

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

DAVID HOPPAUGH, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

K12 INC., RONALD J. PACKARD, and
HARRY T. HAWKS,

Defendants.

Civ. A. No. 1:12-cv-00103-CMH-IDD

JURY TRIAL DEMANDED

CLASS ACTION

STIPULATION AND AGREEMENT OF SETTLEMENT

This stipulation and agreement of settlement (the “Stipulation” or “Settlement”) is made and entered into by and between Lead Plaintiff Arkansas Teacher Retirement System (“Lead Plaintiff” or “Arkansas”), on behalf of itself and the certified Class (defined below), and K12 Inc. (“K12” or the “Company”) and the Individual Defendants (defined below, and together with the Company, the “Defendants”).

WHEREAS:

A. All words or terms used herein that are capitalized shall have the meaning ascribed to those words or terms as set forth herein and in ¶ 1 hereof entitled “Definitions.”

B. On January 30, 2012, plaintiff David Hoppaugh commenced this action by filing a class action complaint against the Defendants in the United States District Court for the Eastern District of Virginia (the “Court”), captioned: *David Hoppaugh, Individually and On Behalf of all Others Similarly Situated v. K12 Inc., Ronald J. Packard and Harry T. Hawks*, 1:12-cv-00103-CMH-IDD (the “Litigation”). The complaint asserted claims for violation of the federal securities laws on behalf of a purported class of investors who had bought K12 common stock.

C. On May 18, 2012, the Court appointed Arkansas as Lead Plaintiff and Labaton Sucharow LLP as Lead Counsel for the putative class.

D. Lead Plaintiff filed an Amended Class Action Complaint on June 22, 2012 (the “Amended Complaint”) against the Defendants, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) on behalf of all purchasers of K12 publicly traded common stock between September 9, 2009 and December 16, 2011, inclusive.

E. On July 20, 2012, Defendants moved to dismiss the Amended Complaint and on August 10, 2012, Lead Plaintiff opposed the motion to dismiss the Amended Complaint.

F. On September 18, 2012, the Court entered a Memorandum Opinion denying Defendants’ motion to dismiss and on October 2, 2012, the Defendants each filed an Answer to the Amended Complaint.

G. On October 19, 2012, the Court entered a Scheduling Order setting, among other things, the Initial Pretrial Conference for October 31, 2012 before Magistrate Judge Ivan D. Davis and a discovery cut-off of February 15, 2013.

H. On November 8, 2012, Defendants commenced the production of documents.

I. On November 14, 2012, the Parties filed a Stipulation Regarding Numerosity and Market Efficiency Requirements for Class Certification.

J. On December 28, 2012, the Parties filed a Stipulation and Proposed Order Regarding Class Certification.

K. Commencing on October 25, 2012, the Parties served discovery requests and responses to discovery requests, including initial disclosures, requests for production of documents, interrogatories, requests for admission, and third party subpoenas, conducted

numerous meet and confer discussions to resolve disputes over the scope of document discovery, and submitted several discovery motions for resolution by the Court.

L. On January 8, 2013, the Parties met with Hon. Daniel H. Weinstein (Ret.), a highly experienced, neutral mediator, who presided over a mediation between the Parties at the JAMS New York Resolution Center. The mediation was part of an effort to explore possibilities for settlement of the Litigation. In advance of the January 8, 2013 mediation, both sides submitted and exchanged lengthy mediation briefs outlining their respective analyses of the claims and defenses in this case, and a joint set of 47 exhibits in support of the same. An agreement to settle was not reached at this time, however a foundation was laid for future discussion.

M. On January 31, 2013, settlement negotiations resumed through discussions with Judge Weinstein and direct negotiations between counsel for the Parties. On February 1, 2013, the Parties reached an oral agreement regarding a settlement framework for the Litigation.

N. Lead Plaintiff, through Lead Counsel, conducted a thorough investigation relating to the claims and underlying events and transactions of the Litigation. This process included: (1) conducting interviews of more than fifty former employees of the Company; (2) serving initial disclosures, requests for production of documents, interrogatories, requests for admissions, and third party subpoenas; (3) reviewing and analyzing the Company's filings with the Securities and Exchange Commission (the "SEC"), securities analysts' reports, public statements by Defendants, media reports about Defendants, and court records; (4) engaging in regular and frequent meet and confer sessions with Defendants' Counsel regarding the scope of discovery throughout the discovery period; (5) reviewing more than one million pages of documents produced by Defendants and third-parties; (6) reviewing four expert reports submitted by

Defendants; (7) the Parties taking fourteen depositions and preparing to take additional fact and expert depositions; and (8) extensive analysis of the claims and defenses in this Litigation (with the assistance of an experienced expert in assessing damages and loss causation issues in securities class action cases, and an expert in the education field) and the various risks attendant to continued litigation.

O. Concurrent with its Motion for Preliminary Approval of the Settlement, the Parties will file a Stipulation of Partial Voluntary Dismissal of Lead Plaintiff's academic performance-related claims (the "Dismissal") in substantially the form annexed hereto as Exhibit C.

P. Defendants have denied and continue to deny each and all of the remaining claims and contentions alleged by Lead Plaintiff in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied and continue to deny, *inter alia*, the allegations that Lead Plaintiff or the Class have suffered damage, that the price of K12 common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, and that Lead Plaintiff or the Class were harmed by the conduct alleged in the Complaint.

Q. This Stipulation, whether or not consummated, any proceedings relating to any settlement, or any of the terms of any settlement, whether or not consummated, shall in no event be construed as, or deemed to be evidence of, an admission or concession on the part of the Defendants with respect to any claim of any liability or damage whatsoever, or any infirmity in any defense that the Defendants have or could have asserted. The Defendants are entering into

this Settlement to eliminate the burden, expense, uncertainty, distraction and risk of further litigation.

R. Following the Dismissal, Lead Plaintiff believes that the remaining claims asserted in the Litigation have merit. However, Lead Plaintiff and Lead Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against the Defendants through trial and appeals. Lead Plaintiff and Lead Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. Lead Counsel also are mindful of the inherent problems of proof and the possible defenses to the claims alleged in the Litigation. Based on their evaluation, Lead Plaintiff and Lead Counsel believe that the Settlement set forth in this Stipulation confers substantial monetary benefits upon the Class and is in the best interests of Lead Plaintiff and the Class.

NOW THEREFORE, it is hereby **STIPULATED AND AGREED**, by and among the Parties to this Stipulation, through their respective attorneys, subject to approval by the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, that, in consideration of the benefits flowing to the Parties hereto, all Released Claims and all Released Defendants' Claims as against all Released Parties shall be compromised, settled, released and dismissed with prejudice, and without costs, upon and subject to the following terms and conditions:

DEFINITIONS

1. As used in this Stipulation, the following terms shall have the meanings set forth below:

(a) “Authorized Claimant” means a Class Member who timely submits a valid Proof of Claim and Release form to the Claims Administrator that is accepted for payment by the Court.

(b) “Alternative Judgment” means a form of final judgment that may be entered by the Court herein but in a form other than the form of Judgment provided for in this Stipulation and where none of the Parties hereto elect to terminate this Settlement by reason of such variance.

(c) “Claims Administrator” means the firm to be retained by Lead Counsel, subject to Court approval, to provide all notices approved by the Court to Class Members, process Proofs of Claim and administer the Settlement.

(d) “Class” means all persons and entities that purchased or otherwise acquired the publicly traded common stock of K12 from September 9, 2009 through December 12, 2011, inclusive, and who were damaged thereby. Excluded from the Class are: Defendants; members of the immediate family of Messrs. Packard or Hawks; any person who was an officer or director of K12 during the Class Period; any firm, trust, corporation, officer, or other entity in which any Defendant has or had a controlling interest; Defendants’ directors’ and officers’ liability insurance carrier, and any affiliates or subsidiaries thereof; and the legal representatives, agents, affiliates, heirs, successors-in-interest, or assigns of any such excluded party. Also excluded from the Class are any putative Class Members who timely and validly request exclusion from the Class in accordance with the requirements set forth in the Notice.

(e) “Class Member” means a Person who falls within the definition of the Class set forth above in ¶ 1(d).

(f) “Class Period” means the period from September 9, 2009 through December 12, 2011, inclusive.

(g) “Company” means K12 Inc.

(h) “Court” means the United States District Court for the Eastern District of Virginia, Alexandria Division.

(i) “Defendants” means the Company and the Individual Defendants.

(j) “Defendants’ Counsel” means the law firm of Latham & Watkins LLP.

(k) “Distribution Order” means an order of the Court approving the Claims Administrator’s administrative determinations concerning the acceptance and rejection of the claims submitted and approving any fees and expenses not previously paid, including the fees and expenses of the Claims Administrator and, if the Effective Date has occurred, directing payment of the Net Settlement Fund to Authorized Claimants.

(l) “Effective Date” means the date upon which the Settlement shall become effective, as set forth in ¶ 37 below.

(m) “Escrow Account” means the separate interest-bearing escrow account at a banking institution designated by Lead Counsel into which the Settlement Amount is to be deposited for the benefit of the Class. The Escrow Account shall be controlled solely by Lead Counsel.

(n) “Escrow Agent” means Lead Counsel.

(o) “Final,” with respect to a court order, including the Judgment, means the later of: (i) if there is an appeal from the order, the date of final affirmance on appeal and the expiration of the time for any further judicial review whether by appeal, reconsideration or a petition for a *writ of certiorari* and, if *certiorari* is granted, the date of final affirmance of the

order following review pursuant to the grant; or (ii) the date of final dismissal of any appeal from the order or the final dismissal of any proceeding on *certiorari* to review the order; (iii) the expiration of the time for the filing or noticing of any appeal from the order, which is thirty (30) calendar days after the order is entered on the Court's docket (or, if the date for taking an appeal or seeking review of the order shall be extended beyond this time by order of the Court, by operation of law or otherwise, or if such extension is requested, the date of expiration of any extension if any appeal or review is not sought); or (iv) the expiration of the time to file a motion to alter or amend the order under Federal Rule of Civil Procedure 59(e) has passed without any such motion having been filed, or if such motion is filed, three (3) business days after the determination of that motion or appeal in such a manner as to permit the consummation of the settlement substantially in accordance with the terms and conditions of this Stipulation. In the event that the Court enters an Alternative Judgment, Final shall mean the date that such Alternative Judgment is no longer subject to appeal or review by *certiorari* or otherwise, and the time for any petition for reargument, appeal or review, by *certiorari* or otherwise, has expired. However, any appeal or proceeding seeking subsequent judicial review pertaining solely to the Plan of Allocation of the Net Settlement Fund, or to the Court's award of attorneys' fees or expenses, shall not in any way delay or affect the time set forth above for the Judgment or Alternative Judgment to become Final, or otherwise preclude the Judgment or Alternative Judgment from becoming Final.

(p) "Individual Defendants" means Ronald J. Packard and Harry T. Hawks.

(q) "Judgment" means the proposed judgment to be entered approving the Settlement substantially in the form attached hereto as Exhibit B.

(r) "Lead Counsel" means the law firm of Labaton Sucharow LLP.

(s) “Lead Plaintiff” means Arkansas Teacher Retirement System.

(t) “Litigation” means *Hoppaugh v. K12 Inc., et al.*, Civ. A. No. 1:12-cv-00103-CMH-IDD (E.D. Va.) and any consolidated actions pending in the United States District Court for the Eastern District of Virginia, Alexandria Division, before the Honorable Claude M. Hilton.

(u) “Local Counsel” means the law firm of Webster Book LLP.

(v) “Net Settlement Fund” means the Settlement Fund less: (i) Court-awarded attorneys’ fees and expenses; (ii) Notice and Administration Expenses; (iii) Taxes; and (iv) any other fees or expenses approved by the Court, including any award to Lead Plaintiff for reasonable costs and expenses (including lost wages) pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. §78u-4 (the “PSLRA”).

(w) “Notice” means the Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys’ Fees and Expenses, which is to be sent to members of the Class and, subject to approval of the Court, shall be substantially in the form attached hereto as Exhibit A-1 to Exhibit A hereto.

(x) “Notice and Administration Expenses” means all fees and expenses incurred in connection with providing notice to the Class and the administration of the Settlement, including but not limited to: (i) providing notice of the proposed Settlement by mail, publication and other means; (ii) receiving and reviewing claims; (iii) applying the Plan of Allocation; (iv) communicating with Persons regarding the proposed Settlement and claims administration process; (v) distributing the proceeds of the Settlement; and (vi) fees related to the Escrow Account and investment of the Settlement Fund.

(y) “Party” or “Parties” means Defendants and Lead Plaintiff, on behalf of themselves and the other Class Members.

(z) “Person” means an individual, corporation (including all divisions and subsidiaries), general or limited partnership, association, joint stock company, joint venture, limited liability company, professional corporation, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any other business or legal entity.

(aa) “Preliminary Approval Order” means the proposed order preliminarily approving the Settlement and directing notice to the Class of the pendency of the Litigation and of the Settlement, which, subject to the approval of the Court, shall be substantially in the form attached hereto as Exhibit A.

(bb) “Proof of Claim” means the Proof of Claim and Release form for submitting a claim, which shall be substantially in the form attached as Exhibit A-2 to Exhibit A hereto.

(cc) “Released Claims” means all claims, rights and causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, whether known or Unknown (as defined below), whether arising under federal, state, common or foreign law, that Lead Plaintiff or any other Class Member: (i) have asserted in the Litigation or (ii) could have asserted in any forum that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the complaints filed in the Litigation and that relate to the purchase or acquisition during the Class Period of the common stock of the Company. Released Claims do not include: (i) claims to enforce the Settlement; (ii)

any governmental or regulatory agency's claims asserted in any criminal or civil action against any of the Defendants; or (iii) *Staal v. Tisch*, No. 12-365 (D. Del.) and related demand letters and requests for corporate records.

(dd) "Released Defendants' Claims" means all claims, rights and causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, whether known or Unknown, whether arising under federal, state, common or foreign law, or any other law, that the Defendants or any other Released Defendant Party asserted, or could have asserted, against any of the Released Plaintiff Parties that arise out of or relate in any way to the commencement, prosecution, settlement or resolution of the Litigation or the claims against the Released Defendant Parties (other than claims to enforce the Settlement).

(ee) "Released Defendant Parties" means the Defendants and their current or former trustees, officers, directors, principals, employees, agents, partners, insurers, auditors, heirs, attorneys, predecessors, successors or assigns, parents, subsidiaries, divisions, joint ventures, general or limited partners or partnerships, limited liability companies and any trust of which any Individual Defendant is the settlor or which is for the benefit of their immediate family members.

(ff) "Released Parties" means the Released Defendant Parties and the Released Plaintiff Parties collectively.

(gg) "Released Plaintiff Parties" means Lead Plaintiff, each and every Class Member, Lead Counsel, Local Counsel, and their respective current or former trustees, officers, directors, partners, employees, contractors, auditors, principals, agents, attorneys, predecessors, successors or assigns, heirs, parents, subsidiaries, divisions, joint ventures, general or limited

partners or partnerships, insurers and limited liability companies, and any trust of which Lead Plaintiff, any Class Member, or Lead Counsel is the settlor or which is for the benefit of their immediate family members.

(hh) “Settlement” means the resolution of the Litigation as against the Defendants in accordance with the terms and provisions of this Stipulation.

(ii) “Settlement Amount” means the total principal amount of \$6,750,000 in cash.

(jj) “Settlement Fund” means: (i) \$6,750,000 in cash to be paid by or on behalf of the Defendants into the Escrow Account (as set forth in ¶ 5 below) and (ii) any earnings on any monies held in the Escrow Account.

(kk) “Settlement Hearing” means the hearing to be held by the Court to determine whether the proposed Settlement is fair, reasonable and adequate and should be approved.

(ll) “Stipulation” means this Stipulation and Agreement of Settlement.

(mm) “Summary Notice” means the Summary Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys’ Fees and Expenses for publication, which shall be substantially in the form attached as Exhibit A-3 to Exhibit A hereto.

(nn) “Taxes” means all taxes on the income of the Settlement Fund and expenses and costs incurred in connection with the taxation of the Settlement Fund (including, without limitation, interest, penalties and the expenses of tax attorneys and accountants).

(oo) “Unknown Claims” means any and all Released Claims, which the Lead Plaintiff or any other Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants’ Claims

that the Defendants or any other Released Defendant Party does not know or suspect to exist in his, her or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Released Defendants' Claims, the Parties stipulate and agree that, upon the Effective Date, Lead Plaintiff and the Defendants shall expressly, and each other Class Member and each other Released Defendant Party shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiff, the other Class Members, the Defendants or the other Released Defendant Parties may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims and the Released Defendants' Claims, but Lead Plaintiff and the Defendants shall expressly, fully, finally and forever settle and release, and each other Class Member and each other Released Defendant Party shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants' Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiff and the Defendants acknowledge, and other Class Members and each other Released Defendant Party by operation of law shall be deemed to have acknowledged, that the inclusion of

“Unknown Claims” in the definition of Released Claims and Released Defendants’ Claims was separately bargained for and was a key element of the Settlement.

