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8 CALIFORNIA

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Superior Court of California
County of Los Angeles
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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF LOS ANGELES

11
12 THE PEOPLE OF THE STATE OF
CALIFORNIA,

Plaintiff,

13
14 v.

15 K12 INC. D/B/A/ DELAWARE K12 INC.;
16 CALIFORNIA VIRTUAL ACADEMY @
SAN MATEO; CALIFORNIA VIRTUAL
17 ACADEMY @ FRESNO; CALIFORNIA
VIRTUAL ACADEMY @ JAMESTOWN;
18 CALIFORNIA VIRTUAL ACADEMY @
KINGS; CALIFORNIA VIRTUAL
19 ACADEMY @ LOS ANGELES;
CALIFORNIA VIRTUAL ACADEMY @
20 MARICOPA; CALIFORNIA VIRTUAL
ACADEMY HIGH @ MARICOPA;
21 CALIFORNIA VIRTUAL ACADEMY @
SAN DIEGO; CALIFORNIA VIRTUAL
22 ACADEMY @ SAN JOAQUIN;
CALIFORNIA VIRTUAL ACADEMY @
23 SONOMA; CALIFORNIA VIRTUAL
ACADEMY @ SUTTER; INSIGHT @ SAN
24 JOAQUIN; INSIGHT @ SAN DIEGO; IQ
ACADEMY – LOS ANGELES; and DOES
25 201 through 300, INCLUSIVE,

26 Defendants.

Case No. BC 626392

~~PROPOSED~~ FINAL JUDGMENT

27 Plaintiff, the People of the State of California (“People” or “Plaintiff”), by and through its
28 attorney, Kamala D. Harris, Attorney General of the State of California (“Attorney General”), and

1 by Supervising Deputy Attorney General Michael L. Newman and Deputy Attorney General
2 James F. Zahradka II, and Defendants K12 Inc. ("K12"), appearing through its attorneys Latham
3 & Watkins LLP, by Peter A. Wald, as well as Howard D. Polsky, Executive Vice President,
4 General Counsel, and Secretary, K12, and the California Virtual Academies ("CAVA" or "CAVA
5 Schools")², appearing through their attorneys Young, Minney & Corr LLP, by Paul C. Minney
6 and Lisa A. Corr, having stipulated to the entry of this Judgment (the "Judgment") by the Court
7 without the taking of proof and without trial or adjudication of any fact or law, without this
8 Judgment constituting evidence of or admission by K12 or the CAVA Schools regarding any
9 issue of law or fact alleged in the People's Complaint on file or any of the allegations or
10 conclusions set forth herein, and without K12 or the CAVA Schools admitting any liability, and
11 with all parties having waived their right to appeal, and the Court having considered the matter
12 and good cause appearing:

13 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:**

14 1. This Court has jurisdiction over the allegations and subject matter of the People's
15 Complaint filed in this action, and the parties to this action; venue is proper in this County; and
16 this Court has jurisdiction to enter this Judgment.

17 2. This Judgment is entered pursuant to and subject to Cal. Bus. & Prof. Code §§
18 17200 *et seq.* (Unfair Competition Law) and Cal. Bus. & Prof. Code §§ 17500 *et seq.* (False
19 Advertising Law).

20 **CONDUCT PROVISIONS**

21 3. The Attorney General and K12 and/or the CAVA Schools may jointly stipulate to
22 make changes, modifications, and amendments to the Stipulation and to the Judgment, which
23 shall be effective 30 days after a joint motion is filed by the parties and granted by the Court.

24 4. Nothing in this Judgment alters the requirements of federal or state law to the
25 extent they offer greater protection to consumers.

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27 ² The CAVA Schools include CAVA @ Fresno, CAVA @ Jamestown, CAVA @ at Kings,
28 CAVA @ Los Angeles, CAVA @ Maricopa, CAVA High School @ Maricopa, CAVA @
San Diego, CAVA @ San Joaquin, CAVA @ San Mateo, CAVA @ Sonoma, CAVA @
Sutter, Insight @ San Joaquin; Insight @ San Diego; and iQ Academy - Los Angeles.

1 5. The Conduct Provisions of this Judgment shall apply to Defendants as well as their
2 subsidiaries; their successors and the assigns of all or substantially all of the assets of their
3 businesses; and their directors, officers, employees, agents, independent contractors, partners,
4 associates and representatives of each of them with respect to their activities in the State of
5 California.

