

K12 INC  
Form PRER14A  
November 05, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
SCHEDULE 14A  
(RULE 14a-101)  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
(AMENDMENT No. 1)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**K12 INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Securities 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 Securities 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 Securities 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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[DATE], 2010

Dear Fellow Stockholders:

On behalf of our Board of Directors, I cordially invite you to attend the special meeting of stockholders of K12 Inc. (K12 or the Company) to be held at the law firm of Kirkland & Ellis LLP, 655 Fifteenth Street, N.W., Washington, D.C. 20005, on [DAY], [DATE], 2010 at 10:00 A.M., Eastern Time.

On July 23, 2010, we issued 2,750,000 shares of Series A Special Stock, par value \$0.0001 per share, of K12 (the Series A Special Stock) to KCDL Holdings LLC as a part of the acquisition by merger of all of the equity interests of KC Distance Learning, Inc. (KCDL). The issuance of the shares of Series A Special Stock and the acquisition by merger of KCDL was consummated pursuant to an Agreement and Plan of Merger, dated as of July 23, 2010, by and among K12, Kayleigh Sub Two LLC, Kayleigh Sub One Corp., KCDL Holdings LLC and KCDL.

The holders of the Series A Special Stock currently have no right to convert their shares into another equity security of K12 and no voting rights. However, by the terms of the Series A Special Stock, from and after the approval of the conversion rights and voting rights of the Series A Special Stock by the holders of the outstanding shares of K12 common stock as required by the rules of the New York Stock Exchange (the NYSE), the holders of the Series A Special Stock will be entitled to vote on all matters presented to the holders of K12 common stock (other than for the election and removal of directors, on which the holders of Series A Special Stock will have no vote) and the shares of the Series A Special Stock will be convertible into an equal number of shares of K12 common stock, subject to anti-dilution adjustments, at the election of the holder or automatically upon transfer to any person or entity other than an affiliate of KCDL Holdings LLC (or automatically if they are owned by any person or entity other than KCDL Holdings LLC or any of its affiliates on the date of the approval of these rights by the K12 stockholders).

K12 common stock is listed on the NYSE, and as a result we are subject to certain NYSE listing rules. In particular, the NYSE rules restricted our ability to grant the conversion rights and voting rights of the Series A Special Stock upon the initial issuance of the shares without the approval of K12 stockholders. As a result, we issued the Series A Special Stock with the current limitations on the right of the holders of Series A Special Stock to convert their shares into K12 common stock or vote their shares and agreed to seek approval of the K12 stockholders to approve the conversion rights and voting rights of the Series A Special Stock pursuant to the rules of the NYSE.

Accordingly, at the special meeting, you will be asked to approve the conversion rights and voting rights of the Series A Special Stock pursuant to the rules of the NYSE.

**The Board of Directors recommends that you vote FOR this proposal.**

Details of the business to be conducted at the special meeting are given in the attached Notice of Special Meeting of Stockholders and the attached Proxy Statement.

***Your vote is important.*** IT IS IMPORTANT THAT YOU BE REPRESENTED AT THE SPECIAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU OWN OR WHETHER YOU ARE ABLE TO ATTEND THE SPECIAL MEETING IN PERSON. Please complete sign, date and return the enclosed proxy card promptly in the accompanying reply envelope or submit your voting instructions by telephone or through the Internet if that option is available to you. If you decide to attend the special meeting and wish to change your proxy vote, you may do so by voting in person at the special meeting.

Thank you for your continued support of K12.

Sincerely,

Andrew H. Tisch  
Chairman of the Board of Directors

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**K12 INC.**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON [DATE], 2010**

To the Stockholders of K12 Inc.:

Notice is hereby given that the special meeting of stockholders of K12 Inc., a Delaware corporation, will be held at the law firm of Kirkland & Ellis LLP, 655 Fifteenth Street, N.W., Washington, D.C. 20005, on [DAY], [DATE], 2010 at 10:00 A.M., Eastern Time (the Special Meeting ). The matters to be considered by stockholders at the Special Meeting are:

1. a proposal to approve the conversion rights and voting rights of the Series A Special Stock, par value \$0.0001 per share, of K12 Inc. pursuant to the rules of the New York Stock Exchange, which we refer to as the Series A Rights Proposal;
2. a proposal to consider and approve any adjournments or postponements of the Special Meeting, if necessary, including to solicit additional proxies; and
3. to act upon such other matters as may properly come before the Special Meeting or any adjournments or postponements of the Special Meeting.

The foregoing matters are described in more detail in the accompanying Proxy Statement. Any action may be taken on the foregoing matters at the Special Meeting at the date specified above, or on any date or dates to which, by original or later adjournment, the Special Meeting may be adjourned or to which the Special Meeting may be postponed.

The Board of Directors has fixed the close of business on [DATE], 2010 as the record date for determining the stockholders entitled to notice of and to vote at the Special Meeting. Consequently, only stockholders of record at the close of business on [DATE], 2010 will be entitled to notice of and to vote at the Special Meeting.