SCOPE AND EFFECT OF SETTLEMENT

2. The obligations incurred pursuant to this Stipulation are, subject to approval by the Court and such approval becoming Final, in full and final disposition of the Litigation with respect to the Released Parties and any and all Released Claims and Released Defendants’ Claims.

3. By operation of the Judgment or Alternative Judgment, as of the Effective Date, Lead Plaintiff and each and every other Class Member on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Claims against each and every one of the Released Defendant Parties and shall forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Claims against any of the Released Defendant Parties.

4. By operation of the Judgment or Alternative Judgment, as of the Effective Date, the Defendants and each of their respective Released Defendant Parties, on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns by operation of the Judgment or Alternative Judgment, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Defendants’ Claims, as against each and every one of the Released Plaintiff Parties and shall forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Defendants’ Claims against any of the Released Plaintiff Parties.

THE SETTLEMENT CONSIDERATION

5. In full settlement of the claims asserted in the Litigation against the Defendants and in consideration of the releases specified in ¶¶ 3-4, above, Defendants shall cause to be paid the sum of \$6,750,000 in cash (the “Settlement Amount”) on or before fifteen (15) business days of entry of the Preliminary Approval Order, provided Lead Counsel shall provide to Defendants’ Counsel complete and accurate payment instructions, payment address, and a completed and executed W-9 form.

6. With the sole exception of the Defendants’ obligation to cause the payment(s) into the Escrow Account as provided for in ¶ 5, the Released Defendant Parties and Defendants’ Counsel shall have no responsibility or liability with respect to the Escrow Account or the monies maintained in the Escrow Account, including, without limitation, any responsibility or liability related to any fees, Taxes, investment decisions, maintenance, supervision or distributions of any portion of the Settlement Amount.

7. Within ten (10) business days of executing this Stipulation and concurrent with the Motion for Preliminary Approval of the Settlement, the Parties will file a Stipulation of Partial Voluntary Dismissal of Lead Plaintiff’s academic performance-related claims (the “Dismissal”) in substantially the form annexed hereto as Exhibit C.

8. The Parties agree to cooperate in expeditiously seeking preliminary and final approval of the Settlement.

USE AND TAX TREATMENT OF SETTLEMENT FUND

9. The Settlement Fund shall be used: (i) to pay any Taxes; (ii) to pay Notice and Administration Expenses; (iii) to pay any attorneys’ fees and expenses awarded by the Court;

(iv) to pay any costs and expenses allowed by the PSLRA and awarded to the Lead Plaintiff by the Court; and (v) to pay claims to Authorized Claimants.

10. The Net Settlement Fund shall be distributed to Authorized Claimants as provided in ¶¶ 22-26 hereof. The Net Settlement Fund shall remain in the Escrow Account prior to the Effective Date. All funds held in the Escrow Account shall be deemed to be in the custody of the Court and shall remain subject to the jurisdiction of the Court until such time as the funds shall be disbursed or returned, pursuant to ¶ 44 of this Stipulation, and/or further order of the Court. The Escrow Agent shall invest the funds held in the Escrow Account in instruments backed by the full faith and credit of the United States Government, or fully insured by the United States Government or an agency thereof, and the proceeds of these instruments shall be reinvested as they mature in similar instruments at the then-current market rates. The Released Defendant Parties and Defendants' Counsel shall have no responsibility for, interest in, or liability whatsoever with respect to investment decisions or the actions of the Escrow Agent, or any transaction executed by the Escrow Agent.

11. After the Settlement Amount has been paid into the Escrow Account in accordance with ¶ 5 above, the Parties agree to treat the Settlement Amount, as a "qualified settlement fund" within the meaning of Treas. Reg. § 1.468B-1. In addition, Lead Counsel shall timely make, or cause to be made, such elections as necessary or advisable to carry out the provisions of this paragraph, including the "relation-back election" (as defined in Treas. Reg. § 1.468B-1) back to the earliest permitted date. Such election shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of Lead Counsel to timely and properly prepare and deliver, or cause to be prepared and delivered,

the necessary documentation for signature by all necessary parties, and thereafter take all such actions as may be necessary or appropriate to cause the appropriate filing to occur.

(a) For the purposes of Section 468B of the Internal Revenue Code of 1986, as amended, and Treas. Reg. § 1.468B promulgated thereunder, the “administrator” shall be Lead Counsel or their successors, who shall timely and properly file, or cause to be filed, all informational and other tax returns necessary or advisable with respect to the interest earned on the fund deposited in the Escrow Account (including without limitation the returns described in Treas. Reg. § 1.468B-2(k)). Such returns (as well as the election described above) shall be consistent with this subparagraph and in all events shall reflect that all taxes (including any estimated taxes, interest, or penalties) on the income earned on the funds deposited in the Escrow Account shall be paid out of such funds as provided in subparagraph (c) hereof.

(b) All Taxes shall be paid solely out of the Escrow Account. In all events, the Released Defendant Parties and Defendants’ Counsel shall have no liability or responsibility whatsoever for the Taxes or the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. In the event any Taxes are owed by any of the Released Defendant Parties on any interest earned on the funds on deposit in the Escrow Account, such amounts shall also be paid out of the Escrow Account. Any taxes or tax expenses owed on any interest earned on the Settlement Amount prior to its transfer to the Escrow Account shall be the sole responsibility of the Defendants.

(c) Taxes shall be treated as, and considered to be, a cost of administration of the Settlement and shall be timely paid, or caused to be paid, by Lead Counsel out of the Escrow Account without prior order from the Court or approval by Defendants, and Lead Counsel shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to

Authorized Claimants any funds necessary to pay such amounts (as well as any amounts that may be required to be withheld under Treas. Reg. § 1.468B-2(1)(2)). The Parties agree to cooperate with Lead Counsel, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this paragraph.

12. This is not a claims-made settlement. As of the Effective Date, Defendants shall not have any right to the return of the Settlement Fund or any portion thereof for any reason.

ATTORNEYS' FEES AND EXPENSES

13. Lead Counsel will apply to the Court for an award from the Settlement Fund of (i) attorneys' fees; and (ii) reimbursement of litigation expenses incurred in prosecuting the Litigation, plus any interest on such amounts at the same rate and for the same periods as earned by the Settlement Fund ("Fee and Expense Application"). The Defendants will take no position on the Fee and Expense Application.

14. The amount of attorneys' fees and expenses awarded by the Court is within the sole discretion of the Court. Any attorneys' fees and expenses awarded by the Court shall be paid from the Settlement Fund to Lead Counsel immediately after entry of the Order awarding such attorneys' fees and expenses, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof.

15. Any payment of attorneys' fees and litigation expenses pursuant to ¶ 14 above shall be subject to Lead Counsel's obligation to make refunds or repayments to the Settlement Fund of any paid amounts, plus accrued interest at the same net rate as is earned by the Settlement Fund, if the Settlement is terminated pursuant to the terms of this Stipulation or if, as a result of any appeal or further proceedings on remand, or successful collateral attack, the award

of attorneys' fees and/or litigation expenses is reduced or reversed by Final non-appealable court order. Lead Counsel shall make the appropriate refund or repayment in full no later than fifteen (15) business days after receiving from Defendants' Counsel notice from a court of appropriate jurisdiction of the termination of the Settlement or notice of any reduction of the award of attorneys' fees and/or litigation expenses by Final non-appealable court order.

16. With the sole exception of the Defendants making payment into the Escrow Account as provided for in ¶ 5, the Released Defendant Parties shall have no responsibility for, and no liability whatsoever with respect to, any payment to Lead Counsel that may occur at any time.

17. The Released Defendant Parties shall have no responsibility for, and no liability whatsoever with respect to, the allocation of any attorneys' fees or expenses to any other Person who may assert some claim thereto, or any fee or expense awards the Court may make in the Litigation.

18. The Released Defendant Parties shall have no responsibility for, and no liability whatsoever with respect to, any attorneys' fees, costs, or expenses incurred by or on behalf of the Class Members, whether or not paid from the Escrow Account.

19. The procedure for and the allowance or disallowance by the Court of any Fee and Expense Application are not part of the Settlement set forth in this Stipulation, and are separate from the Court's consideration of the fairness, reasonableness and adequacy of the Settlement set forth in the Stipulation, and any order or proceeding relating to any Fee and Expense Application, including an award of attorneys' fees in an amount less than the amount requested by Lead Counsel, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of

the Judgment or Alternative Judgment approving the Stipulation and the Settlement set forth herein, including, but not limited to, the release, discharge, and relinquishment of the Released Claims against the Released Defendant Parties, or any other orders entered pursuant to the Stipulation.

ADMINISTRATION EXPENSES

20. Except as otherwise provided herein, the Settlement Fund shall remain in escrow pending: (i) final approval of the Settlement by the Court, (ii) the expiration of all rights of appeal of the Judgment or Alternative Judgment; and (iii) the final denial of any and all appeals or objections or collateral attacks or challenges to the Settlement.

21. Prior to the Effective Date, without further approval from the Defendants or further order of the Court, Lead Counsel may expend up to \$250,000 from the Settlement Fund to pay the Notice and Administration Expenses actually incurred. Such costs and expenses shall include, without limitation, the actual costs of publication, printing and mailing the Notice, reimbursements to nominee owners for forwarding the Notice to their beneficial owners, the administrative expenses incurred and fees charged by the Claims Administrator in connection with providing Notice and processing the submitted claims, and the fees, if any, related to the Escrow Account and the investment of the Settlement Fund. After the Effective Date, without further approval of the Defendants or further order of the Court, Notice and Administration Expenses may be paid as incurred.

DISTRIBUTION TO AUTHORIZED CLAIMANTS

22. Lead Counsel will apply to the Court for a Distribution Order, on notice to Defendants' Counsel, approving the Claims Administrator's administrative determinations

concerning the acceptance and rejection of the claims submitted herein, and, if the Effective Date has occurred, directing the payment of the Net Settlement Fund to Authorized Claimants.

23. The Claims Administrator shall administer the Settlement under Lead Counsel's supervision and subject to the jurisdiction of the Court. Except as stated in ¶¶ 22, 28, and 44 hereof, the Released Defendant Parties and Defendants' Counsel shall have no responsibility for, interest in, or liability whatsoever with respect to the administration of the Settlement or the actions or decisions of the Claims Administrator, and shall have no liability to the Class in connection with such administration.

24. The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's Recognized Loss, as defined in the Plan of Allocation of Net Settlement Fund (the "Plan of Allocation") included in the Notice, or in such other plan of allocation as the Court may approve.

25. The Defendants will take no position with respect to the Plan of Allocation. The Plan of Allocation is a matter separate and apart from the proposed Settlement between Lead Plaintiff and the Defendants, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement. The Plan of Allocation is not a necessary term of this Stipulation and it is not a condition of this Stipulation that any particular plan of allocation be approved by the Court. Lead Plaintiff and Lead Counsel may not cancel or terminate the Stipulation or the Settlement in accordance with ¶¶ 38-41 or otherwise based on the Court's or any appellate court's ruling with respect to the Plan of Allocation or any plan of allocation in the Litigation. The Released Defendant Parties and Defendants' Counsel shall have no responsibility or liability for reviewing or challenging claims, the allocation of the Net Settlement Fund, or the distribution of the Net Settlement Fund.

26. If there is any balance remaining in the Net Settlement Fund after six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise), Lead Counsel shall, if feasible and economical, reallocate such balance among Authorized Claimants who have cashed their checks in an equitable and economic fashion. Any balance which still remains in the Net Settlement Fund, after payment of administrative costs, Taxes, if any, shall be contributed to non-sectarian not-for-profit charitable organizations serving the public interest, designated by Lead Plaintiff and Lead Counsel.

ADMINISTRATION OF THE SETTLEMENT

27. Any member of the Class who fails to timely submit a valid Proof of Claim (substantially in the form of Exhibit A-2 to Exhibit A hereto) will not be entitled to receive any of the proceeds from the Net Settlement Fund, except as otherwise ordered by the Court, but will otherwise be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment or Alternative Judgment to be entered in the Litigation and the releases provided for herein, and will be barred from bringing any action against the Released Defendant Parties concerning the Released Claims.

28. Lead Counsel shall be responsible for supervising the administration of the Settlement and disbursement of the Net Settlement Fund by the Claims Administrator. Lead Counsel shall have the right, but not the obligation, to advise the Claims Administrator to waive what Lead Counsel deem to be *de minimis* or formal or technical defects in any Proofs of Claim submitted. The Company shall use its best efforts to provide to Lead Counsel, or the Claims Administrator, at no cost, a list in electronic searchable form of the names and last known addresses of the Persons who purchased or otherwise acquired the common stock of the Company during the Class Period within fourteen (14) calendar days after execution of the

Stipulation. Except for the Company's obligations arising under ¶ 5 and this paragraph, the Released Defendant Parties and Defendants' Counsel shall have no liability, obligation or responsibility for the administration of the Settlement, the allocation of the Net Settlement Fund or reviewing or challenging of claims of members of the Class. Lead Counsel shall be solely responsible for designating the Claims Administrator, subject to approval by the Court.

29. For purposes of determining the extent, if any, to which a Class Member shall be entitled to be treated as an Authorized Claimant, the following conditions shall apply:

(a) Each Class Member shall be required to submit a Proof of Claim, substantially in the form attached hereto as Exhibit A-2 to Exhibit A, supported by such documents as are designated therein, including proof of the claimant's loss, or such other documents or proof as the Claims Administrator or Lead Counsel, in their discretion, may deem acceptable;

(b) All Proofs of Claim must be submitted by the date set by the Court in the Preliminary Approval Order and specified in the Notice, unless such deadline is extended by Lead Counsel in their discretion, or by Order of the Court. Any Class Member who fails to submit a Proof of Claim by such date shall be barred from receiving any distribution from the Net Settlement Fund or payment pursuant to this Stipulation (unless, by Order of the Court or the discretion of Lead Counsel, late-filed Proofs of Claim are accepted), but shall in all other respects be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment and the releases provided for herein, and will be permanently barred and enjoined from bringing any action, claim or other proceeding of any kind against any Released Party concerning any Released Claim or Released Defendants' Claims. Provided that it is received before the motion for the Distribution Order is filed, a Proof of Claim shall be deemed

to be submitted when mailed, if received with a postmark on the envelope and if mailed by first-class or overnight U.S. Mail and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator;

(c) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, under the supervision of Lead Counsel, who shall determine in accordance with this Stipulation the extent, if any, to which each claim shall be allowed, subject to review by the Court pursuant to subparagraph (e) below;

(d) Proofs of Claim that do not meet the submission requirements may be rejected. Prior to rejecting a Claim in whole or in part, the Claims Administrator shall communicate with the claimant in writing to give the claimant the chance to remedy any curable deficiencies in the Proof of Claim submitted. The Claims Administrator, under supervision of Lead Counsel, shall notify, in a timely fashion and in writing, all claimants whose claims the Claims Administrator proposes to reject in whole or in part for curable deficiencies, setting forth the reasons therefor, and shall indicate in such notice that the claimant whose claim is to be rejected has the right to a review by the Court if the claimant so desires and complies with the requirements of subparagraph (e) below;

(e) If any claimant whose claim has been rejected in whole or in part desires to contest such rejection, the claimant must, within twenty (20) calendar days after the date of mailing of the notice required in subparagraph (d) above, serve upon the Claims Administrator a notice and statement of reasons indicating the claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a

dispute concerning a Claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court; and

(f) The administrative determinations of the Claims Administrator accepting and rejecting disputed claims shall be presented to the Court, on notice to Defendants' Counsel, for approval by the Court in the Distribution Order.

30. Each claimant who submits a Proof of Proof of Claim shall be deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to the claimant's status as a Class Member and the validity and amount of the claimant's claim. In connection with processing the Proofs of Claim, no discovery shall be allowed on the merits of the Litigation or the Settlement.

31. Payment pursuant to the Distribution Order shall be deemed final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment or Alternative Judgment to be entered in the Litigation and the releases provided for herein, and will be barred from bringing any action against the Released Defendant Parties concerning the Released Claims.

32. All proceedings with respect to the administration, processing and determination of claims described by ¶¶ 22-34 of this Stipulation and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court, but shall not in any event delay or affect the finality of the Judgment or Alternative Judgment.

33. No Person shall have any claim of any kind against the Released Defendant Parties or their counsel with respect to the matters set forth in this Section or any of its subsections.

34. No Person shall have any claim against Lead Plaintiff or Lead Counsel, or the Claims Administrator, or other agent designated by Lead Counsel, based on the distributions made substantially in accordance with this Stipulation and the Settlement contained herein, the Plan of Allocation, or further order(s) of the Court.

TERMS OF THE PRELIMINARY APPROVAL ORDER

35. Concurrently with their application for preliminary Court approval of the Settlement contemplated by this Stipulation and promptly after execution of this Stipulation, Lead Counsel and Defendants' Counsel shall jointly apply to the Court for entry of the Preliminary Approval Order, which shall be substantially in the form annexed hereto as Exhibit A. The Preliminary Approval Order will, *inter alia*, set the date for the Settlement Hearing and prescribe the method for giving notice of the Settlement to the Class.