6 6. Defendants shall engage in the following affirmative corrective actions:

7 (a) Pursuant to Business and Professions Code sections 17203 and 17535,
8 as well as all other applicable laws, Defendants are hereby permanently enjoined
9 and restrained from directly or indirectly engaging in any of the following acts or
10 practices in California:

11 (1) Making any false or misleading statements, in any manner, expressly or
12 by implication in violation of Cal. Bus. & Prof. Code §§ 17200 *et seq.* (Unfair
13 Competition Law) and Cal. Bus. & Prof. Code §§ 17500 *et seq.* (False Advertising
14 Law), regarding the following:

- 15 a. Students' academic success or progress;
16 b. Parent satisfaction;
17 c. The approvals of Defendants' schools' coursework
18 for graduates' eligibility for admission to California
19 public universities;
20 d. The flexibility and individualization of K12's
21 curriculum;
22 e. Providing students with education at no cost;
23 f. The quality of instructional materials; and
24 g. Class size.

25 (2) Failing to comply with California's nonprofit public benefit corporation
26 laws, including, but not limited to, Corporations Code §§ 5231 and 5233.

27 (b) Within 90 days of the entry of this Judgment, the CAVA Schools shall
28 formalize its policy requiring learning coaches to complete, sign and submit logs
to substantiate all offline educational activity. These logs may be submitted by

1 either paper or electronically (separately or as part of the Online School System) at
2 the end of the learning period (as defined in the board-approved independent study
3 policy), depending upon the systems available. The CAVA schools shall train
4 learning coaches on what offline activities may be logged, the use of the log, and
5 why the information submitted on the log needs to be correct.

6 (c) The log shall include the following information for each identified off-line
7 educational activity: the date; the subject matter; a description of the off-line
8 educational activity, including the specific assignment to which it related; and the
9 amount of time the student spent on the activity. If a student engages in multiple
10 off-line educational activities in one day, the learning coach must log each activity
11 separately per course and provide the required information for each activity.

12 (d) The log shall also include a confirmation or acknowledgement that the
13 information provided is true and correct.

14 (e) The CAVA Schools shall maintain copies of these logs in electronic form
15 for at least three years.

16 (f) The CAVA Schools shall distribute to learning coaches a document each
17 semester identifying each of their responsibilities, including being present and/or
18 available during the school day to monitor the student's progress and logging
19 attendance daily (unless the student is an adult or emancipated minor under
20 California law). Learning coaches will sign, date, and submit a document annually
21 stating that they understand their responsibilities.

22 (g) Within 90 days of the entry of this Judgment, the CAVA Schools shall
23 adopt a policy which requires them to send an email to teachers on or about the
24 end of every learning period, instructing them on how to generate and submit their
25 attendance registers. These emails shall include reminders to verify that: (1) a
26 student has a compliant Independent Study Master Agreement ("ISMA"); and (2)
27 attendance was properly claimed. To assist teachers with the second step in this
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1 verification process, the email shall include a summary of the daily engagement
2 requirement and time value requirement with links to materials that explain these
3 requirements. Absent a change in the law, the email and supporting linked
4 materials shall explain both:

5 (1) The daily engagement rule requires CAVA's teachers to examine
6 whether a student was "engaged in educational activities required of
7 them by their charter schools, on days when school is actually taught in
8 their charter schools." Although this regulation does not impose a
9 threshold minimum daily time requirement, a student merely logging in
10 to the online school system without engaging in educational activities,
11 for example, is not sufficient.
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13 AND

14 (2) The separate time value rule requires CAVA teachers to examine
15 the "time value" of the student's "work products" over the whole
16 learning period. The email shall also explain that the teacher must
17 report the lower value as between the number of days of daily
18 engagement and the number of days of time value that the teacher has
19 determined. The email shall also include instructions on how to "back
20 out," or remove attendance from the system, if necessary.
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23 (h) Attendance registers shall contain a certification stating that the
24 undersigned teacher assessed whether each student met the separate daily
25 engagement and time value requirements, as described above. In doing so, the
26 teacher will also certify that he or she has, as necessary: (1) reviewed each
27 student's progress; (2) reviewed contemporaneous records of on line/off-line
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1 engagement in instructional activities required by the school; (3) received and
2 reviewed each student's weekly learning log; (4) contacted learning coaches to
3 confirm off-line work if learning coaches did not submit weekly learning logs or
4 submitted deficient logs; and (5) contacted subject matter teachers to determine
5 whether students have been completing coursework.