**The Board of Directors recommends that you vote FOR the Series A Rights Proposal (Proposal 1) and FOR the proposal to approve adjournments or postponements of the Special Meeting, if necessary (Proposal 2).**

***Your vote is important.*** It is important that your shares be represented at the Special Meeting regardless of the number of shares you own or whether you are able to attend the Special Meeting in person. A Proxy Statement, proxy card and self-addressed envelope are enclosed. **WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE PROXY CARD IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, OR SUBMIT YOUR VOTING INSTRUCTIONS BY TELEPHONE OR THROUGH THE INTERNET IF THAT OPTION IS AVAILABLE TO YOU. IF YOU ARE THE RECORD HOLDER OF YOUR SHARES AND YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON IF YOU SO CHOOSE, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.**

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For admission to the meeting, all stockholders should come to the stockholder check-in table. Those who own shares in their own names should provide identification and have their ownership verified against the list of registered stockholders as of the record date. Those who have beneficial ownership of stock through a bank or broker must bring account statements or letters from their banks or brokers indicating that they owned shares of common stock of K12 Inc. as of [DATE], 2010. In order to vote at the meeting, beneficial owners of stock must bring legal proxies, which can be obtained only from their brokers or banks.

By Order of the Board of Directors

Howard D. Polsky  
General Counsel and Secretary

Herndon, Virginia  
[DATE], 2010

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## REFERENCES TO ADDITIONAL INFORMATION

This Proxy Statement incorporates important business and financial information about K12 Inc. from other documents that are not included in or delivered with this Proxy Statement. This information is available to you without charge upon your written or oral request. You can obtain those documents incorporated by reference into this Proxy Statement by requesting them in writing or by telephone from K12 Inc. at the following address and telephone number:

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

If you would like to request documents, please do so by [DATE], 2010 in order to receive them before the Special Meeting.

You should only rely on the information contained or incorporated by reference into this Proxy Statement to vote at the Special Meeting. No person or entity is authorized to give any information or to make any representation not contained or incorporated by reference into this Proxy Statement and, if given or made, that information or representation should not be relied upon as having been authorized.

See the discussion below under "Where You Can Find More Information" on page 34.

## SUBMITTING PROXIES BY MAIL, TELEPHONE OR THROUGH THE INTERNET

If you are a stockholder of record, you may submit your proxy:

by mail, by signing and dating each proxy card you receive, indicating your voting preference on each proposal and returning each proxy card in the prepaid envelope which accompanied that proxy card;

by telephone, by calling the toll-free number (800) 454-8683 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions; or

through the Internet, by going to the following website: [proxyvote.com](http://proxyvote.com), entering the information requested on your computer screen and following the simple instructions.

If you are a beneficial owner (but not the holder of record) of your shares, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which proxy submission options are available to you.

This Proxy Statement does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.





## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

*The following questions and answers address briefly some questions you may have regarding the matters to be voted upon at the Special Meeting. These questions and answers may not address all questions that may be important to you as a K12 stockholder. Please refer to the more detailed information contained elsewhere in this Proxy Statement, the annexes to this Proxy Statement and the documents referred to or incorporated by reference in this Proxy Statement. In this Proxy Statement, the terms we, our, us, the Company, and K12 each refer to K12 Inc.*

### **Why am I receiving this Proxy Statement?**

K12 is soliciting proxies for a Special Meeting of its stockholders. You are receiving a Proxy Statement because you owned shares of K12 common stock on [DATE], 2010, the record date for the Special Meeting, and that entitles you to vote at the meeting. By use of a proxy, you can vote, whether or not you attend the 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 a Special Meeting?**

We are calling the Special Meeting and submitting a proposal to you as a result of our issuance on July 23, 2010 of 2,750,000 shares of Series A Special Stock of K12 to KCDL Holdings LLC as consideration for the acquisition of KC Distance Learning, Inc. (KCDL). For more information on the acquisition of KCDL, see Acquisition of KC Distance Learning, Inc. beginning on page 16.

The holders of the Series A Special Stock currently have no rights to convert their shares into any other security and no voting rights. The rules of the New York Stock Exchange (NYSE) restricted our ability to grant the conversion rights and voting rights of the Series A Special Stock upon the initial issuance of the shares without the approval of K12 stockholders. As a result, we issued the Series A Special Stock with the current limitations on the right of the holders of Series A Special Stock to convert their shares into K12 common stock or vote their shares and agreed to seek approval of the K12 stockholders to approve the conversion rights and voting rights of the Series A Special Stock pursuant to the rules of the NYSE. As a result, we are calling the Special Meeting to seek stockholder approval of the rights of the holders of Series A Special Stock to convert their shares into Common Stock and to vote their shares. For more information on the proposal related to the conversion rights and voting rights of the Series A Special Stock, see Proposal 1 Approval of the Conversion Rights and Voting Rights of the Series A Special Stock beginning on page 4.

