necessary to run a successful, diverse global business. The Board of Directors also benefits from his previous service on other public company boards and his experience in accounting and financial reporting.

John M. Engler, Age 68

Mr. Engler joined us as a director in October 2012 and is a member of our Nominating and Corporate Governance Committee and our Academic Committee. He has served as President of the Business Roundtable since January 2011. From 2004 to 2011, Mr. Engler was the President and Chief Executive Officer of the National Association of Manufacturers. He was President of State and Local Government and Vice President of Government Solutions for North America for Electronic Data Systems Corporation from 2003 to 2004. Mr. Engler served as Michigan's 46^{th} governor for three terms from 1991 to 2003. He has served on the board of directors of Universal Forest Products Inc. since 2003 and is a member of its Compensation Committee. He is also a director of Munder Capital Management. Previously, Mr. Engler was a director of Northwest Airlines from 2003 to 2008, a director of Dow Jones & Company, Inc. from 2005 to 2007, and a director of Delta Airlines from 2008 to 2012. Mr. Engler holds a B.S. in Agricultural Economics from Michigan State University and a J.D. from the Thomas M. Cooley Law School. Mr. Engler was selected as a director because of his executive and legislative expertise as a state governor, including working with state education budgets, and for his business experience. The Board of Directors also benefits from Mr. Engler's perspective as a director of numerous public companies and as a member of their audit committees.

Steven B. Fink, Age 65

Mr. Fink joined us as a director in October 2003 and currently serves as Chairman of our Audit Committee and is a member of our Compensation Committee. Mr. Fink the Deputy Chairman of Heron International and a Director of the Foundation of the University of California, Los Angeles. Mr. Fink served as a director of Nobel Learning Communities, Inc. from 2003 to 2011 and as Chairman of the Board of Life Storage, LLC from 2013 to 2016. In addition, Mr. Fink is a member of the Board of the Smithsonian National Museum of American History, the Board of the Herb Ritts Foundation, and is a member of The J. Paul Getty Photographs Council. From 1999 to 2009, Mr. Fink served as a director of Leapfrog, Inc. and its Chairman from 2004 to 2009. From 2000 to 2008, Mr. Fink was the Chief Executive Officer of Lawrence Investments, LLC. Mr. Fink has also previously served as Chairman and Chief Executive Officer of Anthony Manufacturing, Chairman and Managing Director of Knowledge Universe and Chairman and Chief Executive Officer of Nextera. 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. Mr. Fink was selected as a director based on his significant experience in operations and financial oversight gained as serving as director or chairman for various public and private companies in addition to his membership on various company audit committees which enables him to contribute significantly to the financial oversight, risk oversight and governance of the Company.

Jon Q. Reynolds, Jr., Age 48

Mr. Reynolds joined us as a director in April 2011 and became the Lead Independent Director in January 2013. He also currently serves as Chairman of our Compensation Committee. In 1999, Mr. Reynolds became a General Partner at Technology Crossover Ventures, or TCV, a private equity and venture capital firm that he joined in 1997. Prior to joining TCV, Mr. Reynolds was an Associate with General Atlantic Partners, a private equity firm focused on late stage software and service businesses. Before joining General Atlantic Partners, Mr. Reynolds was a member of the mergers and acquisitions group at Lazard Freres & Co., where he focused on the technology and telecommunication industries. Mr. Reynolds holds an A.B. degree from Dartmouth College and an M.B.A. from Columbia Business School. Mr. Reynolds serves as a director of OSIsoft, LLC, Genesys Telecommunications Laboratories, Inc., IQMS, OneSource Virtual, Inc., and Webroot Software, Inc., none of which are publicly-traded companies. Mr. Reynolds was nominated as a director because of his experience in mergers and acquisitions and as a director of other public companies. Additionally, his experience as an active investor in numerous software and online education companies and extensive relationships throughout our industry will benefit the Board of Directors and the Company.

Andrew H. Tisch, Age 67

Mr. Tisch joined us as a director in August 2001 and served as Chairman of the Board of Directors from May 2007 to June 2012. He currently is a member of our Nominating and Corporate Governance Committee. 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 three subsidiaries of Loews Corporation: Diamond Offshore Drilling, Inc. since 2011, CNA Financial Corporation since 2006, and Boardwalk Pipeline Partners, LP 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 engages in numerous public service activities including serving as a member of the Board of Overseers and executive committee member of Weill Cornell Medicine, trustee of the Brookings Institution, and as a member of the Dean's Advisory Board at the Harvard Business School. Mr. Tisch holds a B.S. in Hotel Administration from Cornell University and an M.B.A. from Harvard University. Mr. Tisch was selected as a director because of his extensive experience having served as president or chairman of various multinational companies over his career in addition to his membership on various boards of public companies which allows him to provide the Board of Directors with leadership and a variety of perspectives on important strategic and governance issues. The Board of Directors also benefits from his involvement in higher education and non-profit organizations.