6 (i) Within 90 days of the entry of this Judgment, K12 and the CAVA schools
7 shall develop a uniform script or website reference to be utilized by enrollment
8 center staff, enrollment counselors or any other staff who speak with prospective
9 students about the enrollment process, which provides full and accurate
10 information about the nature of the virtual school environment and the potential
11 advantages and challenges it entails. K12 will also develop a Frequently Asked
12 Questions sheet addressing the same information as the aforementioned script, to
13 be made available to prospective parents upon request.

14 (j) K12 shall enhance existing training of enrollment center staff relating to
15 the corrective measures pertaining to enrollment contained in this Judgment, both
16 for new hires and on a periodic basis for extant staff.

17 (k) Within 180 days of the entry of this Judgment, K12 shall create videos to
18 be housed on the CAVA Schools' website, to reflect the potential advantages and
19 challenges that parents and students might face in a virtual school environment.

20 (l) Before the start of the school year beginning August 2017, the CAVA
21 schools shall adopt a policy that provides all parents and (if age appropriate)
22 students with the opportunity to attend one-on-one counseling with qualified,
23 school-based staff members who are trained to understand the CAVA Schools'
24 program, virtual learning environment, and student-teacher interaction (hereinafter
25 "school-based staff members") before the student's school start date. At the
26 parent's option, this meeting will be available via telephone, video conference,
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1 web-chat embedded on the webpage that hosts prospective student information, or
2 similar medium allowing for interactivity.

3 (m) Before the start of the school year beginning August 2017, the CAVA
4 schools shall hire, train, and assign qualified school-based staff members to hold
5 these meetings.

6 (1) School-based staff members shall not be sales staff or have any
7 connection to K12's enrollment, sales, or marketing departments besides
8 receiving requests for these appointments.

9 (2) School-based staff members may, at the CAVA Schools' option, be
10 current teaching staff or others with substantial knowledge about how
11 virtual schools operate from the perspective of students and parents.

12 (3) The CAVA schools shall develop scripts for these school-based
13 staff members describing in detail the expectations of the parent/LC and
14 student, as well as challenges commonly faced by students based on the
15 CAVA Schools' extensive experience in this area.

16 (4) The CAVA schools shall require the school-based staff members to
17 maintain notes of these meetings in alignment with the above referenced
18 script, which will be included in each enrollee's online file contained
19 within the student information system and maintained throughout the
20 student's period of enrollment or, for students who do not start school, held
21 for three years.

22 (n) Within 30 days of the entry of this Judgment, K12 shall eliminate any
23 element of incentive compensation related in any way to the raw number, volume,
24 or percentage of students enrolled for enrollment center staff or third party entities
25 involved in the enrollment process. With regard to any such third party entities,
26 K12 will seek to include this restriction in contracts with such third party entities.
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(o) Pursuant to the division of responsibilities provided in the current Educational Products and Services Agreements (“EPSA”), at the request of any enrolled student, K12 shall, at no cost to the student:

(1) Provide an adequate computer to support the online coursework and other software and hardware (including, but not limited to, monitors) for students to complete coursework,

(2) Provide supplies, including those needed to complete science lessons and any other coursework requiring supplies, except for commonly available household and home office items.

(p) Pursuant to the division of responsibilities provided in the current EPSA, at the request of any enrolled student, the CAVA Schools shall, at no cost to the student:

(1) Provide a subsidy for high-speed internet service. This amount will initially be \$20 per month per household and the CAVA Schools shall review and adjust the amount annually based on prevailing rates for high-speed internet service in their service area.

(2) Provide all supplies required for any student to complete his or her coursework, including: additional computer peripherals, assistive technologies, and coursework supplies, as needed, except for commonly available household and home office items.

(q) By September 15, 2016, the CAVA schools shall modify their Parent/Student Handbook and other appropriate parent-facing documents to reflect the above.

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(r) K12 and the CAVA schools shall continue to conduct training for those employees involved in the provisioning of computers and related hardware, supplies, and high-speed internet subsidy, as well as enrollment center staff, regarding these cost and reimbursement policies.