### **How does this Special Meeting differ from K12's typical annual meeting?**

The Special Meeting is being called only for the purpose of considering and voting on the approval of the conversion rights and voting rights of the Series A Special Stock. None of the usual activities of an annual meeting are expected to take place at the Special Meeting.

### **Will you have a 2010 Annual Meeting?**

Yes. K12 will separately convene and hold its 2010 annual meeting of stockholders later in 2010 or early in 2011, at which meeting the annual meeting matters will be considered and voted upon, including electing directors and ratifying the appointment of our independent registered public accounting firm. If you are a stockholder of K12 on the record date set for the 2010 annual meeting of stockholders, you have received or will receive a separate proxy statement soliciting proxies for the annual meeting. **In that case, it is important that you submit a proxy to vote for both the Special Meeting and the 2010 annual meeting of stockholders.**

**What is the specific proposal that stockholders will consider with respect to the Series A Special Stock?**

The proposal related to the Series A Special Stock is Proposal 1, which is a proposal to approve the conversion rights and voting rights of the Series A Special Stock, par value \$0.0001 per share, of K12 Inc. pursuant to the rules of the NYSE.

**How does the Board of Directors recommend that I vote?**

Our Board of Directors recommends you vote **FOR** the approval of the conversion rights and voting rights of the Series A Special Stock (Proposal 1).

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**What factors has the Board of Directors considered in making this recommendation?**

The Board of Directors considered several factors in making this recommendation. In particular, the Board of Directors considered that, if the stockholders do not approve the Series A Rights Proposal by July 23, 2011, the Company may be obligated to redeem all or a portion of the Series A Special Stock for cash. For more information on the effects of the failure to obtain the stockholder approval and the reasons for the recommendation of the Board of Directors, including in particular its reasons for approving the original issuance of the Series A Special Stock as part of the acquisition of KCDL and its reasons for recommending that stockholders approve the conversion rights and voting rights of the Series A Special Stock, see *Effect of Failure to Obtain Stockholder Approval of Proposal 1* beginning on page 7 and *Reasons for the Recommendation* beginning on page 9, respectively.

**What do I need to do now?**

After carefully reading and considering the information in this Proxy Statement, please complete, date, sign and promptly return the proxy card in the envelope provided, which requires no postage if mailed in the United States, or submit your voting instructions by telephone or through the Internet if that option is available to you.

**May I vote in person?**

Yes. If you are a stockholder of record as of [DATE], 2010, you may attend the Special Meeting and vote your shares in person instead of returning your signed proxy card or submitting your proxy by telephone or via the Internet. However, because you can revoke a previously granted proxy by attending the Special Meeting and voting your shares in person, we urge you to return your proxy card or submit your proxy by telephone or via the Internet even if you are planning to attend the Special Meeting.

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

Your broker will vote your shares if you provide instructions on how to vote. Your broker does not have discretionary authority to vote on Proposal 1. Therefore, if your shares are held in street name by your broker and you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote on Proposal 1. You should therefore be sure to provide your broker with instructions on how to vote your shares.

**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 Special 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 Special Meeting and voting your shares in person, even if you have previously returned your proxy card.

**When and where is the Special Meeting?**

The Special Meeting will be held at the law firm of Kirkland & Ellis LLP, 655 Fifteenth Street, N.W., Washington, D.C. 20005, on [DAY], [DATE], 2010 at 10:00 A.M., Eastern Time.

**Who can help answer my questions regarding the meeting or the merger?**

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, Virginia 20171  
(703) 483-7000

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## PROXY STATEMENT

### SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [DATE], 2010

This Proxy Statement and the accompanying proxy card and Notice of Special 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 ( K12 or the Company ), for use at the special meeting of stockholders to be held at the law firm of Kirkland & Ellis LLP, 655 Fifteenth Street, N.W., Washington, D.C. 20005, on [DAY], [DATE], 2010 at 10:00 A.M., Eastern Time, and any adjournments or postponements thereof (the Special Meeting ). In this Proxy Statement, the terms we, our, us, the Company, and K12 each refer to K12 Inc. The mailing address of our principal executive office is 2300 Corporate Park Drive, Herndon, Virginia 20171. This Proxy Statement, the accompanying proxy card and the Notice of Special Meeting are first being mailed on or about [DATE], 2010 to holders of record as of [DATE], 2010 of our common stock, par value \$0.0001 per share ( Common Stock ).

### THE SPECIAL MEETING

#### Record Date; Outstanding Shares; Shares Entitled to Vote

Our Board of Directors has fixed the close of business on [DATE], 2010 as the record date (the Record Date ) for determining the stockholders entitled to notice of, and to vote at, the Special Meeting. On the Record Date, we had [ ] shares of Common Stock issued and outstanding. We have no other class of securities outstanding that are entitled to vote at the Special Meeting.