Stuart J. Udell, Age 49

Mr. Udell joined us as a director and as Chief Executive Officer in February 2016. Mr. Udell brings significant strategic and operational experience to K12 in the education industry. Most recently, Mr. Udell served as Executive Chairman (from 2015-2016) and Chief Executive Officer (from 2010-2015), of Catapult Learning, LLC, a privately-held provider of instructional services, professional development, and operator of schools. Prior to joining Catapult Learning, from 2009-2010, Mr. Udell was the President of Postsecondary Education at The Princeton Review. He was concurrently, from 2007-2010, the Chief Executive Officer of Penn Foster Inc., a global leader in high school and career-focused online learning, which was acquired by The Princeton Review. Mr. Udell spent 11 years at Kaplan, most recently as President of Kaplan K12 Learning Services (from 2002-2007), where he built the K-12 school division. From 1997-2001, Mr. Udell was President of the School Renaissance Institute, the training, publishing, and research subsidiary of Renaissance Learning Inc. Mr. Udell has served the last 13 years on the board of directors of the National Dropout Prevention Center/Network at Clemson University. Mr. Udell holds a MBA from Columbia University and a BS from Bucknell University.

Executive Officers

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

Allison B. Cleveland, Executive Vice President of School Management and Services, Age 43

Ms. Cleveland joined us in October 2002 and serves as Executive Vice President of School Management and Services. During her time at K12, Ms. Cleveland has been instrumental in building the managed public school line of business. Most recently, she served as the Senior Vice President of School Services, overseeing academic and operational services in the managed public schools. Prior to that, Ms. Cleveland was the Regional Vice President of the Southern Region, responsible for schools in the Southeast portion of the United States. In her early years at K12, Ms. Cleveland worked in support of new school start-up and school operations, where she was responsible for the successful launch of K12 Virtual Academies throughout the country. Ms. Cleveland began her career at Andersen Consulting, where she focused on clients in the telecommunications industry and government. She holds a BSE in Biomedical and Electrical Engineering from Duke University and an MBA and MA in Education from Stanford University. Ms. Cleveland currently serves as a Director for the Foundation for Blended and Online Learning.

Lynda B. Cloud, Executive Vice President, Products, Age 49

Ms. Cloud joined us in September 2014 and serves as Executive Vice President, Products. As the head of K12's Curriculum and Products organization, she oversees the development and delivery of all program content and customer-facing technologies, and drives the product strategy and results across all areas of the business. Prior to joining K12, she was with Pearson Publishing for more than 20 years, where she held senior leadership positions in

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Product Development, Marketing, and Product Management. In her role as General Manager, she drove strategy for the company's print and digital properties in the North American educational market. She holds a BA in English/Elementary Education from Susquehanna University.

Howard D. Polsky, Executive Vice President, General Counsel and Secretary, Age 65

Mr. Polsky joined us in June 2004, and serves as Executive Vice President, 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 was employed by 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. He received a B.A. in Government from Lehigh University and a J.D. from Indiana University. Mr. Polsky currently serves as a member of the Advisory Board to the Lehigh University College of Arts and Science.

James J. Rhyu, Executive Vice President and Chief Financial Officer, Age 46

Mr. Rhyu joined us in June 2013 and serves as Executive Vice President and Chief Financial Officer. Prior to joining the Company, Mr. Rhyu served as Chief Financial Officer and Chief Administrative Officer of Match.com, a subsidiary of publicly traded IAC/InterActiveCorp, since June 2011. In those roles, he was responsible for overseeing a broad range of functions, including finance, human resources, legal, information technology and operations, certain international operations and product development. Prior to his roles at Match.com, Mr. Rhyu was a Senior Vice President of Finance at Dow Jones & Company from January 2009 until May 2011, where he ran the global financial function. Previously, Mr. Rhyu served for three years as the Corporate Controller of Sirius XM Radio Inc. and its predecessor company, XM Satellite Radio, as well as serving in the same role for Graftech International. Mr. Rhyu also served six years as an auditor with Ernst & Young LLP in the United States and South America. Mr. Rhyu holds a B.S. from the Wharton School of Business at the University of Pennsylvania and an M.B.A. from the London Business School.