TERMS OF THE JUDGMENT

36. If the Settlement contemplated by this Stipulation is approved by the Court, Lead Counsel and Defendants' Counsel shall jointly request that the Court enter a Judgment substantially in the form annexed hereto as Exhibit B.

EFFECTIVE DATE OF SETTLEMENT, WAIVER OR TERMINATION

37. The Effective Date of this Settlement shall be the date when all of the following shall have occurred:

(a) entry of the Preliminary Approval Order, which shall be in all material respects substantially in the form set forth in Exhibit A annexed hereto;

- (b) payment of the Settlement Amount into the Escrow Account;
- (c) entry of the Dismissal;
- (d) approval by the Court of the Settlement, following notice to the Class and a hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure; and
- (e) a Judgment, which shall be in all material respects substantially in the form set forth in Exhibit B annexed hereto, has been entered by the Court and has become Final; or in the event that an Alternative Judgment has been entered, that judgment has become Final.

38. The Defendants and Lead Plaintiff shall have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so (“Termination Notice”), through counsel, to all other Parties hereto within thirty (30) calendar days of: (a) the Court’s final refusal to enter the Preliminary Approval Order in any material respect; (b) the Court’s final refusal to approve this Stipulation or any material part of it; (c) the Court’s final refusal to enter the Judgment in any material respect or an Alternative Judgment; or (d) the date upon which the Judgment or Alternative Judgment is modified or reversed in any material respect by the United States Court of Appeals or the Supreme Court of the United States.

39. Simultaneously herewith, Defendants’ Counsel and Lead Counsel are executing a Supplemental Agreement Regarding Requests for Exclusion (“Supplemental Agreement”). The Supplemental Agreement sets forth certain conditions under which the Defendants shall have the option, which must be exercised unanimously, to terminate the Settlement and render this Stipulation null and void in the event that requests for exclusion from the Class exceed certain agreed-upon criteria (the “Opt-Out Threshold”). The Parties agree to maintain the confidentiality of the Opt-Out Threshold in the Supplemental Agreement, which shall not be filed with the Court unless a dispute arises as to its terms, or as otherwise ordered by the Court,

nor shall the Supplemental Agreement otherwise be disclosed unless required by the Court. If submission of the Supplemental Agreement is required for resolution of a dispute or is otherwise ordered by the Court, the Parties will undertake to have the Opt-Out Threshold submitted to the Court *in camera*.

40. In the event of a termination of this Settlement pursuant to the Supplemental Agreement, this Stipulation shall become null and void and of no further force and effect, with the exception of the provisions of ¶¶ 43-45 which shall continue to apply.

41. In addition to all of the rights and remedies that Lead Plaintiff and Lead Counsel have under the terms of this Stipulation, they shall also have the right to terminate the Settlement in the event that the Defendants do not pay, or cause to be paid, the Settlement Amount as provided in ¶ 5 above, by providing written notice of their election to terminate to all other Parties to this Stipulation and, thereafter, the Defendants fail to pay the Settlement Amount within fourteen (14) calendar days of such written notice.

42. If an option to withdraw from and terminate this Stipulation and Settlement arises under any of ¶¶ 38-41 above: (i) neither the Defendants nor Lead Plaintiff will be required for any reason or under any circumstance to exercise that option; and (ii) any exercise of that option shall be made in good faith, but in the sole and unfettered discretion of the Defendants or Lead Plaintiff, as applicable.

43. Except as otherwise provided herein, in the event the Settlement is terminated or fails to become effective for any reason, then: the Settlement shall be without prejudice, and none of its terms, including, but not limited to, the Stipulation of Partial Voluntary Dismissal with Prejudice and any order effectuating such stipulation, shall be effective or enforceable except as specifically provided herein; the Parties to this Stipulation shall be deemed to have

reverted to their respective litigation positions in the Litigation on February 1, 2013 and, except as otherwise expressly provided, the Parties in the Litigation shall proceed in all respects as if this Stipulation and any related orders had not been entered. In such event, the fact and terms of the agreement in principle, this Stipulation or any aspect of the negotiations leading to this Stipulation, shall not be admissible in this or other litigation and shall not be used by Lead Plaintiff against the Defendants or by the Defendants against Lead Plaintiff in any court filings, depositions, at trial or otherwise.

44. If the Settlement fails to become effective as defined herein or is terminated pursuant to the provisions of ¶¶ 38-41 above, any portion of the Settlement Amount previously paid by the Defendants, together with any interest earned thereon, less any Taxes paid or due, less Notice and Administration Expenses actually incurred and paid or payable from the Settlement Amount shall be returned to the Defendants within ten (10) business days after written notification of such event. At the request of Defendants' Counsel, the Escrow Agent or its designee shall apply for any tax refund owed on the amounts in the Escrow Account and pay the proceeds, after any deduction of any fees or expenses incurred in connection with such application(s), for refund to the Defendants.

NO ADMISSION OF WRONGDOING

45. Except as set forth in ¶ 46 below, this Stipulation, whether or not consummated, and any negotiations, proceedings or agreements relating to the Stipulation, the Settlement, and any matters arising in connection with settlement negotiations, proceedings, or agreements, shall not be offered or received against the Defendants for any purpose, and in particular:

(a) do not constitute, and shall not be offered or received against the Defendants as evidence of, or construed as, or deemed to be evidence of any presumption,

concession or admission by the Defendants with respect to the truth of any fact alleged by Lead Plaintiff and the Class or the validity of any claim that has been or could have been asserted in the Litigation or in any litigation, including but not limited to the Released Claims, or of any liability, damages, negligence, fault or wrongdoing of the Defendants;

(b) do not constitute, and shall not be offered or received against the Defendants as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by the Defendants, or against Lead Plaintiff or any other members of the Class as evidence of any infirmity in the claims of Lead Plaintiff or the other members of the Class;

(c) do not constitute, and shall not be offered or received against the Defendants or against Lead Plaintiff or any other members of the Class, as evidence of a presumption, concession or admission with respect to any liability, damages, negligence, fault, infirmity or wrongdoing, or in any way referred to for any other reason against any of the Parties to this Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation;

(d) do not constitute, and shall not be construed against the Defendants, Lead Plaintiff or any other members of the Class, as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial;

(e) do not constitute, and shall not be construed as or received in evidence as, an admission, concession or presumption against Lead Plaintiff or any other members of the Class or any of them (except as specified in the Dismissal in the event the Settlement becomes

effective) or that damages recoverable under the Complaint would not have exceeded the Settlement Amount.

46. The Defendants may file this Stipulation and/or the Judgment or Alternative Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good-faith settlement, judgment bar or reduction, or any theory of claim preclusion or issue preclusion or similar defense or counterclaim, or to effectuate the liability protection granted them under any applicable insurance policies. The Parties may file this Stipulation and/or the Judgment or Alternative Judgment in any action that may be brought to enforce the terms of this Stipulation and/or the Judgment or Alternative Judgment. All Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

MISCELLANEOUS PROVISIONS

47. All of the exhibits to the Stipulation, except any Plan of Allocation, to the extent incorporated in those exhibits, are material and integral parts hereof and are fully incorporated herein by this reference.

48. The Parties to this Stipulation intend the Settlement of the Litigation to be the full, final and complete resolution of all claims asserted or which could have been asserted by the Parties with respect to the Released Claims and Released Defendants' Claims. Accordingly, Lead Plaintiff and the Defendants agree not to assert in any forum that the Litigation was brought, prosecuted or defended in bad faith or without a reasonable basis. The Parties agree that each has complied fully with Rule 11 of the Federal Rules of Civil Procedure in connection with the maintenance, prosecution, defense and settlement of the Litigation. The Defendants and Lead Plaintiff agree that the amount paid and the other terms of the Settlement were negotiated at

arm's length in good faith by the Defendants and Lead Plaintiff, and their respective counsel, and reflect a settlement that was reached voluntarily based upon adequate information and after consultation with experienced legal counsel.

49. This Stipulation may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Parties hereto or their successors.

50. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

51. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court, and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of attorneys' fees and any expenses and implementing and enforcing the terms of this Stipulation.

52. Unless ordered by a Court, no Settling Party or counsel shall disseminate, refer to, or otherwise distribute to any third party any information regarding the negotiation of the Settlement between the Parties, or any information or documents they obtained from another Settling Party in connection with the Settlement, except as necessary in connection with this Stipulation or Court approval of the Settlement, or as the Parties may otherwise agree, or as may be required by applicable securities or other law.

53. The waiver by one Settling Party of any breach of this Stipulation by any other Settling Party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

54. This Stipulation, its exhibits and the Supplemental Agreement constitute the entire agreement among the Parties hereto concerning the Settlement of the Litigation as against the Defendants, and no representations, warranties, or inducements have been made by any party

hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

55. Nothing in the Stipulation, or the negotiations relating thereto, is intended to or shall be deemed to constitute a waiver of any applicable privilege or immunity, including, without limitation, attorney-client privilege, joint defense privilege, or work product protection.

56. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument provided that counsel for the Parties to this Stipulation shall exchange among themselves original signed counterparts. Signatures sent by facsimile or pdf'd via e-mail shall be deemed originals.

57. This Stipulation shall be binding when signed, but the Settlement shall be effective only on the condition that the Effective Date occurs.

58. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties hereto.

59. The construction, interpretation, operation, effect and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the internal laws of the State of Virginia without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

60. This Stipulation shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Parties, it being recognized that it is the result of arm's-length negotiations among the Parties, and all Parties have contributed substantially and materially to the preparation of this Stipulation.

61. Lead Counsel, on behalf of the Class Members, warrants and represents that it is expressly authorized by Lead Plaintiff to take all appropriate action required or permitted to be taken by the Class Members pursuant to the Stipulation to effectuate its terms and also is expressly authorized by Lead Plaintiff to enter into any modifications or amendments to the Stipulation on behalf of the Class Members that it deems appropriate.

62. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so, and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

63. Lead Counsel and Defendants' Counsel agree to cooperate fully with one another in seeking Court approval of the Preliminary Approval Order, the Stipulation and the Settlement and in consummating the Settlement in accordance with its terms, and to promptly agree upon and execute all such other documentation as reasonably may be required to obtain final approval by the Court of the Settlement.

64. Except as otherwise provided herein, each party shall bear its own costs.

IN WITNESS WHEREOF, the Parties hereto have caused this Stipulation to be executed, by their duly authorized attorneys, as of March 4, 2013.

LABATON SUCHAROW LLP

A handwritten signature in blue ink, appearing to read 'Jonathan Gardner', is written over a horizontal line.

Jonathan Gardner
Mark S. Goldman
140 Broadway
New York, New York 10005
Tel: (212) 907-0700
Fax: (212) 818-0477

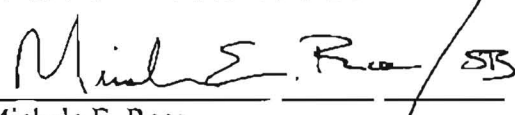
Lead Counsel for the Class

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Steven T. Webster
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Local Counsel for the Class

LATHAM & WATKINS LLP

A handwritten signature in black ink, appearing to read "Michele E. Rose", followed by a horizontal line and a large, stylized "S" or "B" mark.

Michele E. Rose
Kevin H. Metz
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*Attorneys for Defendants K12 Inc., Ronald
J. Packard, and Harry T. Hawks*

Exhibit A

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

DAVID HOPPAUGH, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

VS.

K12 INC., RONALD J. PACKARD, and
HARRY T. HAWKS,

Defendants.

Civ. A. No. 1:12-cv-00103-CMH-IDD

JURY TRIAL DEMANDED

CLASS ACTION

**[PROPOSED] PRELIMINARY
APPROVAL ORDER PROVIDING
FOR NOTICE AND HEARING IN
CONNECTION WITH PROPOSED
CLASS ACTION SETTLEMENT**

WHEREAS, as of March 4, 2013, Arkansas Teacher Retirement System (“Lead Plaintiff” or “Arkansas”), on behalf of itself and the Class, and the Defendants¹ entered into a Stipulation and Agreement of Settlement (the “Stipulation”) in the above-titled litigation (the “Litigation”), which is subject to review under Rule 23 of the Federal Rules of Civil Procedure and which, together with the exhibits thereto, sets forth the terms and conditions of the proposed settlement of the claims alleged in the Litigation against the Defendants on the merits and with prejudice (the “Settlement”); and the Court having read and considered the Stipulation and the accompanying exhibits; and the Parties to the Stipulation having consented to the entry of this Order; and all capitalized terms used in this Order that are not otherwise defined herein having the meanings defined in the Stipulation;

NOW, THEREFORE, IT IS HEREBY ORDERED, this _____ day of _____,
2013 that:

¹ The Defendants are: K12 Inc. (“K12” or the “Company”); Ronald J. Packard; and Harry T. Hawks.

1. The Court has reviewed the Stipulation and preliminarily finds the Settlement set forth therein to be fair, reasonable and adequate, subject to further consideration at the Settlement Hearing described below.

2. Pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure, the Court hereby certifies the Litigation as a class action on behalf of all Persons that purchased or otherwise acquired the publicly traded common stock of K12 from September 9, 2009 through December 12, 2011, inclusive, (the “Class Period”) and who were damaged thereby (the “Class”). Excluded from the Class are: Defendants; members of the immediate family of Messrs. Packard or Hawks; any person who was an officer or director of K12 during the Class Period; any firm, trust, corporation, officer, or other entity in which any Defendant has or had a controlling interest; Defendants’ directors’ and officers’ liability insurance carrier, and any affiliates or subsidiaries thereof; and the legal representatives, agents, affiliates, heirs, successors-in-interest, or assigns of any such excluded party. Also excluded from the Class are any proposed Class Members who properly exclude themselves by filing a valid and timely request for exclusion in accordance with the requirements set forth in the Notice.

3. The Court finds and concludes that the prerequisites of class action certification under Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure have been satisfied for the Class defined herein, in that:

- (a) the members of the Class are so numerous that joinder of all Class Members is impracticable;
- (b) there are questions of law and fact common to the Class Members;
- (c) the claims of Lead Plaintiff are typical of the Class’s claims;

(d) Lead Plaintiff and Lead Counsel have fairly and adequately represented and protected the interests of the Class;

(e) the questions of law and fact common to Class Members predominate over any individual questions; and

(f) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering that the claims of Class Members in the Litigation are substantially similar and would, if tried, involve substantially identical proofs and may therefore be efficiently litigated and resolved on an aggregate basis as a class action; the amounts of the claims of many of the Class Members are too small to justify the expense of individual actions; and it does not appear that there is any interest among Class Members in individually controlling the litigation of their claims.

4. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, Lead Plaintiff is certified as Class Representative for the Class. The law firm of Labaton Sucharow LLP is appointed Class Counsel for the Class and the law firm of Webster Book LLP is appointed Liaison Counsel for the Class.

5. A hearing (the “Settlement Hearing”) pursuant to Rule 23(e) of the Federal Rules of Civil Procedure is hereby scheduled to be held before the Court on _____, 2013, at ____:_____.m. for the following purposes:

(a) to determine whether the proposed Settlement is fair, reasonable and adequate, and should be approved by the Court;

(b) to determine whether the proposed Final Order and Judgment (“Judgment”) as provided under the Stipulation should be entered, and to determine whether the

release by the Class of the Released Claims, as set forth in the Stipulation, should be provided to the Released Defendant Parties;

(c) to determine, whether the Class should be finally certified; whether Lead Plaintiff should be finally certified as Class Representative for the Class; and whether the law firms of Labaton Sucharow LLP and Webster Brook LLP should be finally appointed as, respectively, Class Counsel and Liaison Counsel for the Class;

(d) to determine whether the proposed Plan of Allocation for the proceeds of the Settlement is fair and reasonable and should be approved by the Court;

(e) to consider Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses (which may include an application for an award to Lead Plaintiff for reimbursement of its reasonable costs and expenses directly related to its representation of the Class, pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA")); and

(f) to rule upon such other matters as the Court may deem appropriate.

6. The Court reserves the right to approve the Settlement with or without modification and with or without further notice to the Class of any kind. The Court further reserves the right to enter the Judgment approving the Settlement regardless of whether it has approved the Plan of Allocation or awarded attorneys' fees and/or expenses. The Court may also adjourn the Settlement Hearing or modify any of the dates herein without further notice to members of the Class.

7. The Court approves the form, substance and requirements of the Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys' Fees and

Expenses (the “Notice”) and the Proof of Claim and Release Form (“Proof of Claim”), substantially in the forms annexed hereto as Exhibits 1 and 2, respectively.