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

#### Quorum

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

#### Matters to be Voted Upon

The matters to be considered by stockholders at the Special Meeting are:

1. a proposal to approve the conversion rights and voting rights of the Series A Special Stock, par value \$0.0001 per share, of K12 Inc. pursuant to the rules of the New York Stock Exchange, which we refer to as the Series A Rights Proposal;
2. a proposal to consider and approve any adjournments or postponements of the Special Meeting, if necessary, including to solicit additional proxies; and
3. to act upon such other matters as may properly come before the Special Meeting or any adjournments or postponements of the Special Meeting.

**Votes Required**

If a quorum is present or represented, the proposal to approve the conversion rights and voting rights of the series of preferred stock designated as the Series A Special Stock, par value \$0.0001 per share, of K12 Inc. ( Series A Special Stock ) pursuant to the rules of the New York Stock Exchange (the NYSE ) must be approved

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by the affirmative vote of a majority of votes cast on the proposal, provided that the total vote cast on the proposal represents over 50% of all shares of Common Stock entitled to vote on the proposal.

If a quorum is not present or represented, a majority of the votes cast that are present or represented in person or by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

If a quorum is present or represented, such other matters as may properly come before the Special Meeting or any adjournments or postponements of the Special Meeting must be approved by the affirmative vote of a majority of the votes properly cast at the Special Meeting.

### **Voting; Proxies**

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

If you are a stockholder of record, you may submit your proxy:

by mail, by signing and dating each proxy card you receive, indicating your voting preference on each proposal and returning each proxy card in the prepaid envelope which accompanied that proxy card;

by telephone, by calling the toll-free number (800) 454-8683 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions; or

through the Internet, by going to the following website: [proxyvote.com](http://proxyvote.com), entering the information requested on your computer screen and following the simple instructions.

If you are a beneficial owner (but not the holder of record) of shares of Common Stock, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which proxy submission options are available to you.

If a proxy is duly executed and submitted without instructions, the shares of Common Stock represented by that proxy will be voted **FOR** the Series A Rights Proposal (Proposal 1) and **FOR** the proposal to adjourn or postpone the Special Meeting (Proposal 2).

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

### **Revocation**

The person who executes a proxy may revoke it at, or before, the Special Meeting by (i) delivering to our corporate secretary a written notice of revocation of a previously delivered proxy bearing a later date than the proxy, (ii) duly executing, dating and delivering to our corporate secretary a subsequent proxy, or (iii) attending the Special Meeting and voting in person. Attendance at the Special Meeting will not, in and of itself, constitute revocation of a proxy. Any written notice revoking a proxy should be delivered to K12 Inc., Attention: General Counsel and Secretary, 2300 Corporate Park Drive, Herndon, Virginia 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 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 and broker non-votes do not affect the



voting results with respect to the issues requiring the affirmative vote of a majority of the votes cast at the Special Meeting. Abstentions and broker non-votes will have the effect of a vote against the approval of any items requiring the affirmative vote of the holders of a majority or greater of the outstanding Common Stock entitled to vote at the Special Meeting.

### **Attendance by Stockholders and Principal Accountants**

Only stockholders of record and beneficial owners of shares of Common Stock as of the Record Date will be admitted into the Special Meeting. For admission to the meeting, all stockholders should come to the stockholder check-in table. Those stockholders who own shares in their own names will be required to provide identification and have their ownership verified against the list of registered stockholders as of the Record Date. Those stockholders who have beneficial ownership of stock through a bank or broker will be required to provide account statements or letters from their banks or brokers indicating that they owned shares of Common Stock as of the Record Date.

The Company also expects to invite representatives of BDO USA, LLP, the Company's independent registered public accounting firm for the fiscal year ending June 30, 2010, to be present at the Special Meeting and expects that they will be present and available to respond to questions applicable to the subject matter of the Special Meeting.

### **Proxy Solicitation**

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

### **Business; Adjournments**

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

If a quorum is not present at the Special Meeting, the Special 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 Special 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 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting will be given to each stockholder of record entitled to vote at the meeting. We do not currently intend to seek an adjournment of the Special Meeting.