(s) Within one year of the entry of this Judgment, K12 shall seek approval for at least two courses that satisfy the University of California's "d" (laboratory science) and "f" (visual and performing arts) requirements of the "a-g" course requirements to be eligible for admission to the University of California and California State University systems.

(t) The CAVA Schools shall, at no cost to the student, provide all supplies, materials, or venues necessary for a student to complete the courses and obtain "a-g" credits, and the opportunity for students to satisfy the requirements by obtaining satisfactory scores on SAT or AP exams shall remain available.

(u) By September 15, 2016, the CAVA schools, the CAVA Schools and K12 shall adopt and/or publish widely a clear policy that English fluency is not a requirement for Learning Coaches.

(v) K12 and the CAVA schools shall conduct training for CAVA School staff and K12 enrollment center staff about this policy and resources that are available for affected families.

(w) Within 90 days of the entry of this Judgment, the CAVA schools shall issue a bulletin informing/reminding staff about the CAVA Schools' obligation to provide meaningful access to English Language Learner ("ELL")/ Limited English Proficient ("LEP") students based on the January 7, 2015 "Dear Colleague" letter authored by the United States Department of Justice and the U.S. Department of Education's Office for Civil Rights, available at: <http://www2.ed.gov/about/offices/list/ocr/letters/colleague-el-201501.pdf> and establish policies that ensure compliance with these obligations.

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(x) By September 15, 2016, the CAVA schools shall modify the Parent/Student Handbook and other appropriate parent-facing documents to reflect the above.

(y) K12 shall train its enrollment center staff regarding the CAVA Schools' process for making changes to a student's curriculum grade level (higher or lower), and the role of the parent therein including, specifically, the grade level placement requirements permitted by law.

(z) K12 shall clarify in its print advertisements and on the CAVA schools' websites that the parent's ability to choose the grade level for their student is dependent upon engagement in a collaborative process with school personnel.

(aa) Subject to the adoption of final web accessibility rules implementing Section 508 of the Rehabilitation Act of 1974 and the Americans with Disabilities Act, as provided by "Nondiscrimination on the Basis of Disability; Accessibility of Web Information and Services of State and Local Government Entities, 81 Fed. Reg. 28,658 (proposed May 9, 2016)," K12 shall:

- (1) Complete its existing initiative to ensure an accessible learning environment by the end of 2018.
- (2) Empower the existing K12 Accessibility Coordinator to take in and independently investigate and resolve accessibility-related complaints within a specified time frame.
- (3) Agree to an independent evaluation to commence immediately following completion of the accessibility initiative by an expert selected by K12 and approved by the Attorney General's Office regarding the accessibility of K12's learning environment, including its website and all educational materials and lessons.
- (4) Based on that evaluation, K12 shall:

- 1 a. Adopt corrective measures to address any identified
2 accessibility problems with a specific timetable;
3 b. Adopt or modify an accessibility policy that is legally
4 compliant; and
5 c. Conduct training for all pertinent staff pertaining to online
6 accessibility requirements.

7 (bb) Within 90 days of the completion of the independent evaluation, K12 shall
8 provide a report to the Attorney General's Office with the results of the
9 independent evaluation and steps taken based on the evaluation.

10 (cc) The CAVA Schools shall review Individualized Learning Plan ("ILP")
11 documents of third-parties and enhance training and controls related to the
12 development and review of individualized learning plans.

13 (dd) For so long as the CAVA Schools offer ILPs, they shall ensure that all
14 staff involved in the ILP process are properly trained regarding ILPs, including,
15 but not limited to, the fundamental purpose of the ILP process, the CAVA Schools'
16 procedures for crafting an ILP, and its educational value.

17 (ee) Within 90 days of the entry of this Judgment, K12 and the CAVA Schools
18 shall ensure that all representations in advertising or any other statement to the
19 public, prospective parents, or investors comply with all agreements set forth
20 herein and as required by California law.

21 (ff) Within 90 days of the entry of this Judgment, K12 shall ensure that its
22 public website accurately reflects K12's compliance with the law as agreed to
23 herein.

24 (gg) K12 shall include a corrected version of the Scantron results from SY13-
25 14 in its 2016 Annual Academic Report.
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1 (hh) K12 shall include a statement in the first quarterly earnings call following
2 the entry of this Judgment correcting the statement regarding Scantron results in
3 the Fiscal Year 2015 First Quarter Earnings Call held October 30, 2014.