Joseph P. Zarella, Executive Vice President, Business Operations, Age 57

Mr. Zarella joined us in October 2014, and serves as Executive Vice President, Business Operations, leading the Company's marketing organization, information technology organization, enrollment and customer care operations, as well as contract provisioning, billing and collections functions. Mr. Zarella has more than 20 years of successful customer service, sales and marketing operations, and information technology management experience. Prior to joining the Company, Mr. Zarella served as Chief Service Officer for SiriusXM Satellite Radio and its predecessor company, XM Satellite Radio, since 2006. In this role, he led the Company's sales, marketing, customer service and retention operations. Before joining XM Satellite Radio, he served at Constellation NewEnergy as Managing Director of Operations, where he was responsible for setting the corporate operations consolidation strategy. Prior to that, he was Vice President of Revenue Operations for XO Communications for six years, which followed after more than ten years' experience at MCI Communications serving as Vice President of Financial Operations and holding several executive operations leadership positions. Mr. Zarella holds a B.S. in Information Systems from the University of Massachusetts, and an M.B.A. in International Finance from the University of Dallas.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information about our fiscal 2016 compensation for the following named executive officers (our "NEOs"):

Nathaniel A. Davis, Executive Chairman

Stuart J. Udell, Chief Executive Officer

James, J. Rhyu, EVP and Chief Financial Officer

Howard D. Polsky, EVP, General Counsel and Secretary

Allison Cleveland, EVP, School Management and Services

Joseph P. Zarella, EVP, Business Operations

Executive Summary

Since our inception, we have offered online educational services and software designed to facilitate individualized learning for students in kindergarten through 12th grade. As we continue to invest in our curriculum, academic support programs, and learning platforms to respond to the unique needs of the schools, students and families we serve, our mission and vision is to transform learning for every student and to become the trusted leader in education innovation. Following operational performance challenges in fiscal 2015, we initiated a shift in our strategic focus from a growth-motivated organization to a business model built upon sustained corporate development and student academic success. This transformation continued into fiscal 2016 as we position ourselves to drive and effectively execute this fundamental evolution in strategy.

Our executive leadership structure and compensation plans and programs are not immune to the consequences of a redefined business strategy and have necessarily been re-evaluated and modified based on experience and results. Specifically, fiscal 2016 saw a restructuring of our executive leadership team to bring it into closer alignment with individual expertise, accountability and division of authority to more effectively address our financial, operational and student academic needs. In addition, following disappointing results on our annual advisory vote on executive compensation for fiscal 2015, we engaged in meaningful dialogue with our stockholders to identify and address their primary concerns regarding our executive compensation programs and practices. Informed by these conversations, we pursued additional adjustments to build upon the redesign of our executive compensation program that began in fiscal 2015 and implemented a series of reforms to ensure that our pay practices mirror our pay for performance philosophy. We are optimistic that the strategic shift in our business strategy, coupled with a rejuvenated executive leadership structure and executive compensation programs and practices, will lead to enhanced academic performance of the students we serve, increased student retention at our managed schools, and improved operational performance, all of which should drive stockholder value over the long-term.

Advisory Vote on Executive Compensation and Stockholder Engagement

Although we gained majority-level support on our annual advisory vote on executive compensation in 2013 (54%) and 2014 (69%), these levels were nonetheless concerning. In fiscal 2015, we therefore began a fundamental restructuring of our executive compensation program in conjunction with our shift to a sustained business development strategy. Essentially, we sought to create incentives for our executives to increase shareholder value by implementing the initiatives in their respective business and functional units that would be required to move the strategy forward in a measurable way. Some changes were implemented immediately, such as a redesign of our annual cash bonus plan, or the Executive Bonus Plan, and engagement of a new compensation consultant, while others, including a performance-based equity incentive plan, required additional time to transition and were introduced this past fiscal year. However, this convergence of a new business strategy and compensation incentives to execute that strategy was not originally communicated effectively to our investors and at our 2015 annual meeting, our executive compensation programs received support from only 47% of our voting stockholders. We considered those results seriously and, while we have undertaken stockholder outreach in the past, our management intensified its outreach efforts in fiscal 2016 to seek to better explain the compensation incentives tied to our revised strategy plan and likewise to learn more about the stockholder concerns that led to the disappointing say-on-pay results.

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In the fall of 2015 and continuing through the fall of 2016, our Vice President, Finance and Head of Investor Relations; our General Counsel; and our Senior Vice President, Human Resources, contacted each of our top twenty-five stockholders and spoke with many of them in order to identify and address concerns regarding our compensation practices and policies. These outreach efforts were conducted with the assistance of our Lead Independent Director, who is also a member of our Compensation Committee and a General Partner at TCV, our largest investor and holder of approximately 10% of our shares of common stock. These discussions addressed the fundamental shift in our business strategy, which impacted near term profitability. We explained to our stockholders that, in order to drive executive performance and retention during this period of transition, the performance objectives and compensation program design for our executives must reflect this near-term impact in a realistic way in order to provide fair rewards for executive contributions toward achieving important milestones for our business. Additionally, we sought to convey to stockholders the Company's and the Committee's strong confidence that our executive team is performing well as they navigate challenges arising from external events and factors over which they have no control, including, in fiscal 2016, an industry-wide investigation of for-profit virtual schools in California which cast a cloud over our stock and diverted management attention in responding to demanding and massive document productions and interviews. The decision in fiscal 2015 of the independent Agora Cyber Charter School Board to convert to a self-managed business model also had to be taken into account given its financial impact on our business.