**PROPOSAL 1:**

**APPROVAL OF THE CONVERSION RIGHTS AND VOTING RIGHTS  
OF THE SERIES A SPECIAL STOCK**

**Summary**

We are submitting Proposal 1 to you as a result of our issuance on July 23, 2010 of 2,750,000 shares of Series A Special Stock pursuant to an Agreement and Plan of Merger, dated as of July 23, 2010 (the Merger Agreement ), by and among the Company, Kayleigh Sub Two LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company ( LLC Merger Sub ), Kayleigh Sub One Corp., a Delaware corporation and a wholly owned subsidiary of the Company ( Corporate Merger Sub ), KCDL Holdings LLC, a Delaware limited liability company ( Holdings ), and KC Distance Learning, Inc., a Delaware corporation and a wholly owned subsidiary of Holdings ( KCDL ). Pursuant to the terms of the Merger Agreement, (i) KCDL merged with Corporate Merger Sub, with KCDL continuing as the surviving corporation of the merger (the First Merger ), and (ii) immediately after the First Merger, KCDL (as the surviving corporation of the First Merger) merged with LLC Merger Sub, with LLC Merger Sub continuing as the surviving entity of the merger (the Second Merger and together with the First Merger, the Mergers ). The Mergers were consummated on July 23, 2010 following the execution of the Merger Agreement. As a result of the Mergers, the surviving entity in the Mergers involving KCDL became a wholly owned subsidiary of the Company. For more information on the acquisition of KCDL, see Acquisition of KC Distance Learning, Inc. beginning on page 16.

The 2,750,000 shares of Series A Special Stock were issued to Holdings, as the sole stockholder of KCDL prior to the First Merger, as consideration for the acquisition of KCDL in the Mergers. For additional information on Holdings and its affiliates and their interests in K12, see Interests of Learning Group and its Affiliates in Issuance of Series A Special Stock on page 15.

We chose to issue the shares of Series A Special Stock to finance the acquisition of KCDL because this form of financing provided timely access to the requisite equity capital and without requiring payment of any underwriting costs and without using cash on hand. The use of cash on hand to finance the acquisition would have reduced the liquidity of the Company to pursue other transactions or operate its business. Alternative sources of equity or consideration potentially could have been obtained, but at risk of delaying completion of the acquisition of KCDL or resulting in other adverse effects to the Company. For example, to have issued all the equity capital in the form of Common Stock to Holdings would have required a stockholder vote prior to such issuance under the rules of the NYSE, and potentially other governmental approvals, and thereby would have delayed completion of the transaction. Any delay in consummating the acquisition of KCDL would have subjected the transaction to risk of competing buyers, disruptions and potential harms to the KCDL and K12 businesses prior to the start of the 2010-2011 school year and other risks. In addition, we could have pursued issuance of Common Stock or other securities in an underwritten offering or a private placement and to a purchaser other than Holdings. However, in addition to the delay in making that offering, the terms of that offering almost certainly would have required that we pay a fee to the underwriters and enter into other customary agreements with the underwriters, each of which would have resulted in additional cost and burden to the Company. Another purchaser in a private placement of Common Stock or other securities may have required that the shares be issued at a discounted price relative to the market price of such securities. Holdings agreed to accept securities that were not listed or freely tradeable or immediately convertible into such securities following the closing (in the form of the Series A Special Stock) and without a discount to the average market price prior to the closing, provided we use our reasonable best efforts to obtain stockholder approval of the conversion rights and voting rights of the Series A Special Stock and agreed to other customary terms and conditions related to the liquidity of their shares. We are now asking you for this approval.

Approval of Proposal 1 by our stockholders at the Special Meeting will result in conversion rights and voting rights for the 2,750,000 shares of Series A Special Stock outstanding. As a result of approving the conversion rights and voting rights of the Series A Special Stock, the shares of Common Stock into which the shares of Series A Special Stock will be convertible will represent approximately [ ]% of shares of Common Stock then outstanding as of the date of the Special Meeting (based on [ ] shares of Common Stock outstanding as of [DATE], 2010, the current conversion rate and assuming the full conversion of the Series A Special Stock). In addition, upon approval

of Proposal 1 by our stockholders at the Special Meeting, in the aggregate, the holders of the shares of Series A Special Stock will be entitled to cast votes with respect to such shares that represent approximately [ ]% of our voting power as of the date of the Special Meeting (based on [ ] shares of Common Stock outstanding as of [DATE], 2010), other than on those matters on which the shares of Series A Special Stock are not entitled to vote.

### **NYSE Stockholder Approval Requirement**

Because our Common Stock is listed on the NYSE, we are subject to NYSE rules. NYSE Listed Company Manual Section 312.03(b) requires stockholder approval prior to the issuance or sale to any of our substantial security holders of Common Stock or securities convertible into shares of Common Stock in any transaction or series of transactions if the number of shares of Common Stock issued or into which the securities may be convertible exceeds either 1% of the number of shares of our Common Stock or 1% of the voting power outstanding before the issuance of the securities.

The issuance of shares of our Common Stock upon conversion of the Series A Special Stock may be subject to this rule because Holdings is an affiliate of Learning Group LLC ( Learning Group ), which may be deemed to be a substantial security holder under the NYSE Listed Company Manual, and the number of shares of our Common Stock issuable upon conversion of the Series A Special Stock and the voting power of the Series A Special Stock, in each case under the terms of the Series A Special Stock to be approved, exceeds 1% of both the number of shares of our Common Stock outstanding before the issuance of the Series A Special Stock and the voting power outstanding before their issuance, respectively. For additional information on Learning Group and its affiliates and their interests in K12, see Interests of Learning Group and its Affiliates in Issuance of Series A Special Stock on page 15. As a result, in order to comply with the NYSE Listed Company Manual, we are seeking stockholder approval of the rights of the holders of Series A Special Stock to convert their shares into Common Stock and to vote their shares, which rights were limited at the initial issuance of the shares of Series A Special Stock pending approval by the stockholders of the rights.