4 (ii) K12 shall, in any future representations in advertising or any other
5 statement to the public, prospective parents, or investors based on Scantron results,
6 include all students within the Standard Error of Measurement ("SEM") in
7 reflecting student academic achievement.

8 (jj) K12 shall remove the 2015 Annual Academic Report from its website,
9 include the corrected 2013-2014 Scantron data in the 2016 Annual Academic
10 Report, and include a statement at the front of the 2016 Report highlighting the
11 revision (to be contained in an appendix).

12 (kk) K12 shall correct the "Academic Results" page on K12's website
13 (<http://www.k12.com/k12-education/academic-results.html>).

14 (ll) Regarding the Wells Fargo Securities Report issued Nov. 3, 2014: K12
15 shall inform Wells Fargo if the Scantron data in this report was inaccurate and
16 provide the new data to Wells Fargo.

17 (mm) Regarding the CAVA Schools' 2015 Self-Study Visiting Committee
18 Report for the Western Association of Schools and Colleges ("WASC") and the
19 California Department of Education ("CDE"): the CAVA schools shall review the
20 Scantron information to discern its accuracy and, if inaccurate, revise and resubmit.

21 (nn) The CAVA schools shall investigate whether the 2013-2014 Scantron data
22 was used as an assessment to fulfill NCLB Title I requirements and, if so, revise
23 and resubmit.

24 (oo) K12 shall determine whether the results of academic PMOs were
25 inaccurately calculated and reported, and the K12 Compensation Committee shall
26 take up the matter and shall make its Compensation Committee report available to
27 the Attorney General before filing it with its FY 2016 Proxy Statement.
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1 (pp) In all future representations in advertising or any other statement to the
2 public, prospective parents, or investors related to parent satisfaction, K12 shall
3 utilize the precision currently set forth in the "K12 Produces Results" page on
4 K12's website (<http://www.k12.com/k12-education/academic-results.html>).

5 (qq) K12 shall ensure that information related to parent satisfaction is promptly
6 updated as new surveys are conducted.

7 (rr) K12 shall train enrollment center staff to refer callers to either the K12 or
8 school websites for information regarding parent satisfaction results.

9 (ss) K12 shall train enrollment center staff assigned to California to deliver
10 accurate information regarding class sizes and pupil-teacher ratios.

11 (tt) If any external sources of information are utilized or referred to by any
12 K12 or CAVA Schools employee, K12 and the CAVA Schools shall ensure that
13 those sources are accurate and complete.

14 (uu) Until such time as K12 obtains approval for classes in each "a-g"
15 discipline, as stated above, in all statements related to CAVA Schools' graduates'
16 eligibility for college admission, K12 and the CAVA schools shall include detailed
17 "disclaimers" explaining the options available to satisfy all requirements of the
18 University of California's "a-g" program. Said disclaimers shall include a
19 statement that these courses are "pending approval."

20 (vv) K12 shall train enrollment center staff to deliver complete and accurate
21 information regarding the CAVA Schools' current ability to directly offer courses
22 that satisfy all requirements of the University of California's "a-g" program.

23 (ww) The CAVA Schools shall submit to annual Special Education Local
24 Planning Area ("SELPA") reviews and K12-administered audits of their special
25 education programs.

26 (xx) Based on the SELPA and K12 audit reports, the CAVA Schools shall
27 create and implement training and provide technical assistance to staff to ensure
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effective understanding of legal requirements related to delivery of special education services.

(yy) K12 shall increase its annual audit sampling scope of the CAVA Schools' special education programs from approximately 1-2 percent to 5 percent of relevant student files.

(zz) The CAVA Schools shall engage an independent, third-party expert, to be approved by the Attorney General's Office, who will review the CAVA Schools' existing special education policies and recommend new and/or revised policies and procedures, as needed to comply with the law. The third-party expert will also review the above referenced K12 annual special education audit process and provide its recommendations to K12.

(1) This review will assist with the identification and assessment of existing enrollees' special education needs and delivery of services to those students.

- (2) Based on this review, the CAVA Schools shall:
- a. Adopt or modify and/or revise special education policies and procedures, as necessary to ensure that they are legally compliant; and
 - b. Conduct training for all pertinent staff pertaining to special education requirements.