8. The Court approves the retention of GCG, Inc. as the Claims Administrator. The Claims Administrator shall cause the Notice and the Proof of Claim, substantially in the forms annexed hereto, to be mailed, by first-class mail, postage prepaid, on or before ten (10) business days after the date of entry of this Order (“Notice Date”), to all Class Members who can be identified with reasonable effort. K12, to the extent it has not already done so, shall use its best efforts to obtain and provide to Lead Counsel, or the Claims Administrator, at no cost to Lead Plaintiff, Lead Counsel, the Class or the Claims Administrator: a list, in electronic searchable form, of the name and last known address of all persons and entities who were shareholders of record during the Class Period, no later than five (5) business days after entry of this Order.

9. The Claims Administrator shall use reasonable efforts to give notice to nominee purchasers such as brokerage firms and other persons or entities who purchased or otherwise acquired the publicly traded common stock of K12 during the Class Period as record owners but not as beneficial owners. Such nominee purchasers are directed, within seven (7) calendar days of their receipt of the Notice, to either (i) provide the Claims Administrator with lists of the names and last known addresses of the beneficial owners, and the Claims Administrator is ordered to send the Notice and Proof of Claim promptly to such identified beneficial owners by first-class mail, or (ii) request additional copies of the Notice and Proof of Claim, and within seven (7) calendar days of receipt of such copies send them by first-class mail directly to the beneficial owners. Nominee purchasers who elect to send the Notice and Proof of Claim to their beneficial owners shall also send a statement to the Claims Administrator confirming that the mailing was made as directed. Additional copies of the Notice shall be made available to any

record holder requesting such for the purpose of distribution to beneficial owners, and such record holders shall be reimbursed from the Settlement Fund, after receipt by the Claims Administrator of proper documentation, for their reasonable expenses actually incurred in sending the Notices and Proofs of Claim to beneficial owners.

10. Lead Counsel shall, at or before the Settlement Hearing, file with the Court proof of mailing of the Notice and Proof of Claim.

11. The Court approves the form of the Summary Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys' Fees and Expenses ("Summary Notice") substantially in the form annexed hereto as Exhibit 3, and directs that Lead Counsel shall cause the Summary Notice to be published in *Investor's Business Daily* and transmitted over *PR Newswire* within fourteen (14) calendar days of the Notice Date. Lead Counsel shall, at or before the Settlement Hearing, file with the Court proof of publication of the Summary Notice.

12. The form and content of the notice program described herein, and the methods set forth herein of notifying the Class of the Settlement and its terms and conditions, meet the requirements of Rule 23 of the Federal Rules of Civil Procedure, Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7), as amended by the PSLRA, and due process, constitute the best notice practicable under the circumstances, and shall constitute due and sufficient notice to all persons and entities entitled thereto.

13. In order to be eligible to receive a distribution from the Net Settlement Fund, in the event the Settlement is effected in accordance with the terms and conditions set forth in the Stipulation, each Class Member shall take the following actions and be subject to the following conditions:

(a) A properly executed Proof of Claim, substantially in the form annexed hereto as Exhibit 2, must be submitted to the Claims Administrator, at the address indicated in the Notice, postmarked no later than 120 calendar days after the Notice Date. Such deadline may be further extended by Court Order or by Lead Counsel in their discretion. Each Proof of Claim shall be deemed to have been submitted when postmarked (if properly addressed and mailed by first-class mail, postage prepaid) provided such Proof of Claim is actually received prior to the motion for an order of the Court approving distribution of the Net Settlement Fund. Any Proof of Claim submitted in any other manner shall be deemed to have been submitted when it was actually received at the address designated in the Notice. Any Class Member who does not timely submit a Proof of Claim within the time provided for shall be barred from sharing in the distribution of the Net Settlement Fund, unless otherwise ordered by the Court.

(b) The Proof of Claim submitted by each Class Member must satisfy the following conditions, unless otherwise ordered by the Court: (i) it must be properly completed, signed and submitted in a timely manner in accordance with the provisions of the preceding subparagraph; (ii) it must be accompanied by adequate supporting documentation for the transactions reported therein, in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional information found in a broker confirmation slip, or such other documentation as is deemed adequate by Lead Counsel; (iii) if the person executing the Proof of Claim is acting in a representative capacity, a certification of her current authority to act on behalf of the Class Member must be included in the Proof of Claim; and (iv) the Proof of Claim must be complete and contain no material deletions or modifications of any of the printed matter contained therein and must be signed under penalty of perjury.

(c) As part of the Proof of Claim, each Class Member shall submit to the jurisdiction of the Court with respect to the claim submitted.

14. Class Members shall be bound by all orders, determinations and judgments in this Litigation, whether favorable or unfavorable, unless such Persons request exclusion from the Class in a timely and proper manner, as hereinafter provided. A Class Member wishing to make such an exclusion request shall mail the request in written form by first-class mail to the address designated in the Notice for such exclusions, such that it is received no later than forty (40) calendar days prior to the Settlement Hearing. Such request for exclusion must state the name, address and telephone number of the person seeking exclusion, that the sender requests to be “excluded from the Class in *Hoppaugh v. K12 Inc., et al*, No. 12-cv-00103-CMH (E.D. Va.)” and must be signed by such person. Such persons requesting exclusion are also directed to state: the date(s), price(s), and number(s) of shares of all purchases, acquisitions and sales of the publicly traded common stock of K12 during the Class Period. The request for exclusion shall not be effective unless it provides the required information and is made within the time stated above, or the exclusion is otherwise accepted by the Court.

15. Class Members requesting exclusion from the Class shall not be eligible to receive any payment out of the Net Settlement Fund as described in the Stipulation and Notice.

16. The Court will consider any Class Member’s objection to the Settlement, the Plan of Allocation, and/or the application for an award of attorneys’ fees or reimbursement of expenses only if such Class Member has served by hand or by mail his, her or its written objection and supporting papers such that they are received on or before forty (40) calendar days before the Settlement Hearing, upon Lead Counsel, Jonathan Gardner, Labaton Sucharow LLP, 140 Broadway, New York, NY 10005 and Defendants’ Counsel, Michele E. Rose, Esq., Latham

& Watkins LLP, 555 Eleventh Street, NW, Suite 1000, Washington, DC 20004, and has filed said objections and supporting papers with the Clerk of the Court, United States District Court for the Eastern District of Virginia, Albert V. Bryan U.S. Courthouse, 401 Courthouse Square, Alexandria, VA 22314. Any Class Member who does not make his, her or its objection in the manner provided for in the Notice shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to any aspect of the Settlement, to the Plan of Allocation, or to the request for attorneys' fees and expenses, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be entered and the releases to be given. Attendance at the hearing is not necessary; however, persons wishing to be heard orally in opposition to the approval of the Settlement, the Plan of Allocation, and/or the application for an award of attorneys' fees and other expenses are required to indicate in their written objection their intention to appear at the hearing. Persons who intend to object to the Settlement, the Plan of Allocation, and/or the application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

17. Pending final determination of whether the Settlement should be approved, Lead Plaintiff, all Class Members, and each of them, and anyone who acts or purports to act on their behalf, shall not institute, commence or prosecute any action which asserts Released Claims against the Released Defendant Parties.

18. As provided in the Stipulation, prior to the Effective Date, Lead Counsel may pay the Claims Administrator a portion of the reasonable fees and costs associated with giving notice

to the Class and the review of claims and administration of the Settlement out of the Settlement Fund without further approval from the Defendants and without further order of the Court.

19. All papers in support of the Settlement, Plan of Allocation, and Lead Counsel's request for an award of attorneys' fees and expenses shall be filed with the Court on or before sixty (60) calendar days prior to the date set herein for the Settlement Hearing. If reply papers are necessary, they are to be filed with the Court and served no later than fourteen (14) calendar days prior to the Settlement Hearing.

20. The passage of title and ownership of the Settlement Fund to the Escrow Agent in accordance with the terms and obligations of the Stipulation is approved. No person who is not a Class Member or Lead Counsel shall have any right to any portion of, or to any distribution of, the Net Settlement Fund unless otherwise ordered by the Court or otherwise provided in the Stipulation.

21. All funds held in escrow shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court until such time as such funds shall be disbursed pursuant to the Stipulation and/or further order of the Court.

22. If the Settlement fails to become effective as defined in the Stipulation or is terminated, then, in any such event, the Stipulation, including any amendment(s) thereof, except as expressly provided in the Stipulation, and this Preliminary Approval Order shall be null and void, of no further force or effect, and without prejudice to any Party, and may not be introduced as evidence or used in any actions or proceedings by any person or entity against the Parties, and the Parties shall be deemed to have reverted to their respective litigation positions in the Litigation as of February 1, 2013.

23. The Court retains exclusive jurisdiction over the Litigation to consider all further matters arising out of or connected with the Settlement.

Dated: _____, 2013

Honorable Claude M. Hilton
UNITED STATES DISTRICT JUDGE

Exhibit A-1

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

DAVID HOPPAUGH, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

K12 INC., RONALD J. PACKARD, and
HARRY T. HAWKS,

Defendants.

)
) Civ. A. No. 1:12-cv-00103-CMH-IDD
)

) JURY TRIAL DEMANDED
)

) CLASS ACTION
)

) **NOTICE OF PENDENCY OF CLASS**
) **ACTION AND PROPOSED**
) **SETTLEMENT AND MOTION FOR**
) **ATTORNEYS' FEES AND EXPENSES**
)
)
)

**IF YOU PURCHASED OR OTHERWISE ACQUIRED THE PUBLICLY TRADED
COMMON STOCK OF K12 INC. ("K12" OR THE "COMPANY") DURING THE
PERIOD FROM SEPTEMBER 9, 2009 THROUGH DECEMBER 12, 2011, INCLUSIVE,
(THE "CLASS PERIOD") YOU MAY BE ELIGIBLE FOR A PAYMENT FROM A
CLASS ACTION SETTLEMENT**

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

- Court-appointed lead plaintiff, Arkansas Teacher Retirement System ("Lead Plaintiff"), on behalf of the Class (as defined below), has reached a proposed settlement in the amount of \$6,750,000 in cash (the "Settlement") that will resolve all claims against K12 and Ronald J. Packard and Harry T. Hawks (the "Individual Defendants," and together with K12, the "Defendants") in this proposed class action (the "Litigation").
- The Settlement resolves claims that the Defendants allegedly misled investors about certain aspects of K12's business performance; avoids the costs and risks of continuing the Litigation, pays money to investors like you, and releases the Defendants from liability.
- This Notice explains important rights you may have, including your possible receipt of cash from the Settlement. **Your legal rights will be affected whether or not you act. Please read this Notice carefully!**

- The Court in charge of the Litigation still has to decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and after any appeals are resolved. Please be patient.

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:	
ACTIONS YOU MAY TAKE	EFFECT OF TAKING THIS ACTION
SUBMIT A CLAIM FORM NO LATER THAN _____, 2013.	The only way to get a payment.
EXCLUDE YOURSELF FROM THE CLASS NO LATER THAN _____, 2013.	Get no payment. This is the only option that allows you to ever bring or be part of any other lawsuit about the Released Claims (defined below) against Defendants and the other Released Defendant Parties (defined below).
OBJECT TO THE SETTLEMENT NO LATER THAN _____, 2013.	Write to the Court about why you do not like the Settlement, the proposed Plan of Allocation and/or the request for attorneys' fees and reimbursement of expenses. You will still be a member of the Class.
ASK TO SPEAK AT THE HEARING ON _____, 2013 AT ____:____.M., NO LATER THAN _____, 2013.	Speak in Court about the Settlement at the Settlement Hearing.
DO NOTHING	Get no payment. Remain a Class Member. Give up your rights.

SUMMARY OF THIS NOTICE

I. Description of the Litigation and the Class

This Notice relates to the proposed Settlement of a class action lawsuit against the Defendants. As explained in more detail below, the proposed Settlement, if approved by the Court, will settle claims of all persons and entities that purchased or otherwise acquired the publicly traded common stock of K12 from September 9, 2009 through December 12, 2011, inclusive, and who were damaged thereby (the "Class").

II. Statement of the Plaintiff's Recovery

Subject to Court approval, and as described more fully in on page [] below, Lead Plaintiff, on behalf of the proposed Class, has agreed to settle all claims remaining in the

Litigation related to the purchase or acquisition of the publicly traded common stock of K12 during the Class Period that were or could have been asserted against K12 in the Litigation in exchange for a payment of \$6,750,000 in cash (the “Settlement Amount”) to be deposited into an interest-bearing escrow account (the “Settlement Fund”). Based on Lead Plaintiff’s consulting damages expert’s estimate of the amount of K12’s publicly traded common stock that may have been damaged as a result of the alleged misstatements and omissions by the Defendants, and assuming that all those shares participate in the Settlement, Lead Counsel estimates that the average recovery would be approximately \$0.30 per allegedly damaged share,¹ before the deduction of Court-approved attorneys’ fees and expenses, taxes, and notice and administration costs. Class Members should note, however, that this is only an estimate based on the overall number of potentially damaged shares in the Class. Some Class Members may recover more or less than this estimated amount depending on, among other factors, when, where, and the prices at which their shares were purchased or sold. The Net Settlement Fund (the Settlement Fund less taxes, notice and administration costs, and attorneys’ fees and litigation expenses) will be distributed in accordance with a plan of allocation (the “Plan of Allocation”) approved by the Court and will determine how the Net Settlement Fund shall be allocated to the members of the Class. The proposed Plan of Allocation is included in this Notice (see page ____ below).

III. Statement of Potential Outcome of the Case

The Parties do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiff were to prevail on the claims against the Defendants. The Defendants deny all liability and that K12’s publicly traded common stock was damaged as Lead Plaintiff has alleged. The issues on which the Parties disagree include, for example: (i) the

¹ An allegedly damaged share might have been traded more than once and this average recovery would be the total for all purchasers of that share.

amount by which the prices of K12's publicly traded common shares were artificially inflated as a result of the alleged misstatements and omissions by the Defendants; (ii) the amount of any alleged damages suffered by purchasers or acquirers of K12's publicly traded common stock; (iii) the appropriate economic models for determining the amounts by which K12's publicly traded common shares were allegedly artificially inflated (if at all); and (iv) the effect of various market forces influencing the trading prices of K12's publicly traded common shares.

IV. Statement of Attorneys' Fees and Litigation Expenses Sought

Lead Counsel (as defined on page [] below) will apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not to exceed 25% of the Settlement Fund, which will include interest. In addition, Lead Counsel also will apply for the reimbursement of litigation expenses paid or incurred in connection with the prosecution and resolution of the Litigation, in an amount not to exceed \$600,000, plus interest from the date of funding at the same rate as earned by the Settlement Fund. Lead Counsel's fee and expense application may include a request for an award to Lead Plaintiff for reimbursement of its reasonable costs and expenses, including lost wages, directly related to its representation of the Class in an amount not to exceed \$10,000. If the Court approves Lead Counsel's fee and expense application in full, the average amount of fees and expenses will be approximately \$0.10 per allegedly damaged share.

V. Identification of Attorneys' Representatives

Lead Plaintiff and the Class are being represented by Labaton Sucharow LLP, the Court-appointed Lead Counsel. Any questions regarding the Settlement should be directed to Jonathan Gardner, Labaton Sucharow LLP, 140 Broadway, New York, NY 10005, Tel: (888) 219-6877, www.labaton.com, settlementquestions@labaton.com.

VI. Reasons for the Settlement

For Lead Plaintiff, the principal reason for the Settlement is the immediate benefit of a substantial cash recovery for the Class. This benefit must be compared to the risk that no recovery or a smaller recovery might be achieved after fact and expert discovery are complete, summary judgment motions are made by the Parties, and a contested trial and likely appeals are resolved, possibly years into the future. For the Defendants, who deny all allegations of liability and deny that any Class Members were damaged, the principal reason for the Settlement is to eliminate the burden, expense, uncertainty and risk of further litigation.

[END OF COVER PAGE]

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased or acquired K12's publicly traded common stock during the period from September 9, 2009 through December 12, 2011, inclusive. The Court directed that this Notice be sent to Class Members because they have a right to know about the proposed Settlement of this class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. If approved, the Settlement will end all of the Class's claims against the Defendants. The Court will consider whether to approve the Settlement at a Settlement Hearing on _____, 2013 at ____:____.m. If the Court approves the Settlement, and after any appeals are resolved and the Settlement administration is completed, the claims administrator appointed by the Court will make the payments that the Settlement allows.

The Court in charge of the case is the United States District Court for the Eastern District of Virginia, and the case is known as *Hoppaugh v. K12 Inc., et al*, No. 12-cv-00103-CMH (E.D.

Va.). This case was assigned to United States District Judge Claude M. Hilton. The persons who are suing are called “plaintiffs” and the company and the persons being sued are called “defendants.”

2. What is this lawsuit about and what has happened so far?

This Litigation began on January 30, 2012 when the first class action complaint was filed against the Defendants. On May 18, 2012, the Court issued an order appointing Lead Plaintiff and Labaton Sucharow LLP as Lead Counsel to represent the Class. The current complaint in the Litigation is the Amended Class Action Complaint, which was filed by Lead Plaintiff on June 22, 2012 (“Amended Complaint”). On _____, 2013, the Parties filed a Stipulation of Partial Voluntary Dismissal, voluntarily dismissing with prejudice certain claims asserted in the Amended Complaint.