### **Relationships with Learning Group and its Affiliates**

Holdings is affiliated with each of Learning Group, Knowledge Universe Learning Group LLC ( KULG ), Learning Group Partners, Hampstead Associates, L.L.C. ( Hampstead ), Cornerstone Financial Group LLC ( Cornerstone ) and Knowledge Industries LLC ( Knowledge Industries ). Each of these entities is a holder of our Common Stock, and each may be deemed, directly or indirectly, to be controlled by one or both of Michael R. Milken and Lowell J. Milken, the latter of which also owns shares of our Common Stock in his individual capacity. Holdings, Learning Group and certain of their other affiliates are parties to several agreements related to the Series A Special Stock and K12's acquisition of KCDL as described in this Proxy Statement.

Prior to the issuance of the Series A Special Stock to Holdings on July 23, 2010, Learning Group, KULG, Learning Group Partners, Hampstead, Cornerstone, Knowledge Industries and Lowell J. Milken collectively held an aggregate of 5,256,527 shares of Common Stock, which represented approximately 17.3% of our then-outstanding voting power. Learning Group and the above mentioned affiliates collectively comprise our largest group of affiliated stockholders. If the Series A Rights Proposal is approved by our stockholders, Learning Group and these affiliates, including Holdings, will hold an aggregate of approximately 8,006,527 shares of Common Stock outstanding, on an as converted basis, which represented approximately 23.7% of our outstanding voting power as of October 5, 2010 (if the holders of Series A Special Stock had had a right to convert such shares into Common Stock or to vote such shares as of such date). These interests are described in Security Ownership of Management and Certain Beneficial Owners beginning on page 31.

By virtue of these interests, including in particular its interests in the Series A Special Stock, Learning Group and its affiliates may be deemed to have interests in the Series A Rights Proposal that are different from, or in addition to, those of our stockholders generally.

Additional information regarding Learning Group and its affiliates can be found in [Interests of Learning Group and its Affiliates in Issuance of Series A Special Stock](#) on page 15.

## **Required Vote for Proposal 1**

Approval of Proposal 1 requires the affirmative vote of a majority of votes cast on the proposal, provided that the total vote cast on the proposal represents over 50% of all shares of Common Stock entitled to vote on the proposal. Abstentions and broker non-votes have no effect on this proposal, except that they will not constitute vote cast for purposes of obtaining the required minimum vote.

## **Effect of Stockholder Approval of Proposal 1**

### ***Conversion Rights***

If the stockholders approve the Series A Rights Proposal, the existing 2,750,000 shares of Series A Special Stock will be convertible into an equal number of shares of Common Stock, subject to anti-dilution adjustments, at the election of the holder or automatically upon transfer to any person or entity other than an affiliate of Holdings. As a result of approving the conversion rights of the Series A Special Stock, the shares of Common Stock into which the shares of Series A Special Stock will be convertible will represent approximately [ ]% of shares of Common Stock then outstanding as of the date of the Special Meeting (based on [ ] shares of Common Stock outstanding as of [DATE], 2010, the current conversion rate and assuming the full conversion of the Series A Special Stock). The conversion rights are provided for in, and are subject to the terms of, the Certificate of Designations, Preferences and Relative and Other Special Rights of Series A Special Stock (the Certificate of Designations ), a copy of which is attached to this Proxy Statement as Annex A. For additional information of the terms of the Series A Special Stock, see Description of Material Terms of the Series A Special Stock beginning on page 12.

In any event, even if the conversion rights are approved, the transfer of the shares of Series A Special Stock or any shares of Common Stock into which they may be converted may remain subject to separate transfer restrictions set forth in the Stockholders Agreement, dated July 23, 2010 (the Stockholders Agreement ), entered into in connection with the closing of the initial issuance of the Series A Special Stock. For additional information on these transfer restrictions, see The Stockholders Agreement Transfer Restrictions on page 21.

### ***Voting Rights***

If the stockholders approve the Series A Rights Proposal, the existing 2,750,000 shares of Series A Special Stock will be entitled to vote on all matters presented to the holders of our Common Stock (other than for the election and removal of directors, on which the holders of Series A Special Stock will have no vote). In that case, the Series A Special Stock will vote on an as-converted to Common Stock basis with the holders of Common Stock (other than for the election and removal of directors, on which the holders of Series A Special Stock will have no vote). Holders of Series A Special Stock would be entitled to vote on all matters presented to the holders of Common Stock upon conversion of such shares into Common Stock, including upon conversion of the shares of Series A Special Stock, following a transfer of the shares of Series A Special Stock. The voting rights are provided for in, and are subject to, the terms of the Certificate of Designations. The approval of the voting rights of the Series A Special Stock by our stockholders will not result in the conversion of the Series A Special Stock into any other security or the issuance of any security (unless shares of the Series A Special Stock are, in fact, converted as described above) but instead will make effective certain voting rights provided in the Certificate of Designations that were not to be effective until receipt of the stockholder approval. For additional information of the terms of the Series A Special Stock, see Description of Material Terms of the Series A Special Stock beginning on page 12.