(3) The CAVA schools shall announce new or revised policies to parents and LCs annually.

(4) Within 30 days of the completion of the independent evaluation, after review and input from K12 and the CAVA Schools, the expert will

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prepare a report to be provided to the Attorney General's Office, summarizing the review and recommendations that were made.

(5) All parts of this subparagraph shall be completed within 18 months of the entry of this Judgment.

(aaa) The CAVA Schools shall comply with IEP requirements and, if appropriate, provide compensatory education services.

(bbb) The CAVA Schools shall comply with the procedures specified in the IDEA for consulting with third parties for an Independent Educational Evaluation (IEE) [34 CFR 300.502] and will train all relevant staff regarding the same.

(ccc) K12 shall forgive all of the CAVA Schools' accumulated annual balanced budget credits following the end of each school year; however, any monies received by a CAVA School in a subsequent school year (for example, due to payment in arrears, deferral, or delayed revenue as allowed by state or federal law) that are attributable to student attendance from the prior school year may, subject to the contract between K12 and the specific CAVA School receiving the monies, be remitted to K12 as compensation for services rendered. Stated otherwise, K12 agrees that only revenue attributable to a particular school year (whether received in the current school year or subsequent school year) may be used to pay its fees for that particular school year. For example, only funds received for school year 2015-16, regardless of when the funds are received, will be used to pay K12 fees attributable to the 2015-16 school year.

(ddd) K12 shall remove itself from the check writing authority of the CAVA Schools' bank accounts. All accounts payable ("AP") and the manner in which AP will be handled must be approved by the CAVA Schools' Boards. K12 may, at the discretion of each CAVA School's Board and in accordance with the law, be provided bank records by the CAVA Schools.

1 (eee) To ensure an arms-length relationship between the not-for-profit CAVA
2 Schools and the for-profit education management company hired by the CAVA
3 schools, the CAVA Boards shall adopt a Conflicts of Interest Policy ("Policy")
4 that bars any K12 directors, officers, and employees, or any of their family
5 members, from being a Board member, agent, or employee of any CAVA School.
6 In addition, the Policy shall preclude any director, officer or employee of any
7 CAVA School, or any of their family members, from being a Board member,
8 agent, or employee of K12, and no CAVA employee shall report to a K12
9 employee (subject to the approval of the CAVA School Board, however, the
10 Policy would permit non-instructional staff such as file and accounting clerks and
11 other administrative staff to support the CAVAs' contract with K12 on behalf of
12 the CAVAs).

13 (1) For purposes of this provision, a person's "family member" means
14 any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-
15 law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such
16 person.

17 (2) The Policy will include surveying all CAVA board members
18 annually to ensure that any family members have not become K12
19 employees in the prior year. If any CAVA board member has become a
20 family member of a K12 employee in the prior year, the board member
21 agrees to resign from the board within 90 days.

22 (fff) Within 90 days of the entry of this Judgment, K12 and the CAVA Schools
23 shall create or amend and enforce a written conflict of interest policy that sets forth
24 the applicable federal and California state laws and regulations, and distribute such
25 policy to all employees, board members, and executives.
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1 (ggg) The CAVA Schools shall inform the CAVA Schools' boards and
2 authorizing school districts of the terms of this Judgment within 30 days of its
3 entry.

4 (hhh) The CAVA Schools shall conduct a training every two years for their
5 boards regarding the Brown Act, conflicts of interest and fiduciary duties,
6 including the material provisions in the service agreements with K12.

7 **MONETARY PROVISIONS**

8 7. K12 shall pay the California Attorney General's Office Six Million dollars
9 (\$6,000,000) to defray the costs of this action and to fund the investigation and prosecution of
10 enforcement cases to protect the rights of children.

11 8. Payments required to be paid pursuant to Paragraph 7 of this Judgment shall be
12 made within thirty (30) calendar days of the entry of this Judgment, payable by wire transfer to
13 the California Attorney General's Office pursuant to instructions provided by the Attorney
14 General's Office.