We also believe that the low level of support for our executive compensation programs for fiscal 2015 was due, in part, to negative recommendations from Institutional Shareholder Services ("ISS") and Glass, Lewis & Co. ("Glass Lewis") with respect to our most recent annual advisory vote. Therefore, our discussions with stockholders also involved the specific areas of concern raised by ISS and Glass Lewis with respect to our compensation programs. The following table sets forth the primary critiques raised by ISS and Glass Lewis regarding our executive compensation programs, the stockholder feedback we received during our outreach efforts and the responsive actions we took and will continue to take to modify our executive compensation programs.

ISS/Glass Lewis Critique	**Stockholder Feedback**	**Responsive Actions and Discussion**
Payouts under our Executive Bonus Plan do not correlate to Company performance resulting in a pay for performance misalignment	Similar concern expressed by stockholders	In fiscal 2016 the Committee tied annual bonuses more closely to pre-set and objective financial and operational performance metrics so that payouts under our Executive Bonus Plan would be tightly linked to corporate performance. Unlike in prior years, for our Executive Chairman and our new Chief Executive Officer, bonus payouts for achieving qualitative individual goals were not awarded for fiscal 2016.
One year performance period on performance-based equity awards does not incentivize long-term Company growth	Similar concern expressed by stockholders	The Committee adopted a long-term incentive plan (the "LTIP") in 2016, pursuant to which performance share units ("PSUs") are awarded to our NEOs based on the achievement of rigorous performance objectives at the end of longer two and three year performance periods. The PSU performance metrics are weighted based on academic performance (70%) and student retention (30%), which we believe are key factors in driving stockholder value over the long-term and improving student outcomes. The awards to our NEOs reflect the fact that there will not be overlapping measurement periods during the three year duration of the performance period.

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ISS/Glass Lewis Critique	Stockholder Feedback	Responsive Actions and Discussion
Performance-based awards do not drive stockholder value because they do not include a total shareholder return metric relative to peer group members	Similar concern expressed by stockholders	We utilize a peer group to ensure that our NEOs are paid at competitive market levels. However, as the only publicly-traded company in the K-12 education space, our stock price returns may not closely correlate with those of our peer group because our peer group companies have different businesses. This is particularly the case as external interests mount challenges to charter school choice and for-profit management companies, which can impact our stock price. Accordingly, unlike many public companies who have effectively implemented a total shareholder return metric in their executive compensation programs, comparing company stock price performance to the performance of its peers, our Committee believes that such a metric would be tenuous in this unique environment. Despite this reality, we recognize that market performance of our stock remains an important criteria for rewarding executives and we have worked to address stockholder concerns in this area. In fiscal 2016, we began to grant our most senior executives the opportunity to earn restricted stock awards ("RSAs") based upon our achieving stock price appreciation thresholds over a two or three year performance period, and for fiscal 2017 we have extended this award type to our other executives as well.
Lack of performance-based long-term incentive awards beyond the top executives fails to incentivize improving Company performance	Not raised as a significant concern by stockholders	In connection with the restructuring of our long-term incentive program in 2016, as a component of their long-term incentives, PSUs were granted to each of our NEOs that vest based on the Company's performance against rigorous academic and student retention metrics over a two and three year performance period.
Compensation paid to Mr. Davis during 2015, including an increase in total pay and a special one-time, time-vesting equity award, is misaligned with our pay for performance philosophy	Similar concern expressed by stockholders	During fiscal 2016, Mr. Davis's base salary was reduced by 43% over his 2015 salary level in connection with his transition to the non-CEO Executive Chairman position. This caused a corresponding reduction to his annual bonus opportunity, long-term incentive award target and the amount of any potential severance payments. Compensation levels for Mr. Udell as our new Chief Executive Officer were set below those previously provided to Mr. Davis and in line with market levels based on guidance from our independent compensation consultant. In fiscal 2015, the Committee had granted Mr. Davis a fairly small special time-based restricted stock award on account of the Committee having exercised its discretion to reduce his bonus payout for the prior year below the actual level earned. Some of our stockholders disagreed with the Committee's decision to grant that award and no such awards were granted in fiscal 2016. Rather, the only extraordinary time-based equity award granted to our NEOs during fiscal 2016 was a one-time "new hire" award for our new Chief Executive Officer as an inducement to join our Company.