As a result of approving the voting rights of the Series A Special Stock, in the aggregate, the holders of the shares of Series A Special Stock will be entitled to cast votes with respect to such shares that represent approximately [ ]% of our voting power as of the date of the Special Meeting (based on [ ] shares of Common Stock outstanding as of

[DATE], 2010), other than on those matters on which the shares of Series A Special Stock are not entitled to vote.

We expect that the record date for the 2010 annual meeting (which is the date on which the holders of shares are determined eligible to vote at the meeting) will occur prior to the date on which the Series A Rights Proposal will be considered. Accordingly, we do not expect that the holders of Series A Special Stock will be entitled to vote at the 2010 annual meeting even if the Series A Rights Proposal has been approved prior to the date of the 2010 annual

meeting, unless the record date for the 2010 annual meeting occurs following the date of the approval of the Series A Rights Proposal. In any event, holders of Series A Special Stock will not be entitled to vote on the election of directors at the 2010 annual meeting, unless they have converted their shares into Common Stock by the record date of the meeting, if such right is available.

***Listing; Registration Rights***

We will apply for listing of the shares of Common Stock that will become issuable upon conversion of the Series A Special Stock on the NYSE and, upon request from holders of the Series A Special Stock or their transferees, the registration of the shares of Common Stock under the Securities Act of 1933. Pursuant to the Stockholders Agreement, at any time and from time to time after the later of the occurrence of certain events, one or more stockholders holding a majority in interest of the shares of Common Stock issued or issuable pursuant to the conversion of Series A Special Stock held by all stockholders may request that the Company effect the registration of all or any part of the shares of Common Stock issued or issuable pursuant to the conversion of the Series A Special Stock held by the stockholders in an underwritten offering by the stockholders by giving written notice to the Company of such demand. Accordingly, as a result of these provisions, if the Series A Rights Proposal is approved by our stockholders, the shares of Common Stock into which the Series A Special Stock would be convertible are expected to be more liquid securities than the Series A Special Stock. For additional information on these registration rights, see *The Stockholders Agreement Registration Rights* on page 21.

***Elimination of Holder Redemption Right and Restrictive Covenants***

If the stockholders approve the Series A Rights Proposal, the Company will not be obligated to redeem the Series A Special Stock, which holders of the Series A Special Stock would have been entitled to require if stockholders do not approve the Series A Rights Proposal. (In that event, the Company will also lose some (but not all) of its rights to force the redemption of the Series A Special Stock.) In addition, the Company will not be bound by certain restrictive covenants that would apply to it if the stockholder approval of the Series A Rights Proposal is not obtained. For additional information on these redemption rights and restrictive covenants, see *Effect of Failure to Obtain Stockholder Approval of Proposal 1* immediately below.

***Effect of Failure to Obtain Stockholder Approval of Proposal 1***

***No Conversion Right or Voting Rights***

If the stockholders do not approve the Series A Rights Proposal, then the holders of the 2,750,000 shares of Series A Special Stock will not have the right to convert these shares into shares of Common Stock, such shares of Series A Special Stock will continue to have no voting rights and the Series A Special Stock will remain outstanding until redeemed.

***Redemption Obligation***

If the stockholders do not approve the Series A Rights Proposal by July 23, 2011, upon the election of the holders of the Series A Special Stock the Company will be obligated to redeem all or a portion of such holder's Series A Special Stock for cash in an amount equal to such holder's Redemption Value (as defined below) as set forth in the Certificate of Designations, which is the higher of the then-current 10-day trailing average market price of the Common Stock or \$22.95 (prior to giving effect to any adjustments), on the terms set forth in the Certificate of Designations. This price per share may be higher than the market price of Common Stock. However, in no event will the aggregate redemption liability if fully exercised be less than \$63.1 million of cash. For additional information about current market prices of our Common Stock, see *Market Price of Our Common Stock* on page 15.



The minimum aggregate price of the redemption, if available and fully exercised, is approximately \$63.1 million. This is the product of \$22.95, which is the 10-day trailing average market price of the Common Stock prior to the closing of the acquisition of KCDL, multiplied by the number of shares of Series A Special Stock issued in connection with the acquisition. This amount represents the implied amount of the aggregate consideration to which the parties to the acquisition of KCDL agreed for the acquisition. Despite this prior relationship between the

minimum aggregate price of the redemption and the value of the consideration used for purposes of the acquisition of KCDL, the Series A Rights Proposal does not relate to the acquisition, and you are not being asked to vote or take any action regarding the acquisition, including the consideration paid in the acquisition. The acquisition has closed. In addition, despite this prior relationship between the minimum aggregate price of the redemption and the value of the consideration used for purposes of the acquisition of KCDL, the actual aggregate price of the redemption could be higher than that minimum aggregate amount. For additional information on the redemption price, see Description of Material Terms of the Series A Special Stock Redemption by Holder on page 14.