15 **FORBEARANCE**

16 9. K12 shall expunge all balanced budget credits incurred by any of the CAVA
17 Schools at the end of every year. All balanced budget credits from years 2005 through 2015 that
18 have not already been expunged (approximately \$160,000,000 in credits against amounts
19 otherwise due under managed school contracts for up to 11 CAVA Schools) shall be expunged
20 immediately upon entry of this Judgment. The credit for 2016 is estimated to be \$9,000,000
21 across all schools and if the schools' balanced budgets do not allow for payment, this credit will
22 not be carried over, per this policy.

23 **ADMINISTRATIVE PROVISIONS**

24 10. This Judgment is not based on conduct showing moral turpitude and is not
25 intended to form the basis of any disqualifications contained in federal or state law, including, but
26 not limited to, K12 or the CAVA Schools' eligibility to receive federal or state funds in any way.
27 This Judgment is made without trial or adjudication of any issue of fact or law. Nothing in this
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1 Judgment is an admission of liability by K12 or the CAVA Schools of any allegations made in
2 Plaintiff's Complaint, nor a concession by Plaintiff that its claims are not well-founded. Nothing
3 herein reduces the obligations of K12 or the CAVA Schools under this Judgment or affects
4 Plaintiff's authority to enforce any rights hereunder.

5 11. Nothing herein shall be construed as relieving K12 or the CAVA Schools of the
6 obligation to comply with all state and federal laws, regulations or rules, nor shall any of the
7 provisions herein be deemed to be permission to engage in any acts or practices prohibited by
8 such laws, regulations or rules; nor shall anything herein be construed to preclude the Attorney
9 General from exercising any of her powers or authority.

10 12. In consideration of all of the obligations of the Defendants in this Judgment,
11 effective upon the full payment of the amount due under Paragraph 7 of this Judgment, the
12 People of the State of California fully and finally release and forever discharge Defendants,
13 together with their current and former directors, officers, employees, shareholders, parents,
14 partners, agents, transferees, predecessors in interest, successors in interest, subsidiaries, affiliates
15 and assigns (collectively the "Releases") from and of any and all liabilities, rights, claims, actions,
16 causes of action, demands, damages, costs, attorney's fees, losses, and remedies, that the People
17 of the State of California have or could have brought resulting from, arising out of, based upon,
18 or related to any aspect of any Covered Conduct, to the extent that any such acts or omissions
19 occurred before the Date of entry of this Judgment. The released liabilities, claims, and causes of
20 action include but are not limited to civil liabilities, claims, or causes of action pursuant to
21 consumer protection statutes, other consumer-related laws, civil fraud laws, or the common law,
22 including, but not limited to: Unfair Competition Law (Cal. Bus. & Prof. Code §§ 17200 et seq.),
23 False Advertising Law (Cal. Bus. & Prof. Code §§ 17500 et seq.), California's False Claims Act
24 (Cal. Gov't Code §§ 12650 et seq.), or any other statute. This Release does not release or bar any
25 rights or causes of action arising from the Covered Conduct belonging to any state agency other
26 than the Attorney General, whether or not in the name of the People of the State of California,
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1 including but not limited to the California State Controller's Office, the California Department of
2 Education, or the State Board of Education

3 a. "Covered Conduct" means those matters that were included or could have been
4 included in the Attorney General's complaint, including, but not limited to: (1)
5 K12's and the CAVA Schools' accounting and reporting of attendance to the State;
6 (2) K12's and the CAVA Schools' recruitment, admissions and enrollment
7 practices; (3) K12's and the CAVA Schools' provision of free education, including
8 technical and instructional materials, to students; (4) K12's and the CAVA
9 Schools' provision of legally required accessibility to all individuals, including but
10 not limited to students with disabilities and English language learners and their
11 families; (5) K12's and the CAVA Schools' use of Individualized Learning Plans
12 ("ILP") for students; (6) K12's and the CAVA Schools' advertisements,
13 representations, and statements to enrolled families, the public, chartering and
14 accrediting authorities, and investors; (7) K12's and the CAVA Schools' provision
15 of special education services and related support to all eligible students; (8) K12's
16 and the CAVA Schools' placement of students in appropriate educational settings;
17 (9) K12's and the CAVA Schools' submissions of Funding Determination Forms
18 to the State; (10) K12's efforts to submit courses and gain approval from the
19 University of California of each of its 'a-g' course offerings; (11) the
20 relationship between K12 and the CAVA Schools and K12's management of the
21 CAVA Schools; (12) K12's and the CAVA Schools' network security policies and
22 practices with respect to safeguarding student information; and (13) K12's debt
23 relationship with the CAVA Schools, the CAVA School's approval of the K12
24 contracts, and K12's policies and practices regarding the allocation of (a) teachers'
25 salaries and (b) staff development costs, to particular CAVA Schools.
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1 13. The provisions of this Judgment do not bar, estop, or otherwise prevent Plaintiff or
2 any other government agency from taking any action against K12 or the CAVA Schools, except
3 as described in Paragraph 12.