The operative Amended Complaint, which contains the remaining claims that are being settled, generally alleges, among other things, that the Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 promulgated thereunder by making alleged misstatements and omissions and/or carrying out a common plan, scheme, and unlawful course of conduct during the Class Period in connection with the “churn” rate of students at virtual schools managed by K12. Lead Plaintiff alleges that Defendants recklessly failed to disclose high churn rates at K12 managed schools during the Class Period, which rendered the Company’s reported enrollment figures and Defendants’ statements regarding student retention false and misleading. When the truth about K12’s high student churn rates was fully disclosed before the beginning of trading on December 13, 2011, the Company’s stock price fell, allegedly damaging Class Members who purchased or acquired K12 common stock during the Class Period at artificially inflated prices.

Defendants moved to dismiss the Complaint on July 20, 2012, and briefing on the motion to dismiss was completed on August 20, 2012. On September 14, 2012, the Court issued an order denying the motion to dismiss. Discovery commenced, including the production of documents by Defendants and third-parties, which resulted in the production of over one million pages of documents. Lead Plaintiff, through Lead Counsel, conducted a thorough investigation relating to the claims, defenses, and underlying events and transactions that are the subject of the Litigation. This process included reviewing and analyzing publicly available information and data concerning K12, interviewing approximately fifty former K12 employees, and consulting with experts on education, damages and causation issues.

The Defendants deny all allegations contained in the Amended Complaint, and deny having engaged in any wrongdoing whatsoever. The Settlement should not be construed or seen as evidence of or an admission or concession on the part of any Defendant with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity or weakness in the defenses that the Defendants have asserted.

On January 8, 2013, the Parties met with former Judge Daniel Weinstein of JAMS to explore a potential negotiated resolution of the claims, however a settlement was not reached. On January 31, 2013, settlement negotiations resumed through discussions with Judge Weinstein and direct negotiations between counsel for the Parties. On February 1, 2013, the Parties reached an oral agreement for a settlement framework, as memorialized in the Stipulation.

After extensive discovery to date, Lead Plaintiff concluded that there was insufficient support for its claims relating to academic performance and educational quality, and on _____, 2013, the Parties filed a stipulation voluntarily dismissing those claims against Defendants.

The Parties entered into the Stipulation and Agreement of Settlement as of _____, 2013. On _____, 2013, the Court preliminarily approved the Settlement, authorized this Notice to be sent to potential Class Members, and scheduled the Settlement Hearing to consider whether to grant final approval to the Settlement.

The Defendants deny the claims and contentions alleged by Lead Plaintiff in this Litigation, deny any liability whatsoever, and maintain that they have meritorious defenses to all claims that were raised or could have been raised in the Litigation.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case the Lead Plaintiff on behalf of the Class) sue on behalf of people or entities, known as “Class Members,” who have similar claims. A class action allows one court to resolve in a single case many similar claims that, if brought separately by individuals, might be economically so small that they would never be brought. One court resolves the issues for all class members, except for those who exclude themselves, or “opt out,” from the Class (see page ____ below).

4. Why is there a settlement?

The Court did not decide in favor of Lead Plaintiff or the Defendants. The Settlement will end all the claims against the Defendants in the Litigation and avoid the uncertainties and costs of further litigation and any future trial. Affected investors will be eligible to get compensation immediately, rather than after the time it would take to resolve future motions to dismiss, conduct discovery, have a trial and exhaust all appeals.

The Settlement was reached after months of investigation and litigation. Lead Plaintiff, through Lead Counsel, conducted an extensive investigation of the claims, defenses and underlying events and transactions relating to the Litigation. This investigation included, among

other things, reviewing and analyzing K12's filings with the Securities and Exchange Commission (the "SEC"), securities analysts' reports, public statements by Defendants, media reports about Defendants, court records, and more than one million pages of documents produced by Defendants and third-parties. Lead Counsel also located and interviewed numerous former employees of the Company, and consulted with an experienced damages expert and an expert in the educational field. Lead Plaintiff also conducted 14 depositions of current K12 employees. Further, Lead Counsel and Lead Plaintiff participated in rigorous arm's-length negotiations and a mediation before an experienced mediator before entering into the Settlement.

Defendants have denied and continue to deny each and all of the claims and contentions alleged by Lead Plaintiff in the Litigation and deny that they are liable to the Class. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. The Settlement should not be seen as an admission or concession on the part of the Defendants about any of the claims, their fault or liability for damages.

WHO IS IN THE SETTLEMENT

<p>5. How do I know if I am part of the Settlement?</p>

The Court determined that everyone who fits the following description, and is not excluded by definition from the Class (see Question [] below), is a member of the Class, or a "Class Member," unless they take steps to exclude themselves:

any person or entity that purchased or otherwise acquired the publicly traded common stock of K12 from September 9, 2009 through December 12, 2011, inclusive, and who were damaged thereby.

Receipt of this Notice does not mean that you are a Class Member. Please check your records or contact your broker to see if you purchased or otherwise acquired K12's publicly traded common stock during the Class Period.

6. Are there exceptions to being included in the Class?

There are some people who are excluded from the Class by definition. Excluded from the Class are: Defendants; members of the immediate family of Messrs. Packard or Hawks; any person who was an officer or director of K12 during the Class Period; any firm, trust, corporation, officer, or other entity in which any Defendant has or had a controlling interest; Defendants' directors' and officers' liability insurance carriers, and any affiliates or subsidiaries thereof; and the legal representatives, agents, affiliates, heirs, successors-in-interest, or assigns of any such excluded party.

Also excluded from the Class are any proposed Class Members who properly exclude themselves by submitting a valid and timely request for exclusion in accordance with the requirements set forth in this Notice. If you do not want to be a Class Member - for example if you want to continue with or bring your own lawsuit against the Defendants at your own expense for the claims that are being released as part of the Settlement - **you must exclude yourself** by submitting a request for exclusion in accordance with the requirements explained in Question [] below.

7. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help by writing to or calling the Claims Administrator: *Hoppaugh v. K12 Inc.*, Claims Administrator, c/o GCG Inc., _____, www._____. Or you can fill out and return the Proof of Claim and Release form ("Proof of Claim") described in Question 10, to see if you qualify.

THE SETTLEMENT BENEFITS—WHAT YOU MAY RECEIVE

8. What does the Settlement provide?

In the Settlement, K12 has agreed to pay \$6,750,000 in cash, which will be deposited in an interest-bearing escrow account for the benefit of the Class (the “Settlement Fund”). The Settlement Fund will be divided, after deduction of Taxes, Court-awarded attorneys’ fees and expenses, and settlement administration costs, among all Class Members who timely submit valid Proofs of Claim that are accepted for payment by the Court (“Authorized Claimants”).

9. How much will my payment be?

The Plan of Allocation, discussed on pages [_____] below, explains how claimants’ “Recognized Claim” will be calculated. Your share of the Net Settlement Fund will depend on several things, including: (i) the quantity of K12’s publicly traded common stock you bought; (ii) how much you paid for it; (iii) when you bought it; (iv) whether or when you sold it (and, if so, for how much); and (v) the amount of claims of other Authorized Claimants.

It is unlikely that you will get a payment for your entire Recognized Claim, given the number of potential Class Members. After all Class Members have sent in their Proofs of Claim, the payment any Authorized Claimant will get will be their *pro rata* share of the Net Settlement Fund. An Authorized Claimant’s share will be his, her or its Recognized Claim divided by the total of all Authorized Claimants’ Recognized Claims and then multiplied by the total amount in the Net Settlement Fund. See the Plan of Allocation beginning on page [_____] for more information.

Once all the Proofs of Claim are processed and claims are calculated, Lead Counsel, without further notice to the Class, will apply to the Court for an order authorizing distribution of

the Net Settlement Fund to the Authorized Claimants. Lead Counsel will also ask the Court to approve payment of the Claims Administrator's fees and expenses incurred in connection with administering the Settlement that have not already been reimbursed.

HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM

10. How can I get a payment?

To qualify for a payment, you must timely send in a valid Proof of Claim with supporting documents (DO NOT SEND ORIGINALS of your supporting documents). A Proof of Claim is enclosed with this Notice. You may also get copies of the Proof of Claim on the Internet at the websites for the Claims Administrator: www._____, or Lead Counsel: www.labaton.com. Please read the instructions carefully, fill out the Proof of Claim, include all the documents the form asks for, sign it, and mail it to the Claims Administrator by First-Class Mail, **postmarked on or before _____, 2013**. *The Claims Administrator needs all of the information requested in the Proof of Claim in order to determine if you are eligible to receive a distribution from the Net Settlement Fund.*

11. When will I get my payment?

The Court will hold a hearing on _____, 2013 at __:____.m., to decide whether to, among other things, approve the Settlement and the proposed Plan of Allocation. All Proofs of Claim must be submitted to the Claims Administrator, **postmarked on or before _____, 2013**. If the Court approves the Settlement, there may still be appeals which would delay payment, perhaps for more than a year. It also takes time for all the Proofs of Claim to be processed. Please be patient.

<p>12. What am I giving up by staying in the Class?</p>

Unless you exclude yourself, you will stay in the Class, which means that as of the date that the Settlement becomes effective under the terms of the Stipulation (the “Effective Date”), you will forever give up and release all “Released Claims” (as defined below) against the “Released Defendant Parties” (as defined below). You will not in the future be able to bring a case asserting any Released Claim against the Released Defendant Parties.

“Released Claims” means all claims, rights and causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, whether known or Unknown (as defined below), whether arising under federal, state, common or foreign law, that Lead Plaintiff or any other Class Member: (i) have asserted in the Litigation or (ii) could have asserted in any forum that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the complaints filed in the Litigation and that relate to the purchase or acquisition during the Class Period of the common stock of the Company. Released Claims do not include: (i) claims to enforce the Settlement; (ii) any governmental or regulatory agency’s claims asserted in any criminal or civil action against any of the Defendants; or (iii) *Staal v. Tisch*, No. 12-365 (D. Del.) and related demand letters and requests for corporate records.

“Released Defendants’ Claims” means all claims, rights and causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, whether known or Unknown, whether arising under federal, state, common or foreign law, or any other law, that the Defendants or any other Released Defendant Party asserted, or could have asserted, against any of the Released

Plaintiff Parties that arise out of or relate in any way to the commencement, prosecution, settlement or resolution of the Litigation or the claims against the Released Defendant Parties (other than claims to enforce the Settlement).

“Released Defendant Parties” means the Defendants and their current or former trustees, officers, directors, principals, employees, agents, partners, insurers, auditors, heirs, attorneys, predecessors, successors or assigns, parents, subsidiaries, divisions, joint ventures, general or limited partners or partnerships, limited liability companies and any trust of which any Individual Defendant is the settlor or which is for the benefit of their immediate family members.

“Unknown Claims” means any and all Released Claims, which the Lead Plaintiff or any other Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants’ Claims that the Defendants or any other Released Defendant Party does not know or suspect to exist in his, her or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Released Defendants’ Claims, the Parties stipulate and agree that, upon the Effective Date, Lead Plaintiff and the Defendants shall expressly, and each other Class Member and each other Released Defendant Party shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiff, the other Class Members, the Defendants or the other Released Defendant Parties may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims and the Released Defendants' Claims, but Lead Plaintiff and the Defendants shall expressly, fully, finally and forever settle and release, and each other Class Member and each other Released Defendant Party shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants' Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiff and the Defendants acknowledge, and other Class Members and each other Released Defendant Party by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims and Released Defendants' Claims was separately bargained for and was a key element of the Settlement.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you want to keep any right you may have to sue or continue to sue the Released Defendant Parties on your own about the Released Claims, then you must take steps to exclude yourself from the Class. Excluding yourself is known as "opting out" of the Class. The Defendants may withdraw from and terminate the Settlement if potential Class Members who purchased in excess of a certain amount of K12's publicly traded common stock opt out from the Class.

13. How do I "opt out" (exclude myself) from the proposed Settlement?

To "opt out" (exclude yourself) from the Class, you must deliver or mail a signed letter by First-Class Mail stating that you "request to be excluded from the Class in *Hoppaugh v. K12*

Inc., et al, No. 12-cv-00103-CMH (E.D. Va.)” Your letter **must** provide documentation of the date(s), price(s) and number of shares of all your purchases, acquisitions and sales of K12’s publicly traded common stock during the Class Period. This information is needed to determine whether you are a Class Member. In addition, you must include your name, address, telephone number, and your signature. You must submit your request for exclusion addressed to *Hoppaugh v. K12 Inc. - EXCLUSIONS*, c/o GCG, Inc. _____. The request for exclusion must be **received on or before** _____, **2013. You cannot exclude yourself or opt out by telephone or by email.** Your request for exclusion must comply with these requirements in order to be valid. If you are excluded, you will not be eligible to get any payment from the Settlement proceeds and you cannot object to the Settlement, the proposed Plan of Allocation or the application for attorneys’ fees and reimbursement of expenses.

14. If I do not exclude myself, can I sue the Defendants and the other Released Defendant Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue the Defendants and the other Released Defendant Parties for all Released Claims. If you have a pending lawsuit, speak to your lawyer in that case **immediately**. You must exclude yourself from *this* Class to continue your own lawsuit. Remember, the exclusion deadline is _____, **2013**.

15. If I exclude myself, can I get money from the proposed Settlement?

No. If you exclude yourself, do not send in a Proof of Claim to ask for any money. But, you may exercise any right you may have to sue, continue to sue or be part of a different lawsuit against the Defendants and the other Released Defendant Parties.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The law firm of Labaton Sucharow was appointed to represent all Class Members. These lawyers are called Lead Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Lead Counsel's fees and expenses. Any fees and expenses awarded by the Court will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

Lead Counsel has not received any payment for their services in pursuing the claims against the Defendants on behalf of the Class, nor have they been reimbursed for their litigation expenses. At the Settlement Hearing described below, or at such other time as the Court may order, Lead Counsel will ask the Court to award them, from the Settlement Fund, attorneys' fees of no more than 25% of the Settlement Fund, which will include interest, and to reimburse them for their litigation expenses, such as the cost of experts, that they have incurred in pursuing the Litigation. The request for reimbursement of expenses will not exceed \$600,000, plus interest on the expenses from the date of funding at the same rate as may be earned by the Settlement Fund.

OBJECTING TO THE SETTLEMENT

18. How do I tell the Court that I do not like something about the proposed Settlement?

If you are a Class Member and do not "opt out," you can object to any part of the Settlement, the proposed Plan of Allocation, the voluntary dismissal, and/or the application by Lead Counsel for attorneys' fees and reimbursement of expenses. You must write to the Court setting out your objection, giving reasons why you think the Court should not approve any part or all of the Settlement.

To object, you must send a signed letter stating that you object to the proposed Settlement, the proposed Plan of Allocation, the voluntary dismissal, and/or the application by Lead Counsel for attorneys' fees and reimbursement of expenses in the case known as "*Hoppaugh v. K12 Inc., et al*, No. 12-cv-00103-CMH (E.D. Va.)." You must include your name, address, telephone number and your signature; provide documentation of the date(s), price(s) and number of shares of all purchases, acquisitions and sales of K12's publicly traded common stock during the Class Period; and state the reasons why you object. This information is needed to demonstrate your membership in the Class.

Unless otherwise ordered by the Court, any Class Member who does not object in the manner described in this Notice will be deemed to have waived any objection and will not be able to make any objection to the Settlement, the voluntary dismissal, the proposed Plan of Allocation, and/or the application for attorneys' fees and reimbursement of expenses in the future.

Your objection must be filed with the United States District Court for the Eastern District of Virginia by hand or by mail such that it is **received on or before** _____, **2013** at the address set forth below. You must also serve the papers on Lead Counsel and Defendants' Counsel at the addresses set forth below so that the papers are **received on or before** _____, **2013**.

COURT:

CLERK OF THE COURT
United States District Court for the
Eastern District of Virginia, Alexandria Division
Albert V. Bryan U.S. Courthouse
401 Courthouse Square
Alexandria, VA 22314

LEAD COUNSEL:

LABATON SUCHAROW LLP
Jonathan Gardner
140 Broadway
New York, New York 10005

COUNSEL FOR DEFENDANTS:

LATHAM & WATKINS LLP
Michele E. Rose, Esq.
555 Eleventh Street, NW, Suite 1000
Washington, DC 20004

19. What is the difference between objecting and requesting exclusion?

Objecting is simply telling the Court that you do not like something about the proposed Settlement. You can still recover from the Settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT HEARING

20. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Settlement Hearing at ____: _____.m. on _____, 2013, in Courtroom ____ of the United States District Court for the Eastern District of Virginia, Albert V. Bryan U.S. Courthouse, 401 Courthouse Square, Alexandria, VA 22314. At this hearing, the Court will consider whether the Settlement is fair, reasonable and adequate. The Court also will consider the proposed Plan of Allocation for the proceeds of the Settlement and the applications for attorneys' fees and reimbursement of expenses. The Court will take into

consideration any written objections filed in accordance with the instructions set out above in the answer to Question 18. We do not know how long it will take the Court to make these decisions.