In addition, if we fail to redeem the shares of Series A Special Stock on a timely basis, a penalty in the amount of interest payments at an annualized rate of 8% of the Redemption Value will be assessed until the default is cured, and there will also be a rate increase of 1% imposed annually on the penalty rate should the default period extend beyond one year.

If the stockholders do not approve the Series A Rights Proposal, the obligation to redeem the shares of Series A Special Stock could significantly affect K12's available cash reserves and, therefore, limit its ability to sufficiently fund ongoing current operations and its business, financial condition and results of operations would be adversely affected.

For additional information on these redemption obligations and the penalty payments, see Description of Material Terms of the Series A Special Stock Redemption By the Holder on page 14 and The Stockholders Agreement Remedies Upon Redemption Default on page 22, respectively.

#### ***Imposition of Restrictive Covenants***

If our stockholders do not approve the Series A Rights Proposal by May 23, 2011, the Stockholders Agreement provides that the Company may not take any action or refrain from taking any action that would reasonably be expected to prohibit or materially limit the Company's ability to redeem the Series A Special Stock as and to the extent required by the Certificate of Designations, other than with respect to ordinary course of business activities for which the absence of which would significantly impair the value of the Company's business. In addition, in that case, the Company would be obligated to take commercially reasonable actions not prohibited by law to take actions that are reasonably necessary to facilitate the redemption of the shares of Series A Special Stock as and to the extent required by the Certificate of Designations that may occur following July 23, 2011. For example, in that case, the Stockholders Agreement specifically requires the Company to take commercially reasonable efforts to revalue the Company's and its subsidiaries' assets to reflect market value if and only to the extent necessary to eliminate any capital deficit that might otherwise prohibit such redemption under applicable legal requirements. In addition, the obligation to take commercially reasonable actions not prohibited by law could require additional activities that are not specifically identified by the Stockholders Agreement, none of which have currently been discussed between K12 and Holdings.

In addition, if our stockholders do not approve the Series A Rights Proposal by July 23, 2011 and the Company were to breach of any of its obligations to redeem the Series A Special Stock, during the pendency of any such redemption default, the Stockholders Agreement provides that Company may not take any of the following actions:

declare or pay any dividend or make any other payment or distribution on account of its securities;

purchase, redeem or otherwise acquire or retire for value any of its securities (other than as contemplated by the Merger Agreement);

purchase, redeem, defease or otherwise acquire or retire for value prior to its maturity any indebtedness, unless so doing eliminates a limitation on the redemption of the Series A Special Stock;

make any capital investment other than capital investments for which the absence of which would significantly impair the value of the Company's business;

create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to any indebtedness other than ordinary course letters of credit and indebtedness to cure an applicable redemption default; or

issue any security of the Company that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, unless such maturity, redemption or other right shall be expressly junior to the right of redemption of the holders of the Series A Special Stock.

In addition, these limitations imposed on the operation of the K12 businesses if the stockholders do not approve the Series A Rights Proposal could have adverse effects on K12's operations and ability to pursue value-enhancing business strategies or transactions and, therefore, may have an adverse affect on our ability to operate our business.

For additional information on these redemption obligations and restrictive covenants, see The Stockholders Agreement Remedies Upon Redemption Default on page 22.

### **Board of Directors Recommendation**

Our Board of Directors recommends that you vote **FOR** the approval of the conversion rights and voting rights of the Series A Special Stock (Proposal 1).

For additional information on the reasons for the recommendation of the Board of Directors, including in particular its reasons for approving the original issuance of the Series A Special Stock as part of the acquisition of KCDL and its reasons for recommending that stockholders approve the conversion rights and voting rights of the Series A Special Stock, see Effect of Failure to Obtain Stockholder Approval of Proposal 1 beginning on page 7 and Reasons for the Recommendation beginning on page 9, respectively.

### **Reasons for the Recommendation**

The management of K12, in consultation with the Board of Directors and with the advice and assistance of its independent legal and financial advisors, evaluated and negotiated the terms of the acquisition of KCDL and the issuance of the Series A Special Stock over the course of more than five months.

At a meeting on July 22, 2010, the Board of Directors considered the Mergers and the Merger Agreement and the transactions contemplated thereby and thereafter unanimously determined that they were advisable, fair to and in the best interests of K12 and its stockholders.

In reaching its decision to approve the Merger Agreement and the transactions contemplated thereby, including the issuance of the Series A Special Stock, the Board of Director