4 14. In the event that K12 or the CAVA Schools conclude, based on changed
5 circumstances, that the terms of this Judgment unfairly restrict their business practices, then K12
6 or the CAVA Schools may submit a written request to the Attorney General seeking to modify
7 the terms of this Judgment including requesting that any or all of K12's or the CAVA Schools'
8 obligations under the Conduct Provisions cease. The Attorney General shall make a good faith
9 evaluation of K12's or the CAVA Schools' request and shall respond to the request within one
10 hundred and twenty (120) days of receipt of such request. If the Attorney General denies K12's
11 or the CAVA Schools' requested modifications, K12 or the CAVA Schools may in accordance
12 with California Rules of Civil Procedure and paragraph 16 of this Judgment, petition the Court
13 for modification of the terms and conditions of this Judgment.

14 15. The parties agree that the provisions of this Judgment are enforceable by the
15 Attorney General before this Court. In any such enforcement action, the Attorney General may
16 seek relief to enforce this Judgment, including injunctive relief, damages, penalties, and any other
17 relief provided by law or authorized by a court of competent jurisdiction. Defendants may make
18 a motion to terminate their obligations to engage in affirmative corrective measures as set forth in
19 this Judgment on or after July 1, 2021, on a showing of good cause.

20 16. Jurisdiction is retained by the Court for the purpose of enabling any party to the
21 Judgment to apply to the Court at any time for such further orders and directions as may be
22 necessary or appropriate for the construction or the carrying out of this Judgment, for the
23 modification of any of the injunctive provisions hereof, for enforcement of compliance herewith,
24 and for the punishment of violations hereof, if any.

25 17. Together with the Stipulation, this Judgment contains the complete agreement
26 between the parties. The parties have made no promises, representations, or warranties
27 concerning the subject matter of this Stipulation and Judgment, other than what is contained
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1 herein and therein, and the Stipulation and Judgment supersede any prior oral or written
2 communications, discussions, or understandings. Nothing in Paragraph 19 of this Judgment or
3 Paragraph 2 of the Stipulation affects or alters any rights or obligations under the separate
4 settlement agreement between the parties to the *State of California, ex rel. Susie Kaplar v.*
5 *California Virtual Academy @ Los Angeles, K12 Inc. D/B/A/ Delaware K12 Inc., Case No.*
6 *BC483914* action.

7 18. The waiver or failure of any party to exercise any rights under this Judgment shall
8 not be deemed a waiver of any right or any future rights. If any part of this Judgment shall for
9 any reason be found or held invalid or unenforceable by any court of competent jurisdiction, such
10 invalidity or unenforceability shall not affect the remainder of this Judgment, which shall survive
11 and be construed as if such invalid or unenforceable part had not been contained herein.

12 19. This Judgment is enforceable only by the parties hereto. No person or entity is
13 intended to be a third-party beneficiary of the provisions of this Judgment for purposes of any
14 civil, criminal, or administrative action and, accordingly, no person or entity may assert any claim
15 or right as a beneficiary or protected class under this Judgment.

16 **TIME FOR PERFORMANCE**

17 20. This Judgment shall take effect immediately upon entry thereof and service by
18 mail of "Notice of Entry of Judgment" upon all parties, through their counsel of record.

19 21. Any time limits for performance imposed by the Judgment may be extended by the
20 mutual agreement, in writing, of the Attorney General and the Defendants, and/or by order of the
21 Court for good cause shown.

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1 22. Any agreements to modify the terms herein, excluding those solely intended to
2 extend the time limits for performance of any of the provisions of the Judgment, shall be filed with
3 the Court.
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5 The Clerk is ordered to enter this Judgment forthwith.

6 IT IS SO ORDERED.

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8 Dated: 7/8/16

Hon. *Steven A. Beaudet*
JUDGE OF THE SUPERIOR COURT

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