You should also be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent to Class Members. If you want to come to the hearing, you should check with Lead Counsel before coming to be sure that the date and/or time has not changed.

21. Do I have to come to the hearing?

No. Lead Counsel will answer any questions the Court may have. But, you are welcome to come at your own expense. If you validly submit an objection, it will be considered by the Court. You do not have to come to Court to talk about it.

22. May I speak at the hearing and submit additional evidence?

If you file an objection, you may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (*see* Question 18 above) a statement that it is your “notice of intention to appear in *Hoppaugh v. K12 Inc., et al*, No. 12-cv-00103-CMH (E.D. Va.)” Persons who object and want to present evidence at the Settlement Hearing must also include in their written objection the identity of any witness they may call to testify and exhibits they intend to introduce at the Settlement Hearing. You cannot speak at the hearing if you excluded yourself from the Class or if you have not provided written notice of your intention to speak at the Settlement Hearing according to the procedures described above and in the answer to Question 18.

IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from this Settlement and you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants and the Released Defendant Parties about the Released Claims in this case. To be eligible to share in the Net Settlement Fund you must submit a Proof of Claim (*see* Question 10). To start, continue or be a part of any *other* lawsuit against the Defendants and the other Released Defendant Parties about the Released Claims you must exclude yourself from this Class (*see* Question 13).

GETTING MORE INFORMATION

24. Are there more details about the proposed Settlement and the lawsuit?

This Notice summarizes the proposed Settlement and voluntary dismissal of certain claims. More details regarding the proposed Settlement are in the Stipulation and Agreement of Settlement, dated as of _____, 2013 (the “Settlement Stipulation”). More details regarding the voluntary dismissal are in the Stipulation of Partial Voluntary Dismissal With Prejudice, dated as of _____, 2013 (the “Voluntary Dismissal Stipulation,” or, collectively with the Settlement Stipulation, the “Stipulations”). You may review the Stipulations filed with the Court and all documents filed in the Litigation during business hours at the Office of the Clerk of the United States District Court for the Eastern District of Virginia, Albert V. Bryan U.S. Courthouse, 401 Courthouse Square, Alexandria, VA 22314.

You also can call the Claims Administrator toll free at _____; call Lead Counsel: Labaton Sucharow at (888) 219-6877; write to *Hoppaugh v. K12 Inc.*, Claims Administrator, c/o GCG Inc., _____; or visit the websites www._____ and www.labaton.com, where you can download copies of this Notice and the Proof of Claim.

Please Do Not Call the Court or K12 With Questions About the Settlement.

PLAN OF ALLOCATION OF NET SETTLEMENT FUND

The Net Settlement Fund shall be distributed to each Class Member who timely submits a valid Proof of Claim to the Claims Administrator that is accepted for payment by the Court (“Authorized Claimant”). The Net Settlement Fund will not be distributed to Authorized Claimants until the Court has approved the Settlement and a plan of allocation, and the time for any petition for rehearing, appeal or review, whether by *certiorari* or otherwise, of the order(s) approving the Settlement and the plan of allocation has expired. The Defendants are not entitled to get back any portion of the Settlement Fund once the Effective Date of the Settlement has occurred.

The Plan of Allocation set forth herein is the plan that is being proposed by Lead Plaintiff and Lead Counsel to the Court for approval. The Court may approve this plan as proposed or it may modify the Plan of Allocation without further notice to the Class. Any orders regarding a modification of the Plan of Allocation will be posted on the settlement website, www._____.

A. Preliminary Matters

Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, Lead Counsel, or the Claims Administrator or other agent designated by Lead Counsel arising from distributions made substantially in accordance with the Stipulation, the Plan of Allocation, or further orders of the Court. Lead Plaintiff, the Defendants, their respective counsel, Lead Plaintiff’s damages expert, and all other Released Parties shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund consistent with the terms of

the Stipulation, the Plan of Allocation, or the determination, administration, calculation, or payment of any Claim Form or nonperformance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

Claimants who fail to complete and file a valid and timely Proof of Claim form shall be barred from participating in distributions from the Net Settlement Fund, unless the Court otherwise orders. Class Members who do not either submit a request for exclusion or submit a valid and timely Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Litigation.

The purpose of this Plan of Allocation is to establish a reasonable and equitable method of distributing the Net Settlement Fund among Authorized Claimants. For purposes of determining the amount an Authorized Claimant may recover under this Plan, Lead Counsel has consulted with their damages consultants and others. This Plan is intended to be generally consistent with an assessment of, among other things, the damages that Plaintiff and Lead Counsel believe could have been recovered had they prevailed at trial. The Plan is not intended to and does not exactly replicate such assessment of damages, however. Certain Class Members who may not have had recoverable damages at trial may be eligible to receive a distribution under this Plan.

Because the Net Settlement Fund is likely less than the total losses suffered by Class Members, the formulas described below for calculating Recognized Losses are not intended to estimate the amount that will actually be paid to Authorized Claimants. Rather, these formulas provide the basis on which the Net Settlement Fund will be distributed among Authorized Claimants.

A “Recognized Claim” will be calculated using the formulas set forth below for each purchase or acquisition of K12’s publicly traded common stock listed in the claim form that occurred during the Class Period and for which adequate documentation is provided. The Recognized Claim for a claimant’s transactions will be calculated by the Claims Administrator in consultation with Lead Counsel in accordance with the provisions of this Plan of Allocation, or another plan approved by the Court.

B. Additional Definitions

This Plan is based on the following principles and additional definitions (listed alphabetically), among others:

1. An “Authorized Claimant” is a Class Member who is entitled under this Plan to share in the distribution of the Net Settlement Fund and who submits a timely and valid Proof of Claim.

2. “Inflation” is the amount by which the price of K12 common stock was overvalued on each day in the Class Period because of the alleged misrepresentations and omissions.

3. “Inflation Loss” is the amount of loss calculated based on the amount of Inflation in the price of K12 common stock based on the methodology described below.

4. A “Net Trading Loss (Gain)” for each Claimant will be computed by adding up all Trading Losses and subtracting all Trading Gains for all transactions in K12 common stock by such Claimant that qualify to participate in the Plan as described herein.

5. The “PSLRA 90-Day Lookback Period” is the period of ninety calendar days beginning on the trading day following the end of the Class Period from Tuesday, December 13, 2011 through Friday, March 9, 2012 (because March 11, 2012 falls on a Sunday, the PSLRA 90-Day Lookback Price is measured through March 9, 2012).

6. The “PSLRA 90-Day Lookback Price” is the average of the closing prices for K12 common stock over the PSLRA 90-Day Lookback Period and equals \$20.90 per share.

7. A “purchase” is the acquisition of K12 common stock by any means other than a gift, inheritance, or operation of law (as discussed below) or a purchase transaction conducted for the purpose of covering a “short sale” transaction.

8. “Purchase Amount” is the Purchase Price Per Share multiplied by the number of shares of K12 common stock purchased by a Claimant during the Class Period.

9. “Purchase Price Per Share” is the amount paid per share by a Claimant to purchase shares of K12 common stock.

10. “Recognized Claim” is the amount of the Net Settlement Fund that an Authorized Claimant is entitled to after calculation of the Authorized Claimant’s *pro rata* share of the Net Settlement Fund.

11. “Recognized Loss” is the amount of a claim under this Plan and is the number used to calculate an Authorized Claimant’s Recognized Claim.

12. A “sale” is the disposition of K12 common stock by any means other than a gift, inheritance or operation of law (as discussed below) or a “short sale” transaction.

13. “Sale Price Per Share” is the amount received per share by a Claimant upon the sale of shares of K12 common stock.

14. “Sales Proceeds” equals the number of shares of K12 common stock purchased during the Class Period by a Claimant multiplied by (i) Sale Price Per Share if sold during the Class Period or the PSLRA 90-Day Lookback Period; or (ii) the PSLRA 90-Day Lookback Price of \$20.90 per share, if unsold at the end of the PSLRA 90-Day Lookback Period.

15. A “Total Inflation Loss” for each Claimant will be computed by adding up all Inflation Losses for all transactions in K12 common stock by such Claimant that qualify to participate in the Plan as described herein.

16. “Trading Gain” means the amount by which the Sales Proceeds exceeds the Purchase Amount for each transaction by a Claimant in K12 common stock.

17. “Trading Loss” means the amount by which the Purchase Amount exceeds the Sales Proceeds for each transaction by a Claimant in K12 common stock.

C. Principles

1. *Authorized Claimants:* Authorized Claimants must have purchased or otherwise acquired shares of K12 common stock between September 9, 2009 and December 12, 2011, inclusive (the “Class Period”). Further, in order for the Authorized Claimant to share in the distribution of the Net Settlement Fund, the market price of K12 common stock must have declined due to disclosure of the alleged misrepresentations and omissions. In order for an Authorized Claimant to share in the distribution, the shares of K12 common stock must have been either (a) purchased during the Class Period prior to the close of trading on November 16, 2011 (the date of the first corrective disclosure) and held until at least until the close of trading

on November 16, 2011, or (b) purchased on or after November 17, 2011 and held until at least the close of trading on December 12, 2011 (the day before the second and final corrective disclosure); and, in either case, the Authorized Claimant must have suffered a Net Trading Loss as described below.

2. *FIFO Matching*: For purposes of computing Inflation Losses, and Trading Losses (Gains) for a Claimant's multiple purchases or sales of K12 common stock, purchases will be matched to sales using the "first-in/first out" (FIFO) inventory method, which matches sales to purchases based on the dates of those transactions. Specifically, when any Proof of Claim includes a sale of shares of K12 common stock either during the Class Period or the PSLRA 90-Day Lookback Period, the earliest sale will be matched first against the Claimant's opening position on the first day of the Class Period, if any, and then matched chronologically thereafter against each purchase or acquisition during the Class Period. Sales matched to shares of K12 common stock from a Claimant's opening position are excluded from the calculation of Inflation Loss and Trading Loss (Gain). In addition, all sales prior to November 17, 2011 and purchases matched to such sales are excluded from the calculation of Inflation Loss. Note: Short sales and purchases to cover short sales (whether they occurred before, during, or after the Class Period) are not included when calculating Inflation Loss or Trading Loss (Gain).

3. *Effect of shares acquired from the exercise of call options*: K12 common stock acquired during the Class Period through the exercise of an exchange-traded call option shall be treated as a purchase of K12 common stock on the date of exercise. The purchase price paid for such stock shall be the closing price of K12 common stock on the date of exercise.

4. *Effect of shares disposed of from the exercise of put options*: K12 common stock delivered during the Class Period or the PSLRA 90-Day Lookback Period pursuant to the exercise of an exchange-traded put option shall be treated as a sale of K12 common stock on the date of exercise. The sale price received for such stock shall be the closing price of K12 common stock on the date of exercise.

5. *Treatment of acquisition of shares of K12 common stock by means of a gift, inheritance or operation of law*: If a Claimant acquired shares of K12 common stock by means of a gift, inheritance or operation of law, the purchase date for that acquisition will be the original date of purchase and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of those shares of K12 common stock. To the extent that any share of K12 common stock that was sold during the Class Period or the PSLRA 90-Day Lookback Period and was originally purchased prior to the beginning of or after the end of the Class Period, and there was no taxable event or change in cost basis at the time of transfer during the Class Period, the Class Member's Inflation Loss and Trading Loss for that acquisition shall be zero.

6. *Treatment of disposition of shares of K12 common stock by means of a gift, inheritance or operation of law*: If a Claimant disposed of shares of K12 common stock by means of a gift, inheritance or operation of law, the sale date for that disposition will be the date of sale by the Transferee and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of those shares of K12 common stock. To the extent that

a share of K12 common stock that was purchased during the Class Period and was disposed of by means of a gift, inheritance or operation of law during the Class Period or the PSLRA 90-Day Lookback Period and the Transferee did not subsequently sell those shares during the Class Period or the PSLRA 90-Day Lookback Period, and there was no taxable event or change in cost basis at the time of transfer during the Class Period, the Class Member's Inflation Loss and Trading Loss for that disposition shall be zero.

D. Computation of Inflation Loss and Trading Loss

1. Inflation Loss

For each purchase of K12 common stock during the Class Period, the Inflation Loss for each purchase transaction will be computed (using FIFO matching of purchases to sales) as follows:

- i) If purchased during the Class Period on or before November 16, 2011 and:
 - a) *if sold on or before November 16, 2011*, the last day before the first corrective disclosure that reduced the amount of inflation in K12 stock price, the Inflation Loss for purchased shares matched to such sales is zero;
 - b) *if sold after November 16, 2011 but on or before December 12, 2011*, the last day before the amount of inflation in K12 stock price was reduced from the second and final corrective disclosure, the Inflation Loss equals the number of shares purchased matched to such sales in such transaction multiplied by the lesser of: (i) the difference between the inflation per share on the date of purchase as shown in Exhibit ⁱ and the inflation per share on the date of sale as shown in Exhibit i; (ii) \$1.13 per share, the amount of inflation removed from K12 stock price on November 17, 2011; or (iii) the difference between the purchase price per share and the sale price per share;
 - c) *if sold after December 12, 2011 but on or before March 9, 2012*, the Inflation Loss equals the number of shares purchased matched to such sales in such transaction multiplied by the lesser of: (i) the inflation per share on the date of purchase as shown in Exhibit i; (ii) \$7.47 per share, the amount of inflation removed from K12 stock price on November 17, 2011 and December 13, 2011; or (iii) the difference between the purchase price per share and the sale price per share;
 - d) *if held as of the close of trading on March 9, 2012*, the Inflation Loss equals the number of shares purchased matched to such shares held in such transaction multiplied by the lesser of: (i) the inflation per share on the date of purchase as shown in Exhibit i; (ii) \$7.47 per share, the amount of inflation removed from K12 stock price on November 17, 2011 and

December 13, 2011; or (iii) the difference between the purchase price per share and the PSLRA 90-Day Lookback Price of \$20.90 per share.

- ii) If purchased during the Class Period after November 16, 2011 and:
 - a) *if sold on or before December 12, 2011*, the last day before the amount of inflation in K12 stock price was reduced from the second and final corrective disclosure, the Inflation Loss for purchased shares matched to such sales is zero;
 - b) *if sold after December 12, 2011 but on or before March 9, 2012*, the Inflation Loss equals the number of shares purchased matched to such sales in such transaction multiplied by the lesser of: (i) the inflation per share on the date of purchase as shown in Exhibit i; (ii) \$6.34 per share, the amount of inflation removed from K12 stock price on December 13, 2011; or (iii) the difference between the purchase price per share and the sale price per share;
 - c) *if held as of the close of trading on March 9, 2012*, the Inflation Loss equals the number of shares purchased matched to such shares held in such transaction multiplied by the lesser of: (i) the inflation per share on the date of purchase as shown in Exhibit i; (ii) \$6.34 per share, the amount of inflation removed from K12 stock price on December 13, 2011; or (iii) the difference between the purchase price per share and the PSLRA 90-Day Lookback Price of \$20.90 per share.

If the Inflation Loss is greater than zero, then the Claimant has an Inflation Loss for that purchase transaction.

If the Inflation Loss is less than zero, then the Claimant has no Inflation Loss for that purchase transaction.

Total Inflation Loss for a Claimant is the sum of all Inflation Losses for all transactions in K12 common stock.

If a Claimant has a Total Inflation Loss for a Claimant's purchases of K12 common stock, the Claims Administrator will then compute the Trading Loss (Gain), as indicated below.

2. Trading Loss (Gain)

For each purchase of K12 common stock during the Class Period, the Trading Loss (Gain) for each purchase transaction (using FIFO matching of purchases to sales) will be computed as follows:

- a) *if sold on or before March 9, 2012*, the Trading Loss (Gain) equals the number of shares purchased matched to such sales in such transaction multiplied by the difference between the purchase price per share and the sale price per share; or

- b) *if held as of the close of trading on March 9, 2012*, the Trading Loss (Gain) equals the number of shares purchased matched to such shares held in such transaction multiplied by the difference between the purchase price per share and the PSLRA 90-Day Lookback Price of \$20.90 per share.

If the Trading Loss is greater than zero, then the Claimant has a Trading Loss for that purchase transaction.

If the Trading Loss is less than zero, then the Claimant has a Trading Gain (negative Trading Loss) for that purchase transaction.

Net Trading Loss (Gain) for each Claimant will be the sum of all Trading Losses and Trading Gains (negative Trading Losses) for all transactions in K12 common stock for that Claimant.

If a Claimant has a Net Trading Gain (Total Trading Gains exceed or are equal to Total Trading Losses) for the transactions in K12 common stock, the Claimant will not be eligible to receive a distribution from the Net Settlement Fund.

If there is a Total Inflation Loss and a Net Trading Loss for a Claimant's purchases of K12 common stock, the Claims Administrator will then compute the Recognized Loss (and Recognized Claim), as indicated below.