In addition to implementing the responsive actions set forth above, in fiscal 2016 we took a number of additional steps to restructure and refine our executive compensation programs and practices. We also continued to use and expand upon the policies and practices that have historically served to promote the long-term interests of our stockholders and public school customers, while attracting and retaining the talent necessary to achieve those interests. These new and continuing practices are discussed in more detail throughout this Compensation Discussion and Analysis.

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Relationship Between Company Performance and Executive Compensation

Our performance assessment framework and executive compensation program are designed to link pay and performance.

Executive Compensation Program Design

Following the restructuring of our long-term incentive awards, which began in fiscal 2015 and was largely introduced in fiscal 2016, our executive compensation program is predominantly based on variable pay that is driven by performance on both a short- and long-term basis. The only fixed component of compensation is base salary, which represents the smallest component of our executives' target total direct compensation.

Annual performance, which is largely based on corporate objectives, including financial, academic, student retention and operational measures, and, for certain NEOs, individual performance tied to strategic goals during the fiscal year, dictates cash bonus payments under our Executive Bonus Plan.

Long-term performance over two and three year performance periods determines the ultimate value of long-term incentive awards granted to our NEOs in the form of PSUs introduced in 2016, stock options and stock price RSAs. One year performance-based RSAs represent only one component of the compensation package for our most senior NEOs. Time-based RSAs, which are not typically granted to our most senior NEOs, encourage retention of our key employees over three year vesting periods.

KEY ELEMENTS OF OUR PAY FOR PERFORMANCE PROGRAM

Executive Bonus Plan. *Drives performance from year to year by linking annual cash bonuses to the achievement of targeted and objective corporate and individual goals.*

LTIP *New in 2016*. *Incentivizes long-term value creation through PSUs that will vest based on improvements in academic and student retention measures.*

Performance-Based RSAs*. Promotes short-term profitability and financial stability while incentivizing our most senior NEOs.*

Stock Price RSAs *New in 2016*. *Reinforces pay for performance philosophy by directly linking award value with stock price appreciation.*

Performance Assessment For Fiscal 2016

A portion of our executives' variable pay opportunity is based on annual performance under our Executive Bonus Plan. The Committee uses a well-defined objective process to assess performance, which includes a combination of specific corporate and individual Performance Management Objectives ("PMOs"). These PMOs ensure that a significant portion of our executives' annual incentive awards are directly associated with measurable achievements. In response to concerns raised by ISS, Glass Lewis and our stockholders regarding pay for performance alignment in our fiscal 2015 annual bonus awards, in fiscal 2016 the Committee strived to ensure that payouts under our Executive Bonus Plan were tied to meaningful objective performance criteria, including financial, operational and strategic goals for the year. Unlike prior years, our most senior NEOs, consisting of our Executive Chairman and our new Chief Executive Officer were not given opportunities to earn additional bonus awards based upon individual qualitative objectives.

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Key Corporate PMOs for Fiscal 2016

In fiscal 2016, the corporate PMOs were most heavily weighted based on our financial performance, specifically revenue, operating income and cash flow (measured by EBITDA minus CapEx). Performance levels are set by the Committee at the beginning of the year as part of our annual budgeting process. The fiscal 2016 target award levels are less than the fiscal 2015 target levels and less than actual performance for fiscal 2015. In setting these performance thresholds below the 2015 measures, the Committee took into account our planned investments, which are needed to effectively drive and execute our shift to a sustained business development strategy, the impact these investments will have on near term profitability and the approximate $111 million then-anticipated reduction in fiscal 2016 revenues due to the loss of the management component of the Agora Cyber Charter School Contract. Performance under these corporate PMOs was based upon our achievement against the following threshold, target and outperform performance levels, such that no bonus opportunity would be earned for performance below the threshold level and, for the revenue and operating income metrics, performance between two levels would be extrapolated on a straight-line basis:

Metric	Threshold	Target	Outperform
Revenue	$840M	$853M	$867M
Operating Income	$14M	$18M	$21M
EBITDA minus CapEx (1)	$12M-15M	$16M-$18M	>$18M

1. Performance levels shown reflect the goals established at the beginning of the fiscal year for Mr. Davis's EBITDA minus CapEx PMO under the Executive Bonus Plan for 2016. The goals for Mr. Udell were intended to measure performance for the second half of fiscal 2016 following Mr. Udell's commencement of employment and, accordingly, are lower than the levels that applied to Mr. Davis due to our revised expectations following actual performance during the first two quarters of the year.

