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December 15, 2014

To the Members of the State Board of Education:

We are writing to urge the Board of Education to take a hard look at the application submitted by the North Carolina Virtual Academy (NCVA) to participate in the State's newly created Virtual Pilot Program. According to its application, the North Carolina Virtual Academy, if approved, would be managed by K-12 Inc. (K-12), a for-profit education company with a troubling track record across the nation. Education experts and financial analysts alike have raised concerns about both the quality of K-12 managed schools as well as the viability of K-12's business model. We believe it is vital for the Board to weigh these concerns when deciding whether or not to approve NCVA. Below are some highlights from a few of K-12's more troubling issues.

- **K12's Tennessee Virtual Academy Ordered to Close Next Year:** In August of 2014, Tennessee Education Commissioner Kevin Huffman ordered the Tennessee Virtual Academy to close at the end of next year due to poor student performance. Huffman told *The Tennessean*, "If somehow this school manages to defy the odds of its past performance and get adequate results, we would of course rescind that decision...But there is nothing in their data from the first three years that would indicate to me they are going to be able to achieve that level of performance."  
<http://www.tennessean.com/story/news/education/2014/07/31/huffman-orders-closure-tennessee-virtual-academy/13420309/>
- **Agora Cyber Charter School Severs Ties with K-12:** In August 2014, the Board of the Agora Cyber School, an online school in Pennsylvania, voted to sever ties with K12 Inc. and no longer use their services for management or curriculum. This vote came after years of complaints by teachers over lack of resources in the classroom and large payments to K-12.  
<http://www.businessweek.com/printer/articles/856132?type=bloomberg>
- **K-12 Allegedly in Violation of New Mexico State Law:** In April 2014, New Mexico Attorney General Garry King released a formal opinion stating that K-12's New Mexico Virtual Academy is violating state law concerning a for-profit company's involvement in managing a charter school. The full opinion can be read here:  
<http://www.nmlegis.gov/lcs/handouts/LCSS%20071614%20Item%20%20Attorney%20General%20Opinion%20on%20Virtual%20Charter%20Schools%20%28July%202014%20Subcommittee%29.pdf>

- **Colorado Virtual Academy Ends Management Relationship with K-12:** In 2013 the Colorado Virtual Academy Board decided to sever the management relationship with K12 Inc. for the 2014-15 school year after years of concerns and problems.  
<http://www.kunc.org/post/cova-k12-inc-part-ways-new-online-school-proposed-updated>
- **Top Hedge Fund Manager Says K-12's Business Model is Weak:** In September of 2013, hedge fund manager Whitney Tilson released an analysis that is highly critical of K-12's business model. The analysis cites, among other things, "dismal academic results by students and sky-high dropout rates" as well as declining revenues as a reason to be pessimistic about K-12's future. Speaking to *Business Insider* about the analysis, Tilson stated that K12 "reminds me of the subprime mortgage lenders and for-profit colleges when they were flying high – and the ending will be similar I believe." Tilson's entire presentation can be viewed here: <http://www.tilsonfunds.com/K12-Tilson-9-17-13.pdf>
- **K-12 Has Been the Subject of Shareholder Lawsuits:** K-12 is currently the subject of a large shareholder lawsuit that alleges the company misled investors about the company's financial health and operational results while the former CEO profited. In March 2013, K-12 settled a separate shareholder lawsuit that alleged K-12 used deceptive recruiting to boost its enrollment and revenues and made false statements to investors about student standardized test scores. The case was settled for \$6.75 million. For more details, see <http://www.edweek.org/ew/articles/2014/04/23/29lawsuit.h33.html>
- **Concerns Raised by Teachers at K-12's California Virtual Academies:** Teachers at California Virtual Academies (CAVA), K-12's largest school, have expressed serious concerns about the direction of their school. In a separate letter to the North Carolina Board of Education, CAVA teachers outline a number of serious issues, from special education students not receiving services to teachers not having sufficient time to teach. A copy of their letter is enclosed here.

Given these concerns, we believe the Board of Education should proceed with extreme caution when considering whether or not to approve K-12 to operate in North Carolina. We ask the Board to take a closer look at K-12 and consider whether or not they are the kind of company we want educating students in our great State.

Sincerely,



Rodney Ellis Sr.  
President, North Carolina Association of Educators

CC: Superintendent Atkinson, Joel Medley, Phillip Price