E. Recognized Loss and Recognized Claim

1. Recognized Loss

For transactions in K12 common stock, if a Claimant has a Total Inflation Loss and a Net Trading Loss, the Recognized Loss for each Claimant will be the **lesser** of such Claimant's: (i) Total Inflation Loss; or (ii) Net Trading Loss.

2. Recognized Claim

The Recognized Claim for an Authorized Claimant will be based on the Claimant's pro-rata share of the Net Settlement Fund. The Claimant's Recognized Claim will be calculated by multiplying the Net Settlement Fund by a fraction, the numerator of which is the Claimant's Recognized Loss for transactions in K12 common stock and the denominator of which is the aggregate Recognized Losses of **all** Authorized Claimants for **all** transactions in K12 common stock.

F. Distribution of the Net Settlement Fund

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. Following an initial distribution of the

Net Settlement Fund, if Lead Counsel, in consultation with the Claims Administrator, determines that it is cost-effective to do so, the Claims Administrator will conduct a redistribution of any funds remaining in the Net Settlement Fund by reason of returned or uncashed checks or otherwise, to Authorized Claimants who have cashed their initial distribution checks, after payment from the Net Settlement Fund of any unpaid Taxes and costs or fees incurred in administering the funds, including for such redistribution. Additional redistributions may occur thereafter to Authorized Claimants if Lead Counsel, in consultation with the Claims Administrator, determines that additional redistribution is cost-effective. When it is determined that the redistribution of funds remaining in the Net Settlement Fund is not cost-effective, the remaining balance of the Net Settlement Fund shall be contributed to a non-sectarian, not-for-profit organization serving the public interest.

Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Eastern District of Virginia with respect to his, her or its Claim Form.

**SPECIAL NOTICE TO SECURITIES BROKERS
AND OTHER NOMINEES**

If you purchased or otherwise acquired K12's publicly traded common stock during the Class Period for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) CALENDAR DAYS OF YOUR RECEIPT OF THIS NOTICE, you either: (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased or otherwise acquired K12's publicly traded common stock during such time period (preferably in an MS Excel data table, setting forth (i) title/registration, (ii) street address, (iii) city/state/zip; or electronically in MS Word or WordPerfect files; or on computer-generated mailing labels) or; (b) request additional

copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) calendar days of receipt of such copies send them by First-Class directly to the beneficial owners of those K12 common shares.

If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid after request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

Hoppaugh v. K12 Inc.
Claims Administrator
c/o: GCG, Inc.

Phone: _____; Fax: _____
[email]
www. _____

Dated: _____, 2013

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

[ATTACH EXHIBIT 1 inflation table]

ⁱ Common Stock Inflation Exhibit

Exhibit A-2

**Must Be
Postmarked
No Later Than
_____, 2013**

K12, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box _____
Dublin, OH 43017-_____
1-8__-__-_____
www._____.com

K12



Claim Number:

Control Number:

PROOF OF CLAIM AND RELEASE

To recover from the Net Settlement Fund as a Member of the Class in the action entitled *Hoppaugh vs. K12, Inc. Civ. A. No. 1:12-cv-00103-CMH-IDD (E.D. Va.)*, you must complete and, on page 5 below, sign this Proof of Claim and Release form ("Proof of Claim"). If you fail to submit a timely, properly completed and addressed Proof of Claim, your claim may be rejected and you may be precluded from any recovery from the Settlement Fund created in connection with the Settlement of the Action. Submission of this Proof of Claim, however, does not assure that you will share in the Settlement Fund.

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Important - This form should be completed *IN CAPITAL LETTERS* using *BLACK* or *DARK BLUE* ballpoint/fountain pen. Characters and marks used should be similar in the style to the following:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 1 2 3 4 5 6 7 0



PART I - CLAIMANT IDENTIFICATION

LAST NAME (CLAIMANT)
FIRST NAME (CLAIMANT)
Last Name (Beneficial Owner if Different From Claimant)
First Name (Beneficial Owner)
Last Four Digits of the Beneficial Owner's Employer Identification Number or Social Security Number¹
Last Name (Co-Beneficial Owner)
First Name (Co-Beneficial Owner)
Company/Other Entity (If Claimant Is Not an Individual)
Contact Person (If Claimant is Not an Individual)
Trustee/Nominee/Other
Account Number (If Claimant Is Not an Individual)
Trust/Other Date (If Applicable)
Address Line 1
Address Line 2 (If Applicable)
City
State
Zip Code
Foreign Province
Foreign Country
Foreign Zip Code
Telephone Number (Day)
Telephone Number (Night)
Email Address (Email address is not required, but if you provide it you authorize the Claims Administrator to use it in providing you with information relevant to this claim.)

IDENTITY OF CLAIMANT (check only one box):

- ☐ **Individual**
☐ **Joint Owners**
☐ **Estate**
☐ **Corporation**
☐ **Trust**
☐ **Partnership**
- ☐ **Private Pension Fund**
☐ **Legal Representative**
- ☐ **IRA, Keogh, or other type of individual retirement plan** (indicate type of plan, mailing address, and name of current custodian)
- ☐ **Other** (specify, describe on separate sheet)

NOTICE REGARDING ELECTRONIC FILES: Certain claimants with large numbers of transactions may request to, or may be requested to, submit information regarding their transactions in electronic files. To obtain the mandatory electronic filing requirements and file layout, you may visit the website at www.gcginc.com or you may email the Claims Administrator at eClaim@gcginc.com. Any file not in accordance with the required electronic filing format will be subject to rejection. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues an email after processing your file with your claim numbers and respective account information. Do not assume that your file has been received or processed until you receive this email. If you do not receive such an email within 10 days of your submission, you should contact the electronic filing department at eClaim@gcginc.com to inquire about your file and confirm it was received and acceptable.

To view GCG's Privacy Notice, please visit <http://www.gcginc.com/pages/privacy-policy.php>

¹The last four digits of the taxpayer identification number (TIN), consisting of a valid Social Security Number (SSN) for individuals or Employer Identification Number (EIN) for business entities, trusts, estates, etc., and telephone number of the beneficial owner(s) may be used in verifying this claim.

PART II - GENERAL INSTRUCTIONS

YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM POSTMARKED ON OR BEFORE _____, 2013, ADDRESSED AS FOLLOWS:

K12, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box _____
Dublin, OH 43017-_____

If you are NOT a Member of the Class (as defined in the Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys' Fees and Expenses (the "Notice")) DO NOT submit a Proof of Claim.

If you are a Member of the Class and you have not timely requested exclusion, you will be bound by the terms of the Judgment entered in the Action, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM.

DEFINITIONS

All capitalized terms not otherwise defined in this form shall have the same meaning as set forth in the Notice which accompanies this Proof of Claim.

IDENTIFICATION OF CLAIMANT

If you purchased or otherwise acquired the publicly traded common stock of K12, Inc. ("K12") during the period from September 9, 2009 to December 12, 2011, inclusive (the "Class Period") and held the stock in your name, you are the beneficial purchaser as well as the record purchaser. If, however, you purchased or otherwise acquired the publicly traded common stock of K12 during the Class Period through a third party, such as a nominee or brokerage firm, you are the beneficial purchaser of these securities, but the third party is the record purchaser of these securities.

Use Part I of this form entitled "Claimant Identification" to identify each beneficial purchaser of K12 publicly traded common stock that forms the basis of this claim. **THIS CLAIM MUST BE SUBMITTED BY THE ACTUAL BENEFICIAL PURCHASER(S) OR AUTHORIZED OR LEGAL REPRESENTATIVE(S) OF SUCH PURCHASER(S) OF THE PUBLICLY TRADED K12 COMMON STOCK UPON WHICH THIS CLAIM IS BASED.**

All joint beneficial purchasers must sign this claim. Executors, administrators, guardians, conservators and trustees must complete and sign this claim on behalf of Persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The last 4 digits of the Social Security (or taxpayer identification) number and telephone number of one of the beneficial owner(s) may be used in verifying this claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of your claim. If you need help completing this claim form, you may contact the Claims Administrator for assistance: 1-8__-__-____ or www._____.com.

IDENTIFICATION OF TRANSACTION(S)

Use Part III of this form to supply all required details of your transaction(s) in the publicly traded common stock of K12. If you need more space or additional schedules, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

On the schedules, provide all of the requested information with respect to: (i) **all** of your holdings of publicly traded common stock of K12 as of the beginning of trading on September 9, 2009; (ii) **all** of your purchases, other acquisitions and sales of publicly traded common stock of K12 which took place at any time beginning September 9, 2009 through and including March 9, 2012; and (iii) proof of your holdings of publicly traded common stock of K12 as of the close of trading on March 9, 2012, whether such purchases, acquisitions, sales or transactions resulted in a profit or a loss. Failure to report all such transactions may result in the rejection of your claim.

List each purchase, acquisition, sale and transaction during the relevant period separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day and year of each such transaction you list.

Copies of broker confirmations or other documentation of your purchases, acquisitions, sales or transactions in publicly traded K12 common stock should be attached to your claim. **DO NOT SEND ORIGINALS OR HIGHLIGHT THE COPIES.** Failure to provide this documentation could delay verification of your claim or result in rejection of your claim. The Claims Administrator may also request additional information as requested to efficiently and reliably calculate your losses.

If you need help, you may ask the Claims Administrator for assistance: 1-8__-__-____ or www._____.com. Although the Claims Administrator does not have information about your transactions in K12 publicly traded common stock, someone will be able to help you with the process of locating your information.



PART III - SCHEDULE OF TRANSACTIONS IN K12 COMMON STOCK

- A. BEGINNING HOLDINGS:** Number of shares of publicly traded K12 common stock held at the beginning of trading on **September 9, 2009** (If none, write "zero" or "0").

Shares					

- B. PURCHASES/ACQUISITIONS:** Purchases or acquisitions of publicly traded K12 common stock between **September 9, 2009** and **December 12, 2011**, inclusive (Must be documented).

Trade Date List Chronologically (Month/Day /Year)	Number of Shares Purchased or Acquired	Price Per Share	Total Purchase Price (Excluding taxes, fees, and commissions)
/ /		.	.
/ /		.	.
/ /		.	.
/ /		.	.
/ /		.	.

- C. PURCHASES/ACQUISITIONS:** Number of shares of publicly traded K12 common stock purchased or acquired between **December 13, 2011** and **March 9, 2012**, inclusive (If none, write "zero" or "0").

Shares					

- D. SALES:** Sales (from **September 9, 2009** to **March 9, 2012**, inclusive) of publicly traded K12 common stock (Must be documented).

Trade Date List Chronologically (Month/Day /Year)	Number of Shares Sold	Price Per Share	Total Sale Price (Excluding taxes, fees, and commissions)
/ /		.	.
/ /		.	.
/ /		.	.
/ /		.	.
/ /		.	.

- E. ENDING HOLDINGS:** Number of shares of publicly traded K12 common stock held at the close of trading on **March 9, 2012** (Must be documented).

Shares					

IF YOU NEED ADDITIONAL SPACE TO LIST YOUR TRANSACTIONS YOU MUST
PHOTOCOPY THIS PAGE AND CHECK THIS BOX ☐

IF YOU DO NOT CHECK THIS BOX THESE ADDITIONAL PAGES WILL NOT BE REVIEWED

PART IV - SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (We) submit this Proof of Claim under the terms of the Stipulation and Agreement of Settlement ("Stipulation") described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for the Eastern District of Virginia, Alexandria Division with respect to my (our) claim as a Class Member and for purposes of enforcing the release set forth herein. I (We) further acknowledge that I (we) will be bound by and subject to the terms of any Final Order and Judgment that may be entered in the Action. I (We) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so. I (We) have not submitted any other claim covering the same purchases, acquisitions or sales or holdings of publicly traded K12 common stock during the relevant period and know of no other Person having done so on my (our) behalf.

PART V - RELEASE AND CERTIFICATION

1. I (We) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, release and discharge from the Released Claims each and all of the Released Defendant Parties as those terms and terms related thereto are defined in the accompanying Notice.

2. This release shall be of no force or effect unless and until the Court approves the Stipulation and the Effective Date (as defined in the Stipulation) has occurred.

3. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

4. I (We) hereby warrant and represent that I (we) have included information about all of my (our) purchases, acquisitions, and sales and other transactions in publicly traded K12 common stock that occurred during the relevant time periods and the number of shares of publicly traded K12 common stock held by me (us) at the relevant time periods.

5. I (We) hereby warrant and represent that I (we) am (are) not excluded from the Class as defined herein and in the Notice.

6. The number(s) shown on this form is (are) from the correct SSN/TIN.

I (We) declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct.

Executed this _____ day of _____ in _____.
(Month) (Year) (City, State, Country)

Signature of Claimant

Date

Print your name here

Signature of Joint Claimant, if any

Date

Print your name here

Capacity of person signing on behalf of Claimant, if other than an individual, e.g., executor, president, custodian, etc.



REMINDER CHECKLIST

**ACCURATE CLAIMS PROCESSING TAKES A SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

1. Please sign the Proof of Claim and Release.
2. If this claim is made on behalf of Joint Claimants, then both must sign.
3. DO NOT SEND ORIGINALS OF ANY SUPPORTING DOCUMENTS.
4. Keep a copy of your completed Proof of Claim and all documentation submitted for your records.
5. The Claims Administrator will acknowledge receipt of your Proof of Claim by mail, within 60 days. Your claim is not deemed filed until you receive an acknowledgment postcard. If you do not receive an acknowledgment postcard within 60 days, please call the Claims Administrator toll free at 1-8__-__-__.
6. If you move, you must send the Claims Administrator your new address. Otherwise, any funds allocated to your claim are subject to forfeiture.
7. **Do not use highlighter on the Proof of Claim or supporting documentation.**
8. If you have any questions or concerns regarding your Proof of Claim, please contact the Claims Administrator at the address listed below or at 1-8__-__-__, or visit www._____.com

THIS PROOF OF CLAIM MUST BE POSTMARKED ON OR BEFORE
_____, 2013 AND MUST BE MAILED TO:

K12, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box ____
Dublin, OH 43017-____

Exhibit A-3

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

DAVID HOPPAUGH, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

K12 INC., RONALD J. PACKARD, and
HARRY T. HAWKS,

Defendants.

)
) Civ. A. No. 1:12-cv-00103-CMH-IDD
)
)

) JURY TRIAL DEMANDED
)
)

) CLASS ACTION
)
)

) **SUMMARY NOTICE OF PENDENCY**
) **OF CLASS ACTION AND PROPOSED**
) **SETTLEMENT AND MOTION FOR**
) **ATTORNEYS' FEES AND EXPENSES**
)
)
)
)
)

**TO: ALL PERSONS AND ENTITIES THAT PURCHASED OR OTHERWISE
ACQUIRED THE PUBLICLY TRADED COMMON STOCK OF K12 INC.
("K12") FROM SEPTEMBER 9, 2009 THROUGH DECEMBER 12, 2011,
INCLUSIVE, AND WHO WERE DAMAGED THEREBY (THE "CLASS").**

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court, that the above-captioned litigation ("Litigation") has been preliminarily certified as a class action and that a settlement with K12, and Ronald J. Packard and Harry T. Hawks (the "Individual Defendants," and together with K12, the "Defendants"), in the amount of \$6,750,000 in cash, has been proposed by the Parties.

A hearing will be held before the Honorable Claude M. Hilton of the United States District Court for the Eastern District of Virginia in the Albert V. Bryan U.S. Courthouse, 401 Courthouse Square, Alexandria, VA 22314 at ____:_____.m., on _____, 2013 to, among other things: determine whether the proposed Settlement should be approved by the Court as fair, reasonable, and adequate; determine whether the proposed Plan of Allocation for distribution of the settlement proceeds should be approved as fair and reasonable; and consider

the application of Lead Counsel for an award of attorneys' fees and reimbursement of litigation expenses. The Court may change the date of the hearing without providing another notice.

IF YOU ARE A MEMBER OF THE CLASS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED BY THE PENDING LITIGATION AND THE PROPOSED SETTLEMENT AND YOU MAY BE ENTITLED TO SHARE IN THE NET SETTLEMENT FUND. If you have not yet received the full printed Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys' Fees and Expenses ("Notice") and a Proof of Claim and Release Form ("Proof of Claim"), you may obtain copies of these documents by contacting the Claims Administrator:

Hoppaugh v. K12 Inc.
Claims Administrator
c/o: GCG, Inc.

Phone: _____; Fax: _____
[email]
www. _____

Inquiries, other than requests for information about the status of a claim, may also be made to Lead Counsel.