New Executive Leadership Structure

In connection with our transition to a strategic model focused on sustained business development, the Board began to consider whether a new leadership structure was necessary to facilitate our business strategy and heightened focus on long-term growth. Following the resignation of Mr. Murray, our former Chief Operating Officer, in early fiscal 2016, we determined that a successful transition must be led by a leadership team comprised of two individuals serving in the separate and distinct roles of Executive Chairman and Chief Executive Officer. In February 2016 Mr. Udell began serving in the position of Chief Executive Officer with authority over the day to day operations of the business and continued execution of our strategic transformation. Mr. Davis continued in his role of Executive Chairman with primary responsibility for building relations with industry policymakers and school boards, as well as developing corporate strategy and other objectives approved by the Board.

CEO and Executive Chairman Pay Mix

As part of our executive leadership transition, the Committee engaged Compensia, our independent compensation consultant, to design competitive pay packages that focus heavily on variable pay components, with the intent that compensation for our Chief Executive Officer and our Executive Chairman should be overwhelmingly performance-based. The basic annual pay mix for each of these executives, which is reflected in their respective employment agreements, is set forth in the following charts:

* Percentages shown exclude a sign-on bonus and new hire equity grants for Mr. Udell and other one-time performance equity grants awarded in fiscal 2016, as described below.

New Executive Employment Agreements

In connection with this transition of our executive leadership, we entered into an amended and restated employment agreement with Mr. Davis and an employment agreement with Mr. Udell, which were intended to implement the respective pay mix shown above and the variable pay components and compensation reforms introduced for fiscal 2016. A summary of the key terms of these agreements, including one-time equity grants implemented for fiscal 2016 or related to the transition, is set forth below. For additional information regarding these agreements, please read the section below titled "Potential Payments Upon Termination or Change in Control Employment Agreements".

Mr. Davis

Reduced Cash Compensation Opportunity. In connection with his transition to the sole role of Executive Chairman, Mr. Davis's base salary amount was reduced to $400,000, which represents a 43% decrease from his fiscal 2015 base salary level. This also correlates to a reduction in his annual cash bonus opportunity under our Executive Bonus Plan, which is targeted at 150% of base salary (with a maximum award of 300% of base salary).

Reduced Annual Target Equity Award. Mr. Davis's amended employment agreement entitles him to annual equity awards under our long-term incentive compensation programs with a target award level of $2 million beginning in fiscal 2017. This represents a $1 million reduction from his target equity award level previously in effect.

Reduced Severance Entitlements. Severance terms and conditions generally remained unchanged from Mr. Davis' prior agreement. However, potential severance amounts, which are calculated based upon current salary and other compensation levels, are significantly reduced due to the reduction in annual cash and equity award opportunities.

Performance-Based RSAs. Mr. Davis is entitled to earn restricted stock awards based upon our achieving stock price appreciation thresholds over a two year performance period. In order for Mr. Davis to realize the maximum value attributable to these stock price RSAs, our stock price must experience a 144% increase in value over our stock price on the execution date of Mr. Davis's

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employment agreement. Earlier in fiscal 2016, Mr. Davis also received an award of PSUs under our new LTIP, which is described in more detail under " Determination of Long Term Incentive Compensation Performance Share Units."

Mr. Udell

Market-Based Compensation Levels. Mr. Udell's base salary, target annual incentive and target long-term incentive opportunity levels, which represent an aggregate targeted level of compensation that is less than that provided to Mr. Davis, were developed with guidance from Compensia to ensure that pay levels are reasonable and competitive among our peer group companies.

Modest Severance Entitlements. Potential severance payments for Mr. Udell are limited to three times his annual base salary, with no component of bonus awards in the severance calculation (other than a pro-rata bonus entitlement for the year of termination). In addition, unless a change in control occurs, Mr. Udell would be entitled to only one year of additional vesting of long-term incentives (with all performance-based vesting conditioned on attainment of applicable performance metrics).

Moderate Sign-On Bonus Award. In order to incentivize Mr. Udell to join the Company and in recognition of compensation opportunities that he forfeited from his former employer when joining K12, Mr. Udell received a one-time sign-on bonus in an amount equal to $400,000 and payable in two equal installments. This bonus must be repaid to us in the event Mr. Udell is terminated for cause or resigns without good reason, in either case, prior February 8, 2017.

Initial Equity Grants. Mr. Udell's employment agreement entitles him to certain initial equity awards which are primarily performance-based. More than two-thirds of the value of Mr. Udell's initial equity awards is earned based on the achievement of performance metrics and only one-third vests over time, as shown in the following chart:

Time-based Restricted Stock	Mr. Udell was granted time-based restricted shares having a fair market value equal to $1.5 million. The award will vest as to 25% of the shares on February 8, 2017 and in eight substantially equal quarterly installments thereafter.
PSUs under our new LTIP	Mr. Udell's PSU award has a value at target level of $1.5 million. Shares are earned based on the achievement of academic performance and student retention metrics over a two and three year period. For additional information, see below under " Determination of Long Term Incentive Compensation Performance Share Units."
Stock Price RSAs	Stock price RSAs granted to Mr. Udell are earned based upon our achieving stock price appreciation thresholds over a three year performance period. In order for Mr. Udell to realize the maximum value attributable to this award, our stock price must experience a 141% increase in value over the stock price on the execution date of his employment agreement. For additional information, see below under " Determination of Long Term Incentive Compensation Stock Price RSAs."

Limited Relocation Expenses. Mr. Udell's employment agreement entitles him to certain payments in connection with his relocation, including $8,333 per month for a period of six months for temporary commuting expenses and up to $40,000 for moving expenses incurred in 2016.

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Executive Compensation Principles and Practices

Principles

Our executive compensation programs are guided by four basic principles:

Link Compensation to Performance. Compensation levels should reflect actual performance, including both Company-wide performance and the performance of the individual executive.

Maintain Competitive Compensation Levels. Levels of compensation should be competitive with those offered by comparable companies in our industry to attract, retain and reward our NEOs.

Align Executives' and Stockholders' Interests. Our programs encourage high performing NEOs to remain with us and increase long-term stockholder value by requiring that they maintain significant share ownership and by granting long-term equity incentive awards each year.

Engagement of Independent Compensation Consultant. We are committed to engaging an independent compensation consultant to inform the Committee and evaluate the alignment of pay and performance relative to our peer group.

Practices

We employ certain executive compensation practices to align our executives' compensation with stockholder interests. Listed below are those compensation practices we employ and certain practices we do not employ because we believe they would not serve the long-term interests of our stockholders.

What We Do

Pay for Performance. A significant portion of our NEOs' potential compensation is not guaranteed but is linked to our financial and operational performance, which directly correlates to stockholder returns. We seek to place appropriate emphasis on variable pay components relative to our peer group and our compensation consultant evaluates the alignment of pay and performance relative to our peer group on an annual basis.

Alignment to Share Price. A portion of potential compensation for our most senior executives is tied to growth in our share price which directly aligns to shareholder interests.

Establish Performance Goals Aligned to Strategy. Our Executive Bonus Plan and LTIP utilize objective performance-based goals that we believe are rigorous and challenging, aligned to our strategic priorities and designed to increase stockholder value and motivate executive performance.

Target Pay Competitively. We seek to target compensation within a competitive range of the median of the peer group and only deliver greater compensation when warranted by performance or unique skill set.

Use Meaningful Vesting Conditions on Equity Awards. In connection with the restructuring of our long-term incentive award program to emphasize the use of performance-based awards, in fiscal 2016 we granted PSUs that only vest to the extent rigorous student retention and academic performance metrics are attained. In addition, stock price RSAs granted to our Executive Chairman and Chief Executive Officer will only be awarded if we achieve certain stock price appreciation thresholds over a two or three year performance period.

Maintain a Clawback Policy. We can recover incentive compensation wrongly awarded to an executive officer where fraud or intentional misconduct led to a restatement of our financial statements.

Require Mandatory Share Ownership. We expanded our stock ownership policy in fiscal 2016, such that all of our executive officers, including our NEOs, are required to maintain a minimum ownership level of our common stock to ensure they hold a significant equity stake in our Company thereby aligning their interests with those of the stockholders.

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Perform Competitive Market Analysis. The Committee reviews competitive market data provided by its independent compensation consultant for our executive officers prior to making annual executive compensation decisions.

Analyze Executive Compensation Risk. We review the executive compensation program to ensure that it does not encourage excessive or unnecessary risk.

Provide an Incentive Oriented Pay Mix. Pay for our NEOs is heavily performance based, which includes annual and long-term incentive awards. Our targeted total direct compensation for our Executive Chairman and our CEO is approximately 87% and 82% performance based, respectively. Actual awards vary based on performance and may be forfeited in the event threshold performance is not achieved.

What We Do Not Do

Grant Multi-Year or Guaranteed Bonuses or Equity Awards. We do not pay guaranteed bonuses and currently have no guaranteed commitments to grant any equity-based awards. This ensures that we are able to base all compensation awards on measurable performance factors and operational results.

Provide Generous Executive Perquisites. We do not provide significant perquisites to our NEOs, such as club memberships, vehicles and similar items.

Offer Income Tax Gross-ups. We do not provide income tax gross-ups for personal benefits and other broad-based benefits.