LABATON SUCHAROW LLP
Jonathan Gardner
140 Broadway
New York, New York 10005
Tel: (888) 219-6877
www.labaton.com
settlementquestions@labaton.com

If you are a Class Member, to be eligible to share in the distribution of the Settlement proceeds, you must submit a Proof of Claim postmarked no later than _____, 2013. To exclude yourself from the Class, you must submit a written request for exclusion in accordance with the instructions set forth in the Notice so that it is received no later than

_____, 2013. If you are a Class Member and do not exclude yourself from the Class, you will be bound by the Final Order and Judgment of the Court. Any objections to the proposed Settlement, the voluntary dismissal, the Plan of Allocation, and/or application for attorneys' fee and reimbursement of expenses must be filed with the Court and served on counsel for the Parties in accordance with the instructions set forth in the Notice so that they are received no later than _____, 2013. If you are a Class Member and do not timely submit a valid Proof of Claim, you will not be eligible to share in the Net Settlement Fund, but you nevertheless will be bound by the Final Order and Judgment of the Court.

DATED: _____

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

Exhibit B

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

DAVID HOPPAUGH, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

VS.

K12 INC., RONALD J. PACKARD, and
HARRY T. HAWKS,

Defendants.

Civ. A. No. 1:12-cv-00103-CMH-IDD

JURY TRIAL DEMANDED

CLASS ACTION

**[PROPOSED] FINAL ORDER
AND JUDGMENT**

WHEREAS:

A. As of _____, 2013, Arkansas Teacher Retirement System (“Lead Plaintiff”) and the Defendants¹ entered into a Stipulation of Partial Voluntary Dismissal, dismissing certain of Lead Plaintiff’s claims (the “Dismissal”).

B. As of _____, 2013, Arkansas Teacher Retirement System (“Lead Plaintiff” or “Arkansas”), on behalf of itself and the Class, and the Defendants entered into a Stipulation and Agreement of Settlement (the “Stipulation”) in the above-titled litigation (the “Litigation”), resolving all remaining claims.

C. Pursuant to the Preliminary Approval Order Providing for Notice and Hearing in Connection With Proposed Class Action Settlement, entered _____, 2013 (the “Preliminary Approval Order”), the Court scheduled a hearing for _____, 2013, at _____ : _____ .m. (the “Settlement Hearing”) to, among other things: (i) determine whether the

¹ The Defendants are: K12 Inc. (“K12” or the “Company”); Ronald J. Packard; and Harry T. Hawks.

proposed Settlement of the Litigation on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate, and should be approved by the Court; and (ii) determine whether a judgment as provided for in the Stipulation should be entered.

D. The Court ordered that the Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys' Fees and Expenses (the "Notice") and a Proof of Claim and Release Form ("Proof of Claim"), substantially in the forms attached to the Preliminary Approval Order as Exhibits 1 and 2, respectively, be mailed by first-class mail, postage prepaid, on or before ten (10) business days after the date of entry of the Preliminary Approval Order ("Notice Date") to all putative Class Members who could be identified through reasonable effort, and that a Summary Notice of Pendency of Class Action and Proposed Settlement and Motion for Attorneys' Fees and Expenses (the "Summary Notice"), substantially in the form attached to the Preliminary Approval Order as Exhibit 3, be published in *Investor's Business Daily* and transmitted over *PR Newswire* within fourteen (14) calendar days of the Notice Date.

E. The Notice and the Summary Notice advised Class Members of the date, time, place and purpose of the Settlement Hearing. The Notice further advised that any objections to the Settlement were required to be filed with the Court and served on counsel for the Parties no later than _____, 2013.

F. The provisions of the Preliminary Approval Order as to notice were complied with.

G. On _____, 2013, Lead Plaintiff moved for final approval of the Settlement, as set forth in the Preliminary Approval Order. The Settlement Hearing was duly held before this Court on _____, 2013, at which time all interested Persons were afforded the opportunity to be heard.

H. This Court has duly considered Lead Plaintiff's motion, the affidavits, declarations and memorandum of law submitted in support thereof, and all of the submissions and arguments presented with respect to the proposed Settlement.

NOW, THEREFORE, after due deliberation, IT IS ORDERED, ADJUDGED AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all capitalized terms used in this Judgment that are not otherwise defined herein shall have the same meanings as set forth in the Stipulation.

2. This Court has jurisdiction over the subject matter of the Litigation and over all Parties to the Litigation, including all members of the Class.

3. The Court hereby affirms its determinations in the Preliminary Approval Order and finally certifies the Litigation as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of all Persons that purchased or otherwise acquired the publicly traded common stock of K12 from September 9, 2009 through December 12, 2011, inclusive, (the "Class Period") and who were damaged thereby (the "Class"). Excluded from the Class are: Defendants; members of the immediate family of Messrs. Packard or Hawks; any person who was an officer or director of K12 during the Class Period; any firm, trust, corporation, officer, or other entity in which any Defendant has or had a controlling interest; Defendants' directors' and officers' liability insurance carriers, and any affiliates or subsidiaries thereof; and the legal representatives, agents, affiliates, heirs, successors-in-interest, or assigns of any such excluded party. Also excluded from the Class are those proposed Class Members who properly excluded themselves by filing a valid and timely request for exclusion in accordance with the requirements set forth in the Notice, see Exhibit A annexed hereto.

4. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court hereby affirms its determinations in the Preliminary Approval Order and finally certifies Lead Plaintiff Arkansas as Class Representative for the Class; and finally appoints the law firm of Labaton Sucharow LLP as Class Counsel for the Class and the law firm of Webster Book LLP as Liaison Counsel for the Class.

5. The notification provided for and given to the Class was in compliance with the Preliminary Approval Order, and said notification constituted the best notice practicable under the circumstances and is in full compliance with the notice requirements of Rule 23 of the Federal Rules of Civil Procedure, Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7), as amended by the Private Securities Litigation Reform Act of 1995 (the “PSLRA”), and due process.

6. The proposed Settlement of the Litigation on the terms and conditions set forth in the Stipulation is in all respects fair, reasonable and adequate, in light of the benefits to the Class, the complexity, expense and possible duration of further litigation against the Defendants and the risks of establishing liability and damages and the costs of continued litigation. This Court further finds the Settlement set forth in the Stipulation is the result of arm’s-length negotiations between experienced counsel representing the interests of Lead Plaintiff, the Class and the Defendants.

7. The Stipulation and the proposed Settlement are hereby approved as fair, reasonable, adequate, and in the best interests of the Class Members, and shall be consummated in accordance with the terms and provisions of the Stipulation. To the extent there were objections to the Settlement, those objections are overruled.

8. Lead Plaintiff's Stipulation of Partial Voluntary Dismissal, filed _____, 2013, is so ordered and the claims identified therein are hereby dismissed in their entirety as to the Defendants, with prejudice, and without costs to any Party, except as otherwise provided therein. All remaining claims are further hereby dismissed in their entirety as to the Defendants, with prejudice, and without costs to any Party, except as otherwise provided in the Stipulation.

9. The Court further finds that during the course of the Litigation, the Parties and their respective counsel at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

10. Upon the Effective Date, Lead Plaintiff and each and every other Class Member on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns, by operation of this Judgment, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Claims against each and every one of the Released Defendant Parties and shall forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Claims against any of the Released Defendant Parties.

11. Upon the Effective Date, the Defendants and each of their respective Released Defendant Parties, on behalf of themselves and each of their respective heirs, executors, trustees, administrators, predecessors, successors and assigns, by operation of this Judgment, shall be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Defendants' Claims, as against each and every one of the Released Plaintiff Parties and shall forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Defendants' Claims against any of the Released Plaintiff Parties.

12. Each Class Member, whether or not such Class Member executes and delivers a Proof of Claim, is bound by this Judgment, including, without limitation, the release of claims as set forth in the Stipulation.

13. This Judgment and the Stipulation, whether or not consummated, and any negotiations, proceedings or agreements relating to the Stipulation, the Settlement, and any matters arising in connection with settlement negotiations, proceedings, or agreements, shall not be offered or received against the Defendants or Lead Plaintiff for any purpose, and in particular:

(a) do not constitute, and shall not be offered or received against the Defendants as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by the Defendants with respect to the truth of any fact alleged by Lead Plaintiff and the Class or the validity of any claim that has been or could have been asserted in the Litigation or in any litigation, including but not limited to the Released Claims, or of any liability, damages, negligence, fault or wrongdoing of the Defendants;

(b) do not constitute, and shall not be offered or received against the Defendants as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by the Defendants, or against Lead Plaintiff or any other members of the Class as evidence of any infirmity in the claims of Lead Plaintiff or the other members of the Class;

(c) do not constitute, and shall not be offered or received against the Defendants or against Lead Plaintiff or any other members of the Class, as evidence of a presumption, concession or admission with respect to any liability, damages, negligence, fault, infirmity or wrongdoing, or in any way referred to for any other reason against any of the Parties

to this Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation;

(d) do not constitute, and shall not be construed against the Defendants, Lead Plaintiff or any other members of the Class, as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial;

(e) do not constitute, and shall not be construed as or received in evidence as, an admission, concession or presumption against Lead Plaintiff or any other member of the Class or any of them (except as specified in the Dismissal in the event this Judgment becomes Final and the Settlement becomes effective) or that damages recoverable in the Litigation would not have exceeded the Settlement Amount.

14. The administration of the Settlement, and the decision of all disputed questions of law and fact with respect to the validity of any claim or right of any Person to participate in the distribution of the Net Settlement Fund, shall remain under the authority of this Court.

15. In the event that the Settlement does not become effective in accordance with the terms of the Stipulation, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated, and in such event, all orders entered and releases delivered in connection with the Settlement shall be null and void to the extent provided by and in accordance with the Stipulation.

16. Without further order of the Court, the Parties may agree to reasonable extensions of time to carry out any of the provisions of the Stipulation.

17. The Parties are hereby directed to consummate the Stipulation and to perform its terms.

18. A separate order shall be entered regarding Lead Counsel's application for attorneys' fees and reimbursement of expenses as allowed by the Court. A separate order shall be entered regarding the proposed Plan of Allocation for the Net Settlement Fund. Such orders shall in no way disturb or affect this Judgment and shall be considered separate from this Judgment.

19. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing jurisdiction over: (i) implementation of the Settlement; (ii) the allowance, disallowance or adjustment of any Class Member's claim on equitable grounds and any award or distribution of the Settlement Fund; (iii) disposition of the Settlement Fund; (iv) hearing and determining applications for attorneys' fees, costs, interest and reimbursement of expenses in the Litigation; (v) all Parties for the purpose of construing, enforcing and administering the Settlement and this Judgment; and (vi) other matters related or ancillary to the foregoing. There is no just reason for delay in the entry of this Judgment and immediate entry by the Clerk of the Court is expressly directed.

Dated: _____, 2013

Honorable Claude M. Hilton
UNITED STATES DISTRICT JUDGE

Exhibit C

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division**

DAVID HOPPAUGH, Individually and On)	
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,)	
)	
v.)	Civil Action No. 1:12-cv-103–CMH–IDD
)	
K12 INC., RONALD J. PACKARD, and)	
HARRY T. HAWKS,)	
)	
Defendants.)	

STIPULATION OF PARTIAL VOLUNTARY DISMISSAL WITH PREJUDICE

Pursuant to Rules 41(a)(1)(A) and 23(e) of the Federal Rules of Civil Procedure, Lead Plaintiff Arkansas Teacher Retirement System (“Lead Plaintiff”), with the consent of Defendants K12 Inc. (“K12”), Ronald J. Packard, and Harry T. Hawks (“Defendants,” and collectively with Lead Plaintiff, the “Parties”), by counsel, hereby files this Stipulation of Partial Voluntary Dismissal with Prejudice of certain claims against Defendants, and states as follows:

1. On June 22, 2012, Lead Plaintiff filed an Amended Complaint in the above-captioned action, asserting claims against Defendants under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, based on alleged misrepresentations and omissions by Defendants during the period September 9, 2009 through December 16, 2011.
2. In the Amended Complaint, Lead Plaintiff alleged, *inter alia*, that during earnings calls and investor conferences, Defendants made false or misleading statements regarding the academic performance of students enrolled in online schools managed by K12 (“K12-managed

schools”) (the “academic performance claims”) and the quality of the education provided by K12-managed schools (the “educational quality claims”) including, but not limited to, statements concerning:

- a. Comparisons between the academic performance of students enrolled in K12-managed schools and students enrolled in traditional brick-and-mortar schools;
- b. Performance by students enrolled in K12-managed schools on federal, state, and internal academic measures;
- c. The high school graduation rates of students enrolled in K12 managed schools; and
- d. High parent-satisfaction levels with K12.

3. Lead Plaintiff also alleged that, during this same time period, Defendants omitted certain information which rendered the statements described above and other statements false or misleading, including, but not limited to:

- a. Aggressive corporate enrollment practices that resulted in excessive and burdensome student-teacher ratios at K12-managed schools;
- b. Use of lenient grading and attendance policies at K12-managed schools;
- c. Hiring of teachers for K12-managed schools who were not qualified and/or not certified to teach the subjects they taught; and
- d. Failure of special education programs at K12-managed schools to meet government standards, including Adequate Yearly Progress (AYP).

4. On October 25, 2012, discovery commenced with respect to Lead Plaintiff’s Section 10(b) and 20(a) claims, and continued through February 1, 2013.

5. Extensive fact and expert discovery to date has not revealed sufficient factual support for Lead Plaintiff’s allegations that Defendants made false or misleading statements or omissions of material information regarding the academic performance of K12 students or the quality of education provided by K12-managed schools.

6. Substantial fact and expert discovery to date does not support the academic performance and educational quality claims on the merits. Such fact discovery included, but is not limited to:

- a. Documents produced by Defendants, including documents identified from forty-one custodians, totaling 132,355 documents comprising 1,032,725 pages;
- b. Deposition testimony of K12 corporate representatives taken pursuant to Federal Rule of Civil Procedure 30(b)(6); and
- c. Deposition testimony of ten third-party witnesses, including five senior-level K12 employees and five former employees, including four of the “Confidential Witnesses” in the Amended Complaint.

7. Similarly, substantial expert discovery has undermined Lead Plaintiff’s academic performance and educational quality claims. Such expert discovery included the 79-page report of Defendants’ expert in the education industry, who opined, contrary to the allegations of the Amended Complaint, that:

- a. “[S]tudents do better the longer they stay with the K12 program.”
- b. “[S]tudents who stay with K12 over time perform at levels exceeding state averages”
- c. “[I]n a broader set of 33 K12 managed virtual academies, 19 academies—well over half—posted percentage proficient scores that equaled or exceeded the average percentages for their respective states in reading in the 2009-2010 school year.”
- d. “When students stay with K12 over time, their scores exceed state averages.”
- e. “K12 has been a major participant in the development of a new approach to delivering public education. . . . K12 invested more—\$240 million—than any other education entity in online experiences for their students. . . . In my opinion, *K12’s online resources are regarded as among the most interactive and engaging on the market.*”

8. In the Fourth Circuit, it is well established that courts must “analyze each of the alleged misrepresentations or omissions separately to determine whether [a plaintiff] has stated a

claim under § 10(b) as to that misrepresentation or omission.” *Morris v. Wachovia Sec., Inc.*, 277 F. Supp. 2d 622, 630 (E.D. Va. 2003); *see also In re PEC Solutions, Inc. Sec. Litig.*, 2004 U.S. Dist. LEXIS 29873, at *11 (E.D. Va. May 25, 2004) (“Courts have employed a statement-by-statement analysis in evaluating whether the complaint ‘specif[ies] each statement alleged to have been misleading, the reason or reasons why the statement is misleading, and, if an allegation regarding the statement or omissions is made on information and belief . . . state with particularity all the facts on which that belief is formed” for § 10(b) claims); *Arnlund v. Smith*, 210 F. Supp. 2d 755, 762-63 (E.D. Va. 2002) (conducting a “statement-by-statement analysis” and ruling on defendants’ motion to dismiss as to each alleged misrepresentation or omission).

9. Because the extensive discovery to date has not established that Lead Plaintiff’s academic performance and educational quality claims are sufficiently supported by documentary evidence, witness testimony, or expert opinion, dismissal of those claims is reasonable and fair. Therefore, Lead Plaintiff hereby dismisses its Section 10(b) and 20(a) claims against Defendants, with prejudice, to the extent those claims are based on misrepresentations or omissions regarding academic performance and educational quality.

Respectfully submitted this 4th day of March, 2013

By: /s/ James J. Holt
Steven T. Webster (VSB# 31975)
Aaron S. Book (VSB# 43868)
James J. Holt (VSB# 78601)
WEBSTER BOOK LLP
300 N. Washington St., Suite 404
Alexandria, VA 22314
Telephone: (888) 987-9991
Facsimile: (888) 987-9991

Local Class Counsel

By: /s/ Michele E. Rose
Michele E. Rose (VSB# 45001)
Kevin H. Metz (*pro hac vice*)
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Telephone: (415) 395-8006

*Attorneys for Defendants K12 Inc., Ronald J.
Packard, and Harry T. Hawks*

Class Counsel

SO ORDERED, this ____ day of _____, 2013

The Honorable Claude M. Hilton
UNITED STATES DISTRICT JUDGE

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of March, 2013, I will electronically file the foregoing Stipulation of Partial Voluntary Dismissal with the Clerk of Court using the CM/ECF system, which will then send a notification of such filing (NEF) to all registered users.

/s/ James J. Holt
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