Permit Excise Tax Gross-ups. We do not provide excise tax gross-ups for change in control payments or benefits.

Offer Pension or Supplemental Retirement Plans. We do not provide costly retirement benefits to our NEOs that reward longevity rather than contributions to Company performance.

Reprice Options. Since our initial public offering in 2007, we have not repriced or otherwise reduced the per-share exercise price of any outstanding stock options and we have no present intention of implementing any such repricings or reductions. Our proposed 2016 Incentive Award Plan specifically prohibits repricing of options without stockholder approval.

Provide Single Trigger Change in Control Payments. We maintain a "double trigger" vesting policy with respect to our equity awards whereby accelerated vesting in connection with a change in control of the Company also requires a qualifying termination of employment. Only legacy stock option awards granted prior to November 20, 2013 contain single trigger accelerated vesting provisions.

Allow Hedging or Pledging. Our insider trading policy specifically prohibits short sales, hedging and margin transactions. Our 2007 Equity Incentive Plan, or the 2007 Plan, prohibits pledging of any award granted under the plan.

Executive Compensation Program Objectives and Process

Focus on Variable Pay

Our executive compensation programs are designed to attract, retain and reward the management talent that we need to maintain and strengthen our position in the education business. By linking a significant portion of our executives' compensation to variable pay practices tied to performance on both short-term and long-term bases, we are able to focus our executives on the achievement of targeted financial and operational metrics, including attaining

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specific financial performance metrics and improving the academic performance and student retention levels of the students at our managed schools in order to promote our long-term growth.

KEY ELEMENTS OF VARIABLE PAY FOR FISCAL 2016

Annual Cash Bonus	Focuses executives on attaining targeted and strategic performance objectives from year to year
Performance-Based RSAs	One-year performance targets based on cash flow metrics drives profitability and financial stability
Time-Based RSAs	Encourages retention of our NEOs and results in less dilution to our stockholders as compared to stock option grants
LTIP PSUs	Incentivizes improved academic and student retention performance and promotes stockholder value over the long-term
Stock Options and Stock Price RSAs	Equity awards valued by stock price appreciation directly links realizable pay to the creation of long-term stockholder value

Determining Executive Compensation

The Committee uses a performance-based framework in making compensation decisions for our executives, including our NEOs. To maintain a disciplined approach to incentive compensation, the Committee applies a pre-defined process to calculate annual incentive payouts under our Executive Bonus Plan in relation to our level of achievement against corporate PMOs, which include objective financial performance criteria and measurable academic, student retention and operational metrics, and, for certain NEOs, achievement of their individual PMOs.

In fiscal 2016, the Committee engaged Compensia, an independent compensation consultant, to evaluate the market competitiveness of compensation for our NEOs. In addition, Compensia's work for the Committee included but was not limited to an assessment of possible peer group companies and a subsequent executive compensation market analysis.

Assessing Comparative Market Data and Practices

Prior to fiscal 2016, Towers Watson, the Committee's former compensation consultant, assisted the Committee by reviewing competitive market data on the compensation practices and programs of publicly-traded peer group companies and published survey data. In evaluating our peer group, the Committee considered a number of factors, including revenue, market capitalization, number of employees, industry and status as an existing peer. Towers Watson also considered companies that list us as a peer as well as our peers as identified by the major proxy advisory firms. The Committee feels it is important to maintain as much consistency as possible in the peer group year over year and carefully considers changes. The companies in the fiscal 2016 peer group were:

Apollo Education Group, Inc.	Corporate Executive Board Co.	iGate
Blackbaud, Inc.	DeVry, Inc.	ITT Educational Services, Inc.
Bridgepoint Education, Inc.	Fair Isaac	Strayer Education, Inc.

Capella Education Co.	Gartner	The Advisory Board Company
Career Education Corp.	Grand Canyon Education, Inc.	Tyler Technologies, Inc.
	Houghton Mifflin Harcourt Company	Zynga, Inc.

The Committee and Compensia used this peer group to compare the compensation levels of our NEOs to comparable executive positions for fiscal 2016. This peer group reflects an adjustment made in late fiscal 2015 to remove Education Management Corp. and Universal Technical Institute, Inc., which companies no longer met the screening criteria, and LinkedIn Corporation in response to proxy advisory firm feedback related to the company's increase in market capitalization. In seeking replacements for those companies removed from the peer group, the Committee considered the previously mentioned factors and added Apollo Education Group, Inc., Career Education Corp., The Advisory Board Company, and Tyler Technologies, Inc. but the Committee did not otherwise adjust the peer group to ensure consistency in compensation benchmarking from year to year.

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Elements of Compensation

The following table outlines the key components of our executive compensation program for our NEOs for fiscal 2016: