

NELNET INC  
Form DEF 14A  
April 13, 2012  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A  
(RULE 14a-101)

INFORMATION REQUIRED IN  
PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant    
Filed by a Party other than the Registrant

Check the appropriate box:

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

NELNET, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which

the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: NELNET INC - Form DEF 14A

- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-

121 SOUTH 13TH STREET  
SUITE 201  
LINCOLN, NE 68508

p 402.458.2370  
f 402.458.2399

[www.nelnet.com](http://www.nelnet.com)  
NELNET, INC.

April 13, 2012

Dear Shareholder:

On behalf of the Board of Directors, we are pleased to invite you to Nelnet, Inc.'s Annual Shareholders' Meeting on Thursday, May 24, 2012 at the Embassy Suites, 1040 P Street, Lincoln, Nebraska at 8:30 a.m., Central Time. The notice of the meeting and proxy statement on the following pages contain information about the meeting.

Your participation in the Annual Meeting is important. We hope that you will be able to attend the meeting and encourage you to read our annual report and proxy statement. At the meeting, members of the Company's management team will discuss the Company's results of operations and business plans and will be available to answer your questions. Regardless of whether you plan to attend, we urge you to vote your proxy at your earliest convenience.

Thank you for your support of Nelnet, Inc.

Sincerely,  
Michael S. Dunlap  
Chairman of the Board of Directors and Chief Executive Officer

---

Nelnet, Inc.  
121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 13, 2012

TIME AND DATE 8:30 a.m., Central Time, on Thursday, May 24, 2012

PLACE Embassy Suites  
1040 P Street  
Lincoln, Nebraska 68508

ITEMS OF BUSINESS (1) To elect eight directors nominated by the Board of Directors to serve until the 2013 Annual Meeting of Shareholders  
(2) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2012  
(3) To conduct an advisory vote to approve the Company's executive compensation  
(4) To transact such other business if properly introduced

RECORD DATE You can vote if you were a shareholder as of the close of business on March 30, 2012

OTHER INFORMATION The 2012 Letter to Shareholders from the Chairman of the Board of Directors and Chief Executive Officer and our 2011 Annual Report on Form 10-K, which are not part of the proxy soliciting materials, are enclosed.

PROXY VOTING The Board of Directors solicits your proxy and asks you to vote your proxy at your earliest convenience to be sure your vote is received and counted. Instructions on how to vote are contained in our proxy statement and in the Notice of Internet Availability of Proxy Materials. Whether or not you plan to attend the meeting, we ask you to vote over the Internet as described in those materials as promptly as possible in order to make sure that your shares will be voted in accordance with your wishes at the meeting. Alternatively, if you requested a copy of the proxy/voting instruction card by mail, you may mark, sign, date, and return the proxy/voting instruction card in the envelope provided. The Board of Directors encourages you to attend the meeting in person. If you attend the meeting, you may vote by proxy or you may revoke your proxy and cast your vote in person. We recommend you vote by proxy even if you plan to attend the meeting.

By Order of the Board of Directors,  
William J. Munn  
Corporate Secretary  
Nelnet, Inc.

NELNET, INC.	
2012 PROXY STATEMENT	
TABLE OF CONTENTS	
PROXY STATEMENT	
General Information	<u>1</u>
VOTING	<u>2</u>
PROPOSAL 1 - ELECTION OF DIRECTORS	
Nominees	5
CORPORATE GOVERNANCE	
Code of Business Conduct and Ethics for Directors, Officers, and Employees	<u>7</u>
Board Composition and Director Independence	<u>7</u>
Governance Guidelines of the Board	<u>8</u>
Board Diversity	<u>8</u>
The Board's Role in Risk Oversight	<u>8</u>
Board Leadership Structure	<u>9</u>
Board Committees	<u>9</u>
Meetings of the Board	<u>11</u>
Attendance at Annual Meetings of Shareholders	<u>11</u>
Director Compensation Table for Fiscal Year 2011	<u>11</u>
Matching Gift Program	<u>12</u>
Share Ownership Guidelines for Board Members	<u>12</u>
EXECUTIVE OFFICERS	12
EXECUTIVE COMPENSATION	
Compensation Discussion and Analysis	<u>13</u>
Compensation Committee Report	<u>20</u>
Summary Compensation Table for Fiscal Years 2011, 2010, and 2009	<u>20</u>
Grants of Plan-Based Awards Table for Fiscal Year 2011	<u>22</u>
Outstanding Equity Awards at Fiscal Year-End Table (As of December 31, 2011)	<u>22</u>
Stock Vested Table for Fiscal Year 2011	<u>23</u>
Stock Option, SAR, Long-Term Incentive, and Defined Benefit Plans	<u>23</u>
SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS	
Stock Ownership	<u>23</u>
Section 16(a) Beneficial Ownership Reporting Compliance	<u>27</u>
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	<u>27</u>
AUDIT COMMITTEE REPORT	31
PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	
Independent Accountant Fees and Services	32

PROPOSAL 3 - ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION	<u>33</u>
OTHER SHAREHOLDER MATTERS	
Householding	<u>34</u>
Other Business	<u>35</u>
Shareholder Proposals for 2013 Annual Meeting	35
MISCELLANEOUS	<u>35</u>

---

Nelnet, Inc.  
121 South 13<sup>th</sup> Street  
Suite 201  
Lincoln, Nebraska 68508

## PROXY STATEMENT

### General Information

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Nelnet, Inc. (the "Company") for the 2012 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, May 24, 2012, at 8:30 a.m., Central Time, at the Embassy Suites, 1040 P Street, Lincoln, Nebraska 68508. The Annual Meeting will be held for the purposes set forth in the notice of such Annual Meeting on the cover page hereof.

### Important Notice Regarding the Availability of Proxy Materials for the 2012 Annual Meeting of Shareholders to be held on May 24, 2012

Our notice of annual meeting and proxy statement, 2011 annual report on Form 10-K, letter to shareholders, electronic proxy card, and other annual meeting materials are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com). We intend to begin mailing our Notice of Internet Availability of Proxy Materials to shareholders on or about April 13, 2012. At that time, we also will begin mailing paper copies of our proxy materials to shareholders who requested them. Additional information on how these materials will be distributed is provided below.

Under U.S. Securities and Exchange Commission (the "SEC") rules, we are allowed to mail a notice to our shareholders informing them that our proxy statement, annual report on Form 10-K, electronic proxy card, and related materials are available for viewing, free of charge, on the Internet. Shareholders may then access these materials and vote their shares over the Internet, or request delivery of a full set of proxy materials by mail or email. These rules give us the opportunity to serve shareholders more efficiently by making the proxy materials available online and reducing the environmental impact and costs associated with printing and physical delivery. We are utilizing this process for the 2012 Annual Meeting. We intend to begin mailing the required notice, called the Notice of Internet Availability of Proxy Materials (the "Notice"), to shareholders on or about April 13, 2012. The proxy materials will be posted on the Internet, at [www.proxyvote.com](http://www.proxyvote.com), no later than the day we begin mailing the Notice. If you receive a Notice, you will not receive a paper or email copy of the proxy materials unless you request one in the manner set forth in the Notice. The Notice contains important information, including:

- The date, time, and location of the Annual Meeting
- A brief description of the matters to be voted on at the meeting
- A list of the proxy materials available for viewing at [www.proxyvote.com](http://www.proxyvote.com) and the control number you will need to use to access the site
- Instructions on how to access and review the proxy materials online, how to vote your shares over the Internet, and how to get a paper or email copy of the proxy materials if that is your preference

You may vote in person at the Annual Meeting or you may vote by proxy. To obtain directions to attend the Annual Meeting and vote in person, please call 402-458-3038. Giving the Board of Directors your proxy means that you authorize representatives of the Board to vote your shares at the Annual Meeting in the manner you specify. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. If your share ownership is registered directly, you may refer to voting instructions contained in this proxy statement and in the Notice. If your share ownership is beneficial (that is, your shares are held in the name of a bank, broker, or other nominee, referred to as being held in "street name"), your broker will issue you a voting instruction form that you use to instruct them how to vote your shares. Your broker must follow your voting instructions. Although most brokers and nominees offer mail,

telephone, and Internet voting, availability and specific procedures will depend on their voting arrangements.

Your vote is important. For this reason, the Board of Directors is requesting that you permit your common stock to be voted by proxy at the Annual Meeting. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully.



## VOTING

### Who Can Vote

You may vote if you owned Nelnet, Inc. Class A common stock, par value \$0.01 per share, or Class B common stock, par value \$0.01 per share, as of the close of business on March 30, 2012 (the “record date”). At the close of business on March 30, 2012, 35,500,836 and 11,495,377 shares of the Company's Class A and Class B common stock, respectively, were outstanding and eligible to vote. The Class A common stock is listed on the New York Stock Exchange under the symbol “NNI.” The Class B common stock is not listed on any exchange or market. At the Annual Meeting, each Class A and Class B shareholder will be entitled to one and 10 vote(s), respectively, in person or by proxy, for each share of Class A and Class B common stock, respectively, owned of record at the close of business on March 30, 2012. The stock transfer books of the Company will not be closed. The Secretary of the Company will make a complete record of the shareholders entitled to vote at the Annual Meeting available for inspection by any shareholder ten days prior to the date of the Annual Meeting at its headquarters in Lincoln, Nebraska at any time during usual business hours. Such records will also be available for inspection at the Annual Meeting.

As a matter of policy, the Company keeps private all proxies, ballots, and voting tabulations that identify individual shareholders. Such documents are available for examination only by certain representatives associated with processing proxy voting instructions and tabulating the vote. No vote of any shareholder is disclosed, except as may be necessary to meet legal requirements.

### How You Vote

You may vote your shares prior to the Annual Meeting by following the instructions provided in the Notice, this proxy statement, and the voter website, [www.proxyvote.com](http://www.proxyvote.com). If you requested a paper copy of the proxy materials, voting instructions are also contained on the proxy card enclosed with those materials.

If you are a registered shareholder, there are three ways to vote your shares before the meeting:

**By Internet ([www.proxyvote.com](http://www.proxyvote.com)):** Use the Internet to transmit your voting instructions until 11:59 p.m. EDT on May 23, 2012. Have your Notice of Internet Availability of Proxy Materials with you when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

**By mail:** You can vote by mail by requesting a paper copy of the materials, which will include a proxy card. There is no charge for requesting a copy. To be valid, proxy cards must be received before the start of the Annual Meeting. If you want to receive a paper or e-mail copy of the proxy materials, please choose one of the following methods to make your request:

- By internet: [www.proxyvote.com](http://www.proxyvote.com)
- By telephone: 1-800-579-1639
- By e-mail\*: [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com)

\*If requesting materials by e-mail, please send a blank e-mail with your 12-Digit Control Number in the subject line.

**By telephone (1-800-690-6903):** Use any touch-tone phone to transmit your voting instructions until 11:59 p.m. EDT on May 23, 2012. Have your proxy card with you when you call and follow the instructions.

If your shares are held in street name, your broker, bank, or other holder of record may provide you with a Notice of Internet Availability of Proxy Materials. Follow the instructions on the Notice to access our proxy materials and vote online or to request a paper or e-mail copy of our proxy materials. If you received these materials in paper form, the materials included a voting instruction card so you can instruct your broker, bank, or other holder of record how to vote your shares.

You may vote your shares at the Annual Meeting. If you are a registered shareholder, you can vote at the meeting any shares that were registered in your name as the shareholder of record as of the record date. If your shares are held in street name, you are not a holder of record of those shares and cannot vote them at the Annual Meeting unless you have a legal proxy from the holder of record. If you plan to attend and vote your street name shares at the Annual Meeting, you should request a legal proxy from your broker, bank, or other holder of record and bring it with you to the meeting along with proof of identification.

If you plan to vote your shares at the Annual Meeting, please pick up a ballot at the registration table upon your arrival. You may then submit your ballot to a meeting usher at the time designated during the meeting. Ballots will not be distributed during the meeting. Shares may not be voted after the final vote at the meeting. Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy.

#### What Items Require Your Vote

There are three proposals that will be presented for your consideration at the meeting:

• Electing the eight nominees named in this proxy statement to the Board of Directors for a term of one year

• Ratifying the appointment of KPMG LLP as the Company's independent registered public accounting firm (“independent auditor”) for 2012

• Approving on an advisory basis the Company's executive compensation

Each of the proposals has been submitted on behalf of the Company's Board of Directors.

#### How You Can Change Your Vote

If you are a registered shareholder, you can revoke your proxy and change your vote prior to the Annual Meeting by:

- Sending a written notice of revocation to our Corporate Secretary at 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508 (the notification must be received by the close of business on May 23, 2012)

- Voting again by Internet prior to 11:59 p.m. EDT on May 23, 2012 (only the latest vote you submit will be counted)

- Submitting a new properly signed and dated paper proxy card with a later date (your proxy card must be received before the start of the Annual Meeting)

If your shares are held in street name, you should contact your broker, bank, or other holder of record about revoking your voting instructions and changing your vote prior to the meeting.

If you are eligible to vote at the Annual Meeting, you also can revoke your proxy or voting instructions and change your vote at the Annual Meeting by submitting a written ballot before the final vote at the meeting. Your attendance at the Annual Meeting will not automatically revoke your proxy; you must specifically revoke your proxy.

#### Quorum Needed To Hold the Meeting

In order to conduct the Annual Meeting, a majority of the Company's outstanding shares entitled to vote must be present in person or by proxy. This is called a quorum. If you return valid proxy instructions or vote in person at the Annual Meeting, your shares will be considered part of the quorum. Abstentions and broker “non-votes” will be counted as present and entitled to vote for purposes of determining a quorum. New York Stock Exchange rules allow banks, brokers, and other nominees to vote shares held by them for a customer on matters that the New York Stock Exchange considers to be routine, even though the bank, broker, or nominee has not received voting instructions from the customer. A broker “non-vote” occurs when a bank, broker, or other nominee has not received voting instructions from the customer and the bank, broker, or other nominee cannot vote the shares because the matter is not considered to be routine under New York Stock Exchange rules.

Under New York Stock Exchange rules, the election of directors and the advisory vote to approve executive compensation will not be considered to be “routine” matters, and banks, brokers, and other nominees who are members of the New York Stock Exchange will not be permitted to vote shares held by them for a customer on these matters without instructions from the beneficial owner of the shares.

### Counting Your Vote

If you provide specific voting instructions, your shares will be voted as instructed. If you hold shares in your name and submit a valid proxy without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors. If you hold your shares in your name and do not return valid proxy instructions or do not vote in person at the Annual Meeting, your

3

---

shares will not be voted. If you hold your shares in the name of a bank, broker, or other nominee, and you do not give that nominee instructions on how you want your shares to be voted, the nominee has the authority to vote your shares on the ratification of the appointment of KPMG LLP as independent auditor. However, as previously discussed, the nominee will not be permitted to vote your shares on the election of directors or the advisory vote to approve executive compensation.

Giving the Board your proxy also means that you authorize their representatives to vote on any other matter that may be properly presented at the Annual Meeting in such manner as they determine best. The Company does not know of any other matters to be presented at the Annual Meeting as of the date of this proxy statement.

#### What Vote is Needed

Our Articles of Incorporation provide that directors are elected by a majority of the votes cast by the shares entitled to vote at the Annual Meeting. Although abstentions and broker “non-votes” will be counted for purposes of determining whether there is a quorum (as discussed previously), they will not be counted as votes cast in the election of directors and thus will not have the effect of votes for or against any director.

With respect to the election of directors, shareholders of the Company, or their proxy if one is appointed, have cumulative voting rights under the laws of the State of Nebraska. That is, shareholders, or their proxy, may vote their shares for as many directors as are to be elected, or may cumulate such shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of their shares, or may distribute votes on the same principle among as many nominees as they may desire. If a shareholder desires to vote cumulatively, he or she must vote in person or give his or her specific cumulative voting instructions to the designated proxy that the number of votes represented by his or her shares are to be cast for one or more designated nominees. Cumulative voting is not available for internet voting.

A majority of votes cast at the meeting is required to approve Proposals 2 and 3 (ratifying the appointment of KPMG LLP, and approving on an advisory basis the Company's executive compensation, respectively). Although abstentions and broker “non-votes” will be counted for purposes of determining whether there is a quorum (as discussed previously), they will not be counted as votes cast with respect to Proposals 2 and 3 and thus will not have the effect of votes for or against Proposals 2 and 3.

#### Voting Recommendations

The Company's Board of Directors recommends that you vote:

•“FOR” each of the nominees to the Board of Directors

•“FOR” ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2012

•“FOR” the approval of the compensation of the Company's named executive officers, as disclosed in this proxy statement

A proxy, when properly executed and not revoked, will be voted in accordance with the authorization and instructions contained therein. Unless a shareholder specifies otherwise, all shares represented will be voted in accordance with the recommendations of the Company's Board of Directors.

#### Voting Results

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be reported in a current report on Form 8-K to be filed within four business days after the Annual Meeting date.

#### Cost of This Proxy Solicitation

The Company will pay the cost of soliciting proxies, including the preparation, assembly, and furnishing of proxy solicitation and other required annual meeting materials. Directors, officers, and regular employees of the Company may solicit proxies by telephone, electronic communications, or personal contact, for which they will not receive any additional compensation in respect of such solicitations. The Company will also reimburse brokerage firms and others for all reasonable expenses for furnishing proxy solicitation and other required annual meeting materials to beneficial owners of the Company's stock.

PROPOSAL 1 - ELECTION OF DIRECTORS

Nominees

Shareholders are asked to elect eight directors to serve on the Board for a one-year term or until their successors are elected or appointed.

Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, the Board has nominated each of the nominees named below to serve on the Board of Directors.

The Board of Directors recommends that shareholders vote FOR the election of each nominee (named below) to the Board of Directors.

In the event that any nominee becomes unavailable for election for any reason, the shares represented by proxy will be voted for any substitute nominees designated by the Board, unless the proxy does not indicate that the shares are to be voted for all nominees. The Board of Directors knows of no reason why any of the persons nominated to be directors might be unable to serve if elected, and each nominee has consented to and expressed an intention to serve if elected. There are no arrangements or understandings between any of the nominees and any other person pursuant to which any of the nominees was selected as a nominee.

Following are the names of the eight nominees to serve as director, together with: their ages, the year during which they were first elected a director of the Company, their principal occupation(s) and any other directorships with publicly-held companies (if applicable) during the past five years, and each nominee's qualifications to serve as a director.

Name, Age, and Service as a Director	Principal Occupation(s), Other Directorships, and Qualifications
<p>Michael S. Dunlap, 48 Director since January 1996</p>	<p>Chairman and Chief Executive Officer, Nelnet, Inc. Chairman, Nelnet, Inc., March 2000 to present; Chief Executive Officer, May 2007 to present and December 2001 - August 2003; Co-Chief Executive Officer, August 2003 - May 2007; President, December 2001 - August 2003; Chairman of the Company's predecessor in interest, January 1996 - March 2000 Co-President and Director, Farmers &amp; Merchants Investment Inc. ("F&amp;M"), the parent of Union Bank and Trust Company ("Union Bank"), January 2007 - present; President and Director, January 1995 - January 2007 (F&amp;M is an affiliate of the Company) Non-Executive Chairman, Union Bank, August 2003 - November 2008; Chief Executive Officer, January 2001 - August 2003; Executive Vice President, January 1993 - January 2001 (Union Bank is an affiliate of the Company)</p> <p>Mr. Dunlap's qualifications include more than 25 years of experience in the areas of banking and financial services, leadership, strategic operations, and management, including as one of our co-founders and our Chief Executive Officer and Chairman since the Company's inception, as well as his experience as a member of the boards of directors of numerous other private organizations. Mr. Dunlap's knowledge of every part of our business and his intense focus on innovation and excellence are keys to our Board's success.</p>
<p>Stephen F. Butterfield, 59 Director since January 1996</p>	<p>Vice-Chairman, Nelnet, Inc. Vice-Chairman, Nelnet, Inc., March 2000 - present; Co-Chief Executive Officer, August 2003 - May 2007; Vice-Chairman of the Company's predecessor in interest, January 1996 - March 2000</p>

Edgar Filing: NELNET INC - Form DEF 14A

President, Student Loan Acquisition Authority of Arizona, January 1989 - February 2000

Mr. Butterfield's qualifications include more than 35 years of experience in the areas of student loans, capital markets, and municipal finance, including as one of our co-founders and a member of our Board since the Company's inception, as well as his knowledge and understanding of leadership and organizational dynamics.



Edgar Filing: NELNET INC - Form DEF 14A

Name, Age, and  
Service as a Director

Principal Occupation(s), Other Directorships, and Qualifications  
Chief Executive Officer, NEBCO, Inc.

James P. Abel, 61 Director  
since August 2003

Chief Executive Officer, NEBCO, Inc., a company with interests in the manufacture of concrete building materials, road construction, insurance, mining, railroading, farming, and real estate, 2004 - present; President and Chief Executive Officer, 1983 - 2004

Chairman of the Board of Directors, UNIFI Mutual Holding Company; Director, Ameritas Holding Company and Ameritas Life Insurance Corp. UNIFI Mutual Holding Company is the parent company and owns Ameritas Holding Company. Ameritas Holding Company, in turn, owns 100 percent of the stock of Ameritas Life Insurance Corp. These entities offer a wide range of insurance and financial products and services to individuals, families, and businesses.

Mr. Abel's qualifications include his experience on boards of directors of other private companies and his demonstrated executive leadership abilities and management experience as Chief Executive Officer of a complex diversified organization, as well as his knowledge of operations, all of which give him critical insights into the operational requirements of the Company.

William R. Cintani, 59 New  
Nominee for Director

Chairman and Chief Executive Officer, Mapes Industries

Chairman and Chief Executive Officer, Mapes Industries, a diversified manufacturer of specialty architectural products with distribution across the United States and Canada, 1993 - present; President, 1984 - 1993; Vice President, 1978 - 1984

Mr. Cintani's qualifications include more than 35 years of managing a diverse, nationwide manufacturing business with distribution in all 50 states and Canada. Mr. Cintani's service on numerous civic, philanthropic, and service boards have provided him with a wide array of experience in both corporate governance and operations. His practical knowledge and board experience provides the Company with a resource for all aspects of finance, operations, IT, and strategic planning. In addition, Mr. Cintani has served 10 years as a member of the board of directors for certain of the Company's asset-backed securities special purpose corporations.

Kathleen A. Farrell,  
48 Director since October  
2007

Professor of Finance and Senior Associate Dean of Academic Programs, University of Nebraska-Lincoln

Professor of Finance, University of Nebraska-Lincoln, August 2009 - present  
Senior Associate Dean of Academic Programs, August 2011 - present  
Associate Dean of Academic Programs, August 2010 - August 2011  
Associate Professor of Finance, University of Nebraska-Lincoln, 2002 - July 2009  
Assistant Professor of Finance, University of Nebraska-Lincoln, August 1993 - 2001

Dr. Farrell's qualifications include her expertise in corporate finance, executive turnover, and executive compensation, and her prior experience as an auditor at a public accounting firm. Dr. Farrell has achieved designation as a Certified Public Accountant (inactive), has nearly 19 years experience teaching university courses in the areas of banking and finance, and has conducted extensive research on these topics. Dr. Farrell has also published articles on these topics in numerous scholarly journals.

Thomas E. Henning, 59  
Director since August 2003

President and Chief Executive Officer, Assurity Security Group, Inc. and its subsidiary, Assurity Life Insurance Company  
President and Chief Executive Officer, Assurity Security Group, Inc. and its subsidiary, Assurity Life Insurance Company, which offers a variety of disability income and critical illness protection, life insurance, and annuity products, 1990 - present  
Director, Federal Home Loan Bank Topeka, March 2007 - present. The Federal Home Loan Bank Topeka is part of the 12 member Federal Home Loan Bank system. The bank serves the states of Oklahoma, Kansas, Nebraska, and Colorado and provides liquidity to member institutions to assist in financing real estate.  
Director, Assurity Advisors (previously named Pine Lake Advisors), a registered investment advisory company, January 1998 - April 2008

Mr. Henning's qualifications include over 20 years of experience as President and Chief Executive Officer of a large insurance company, his prior experience as President of a regional bank, his financial expertise, including being a Certified Financial Analyst, his experience in risk assessment and management, and his vast knowledge and experience in leadership and management.

Name, Age, and Service as a Director	Principal Occupation(s), Other Directorships, and Qualifications
Kimberly K. Rath, 51 Director since October 2007	Managing Director and President, Talent Plus, Inc. Managing Director and President, Talent Plus, Inc., a global human resources consulting firm, July 1989 - present Senior Consultant, The Gallup Organization, 1982 - 1989  Ms. Rath's qualifications include 30 years of experience in the field of human resources, with expertise in executive development, employee engagement, and human capital management. Ms. Rath also has 23 years of experience leading an international executive management consulting and training organization, working with major global companies. Ms. Rath serves as an executive strategic advisor to many leaders across the globe in both private and public sectors. Ms. Rath's experience and perspectives are unique among our Board members.
Michael D. Reardon, 59 Director since December 2003	Chief Executive Officer, Provision Communications, LLC Chief Executive Officer, Provision Communications, LLC, a telecommunications company, January 2004 - present Chairman, Geos Communications, Inc., a publicly traded mobile communications company, March 2010 - present; Director, June 2009 - February 2010 Director, HyperFlo, LLC, a manufacturer of precision cleaning equipment, January 2010 - present; Chairman, 1997 - 2009  Mr. Reardon's qualifications include over 35 years of experience starting and building companies from the ground up, providing strategy, leadership, business development, and management expertise, and dealing with financial and operational issues in challenging environments. Through his roles as an executive officer and Chairman of such companies, and his experience on the board of directors and board committees of other public companies, Mr. Reardon provides valuable and unique insights.

## CORPORATE GOVERNANCE

### Code of Business Conduct and Ethics for Directors, Officers, and Employees

The Company has a written code of business conduct and ethics that applies to all of the Company's directors, officers, and employees, including the Company's Chief Executive Officer and Chief Financial Officer, and is designed to promote ethical and legal conduct. Among other items, the code addresses the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the code. This code is available on the Company's Web site at [www.nelnetinvestors.com](http://www.nelnetinvestors.com) under "Corporate Governance" and is available in print to any shareholder who requests it.

### Board Composition and Director Independence

The Board of Directors is composed of a majority of independent directors as defined by the rules of the New York Stock Exchange. A director does not qualify as an independent director unless the Board has determined, pursuant to applicable legal and regulatory requirements, that such director has no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). The Nominating and Corporate Governance Committee reviews compliance with the definition of "independent" director annually. Mr. Dunlap beneficially owns 67.9% of the combined voting power of the Company's shareholders. Because of his beneficial ownership, Mr. Dunlap can effectively elect each member of the Board of Directors and has the

power to defeat or remove each member of the Board of Directors.

In 2011, the Board evaluated commercial, consulting, charitable, familial, and other relationships with each of its directors and entities with respect to which they are an executive officer, partner, member, and/or significant shareholder. As part of this evaluation, the Board noted that none of the directors received any consulting, advisory, or other compensatory fees from the Company (other than for services as a director) or is a partner, member, or principal of an entity that provided accounting, consulting, legal, investment banking, financial, or other advisory services to the Company (other than approximately \$34,000 paid for employee development services to Talent Plus, in which Ms. Rath is Managing Director and President). Based on this independence review and evaluation, and on other facts and circumstances the Board deemed relevant, the Board, in its business judgment, determined that all of the Company's directors and nominees are independent, with the exception of Mr. Dunlap, who is currently an employee of the Company.

The Company's Nominating and Corporate Governance Committee is responsible for reviewing and approving all new transactions, and any material amendments or modifications to existing transactions, between the Company and Union Bank or any other related party, and taking such actions as the Committee deems necessary and appropriate in relation to such transactions, including reporting to the Board of Directors with respect to such transactions as the Committee deems necessary and appropriate. See "Certain Relationships and Related Transactions."

#### Governance Guidelines of the Board

The Board's governance is guided by the Company's Corporate Governance Guidelines. The Board's current guidelines are available on the Company's Web site at [www.nelnetinvestors.com](http://www.nelnetinvestors.com) under "Corporate Governance" and are available in print to any shareholder who requests them. Among other matters, the guidelines provide for the following:

▲ A majority of the members of the Board must be independent directors.

◻ The Board undertakes an annual self-review.

The Board and each Board Committee has the authority to engage independent or outside counsel, accountants, or other advisors, as it determines to be necessary or appropriate. All related fees and costs of such advisors are paid by the Company.

◻ Board members have open communication with all members of management and counsel.

Non-Employee Directors meet in executive session, without the presence of management. Mr. Reardon currently presides at these executive sessions. Anyone who has a concern about the Company may communicate that concern directly to these Non-Employee Directors. Such communication may be mailed to the Corporate Secretary at Nelnet, Inc., 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508 or anonymously submitted via the Company's Web site at [www.nelnet.com](http://www.nelnet.com) under "Contact Us." All such communications will be forwarded to the appropriate Non-Employee Directors for their review. The Non-Employee Directors may take any action deemed appropriate or necessary, including the retention of independent or outside counsel, accountants, or other advisors, with respect to any such communication addressed to them. No adverse action will be taken against any individual making any such communication in good faith to the Non-Employee Directors.

#### Board Diversity

In considering whether to recommend any candidate for election to the Board, including candidates recommended by shareholders, the Nominating and Corporate Governance Committee will apply the criteria set forth in Nelnet's Corporate Governance Guidelines. These criteria include the candidate's independence, wisdom, integrity, understanding and acceptance of the Company's corporate philosophy, business or professional knowledge and experience, record of accomplishment, and willingness to commit time and energy to the Company. Our Corporate Governance Guidelines also specify that the value of diversity on the Board should be considered by the Nominating and Corporate Governance Committee in the director identification and nomination process. The Board is committed to a strong and diverse membership and a thorough process to identify those individuals who can best contribute to the Company's continued success. As part of this process, the Nominating and Corporate Governance Committee will continue to take all reasonable steps to identify and consider for Board membership all candidates who satisfy the business needs of the Company at the time of appointment.

The Committee seeks nominees with a broad diversity of experience, professional skills, and backgrounds. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge, and abilities that will allow the Board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability, or any other basis proscribed by law.

#### The Board's Role in Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company in fostering a culture of risk-aware and risk-adjusted decision-making that allows the Company to avoid adverse financial and operational impacts. The involvement of the full Board of Directors in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Risk and Finance Committee assists the Board of Directors in fulfilling its responsibilities with respect to oversight of the Company's enterprise-wide risk management framework and oversight of the Company's strategies relating to capital management. The Audit Committee focuses on the integrity of the Company's financial statements, system of internal controls, and policies for risk assessment and risk management. The Company's Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibility with respect to regulatory, compliance, related-party transactions, and public policy issues that affect the Company, and works closely with the Company's legal and policy services groups. Finally, in setting compensation philosophy and strategy, the Compensation Committee strives to create incentives that encourage an appropriate level of risk-taking behavior consistent with the Company's business strategy.

#### Board Leadership Structure

Mr. Dunlap has served the Company as both Chairman and Chief Executive Officer (co-Chief Executive Officer with Mr. Butterfield from 2003-2007) since the Company's inception. The Board of Directors and management believe this structure is appropriate for our business for a number of reasons. Mr. Dunlap is the largest single shareholder of the Company, he is one of our co-founders, and his vision and leadership have been an integral part of the Company's success. His experience in the business, as well as his high levels of skill and integrity, are critical to our ability to be responsive to conditions in the markets in which we operate and to our continued success. In addition, the combined role Mr. Dunlap plays provides the Company the benefit of singular leadership for our strategy and vision. Finally, the Company does not believe that separating the Chairman and Chief Executive Officer roles necessarily guarantees better governance or the absence of risk. The Company prefers to focus instead on our Board's overall effectiveness, and we believe Mr. Dunlap contributes materially to that effectiveness by virtue of his combined role.

Mr. Reardon is currently the independent Lead Director. Mr. Dunlap, as Chairman, provides leadership to the Board and works with the Board to define its structure and activities in the fulfillment of its responsibilities. In conjunction with Mr. Reardon as the Lead Director, Mr. Dunlap sets the Board agendas with Board and management input, facilitates communication among directors, works with Mr. Reardon to provide appropriate information flow to the Board, and presides at meetings of the Board of Directors and shareholders. Mr. Reardon works with Mr. Dunlap and other Board members to provide strong, independent oversight of the Company's management and affairs. Among other things, Mr. Reardon is involved in the development of Board meeting agendas as well as the quality, quantity, and timeliness of information sent to the Board, serves as the principal liaison between Mr. Dunlap and the independent directors, and chairs an executive session of the Non-Employee Directors at most regularly scheduled Board meetings.

#### Board Committees

The Board uses committees to assist it in the performance of its duties. During 2011, the standing committees of the Board were the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, and Executive Committee. Each committee, other than the Executive Committee, is composed entirely of independent directors and operates pursuant to a formal written charter, approved by the Board, which sets forth the committee's functions and responsibilities. Each committee charter is posted on the Company's Web site at [www.nelnetinvestors.com](http://www.nelnetinvestors.com) under "Corporate Governance" - "Committees" and is available in print to any shareholder who requests it. The purposes of each committee and their current members are set forth below.

#### Audit Committee

The Audit Committee is composed of Ms. Farrell and Messrs. Henning and O'Connor. The Committee held eight meetings in 2011. Each member of the Audit Committee is (1) "independent" in accordance with the rules and regulations of the New York Stock Exchange and the rules and regulations of the SEC and (2) sufficiently financially literate to enable him or her to discharge the responsibilities of an Audit Committee member. Mr. Henning has accounting and related financial management expertise and serves as the committee's "audit committee financial expert," as defined in the applicable rules and regulations of the SEC.

The Audit Committee provides assistance to the Board of Directors in its oversight of the integrity of the Company's financial statements, the Company's system of internal controls, the Company's policy standards and guidelines for risk assessment and risk management, the qualifications and independence of the Company's independent auditor, the performance of the Company's internal and independent auditors, and the Company's compliance with other regulatory and legal requirements. The Audit Committee discusses with management and the independent auditor the Company's annual audited financial statements, including the Company's disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operation" in its filings with the SEC, and recommends to the Board of Directors whether such audited financial statements should be included



in the Company's annual report on Form 10-K. The Audit Committee also selects the independent auditors for the next year and presents such selection to the shareholders for ratification.

#### Compensation Committee

The Compensation Committee is composed of Ms. Rath and Messrs. Abel and Reardon. The Committee held five meetings in 2011. The members of the Compensation Committee are (1) "independent" in accordance with the rules and regulations of the New York Stock Exchange and the rules and regulations of the SEC, (2) "Non-Employee Directors" as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (3) "Outside Directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986. The Compensation Committee oversees the Company's compensation and benefit policies. The Company's compensation policies are designed with the goal of maximizing shareholder value over the long term. The Compensation Committee believes that this goal is best realized by utilizing a compensation program which serves to attract and retain superior executive talent by providing management with performance-based incentives and closely aligning the financial interests of management with those of the Company's shareholders. The level of compensation is based on numerous factors, including achievement of results and financial objectives established by the Compensation Committee and the Board of Directors. Salary and performance payments are reviewed regularly for competitiveness and are determined in large part by reference to compensation levels for comparable positions at comparable companies. See "Executive Compensation."

#### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is composed of Ms. Rath and Messrs. Abel, Reardon, and as of May, 2011, Mr. Butterfield. The Committee held five meetings in 2011. The members of the Nominating and Corporate Governance Committee are "independent" as determined in accordance with the rules and regulations of the New York Stock Exchange and the rules and regulations of the SEC. The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified nominees to serve on the Company's Board of Directors, identifying members of the Board to serve on each Board committee, overseeing the evaluation by the Board of itself and its committees, identifying individuals to serve as officers of the Company and recommending such individuals to the Board, as well as developing and overseeing the Company's internal corporate governance processes. The Nominating and Corporate Governance Committee reviews related party transactions in accordance with the written policies and procedures adopted by the Board of Directors for the Committee's review of related party transactions, and takes such actions as the Committee deems necessary and appropriate in relation to such transactions, including reporting to the Board of Directors with respect to such transactions as the Committee deems necessary and appropriate.

The Company's Corporate Governance Guidelines establish criteria for specific qualities and skills to be considered by the Nominating and Corporate Governance Committee as necessary for the Company's directors to possess. These criteria include, among other items, independence, diversity, integrity, understanding the Company's corporate philosophy, valid business or professional knowledge, proven record of accomplishment with excellent organizations, ability to challenge and stimulate management, and willingness to commit time and energy. The Nominating and Corporate Governance Committee has been given the responsibility to take all reasonable steps to identify and evaluate nominees for director and has adopted a policy requiring it to consider written proposals for director nominees received from shareholders of the Company. No such proposals were received during 2011 from a beneficial owner of more than 5% of Nelnet's stock (other than current management). There is no difference in the manner in which the Committee evaluates director nominees based on whether the nominee is recommended by a shareholder. All of the nominees identified in this proxy statement have been recommended by the Committee. With respect to Mr. Cintani, who has been nominated to the board of directors for the first time at the annual meeting, his nomination was originally recommended by Mr. Dunlap based on Mr. Cintani's years of service as a member of the board of directors of certain of the Company's asset-backed securities special purpose corporations.

When seeking candidates for director, the Nominating and Corporate Governance Committee solicits suggestions from incumbent directors, management, shareholders, and others. The Committee has authority under its charter to retain a search firm for this purpose. If the Committee believes a candidate would be a valuable addition to the Board of Directors, it recommends his or her candidacy to the full Board of Directors.

The Company's By-Laws include provisions setting forth the specific conditions under which persons may be nominated by shareholders as directors at an annual meeting of shareholders. The provisions include the condition that nominee proposals from shareholders must be in writing and that shareholders comply with the time-frame requirements described under "Other Shareholder Matters - Shareholder Proposals for 2013 Annual Meeting" for shareholder proposals not included in the Company's Proxy Statement. A copy of such provisions is available upon written request to: Nelnet, Inc., 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508, Attention: Corporate Secretary. The Company's By-Laws are also posted on the Company's Web site at [www.nelnetinvestors.com](http://www.nelnetinvestors.com) under "Corporate Governance" - "Corporate Documents."

## Risk and Finance Committee

The Risk and Finance Committee is composed of Ms. Farrell, Messrs. Henning and O'Connor, and as of May, 2011, Mr. Butterfield. The Committee held four meetings in 2011. The Risk and Finance Committee holds principal oversight responsibility with respect to the Company's enterprise-wide risk management framework, including the significant strategies, policies, procedures, and systems used to identify, assess, measure, and manage the major risks facing the Company and oversight of the Company's material financial matters, including capital management, funding strategy, investments, and acquisitions that are material to the Company's business.

## Executive Committee

The Executive Committee is composed of Ms. Farrell and Messrs. Dunlap and Henning. The Executive Committee held no formal meetings in 2011. The Executive Committee, established by the Board of Directors, exercises all of the powers of the full Board in the management of the business and affairs of the Company during the intervals between meetings of the full Board, subject only to limitations as the Board of Directors may impose from time to time, or as limited by applicable law.

## Meetings of the Board

The Board of Directors held five meetings in 2011. All directors attended at least 75% of the meetings of the Board and committees on which they serve.

## Attendance at Annual Meetings of Shareholders

The Company does not have a policy regarding director attendance at the annual meetings of shareholders. All directors attended the prior year's annual meeting of shareholders.

## Director Compensation Table for Fiscal Year 2011

The following table sets forth summary information regarding compensation of Non-Employee Directors for the fiscal year ended December 31, 2011. Independent Non-Employee Directors are compensated based on Board meeting and committee meeting attendance. The Company also pays an annual retainer of \$60,000 to independent Non-Employee Directors. An additional annual retainer of \$10,000 is paid to independent Non-Employee Directors who serve as members of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, or Executive Committee, as applicable. The Chairman of the Audit Committee is paid an additional \$10,000 annual retainer fee. Mr. Dunlap, who is an employee of the Company, does not receive any consideration for participation in Board or committee meetings. Mr. Butterfield, who was an employee of the Company through December 31, 2007, was determined to be independent as of January 1, 2011 and began to receive independent Non-Employee Director compensation after the May 2011 Annual Meeting.

Director Name	2011 Compensation			Total (\$)
	Fees earned or paid in cash (\$) (a)	Stock awards (\$) (b)	All other compensation (\$)	
James P. Abel	15,000	94,112	—	109,112
Stephen F. Butterfield	11,000	94,112	22,998	(c) 128,110
Kathleen A. Farrell	17,000	105,873	—	122,873
Thomas E. Henning	17,000	117,634	—	134,634
Brian J. O'Connor	17,000	94,112	—	111,112
Kimberly K. Rath	15,000	94,112	—	109,112
Michael D. Reardon	15,000	94,112	—	109,112

(a)

Amount represents cash paid to independent Non-Employee Directors for attendance at Board and committee meetings. Independent Non-Employee Directors earn \$1,000 for each Board and committee meeting attended.

- Prior to the Company's December 2003 initial public offering of its Class A common stock, the Board of Directors adopted, and the shareholders approved, a share-based compensation plan for independent Non-Employee Directors pursuant to which independent Non-Employee Directors can elect to receive their annual retainer fees in the form of cash or in shares of the Company's Class A common stock. If an independent Non-Employee Director elects to receive Class A common stock, the number of shares of Class A common stock that will be granted will be equal to
- (b)

the amount of the annual retainer fee otherwise payable in cash divided by 85% of the fair market value of a share of Class A common stock on the date the fee is payable. Independent Non-Employee Directors who choose to receive Class A common stock may also elect to defer receipt of the Class A common stock until termination of their service on the Board of Directors. Any dividends paid in respect of deferred shares during the deferral period will also be deferred in the form of additional shares and paid out at termination from the Board of Directors. This plan may be amended or terminated by the Board of Directors at any time, but no amendment or termination will adversely affect an independent Non-Employee Director's rights with respect to previously deferred shares without the consent of the independent Non-Employee Director.

Each of the Non-Employee Directors elected to receive their annual retainer fees for 2011 in the form of the Company's Class A common stock or deferred shares in accordance with the provisions of this plan. As such, the amounts under "stock awards" in the table above represent the fair value of the stock on the date of issuance, June 24, 2011, of \$21.62 per share. The Company uses the closing market price of the Company's Class A common stock on the date the annual retainer fees are payable to calculate the number of shares to be issued under this plan.

As a non-employee strategic advisor to the Company, Mr. Butterfield received health, dental, and vision benefits. (c)During 2011, Mr. Butterfield received \$7,822 from the Company to cover the cost of his premiums related to these benefits. The dollar value of insurance premiums paid by the Company related to these benefits was \$15,176.

#### Matching Gift Program

The Company offers a matching gift program in which all employees with at least six months of service and all members of the Board of Directors are eligible to participate. Under this program, for every dollar that an employee or Board member contributes to an eligible charitable organization or educational institution, the Company will make matching donations of additional funds, subject to terms and conditions applicable in an equal manner to all employees and Board members. The total dollar amount payable under the program is \$25,000 per director or employee per calendar year. During 2011, the Company did not match any contributions of Non-Employee Directors pursuant to this program.

#### Share Ownership Guidelines for Board Members

The Compensation Committee of the Board of Directors believes that Board members should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of Board members with the Company's shareholders, in 2005 the Committee recommended and the Board adopted Share Ownership Guidelines for Board members. Under these guidelines, each Non-Employee Director is encouraged to own shares of the Company's Class A common stock with a value of 50% of the amount obtained by multiplying the annual retainer fee by the number of years the Director has served. In 2011, all Non-Employee Directors owned an amount of shares equal to or in excess of that suggested by the guidelines.

#### EXECUTIVE OFFICERS

Under the Company's By-Laws, each executive officer holds office for a term of one year or until their successor is elected and qualified. The executive officers of the Company are elected by the Board of Directors at its annual meeting immediately following the annual meeting of shareholders.

The following sets forth the executive officers of the Company, including their names, their ages, their positions with the Company, and if different, their business experience during the last five years.

See "Proposal 1 - Election of Directors - Nominees" for biographical information regarding Mr. Dunlap.



Name and Age	Position and Business Experience
Todd M. Eicher, 42	Executive Director, Nelnet, Inc., May 2003 - present; Executive Director, Nelnet Enrollment Solutions LLC, a subsidiary of Nelnet, Inc., January 2008 - present; Chief Mergers and Acquisitions Officer, May 2005 - November 2008; Senior Vice President, July 1997 - May 2003
Terry J. Heimes, 47	Executive Director and Chief Financial Officer, Nelnet, Inc., March 2001 - present Executive Vice President, National Education Loan Network, Inc., a subsidiary of Nelnet, Inc., March 2001 - October 2002; Vice President of Finance, October 1998 - March 2001
William J. Munn, 44	Executive Director, Corporate Secretary, Chief Governance Officer, and General Counsel, Nelnet, Inc., September 2006 - present; Deputy General Counsel and Chief Governance Officer, January 2005 - September 2006; Senior Counsel, January 2000 - December 2004; Legal Counsel, October 1998 - December 1999
Jeffrey R. Noordhoek, 46	President, Nelnet, Inc., January 2006 - present; Executive Director and Capital Markets Officer, October 2002 - January 2006; Vice President, January 1996 - March 2001 Senior Vice President, National Education Loan Network, Inc., a subsidiary of Nelnet, Inc., March 2001 - October 2002
Timothy A. Tewes, 53	Executive Director, Nelnet, Inc., June 2005 - present President and Chief Executive Officer, Nelnet Business Solutions, Inc., a subsidiary of Nelnet, Inc., May 2007 - present; President, Nelnet Business Solutions - K-12 operations, June 2005 - May 2007; Executive Vice President, FACTS Management Company, a subsidiary of Nelnet, Inc., September 2000 - June 2005. Mr. Tewes' responsibilities with Nelnet Business Solutions include oversight of an employee team of approximately 400 focused on offering actively managed tuition payment plans, financial needs assessment, donor management, and campus commerce for K-12 institutions and institutions of higher education.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Compensation Committee Governance and Processes

The Company's Board of Directors has designated the Compensation Committee to assist the Board in discharging its responsibilities relating to:

- determining and administering the compensation of the Company's Chief Executive Officer, Chief Financial Officer, President, and other executives of the Company
- administering certain compensation plans, including stock, incentive, and commission compensation plans
- assessing the effectiveness of succession planning relative to the Company's Chief Executive Officer and other executives
- approving, reviewing, and overseeing certain other benefit plans

The Compensation Committee consists solely of independent members of the Board of Directors, and operates under a written charter adopted by the Board.

As discussed below, the Compensation Committee works with an internal compensation committee, which includes members of management, to develop executive compensation objectives and programs. To ensure independence and candid discussions, the Compensation Committee meets in executive sessions without the Chief Executive Officer, Chief Financial Officer, President, or other members of management being present, to review and approve the Company's compensation framework and specific executive compensation determinations. The Compensation Committee meets in executive session when discussing the Chief Executive Officer's individual performance in reviewing and approving his total compensation potential for the year, and coordinates with the Board of Directors to monitor the performance of the Chief Executive Officer throughout the year to ensure that the compensation being provided meets the performance incentive objectives of the Company's compensation framework.

#### Role of Management in Recommending Executive Compensation

An internal compensation committee comprised of the Chief Learning Officer, the Chief Financial Officer, and the President, referred to herein as the internal committee, is directed by the Compensation Committee to develop and recommend compensation objectives and programs for the Compensation Committee and the Board of Directors to consider, and ensure that the Company's



compensation programs as approved by the Compensation Committee and the Board are administered in a consistent manner. As part of this process, each year the Compensation Committee directs the internal committee to review and update as necessary the Company's compensation philosophy and strategy statement for the compensation of the executives, and to prepare a proposed executive compensation framework for the year. The internal committee is also tasked with ensuring that the objectives of the programs are achieved in full alignment with the Company's long term strategy. In addition, the internal committee consults with the Chief Executive Officer in making compensation recommendations for the executives.

#### Objectives of Executive Compensation

The general compensation philosophy of the Company, as an organization that values the long-term success of its shareholders, customers, and associates, is that the Company will pay fair and equitable compensation to its associates that is designed to encourage focus on the long-term performance objectives of the Company and is differentiated based on both performance of the associate and their business segment. In carrying out this philosophy, the Company structures its overall compensation framework with the general objectives of encouraging ownership, savings, wellness, and productivity. In addition, total compensation is intended to be market competitive compared to appropriate peer group companies, internally consistent, and aligned with the philosophy of a performance-based organization. The Company believes this approach will enable it to attract, retain, develop, and motivate the talent required for the Company's long-term success and the creation of shareholder value, recognize high levels of associate performance, provide opportunities for all associates to become owners of the Company, and enhance associate engagement.

To build a strong work environment and culture, the Company structures its total compensation to be comprised of:

• Base pay

• Variable pay (performance-based incentive bonuses, sales incentives, stock grants, and spot bonuses)

• Benefits (health insurance, wellness incentives, and savings/investment options)

The Company's culture and work environment encourages innovation, development, and high performance.

Specifically, the application of pay for performance principles will result in high performing associates being compensated at or above market. While variable pay is the primary mode to differentiate performance, management and the Compensation Committee have the discretion to use a number of alternatives to create a compensation package that maintains flexibility and relative consistency among individuals and business segments. To promote long-term focus on shareholder value, the Company grants restricted stock awards as opposed to stock options, and the majority of restricted stock awards are subject to vesting periods or other restrictions on sale, generally of three to ten years.

The Company's overall objectives are to have executive compensation plans and practices that are consistent with the philosophy of a performance-based organization, and that align the interests of the executives with the shareholders. Accordingly, the Company's compensation philosophy seeks to award compensation that is based on Company, business segment, and individual performance, and that is designed to motivate executives to achieve strategic business objectives while individually performing at high levels. Since the primary driver of the Company's compensation philosophy is pay for performance, the Company's approach to risk management and say on pay as discussed below provide input and balance to this philosophy.

The annual and long-term performance measures used by the Compensation Committee in reviewing and determining executive compensation include:

• the levels of the Company's consolidated net income under generally accepted accounting principles ("GAAP")

• consolidated "base net income" as reported by the Company in its filings with the SEC. "Base net income" is GAAP net income excluding derivative market value and foreign currency adjustments, amortization of intangible assets, compensation related to business combinations, and variable-rate floor income. A description of "base net income" and a reconciliation of GAAP net income to "base net income" can be found in the Company's supplemental financial

information online at [www.nelnetinvestors.com](http://www.nelnetinvestors.com).

- financial and operational performance measures, such as levels of operating expenses and diversification and growth of revenues from fee-based businesses
- associate engagement and motivation measures
- individual achievement
- business segment performance, including growth in customer base, revenues, and segment profitability

Compensation Committee policy requires that all of the Company's compensation plans and practices shall comply with applicable laws, rules, and regulations.

The Company's compensation objectives, philosophy, and strategy described above are developed by the internal committee, with the assistance of other members of management, and then reviewed and approved by the Compensation Committee, with any modifications that the Compensation Committee deems to be appropriate.

#### Internal Pay Consistency

The Compensation Committee and the Company consider the compensation levels of executives relative to total compensation within the Company in order to provide appropriate context for making compensation decisions at the executive level. As part of this process, the Compensation Committee and the Company seek to maintain internal compensation consistency by maintaining equitable relationships between each management level with respect to all components of compensation, both individually and in the aggregate, paid to individuals within such levels.

#### Compensation Policies and Practices and Risk Management

The Compensation Committee and the internal committee review incentive compensation arrangements to ensure that the arrangements do not encourage associates to take unnecessary and excessive risks. Compensation approaches are also reviewed by the Company's Enterprise Risk Management team. A balance between Company and business segment performance is required to protect against unnecessary risks being taken, and the Company believes that its compensation structures do not encourage unnecessary risk. Based on their review and evaluation of the Company's compensation policies and practices for its associates, the Compensation Committee, internal committee, and Enterprise Risk Management team have determined that such policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

#### Say on Pay

The Company has determined, consistent with the preference expressed by the shareholders at the 2011 annual meeting of shareholders and the related prior recommendation by the Board of Directors, that it is important for the shareholders to have an opportunity to cast an advisory vote on executive compensation on an annual basis as a means to express their views regarding the Company's executive compensation philosophy, plans, programs, policies, and decisions, all as disclosed in the Company's proxy statement. Accordingly, shareholders have the opportunity to cast an advisory vote on executive compensation at this year's annual meeting. See Proposal 3 below with respect to a shareholder advisory vote on the compensation of the Company's Named Executive Officers as disclosed in this proxy statement. Although the shareholder vote on this proposal is non-binding, the Compensation Committee will consider the outcome of the vote when making future compensation decisions for Named Executive Officers.

#### Consideration of Prior Say on Pay Votes

In making executive compensation determinations, the Compensation Committee has also considered the results of last year's advisory shareholder vote approving the compensation of the Company's Named Executive Officers as disclosed in the proxy statement for the 2011 annual meeting of shareholders. At the 2011 annual meeting, the Company's shareholders overwhelmingly approved such executive compensation by 99.8% of the votes cast. These voting results strongly communicated the shareholders' endorsement of the Compensation Committee's decisions and policies to date. The Board of Directors and Compensation Committee reviewed these final vote results and determined that, given the significant level of support from the shareholders, no changes to the Company's executive compensation plans, practices, and policies were necessary at this time based on the say on pay vote results. The Compensation Committee will continue to consider the results from this year's and future advisory shareholder votes regarding the Company's executive compensation programs.

### Use of Compensation Consultant and Benchmarking

To assist in establishing and maintaining a competitive overall compensation program, the Compensation Committee periodically engages a nationally recognized compensation consulting firm to review the compensation levels and practices for the most highly compensated executive officers of the Company, and compare those to the compensation levels and practices for executives holding comparable positions at selected peer companies. Through comparisons of the base salaries, annual performance-based incentive bonus program, other benefit programs, and total compensation for the Company's Chief Executive Officer, Chief Financial Officer, President, and other executive officers to data of the peer companies, the consultant's analysis is used to ensure that the Company provides a complete executive compensation package that is competitive in the marketplace. The study is also used by the Compensation Committee to identify potential gaps or inconsistencies in total compensation and to identify appropriate

compensation levels and compensation design features and trends. The study is conducted as part of the Compensation Committee's oversight of the Company's continuing efforts to attract, retain, and motivate top executive talent that will drive the Company's performance results.

In 2010, the Compensation Committee engaged Towers Watson as its independent compensation consultant to review executive compensation at the Company and to conduct an executive total cash compensation analysis to assess the competitiveness of the base salary and bonus levels for the Company's Chief Executive Officer and other executives. With the exception of an IT compensation market survey in 2011, Towers Watson did not provide any services for the Company in 2010 or 2011 other than those requested by the Compensation Committee and related to the 2010 engagement of Towers Watson as the independent compensation consultant to the Compensation Committee. The fees paid to Towers Watson for the IT compensation market survey conducted in 2011 was approximately \$28,000. The Compensation Committee currently plans to obtain another independent compensation consultant review of the Company's total compensation structure in the next several years.

In its 2010 engagement, Towers Watson formulated competitive market rates for all executive positions included in the study, based on a review of the Company's base salaries and bonuses as compared to selected peer group companies in industries in North America in which the Company, given its diversified business segments, believes that it competes for executive talent. These industries include, but are not limited to, financial services, technology, and business process outsourcing. These industries are not necessarily the same industries that are reflected in the industry indices used by the Company for purposes of the five-year cumulative total shareholder return Performance Graph furnished in the Company's Annual Report on Form 10-K, but were selected for purposes of the compensation study as industries in which the Company competes for executive talent.

Based on their market analysis, Towers Watson presented their findings and observations as to the competitiveness of the Company's base salaries and bonuses. While the Chief Executive Officer's base salary and bonus (as discussed below) appeared at that time and continue to appear to be below those of chief executive officers for the selected peer group companies, Mr. Dunlap's compensation is discussed with the Compensation Committee at least annually, and to date Mr. Dunlap has advised the Compensation Committee that he believes it to be appropriate at the current levels. In addition, the Compensation Committee believes that his existing equity ownership position sufficiently aligns his interests with those of the Company's stockholders. Based on the Compensation Committee's review with Towers Watson in 2010, and subsequent reviews with the internal committee as discussed below, the Compensation Committee has determined that no material modifications to the existing compensation structures for the Company are needed at this time.

When developing the proposed compensation framework for the Compensation Committee to consider each year, the internal committee also reviews comparative executive compensation levels offered within the industries in which the Company competes for executive talent. These reviews are based on information from various publicly available databases and publications. The purpose of these reviews is to ensure compensation is aligned with the market for comparable jobs so the Company can continue to attract, retain, motivate and reward qualified executives. In addition, the internal committee considers the average salary adjustments anticipated in the marketplace each year, and develops proposed target increases for the Company's executives accordingly. In this way, the Company seeks to ensure that any changes to compensation are appropriate and reflect material changes in the market.

#### Elements of Executive Compensation

The Company's Chief Executive Officer and other executives are compensated with a combination of annual base salary, annual performance-based incentive bonus payments, and, with respect to the executives other than the Chief Executive Officer, issuance of shares of the Company's Class A common stock, which are typically restricted from sale for some period of time. The Chief Executive Officer has historically not received equity compensation because he already owns a significant amount of the Company's common stock and controls the majority of voting rights of the

Company, and thus already has significant interests aligned with the other shareholders of the Company. In determining levels of compensation, the Compensation Committee and the internal committee work together to establish targeted total compensation for each executive and then allocate that compensation among base salary and performance-based incentive compensation.

Each element of compensation is designed to be competitive with comparable companies and to align management's incentives with the long-term interests of the Company's shareholders. The Compensation Committee considers the internal committee's recommendations and determines the amount of each element of compensation by reviewing the current compensation mix for each of the executives in comparison to the Company's performance, the Company's long-term objectives, and the scope of that executive's responsibility. The Compensation Committee seeks to achieve an appropriate balance between base salary, annual performance-based bonus incentives, and longer-term equity incentives for all of the Company's executives. The Compensation Committee does not assign relative weights to the performance measures described above under "Objectives of Executive Compensation" in setting these salaries, annual performance-based incentives, and longer-term equity incentives.

## Base Salaries

The Company strives to provide senior management with a level of assured cash compensation in the form of base salary that is appropriate given their professional status and accomplishments. Base salary for the Company's Chief Executive Officer and other executives is based on an evaluation of individual responsibilities of each person, market comparisons from compensation surveys, and an assessment of each individual's performance. Base salaries are generally set to be within a median range of the compensation survey results, which helps the Company attract and retain talented executives. Changes in base salaries of executives depend on projected changes in the external market as well as individual contributions to the Company's performance. All base salaries are paid in cash.

## Annual Performance-Based Incentive Bonuses

Historically, the performance-based incentive bonus pools were determined and funded based on the Company's financial performance, while allowing for subjective modifications to account for unique results during the year. The current framework contemplates that, in addition to the Company's overall earnings, "base net income," and other financial performance goals, most business segment plan criteria also result in additional measurements for bonus purposes, such as:

- Fiscal (financial and operational) performance
- Customer engagement
- Associate engagement

Accordingly, with respect to assessing performance for bonus purposes, the achievements of the Company, the applicable business segment or segments, and individual performance objectives are considered. Company-wide performance objectives include, as discussed above, the Company's consolidated GAAP net income and "base net income" results, other financial and operational performance measures, and associate engagement and motivation measures. Achieving "base net income" goals is the primary company-wide objective, as the growth in "base net income" has a direct correlation with the interests of the Company's shareholders. Annual performance-based incentive bonuses are generally paid in March of the year following the performance year, after the Company's financial results for the performance year are finalized and the Company's Annual Report on Form 10-K is filed.

The specific individual performance goals for executives include a broad spectrum of metrics, such as business growth and diversification achievements, customer satisfaction accomplishments, strategy implementation, corporate citizenship and responsibility, and associate development. Where an executive has responsibility for a particular business segment, the performance goals are heavily weighted toward the performance of that business segment. However, actual bonus payments for business segment performance goal achievements can be negatively or positively impacted by overall company-wide performance, which funds the overall incentive bonus pool. When an executive has broader corporate responsibility, such as the Company's Chief Financial Officer and President, their particular objectives for the year are tied more closely to the overall company-wide performance.

While the Company strives for overall consistency in executive compensation, the executives' potential incentive bonus amounts can vary by business segment due to differences in roles, business models, and business performance. Incentives are generally positioned to be within a median range of the compensation survey results.

The Company's 2011 annual performance-based incentive bonuses were paid, at the executives' option (other than the Chief Executive Officer, who received his incentive in cash), as either 100% cash, 100% stock, or 50% cash/50% stock. Those electing stock also received an additional restricted share grant equal to 15% of the amount of their bonus they elected to receive in stock, in order to promote increased and continued share ownership by associates. All shares issued as part of the incentive awards were issued pursuant to the Company's Restricted Stock Plan discussed below, and were fully vested but restricted from transfer for one year from issuance.

## Other Equity Compensation Awards

Other awards of the Company's Class A common stock (not associated with the annual performance-based incentive bonus payments made in stock) that may be made under the Restricted Stock Plan are based on the Company's and the individual's performance, and are designed both to align the executives' own interests with the long-term strategic goals of the Company and to contribute to the retention of those individuals.



## 2011 Compensation for Named Executive Officers

The Named Executive Officers for 2011 were:

• Michael S. Dunlap, Chief Executive Officer

• Terry J. Heimes, Chief Financial Officer

• Jeffrey R. Noordhoek, President

• Timothy A. Tewes, President and Chief Executive Officer, Nelnet Business Solutions, a subsidiary of Nelnet, Inc.

• William J. Munn, Executive Director, Corporate Secretary, Chief Governance Officer, and General Counsel

Mr. Dunlap's base salary for 2011 was not increased from 2010, and remained at \$500,000 (Mr. Dunlap's annual base salary for 2012 also remains at \$500,000). Mr. Dunlap's annual bonus is determined by the Compensation Committee based on the Company's results and his individual performance, provided that the bonus shall not in any case exceed 100% of Mr. Dunlap's annual base salary.

The annual base salary for each of Mr. Noordhoek and Mr. Heimes was increased from \$331,500 in 2010 to \$450,000 for 2011 (and has been increased to \$500,000 for 2012). The annual incentive bonuses for Mr. Noordhoek and Mr. Heimes are also based on the Company's results and individual performance, and limited to 100% of their annual base salary, although the summary compensation table below may reflect a bonus greater than 100% of annual base salary for these executives due to the additional 15% stock grant resulting from their election to take performance-based incentive bonus payment in shares of the Company's Class A common stock.

## Restricted Stock Plan

The Company maintains a Restricted Stock Plan administered by the Compensation Committee to reward performance by associates, including executives other than the Chief Executive Officer. This plan permits the Compensation Committee to reward a recipient with an award of shares of the Company's Class A common stock, which, in the Compensation Committee's sole discretion, may have vesting requirements or other restrictions. These awards are designed to recognize and reward associates, and to connect the associates' financial interests directly to the Company's performance, thereby encouraging associates to focus their efforts as owners of the Company. As discussed above, shares issued in payment of annual performance-based incentive bonuses and other equity compensation awards are issued under the Restricted Stock Plan.

## Other Equity Plans

The Company also provides other savings and investment vehicles that assist all associates, including executives, in increasing their long-term financial savings and in becoming owners of the Company. The Company has an Employee Share Purchase Plan, pursuant to which shares of the Company's Class A common stock may be acquired through payroll deductions, at a discount of 15% to the lower of the average market price of the Company's stock on the first and last trading days of each calendar quarter. In addition, the Company provides all eligible associates with the opportunity to receive the Company's matching contribution to its 401(k) plan in shares of the Company's Class A common stock.

The Company does not grant stock options, since management and the Compensation Committee believe that awards of shares of restricted stock are a better method of encouraging executives to focus on the long term value of the Company.

## Termination or Change-in-Control Compensation and Compensation Recovery

The Company does not have any contracts, agreements, plans, or arrangements with its Named Executive Officers that provide for payment in connection with any termination of employment or change-in-control of the Company. In addition, the Company does not currently have a formal written policy for the adjustment or recovery of awards or

payments of compensation if the relevant performance measures upon which such compensation is based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

#### Share Ownership Guidelines and Trading Requirements

The Compensation Committee believes that executives should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of management with the Company's shareholders, the Board of Directors

has adopted Share Ownership Guidelines for management associates at certain levels. Under these guidelines, each Named Executive Officer is encouraged to own at least 15,000 shares of Company stock. As of February 29, 2012, all Named Executive Officers met these guidelines, and are thereby subject to downside risk in the Company's equity performance.

The Company has adopted a policy requiring officers who wish to sell the Company's stock to do so only through Rule 10b5-1 stock trading plans. This requirement is designed to enable officers to diversify a portion of their holdings in excess of the applicable Share Ownership Guidelines in an orderly manner as part of their retirement and tax planning activities. The use of Rule 10b5-1 stock trading plans serves to reduce the risk that investors will view routine portfolio diversification stock sales by executive officers as a signal of negative expectations with respect to the future value of the Company's stock. In addition, the use of Rule 10b5-1 stock trading plans reduces the potential for concerns about trading on the basis of material non-public information that could damage the reputation of the Company.

#### Other Compensation

In addition to base salaries and annual performance-based incentive compensation, the Company provides executives with certain other customary benefits to assist the Company in remaining competitive for superior talent and to encourage executives to remain with the Company. The levels of benefits, including health, dental, and vision coverage, are designed to be competitive in the national marketplace. A critical aspect of the Company's health benefits program is its focus on associate health and wellness. The Company encourages all associates, including executives, to take a proactive approach to their personal health and wellbeing. The Company has implemented wellness programs which encourage and reward associates for healthy habits by offering the opportunity to lower their insurance premiums.

The Company owns a controlling interest in an aircraft due to the frequent business travel needs of its executives and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. Union Financial Services, Inc., which is owned by Mr. Dunlap and Stephen F. Butterfield, Vice Chairman of the Board of Directors, owns the remaining interest in the aircraft. Consistent with guidance issued in 2010 from the Federal Aviation Administration, the Company can be reimbursed for the pro rata cost of owning, operating, and maintaining the aircraft when used for routine personal travel by certain individuals whose positions with the Company require them to routinely change travel plans within a short time period. Accordingly, the Company allows Messrs. Dunlap and Butterfield to utilize its interest in the aircraft for personal travel when it is not required for business travel. The value of the personal use of the aircraft is computed based on the Company's aggregate incremental costs, which include variable operating costs such as fuel costs, mileage costs, trip-related maintenance and hangar costs, on-board catering, landing/ramp fees, and other miscellaneous variable costs. In 2011, Messrs. Dunlap and Butterfield did not receive any personal travel benefits with respect to the Company's interest in the aircraft, since all personal travel by Messrs. Dunlap and Butterfield on such aircraft occurred with respect to the interest in the aircraft owned by Union Financial Services, Inc.

#### Policy on Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code imposes a \$1 million limitation, subject to certain exceptions, on a public company's income tax deductibility in any tax year with respect to compensation paid to any employee who is a chief executive officer, or one of the three highest paid executive officers of the company on the last day of that tax year (other than the chief executive officer or the chief financial officer). This limitation does not apply to certain "performance-based" compensation paid under a shareholder approved plan that meets the requirements of Section 162(m) and the regulations thereunder.

The Compensation Committee believes that the Company will not be subject to Section 162(m) limitations on the deductibility of compensation paid to executives for 2011. The Compensation Committee may consider steps in the future which might be in the Company's best interests to address any potential Section 162(m) deduction limitations, while reserving the right to award future compensation which may not be fully deductible under Section 162(m) if the Compensation Committee concludes that such compensation is in the Company's best interests in providing incentives to attract, motivate, and retain key executives.

#### Matching Gift Program

The Company offers a matching gift program in which all associates with at least six months of service and all members of the Board of Directors are eligible to participate. Under this program, for every dollar (\$100 minimum) that an associate or Board member contributes to an eligible charitable organization or educational institution, the Company will make matching donations of additional funds, subject to terms and conditions applicable in an equal manner to all associates and Board members. During 2011, the Company matched the following amounts in contributions under the provisions of this program by the Named Executive Officers:

Michael S. Dunlap	\$	100
Terry J. Heimes		23,000
Jeffrey R. Noordhoek		6,000
Timothy A. Tewes		—
William J. Munn		7,696

### Conclusion

By ensuring market competitive compensation that is aligned with a performance-based organization philosophy, the Company expects to attract, motivate, and retain the executive talent required to achieve the Company's long-term goals. This is critical, as management and the Compensation Committee know that the Company's success hinges on having engaged executives who are committed to the Company.

### Compensation Committee Report

The Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on this review and discussion, and such other matters deemed relevant and appropriate by the Compensation Committee, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Respectfully submitted,

Kimberly K. Rath, Chair  
James P. Abel  
Michael D. Reardon

### Summary Compensation Table for Fiscal Years 2011, 2010, and 2009

The following table sets forth summary information with respect to the compensation paid and bonuses granted for services rendered by the Company's Chief Executive Officer and Chief Financial Officer, as well as each of the Company's other three most highly compensated executive officers during the year ended December 31, 2011 (collectively, the "Named Executive Officers"). The information presented in the table relates to the fiscal years ended December 31, 2011, 2010, and 2009, except that in accordance with SEC staff guidance only information relating to the fiscal years ended December 31, 2011 and 2010 is presented for William J. Munn, who first became a Named Executive Officer in 2010. Salaries and bonuses are paid at the discretion of the Board of Directors.

Name and principal position	Year	Annual compensation (a)			Stock awards (\$)	All other compensation (\$ (c)	Total (\$)
		Salary (\$)	Bonus (\$ (b)				
Michael S. Dunlap Chief Executive Officer	2011	500,000	500,000	—	10,440	1,010,440	
	2010	500,000	500,000	—	10,440	1,010,440	
	2009	500,000	—	(d) —	10,340	510,340	
Terry J. Heimes Chief Financial Officer	2011	450,000	483,760	—	33,520	967,280	
	2010	331,500	381,240	—	33,180	745,920	
	2009	325,000	325,017	—	33,440	683,457	
Jeffrey R. Noordhoek President	2011	450,000	517,519	—	16,340	983,859	
	2010	331,500	381,240	—	10,340	723,080	

Edgar Filing: NELNET INC - Form DEF 14A

	2009	325,000	325,017	—		10,340	660,357
Timothy A. Tewes	2011	295,000	172,524	—		11,199	478,723
President and Chief Executive	2010	275,800	172,512	—		21,087	469,399
Officer, Nelnet Business							
Solutions, a subsidiary of	2009	260,000	120,005	—		26,943	406,948
Nelnet, Inc.							
William J. Munn	2011	231,750	134,376	79,650	(e)	17,308	463,084
Executive Director, Corporate	2010	225,000	172,512	—		10,646	408,158
Secretary, Chief Governance							
Officer, and General Counsel							

20

---

- (a) Executive officers may receive perquisites and other personal benefits, the aggregate dollar amounts of which are below the current SEC threshold of \$10,000 for reporting.

Amounts represent bonuses paid in 2012, 2011, and 2010 for services rendered during the 2011, 2010, and 2009 calendar years, respectively. The Company's 2011 and 2010 annual performance-based incentives were paid, at the executives' option (other than to the Chief Executive Officer, who received his incentive in cash), as either 100% cash, 100% stock, or 50% cash/50% stock. Those electing stock also received an additional restricted share grant equal to 15% of the amount of their bonus they elected to receive in stock, to promote increased and continued (b)share ownership by associates. All shares issued as part of the incentive award were issued pursuant to the Company's Restricted Stock Plan and were fully vested, but restricted from transfer for one year from issuance. The 2009 bonuses (paid in 2010) were paid in fully vested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan, but the 2009 bonuses did not include an additional 15% share award and there were no transfer restrictions. The stock issuances for annual performance bonuses in 2011, 2010, and 2009 were not made as equity incentive plan awards contemplating future service or performance.

- (c) "All other compensation" includes the following:

	Year	All other compensation							Total (\$)
		Employer matching contribution under 401(k) Plan (\$)	Premiums on life insurance (\$)	Matching gift program (1)	Dividends on restricted stock (\$)(2)	Automobile allowance (\$)	Gross-up for payment of taxes (\$)	Other (\$)	
Michael S. Dunlap	2011	9,800	540	100	—	—	—	—	10,440
	2010	9,800	540	100	—	—	—	—	10,440
	2009	9,800	540	—	—	—	—	—	10,340
Terry J. Heimes	2011	9,800	540	23,000	—	—	—	180	33,520
	2010	9,800	540	22,600	—	—	—	240	33,180
	2009	9,800	540	23,100	—	—	—	—	33,440
Jeffrey R. Noordhoek	2011	9,800	540	6,000	—	—	—	—	16,340
	2010	9,800	540	—	—	—	—	—	10,340
	2009	9,800	540	—	—	—	—	—	10,340
Timothy A. Tewes	2011	9,800	540	—	859	—	—	—	11,199
	2010	9,800	540	—	2,004	6,000	2,743	—	21,087
	2009	9,800	540	—	280	12,000	4,323	—	26,943
William J. Munn	2011	7,923	540	7,696	1,149	—	—	—	17,308
	2010	8,308	540	1,750	48	—	—	—	10,646

- (1) The Company has a matching gift program as discussed previously in the "Compensation Discussion and Analysis" included in this proxy statement.

The Company's cash dividend payments on its Class A and Class B common stock include dividend payments on (2)unvested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan. Dividends paid to the Named Executive Officers on unvested restricted stock are included in the table above.

For 2009, Mr. Dunlap was not entitled to any award under the Executive Officers Bonus Plan, as the Company did (d) not maintain an investment grade rating by both Standard & Poor's and Moody's Investor Services. Effective January 1, 2010, the Board of Directors terminated the Executive Officers Bonus Plan.

Amount represents 3,750 shares of restricted Class A common stock issued to Mr. Munn on May 26, 2011 pursuant (e) to the Company's Restricted Stock Plan. The closing market price on the date of issuance of these shares was \$21.24.



## Grants of Plan-Based Awards Table for Fiscal Year 2011

The following table sets forth summary information relating to each grant of an award made to the Company's Named Executive Officers for the fiscal year ended December 31, 2011.

Name	Grant date		Approval of grant by Compensation Committee	Number of shares of stock	Grant date fair value of stock awards (\$)	
Michael S. Dunlap	—		—	—	—	
Terry J. Heimes	March 11, 2011	(a)	March 8, 2011	17,790	381,240	(b)
Jeffrey R. Noordhoek	March 11, 2011	(a)	March 8, 2011	17,790	381,240	(b)
Timothy A. Tewes	March 11, 2011	(a)	March 8, 2011	8,050	172,512	(b)
William J. Munn	March 11, 2011 May 26, 2011	(a) (c)	March 8, 2011 March 17, 2011	8,050 3,750	172,512 79,650	(b) (c)

On March 11, 2011, the Company issued stock to pay fiscal year 2010 bonuses. The stock issuances were not made (a) as equity incentive plan awards. All 2010 bonuses (paid in 2011) were paid in fully vested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan.

(b) The Company determined the value of these awards based on the average of the high and low prices for sales of Class A common stock on March 4, 2011, which was \$21.43.

(c) Amount represents shares of restricted Class A common stock issued to Mr. Munn on May 26, 2011 pursuant to the Company's Restricted Stock Plan. The closing market price on the date of issuance of these shares was \$21.24.

## Outstanding Equity Awards at Fiscal Year-End Table (As of December 31, 2011)

The following table sets forth summary information relating to the outstanding unvested equity awards for the Company's Named Executive Officers as of December 31, 2011.

Name	Stock awards	
	Number of shares of stock that have not vested	Market value of shares of stock that have not vested (\$) (a)
Michael S. Dunlap	—	—
Terry J. Heimes	—	—
Jeffrey R. Noordhoek	—	—
Timothy A. Tewes	2,250	(b) 55,058
William J. Munn	3,783	(c) 92,570

(a) Based on the closing market price of the Company's Class A common stock as of December 31, 2011 of \$24.47.

(b)

Amount represents shares of restricted Class A common stock issued on October 1, 2007 pursuant to the Company's Restricted Stock Plan, of which 375 shares will vest on each March 15 during the years 2012 through 2017.

(c) Amount represents (i) 33 shares of restricted Class A common stock issued on March 9, 2009 pursuant to the Company's Restricted Stock Plan, which vested on March 9, 2012, and (ii) 3,750 shares of restricted Class A common stock issued on May 26, 2011 pursuant to the Company's Restricted Stock Plan, of which 625 shares will vest on each March 10 during the years 2012 through 2017.

Stock Vested Table for Fiscal Year 2011

The following table sets forth summary information relating to the stock vested for the Company's Named Executive Officers during the fiscal year ended December 31, 2011.

Name	Stock awards		Market value of shares of stock realized on vesting \$(c)
	Number of shares of stock acquired on vesting		
Michael S. Dunlap	—		—
Terry J. Heimes	—		—
Jeffrey R. Noordhoek	—		—
Timothy A. Tewes	375	(a)	7,883
William J. Munn	33	(b)	731

Amount represents shares of restricted Class A common stock issued on October 1, 2007, pursuant to the (a) Company's Restricted Stock Plan. The closing market price on the date of issuance of these shares was \$18.71 per share. These shares vested on March 15, 2011.

Amount represents shares of restricted Class A common stock issued on March 9, 2009, pursuant to the Company's (b) Restricted Stock Plan. The closing market price on the date of issuance of these shares was \$4.91 per share. These shares vested on March 9, 2011.

(c) The closing market price of the Company's Class A common stock as of March 9, 2011 and March 15, 2011 (the vesting dates) was \$22.16 per share and \$21.02 per share, respectively.

Stock Option, SAR, Long-Term Incentive, and Defined Benefit Plans

The Company does not have any stock option, SAR, long-term incentive, or defined benefit plans covering its Named Executive Officers.

SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS

Stock Ownership

The authorized common stock of the Company consists of 660,000,000 shares, \$0.01 par value. The common stock is divided into two classes, consisting of 600,000,000 shares of Class A common stock and 60,000,000 shares of Class B common stock. The Company also has authorized 50,000,000 shares of preferred stock, \$0.01 par value.

The following table sets forth information as of February 29, 2012, regarding the beneficial ownership of each class of the Company's common stock by:

- each person, entity, or group known by the Company to beneficially own more than five percent of the outstanding shares of any class of common stock
- each of the Named Executive Officers
- each incumbent director and each nominee for director
- all executive officers and directors as a group

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. Under these rules, a person is deemed to beneficially own a share of the Company's common stock if that person has or shares voting power or investment power with respect to that share, or has the right to acquire beneficial ownership of that share within 60 days, including through the exercise of any option, warrant, or other right or the conversion of any other security.

Edgar Filing: NELNET INC - Form DEF 14A

The number of shares of Class B common stock for each person in the table below assumes such person does not convert any Class B common stock into Class A common stock. Unless otherwise indicated in a footnote, the address of each five percent beneficial owner is c/o Nelnet, Inc., 121 South 13th Street, Suite 201, Lincoln, Nebraska 68508. Unless otherwise indicated in a footnote, the persons named in the tables below have sole voting and investment power with respect to all shares of common stock shown as being beneficially owned by them.

Beneficial Ownership - As of February 29, 2012

Name	Number of shares beneficially owned			Percentage of shares beneficially owned (1)			Percentage of combined voting power of all classes of stock (2)
	Class A	Class B	Total	Class A	Class B	Total	
Michael S. Dunlap	8,014,436 (3)	9,424,230 (4)	17,438,666	22.4%	82.0%	36.9%	67.9%
Stephen F. Butterfield	4,708	3,952,364 (5)	3,957,072	*	34.4%	8.4%	26.2%
Angela L. Muhleisen	7,266,156 (6)	1,308,686 (7)	8,574,842	20.3%	11.4%	18.1%	13.5%
Union Bank and Trust Company	4,213,226 (8)	1,308,686 (9)	5,521,912	11.8%	11.4%	11.7%	11.5%
The Vanguard Group, Inc.	1,977,482 (10)	—	1,977,482	5.5%	—	4.2%	1.3%
Whitetail Rock Capital Management, LLC	—	3,375,000 (11)	3,375,000	—	29.4%	7.1%	22.4%
Terry J. Heimes	205,329 (12)	—	205,329	*	—	*	*
William J. Munn	27,814 (13)	—	27,814	*	—	*	*
Jeffrey R. Noordhoek	430,582 (14)	—	430,582	1.2%	—	*	*
Timothy A. Tewes	29,816 (15)	—	29,816	*	—	*	*
James P. Abel	38,028 (16)	—	38,028	*	—	*	*
William R. Cintani	500	—	500	*	—	*	*
Kathleen A. Farrell	21,100 (17)	—	21,100	*	—	*	*
Thomas E. Henning	48,139 (18)	—	48,139	*	—	*	*
Brian J. O'Connor	44,894	—	44,894	*	—	*	*
Kimberly K. Rath	20,186 (19)	—	20,186	*	—	*	*
Michael D. Reardon	24,474 (20)	—	24,474	*	—	*	*
Executive officers and directors as a group	9,097,039	11,495,377	20,592,416	25.4%	100.0%	43.6%	82.3%

\* Less than 1%.

(1) Based on 35,755,657 shares of Class A common stock and 11,495,377 shares of Class B common stock outstanding as of February 29, 2012.

(2) These percentages reflect the different voting rights of the Company's Class A common stock and Class B common stock. Each share of Class A common stock has one vote and each share of Class B common stock has ten votes on all matters to be voted upon by the Company's shareholders.

(3) Mr. Dunlap is deemed to have sole voting and investment power over 2,366,220 shares of Class A common stock, which includes 3,364 shares of Class A common stock held indirectly by Mr. Dunlap that were issued under the Company's 401(k) plan matching stock program. Mr. Dunlap may be deemed to have shared voting and investment power over 5,648,216 shares of Class A common stock, which includes shares of Class A common stock that are owned by entities that Mr. Dunlap may be deemed to control, consisting of: (i) 404,500 shares owned by Farmers & Merchants Investment Inc. ("F&M"), of which Mr. Dunlap is a director and co-president and owns or controls

approximately 22% of the outstanding voting stock, and of which Mr. Dunlap's spouse owns approximately 18% of the outstanding voting stock, and (ii) 5,243,716 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank and Trust Company ("Union Bank") (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Mr. Dunlap controls Union Bank through F&M. Mr. Dunlap disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except for his beneficial interest in the shares of Class A common stock issued to him through the Company's 401(k) plan matching stock program. He also disclaims beneficial ownership of the shares held by F&M, except to the extent that he actually has or shares voting power or investment power with respect to such shares, and the reporting thereof shall not be construed as an admission that he is a beneficial owner of such shares. With respect to the number of shares of Class A common stock beneficially owned by Mr. Dunlap that are held by Union Bank, the number of shares set forth in the table reflects the number of shares held by Union Bank as of December 31, 2011, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 13, 2012.

Mr. Dunlap is deemed to have sole voting and investment power over 3,153,553 shares of Class B common stock, which includes 1,701,000 shares owned by Mr. Dunlap's spouse. Mr. Dunlap is deemed to have shared voting and investment power over 6,270,677 shares of Class B common stock, which includes (i) 1,586,691 shares owned by Union Financial Services, Inc., of which Mr. Dunlap is Chairman and owns 50.0% of the outstanding capital stock, (ii) 1,014,160 shares held by Union Bank as Trustee for a Class B grantor retained annuity trust ("GRAT") established by Mr. Dunlap, (iii) 294,526 shares held by Union Bank as Trustee under a Class B GRAT established (4) by Mr. Butterfield, (iv) a total of 300 shares held by or for each of Mr. Dunlap's sons, and (v) 3,375,000 shares held in six separate GRATs and three other irrevocable trusts established by Mr. Dunlap during 2011. Mr. Dunlap disclaims beneficial ownership of the shares held by Union Financial Services, Inc., except to the extent that he actually has or shares voting power or investment power with respect to such shares. Mr. Dunlap also disclaims beneficial ownership of the 294,526 shares held by Union Bank as Trustee under the Class B GRAT established by Mr. Butterfield, except to the extent that he actually has or shares voting power or investment power with respect to such shares.

Mr. Butterfield is deemed to have sole voting and investment power over 2,071,147 shares of Class B common stock, which includes 2,039,647 shares that are held by the Stephen F. Butterfield Revocable Living Trust, of which Mr. Butterfield is a trustee. Mr. Butterfield is deemed to have shared voting and investment power over (5) 1,881,217 shares of Class B common stock, which includes (i) 1,586,691 shares owned by Union Financial Services, Inc., of which Mr. Butterfield is a director and president and owns 50.0% of the outstanding capital stock and (ii) 294,526 shares held by Union Bank as Trustee for a Class B GRAT established by Mr. Butterfield. Mr. Butterfield disclaims beneficial ownership of the shares held by Union Financial Services, Inc., except to the extent that he actually has or shares voting power or investment power with respect to such shares.

Ms. Muhleisen is deemed to have sole voting and investment power over 2,633,516 shares of Class A common stock. Ms. Muhleisen is deemed to have shared voting and investment power over 4,632,640 shares of Class A common stock, which includes (i) 88,864 shares jointly owned by Ms. Muhleisen and her spouse, (ii) 1,049,890 shares owned by her spouse, (iii) 540,245 shares held by Ms. Muhleisen's adult son, (iv) 540,245 shares held by Ms. Muhleisen's adult daughter, (v) 822,220 shares held by Union Bank as Trustee for Class A GRATs established by Ms. Muhleisen and her spouse, and (vi) shares that are owned by entities that Ms. Muhleisen may be deemed to control, consisting of: 404,500 shares owned by F&M, of which Ms. Muhleisen is a director and co-president and owns or controls 38.6% of the outstanding capital stock, and 1,186,676 shares held by Union Bank for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to (6) which Union Bank may be deemed to have or share voting or investment power. Ms. Muhleisen, a sister of Michael S. Dunlap, is a director, chairperson, president, and chief executive officer of and controls Union Bank through F&M. Ms. Muhleisen disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except for her retained beneficial interest in 822,220 shares of Class A common stock held in trust on her behalf and on behalf of her spouse under two of the Class A GRATs and except to the extent that she actually has or shares voting power or investment power with respect to such shares. She also disclaims beneficial ownership of the shares held by F&M, except to the extent that she actually has or shares voting power or investment power with respect to such shares. The address for Ms. Muhleisen is c/o Union Bank and Trust Company, P.O. Box 82529, Lincoln, Nebraska 68501. With respect to the number of shares of Class A common stock beneficially owned by Ms. Muhleisen that are held by Union Bank, the number of shares set forth in the table reflects the number of shares held by Union Bank as of December 31, 2011, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 13, 2012.

(7) Ms. Muhleisen is deemed to have shared voting and investment power over 1,308,686 shares of Class B common stock that are held by Union Bank as Trustee under Class B GRATs established by Mr. Dunlap and Mr. Butterfield. Ms. Muhleisen disclaims beneficial ownership of the shares held by Union Bank as Trustee under the Class B GRATs, except to the extent that she actually has or shares voting power or investment power with respect

to such shares.

Union Bank is deemed to have sole voting and investment power over 30,000 shares of Class A common stock that are held by the Union Bank profit sharing plan. Union Bank is deemed to have shared voting and investment power over 4,183,226 shares of Class A common stock, which includes (i) 195,000 shares held as trustee for the University of Nebraska Foundation, (ii) 194,207 shares held by Union Bank as Trustee under a Class A GRAT and (8) a Class A charitable remainder trust established by Mr. Noordhoek, (iii) 822,220 shares held by Union Bank as Trustee under Class A GRATs established by Ms. Muhleisen and her spouse, (iv) 2,204,330 shares of Class A common stock held by Union Bank in individual accounts for Ms. Muhleisen and her spouse, and (v) 767,469 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain



circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Union Bank disclaims beneficial ownership of such shares except to the extent that Union Bank actually has or shares voting power or investment power with respect to such shares. The address for Union Bank is P.O. Box 82529, Lincoln, Nebraska 68501; Attention: Angela L. Muhleisen, President. The number of shares of Class A common stock set forth in the table for Union Bank reflect the number of shares held by Union Bank as of December 31, 2011, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 13, 2012.

Union Bank is deemed to have shared voting and investment power over 1,308,686 shares of Class B common stock that are held by Union Bank as Trustee under Class B GRATs established by Mr. Dunlap and Mr. (9) Butterfield. Union Bank disclaims beneficial ownership of such shares except to the extent that Union Bank actually has or shares voting power or investment power with respect to such shares.

On February 8, 2012, The Vanguard Group, Inc. ("Vanguard") filed a Schedule 13G/A with the SEC indicating that they beneficially owned 5.5% of the Company's Class A common stock as of December 31, 2011. The amount set forth in the table reflects the number of shares reported in the Schedule 13G/A and includes 43,925 shares held by (10) Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of Vanguard. VFTC is the investment manager of collective trust accounts. The principal business address for Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

On February 13, 2012, Whitetail Rock Capital Management, LLC ("WRCM") filed a Schedule 13G with the SEC indicating that they beneficially owned 3,375,000 shares of the Company's Class B common stock as of December 31, 2011. The 3,375,000 shares are held in six separate GRATs and three separate other irrevocable (11) trusts established by Mr. Dunlap in 2011. Under the trusts, WRCM has been designated to serve as investment adviser with investment power with respect to assets held by the trusts and voting power with respect to the shares of stock held by the trusts. WRCM is not a beneficiary of any of the trusts, and is a wholly owned subsidiary of the Company.

(12) Includes 50,083 shares owned by Mr. Heimes' spouse. A total of 115,690 Class A shares are pledged as collateral for a line of credit which had not been drawn upon as of February 29, 2012.

(13) Includes 500 shares jointly owned by Mr. Munn and his spouse and 3,783 shares issued under the Company's Restricted Stock Plan, of which 33 shares and 625 shares vested on March 9, 2012 and March 10, 2012, respectively; the remaining shares will vest in equal annual installments of 625 shares each from March 2013 through March 2017.

(14) Includes 190,411 shares held by the Jeffrey R. Noordhoek Trust, 171,687 shares held by Union Bank as Trustee under a Class A GRAT established by Mr. Noordhoek, and 22,520 shares held by Union Bank as Trustee under a Class A CRUT established by Mr. Noordhoek.

(15) Includes 2,250 shares issued under the Company's Restricted Stock Plan, of which 375 shares vested on March 15, 2012; the remaining shares will vest in equal annual installments of 375 shares from March 2013 through March 2017.

(16) Includes 29,924 shares that Mr. Abel has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan. Also includes 500 shares owned by Mr. Abel's spouse.

(17) Includes 19,535 shares that Ms. Farrell has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.

Edgar Filing: NELNET INC - Form DEF 14A

Includes 36,020 shares that Mr. Henning has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan. Also includes 3,102 shares owned by Mr. Henning's spouse.

Includes 18,986 shares that Ms. Rath has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan. Also includes 1,200 shares owned by Ms. Rath's husband in an individual retirement account.

Includes 15,672 shares owned jointly by Mr. Reardon and his spouse in a margin securities account at a brokerage firm. Positions held in such account, including shares of the Company's Class A common stock, may under certain circumstances be pledged as collateral security for the repayment of debit balances, if any, in such account.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who beneficially own more than ten percent of a registered class of the Company's equity securities, to file with the SEC and the New York Stock Exchange reports of ownership of Company securities and changes in reported ownership. Executive officers, directors, and greater than ten percent shareholders are required by SEC rules to furnish the Company with copies of all Section 16(a) reports that they file.

Based solely on a review of the reports furnished to the Company, or written representations from reporting persons that all reportable transactions were reported, the Company believes that during the year ended December 31, 2011, the Company's executive officers, directors, and greater than ten percent beneficial owners timely filed all reports they were required to file under Section 16(a) of the Exchange Act, except as noted below.

One Form 4 report for each of the following members of the Company's Board of Directors: James P. Abel, Stephen F. Butterfield, Kathleen A. Farrell, Thomas E. Henning, Brian J. O'Connor, Kimberly K. Rath, and Michael D. Reardon, with each Form 4 reporting one transaction relating to the issuance on June 24, 2011 of shares of Class A common stock or deferred stock pursuant to the Directors Stock Compensation Plan in connection with annual Board service fees, was filed late on July 13, 2011 due to an administrative oversight by the Company's staff.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Policies and Procedures on Transactions with Related Persons

The Company has adopted written policies and procedures for the Nominating and Corporate Governance Committee's review of any transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or series of similar transactions, arrangements, or relationships in which (i) the Company is a participant, (ii) the aggregate amount involved will or may be expected to exceed \$120,000, and (iii) a related person has or will have a direct or indirect material interest. For purposes of this policy, a "related person" means (i) any of our directors, executive officers, or nominees for director, (ii) any stockholder that beneficially owns more than five percent of the Company's outstanding shares of common stock, and (iii) any immediate family member of the foregoing. The Nominating and Corporate Governance Committee approves or ratifies only those transactions that it determines in good faith are in, or are not inconsistent with, the best interests of the Company and its stockholders. The Nominating and Corporate Governance Committee may, in its discretion, submit certain transactions to the full Board of Directors for approval where it deems appropriate.

In determining whether to approve or ratify a transaction, the Nominating and Corporate Governance Committee takes into account the factors it deems appropriate, which may include, among others, the benefits to the Company, the availability of other sources for comparable products or services, the impact on a director's independence in the event the related person is a director, and the extent of the related person's interest in the transaction. The policy also provides for the delegation of its authority to the Chairman of the Nominating and Corporate Governance Committee for any related person transaction requiring pre-approval or ratification between meetings of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews and assesses ongoing relationships with a related person on at least an annual basis to see that they are in compliance with the policy and remain appropriate.

All approved related party transactions are communicated to the full Board of Directors by the Chairman of the Nominating and Corporate Governance Committee, or his designee. Mr. Dunlap beneficially owns shares representing 67.9% of the combined voting power of the Company's shareholders. Because of his beneficial ownership, Mr. Dunlap can effectively elect each member of the Board of Directors, including all members of the Nominating and

Corporate Governance Committee, and has the power to defeat or remove each member.

Although there is no formal requirement for executive management of the Company to approve related party transactions, executive management reviews all related party transactions. Upon reviewing related party transactions, executive management takes into account the factors it deems appropriate, which may include, among others, the benefits to the Company, the availability of other sources for comparable products or services, the impact on a director's independence in the event the related person is a director, and the extent of the related person's interest in the transaction.

Each member of the Company's executive management has been hired by and is supervised by Mr. Dunlap and can be fired by him or otherwise penalized by him because he is the Chief Executive Officer.

During 2011, the Company entered into certain transactions and had business arrangements with Union Bank and Trust Company and Union Financial Services. These transactions were reviewed and approved by the Nominating and Corporate Governance Committee and reviewed by executive management. Union Bank and Trust Company and Union Financial Services are related persons as discussed below. We cannot affirm whether or not the fees and terms of each transaction are substantially the same terms as those prevailing at the time for transactions with persons that do not have a relationship with the company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). However, all related party transactions are based on available market information for comparable assets, products, and services and are extensively negotiated.

Union Bank and Trust Company - Union Bank is controlled by Farmers & Merchants Investment Inc. ("F&M"), which owns 81.4% of Union Bank's common stock and 15.4% of Union Bank's non-voting preferred stock. Michael S. Dunlap, a significant shareholder, Chief Executive Officer, Chairman, and a member of the Board of Directors of the Company, along with his spouse, owns or controls 40.3% of the stock of F&M, while Mr. Dunlap's sister, Angela L. Muhleisen, owns or controls 38.6% of such stock. Mr. Dunlap serves as a director and co-president of F&M. Ms. Muhleisen serves as director and co-president of F&M and as a director, chairperson, president, and chief executive officer of Union Bank. At February 29, 2012, Union Bank beneficially owned 11.7% of the Company's common stock. F&M does not own 5% or more of the Company's stock; however, the stock holdings of both Union Bank and F&M are deemed to be beneficially owned by both Mr. Dunlap and Ms. Muhleisen, respectively. At February 29, 2012, Mr. Dunlap beneficially owned 36.9% of the Company's outstanding common stock and Ms. Muhleisen beneficially owned 18.1% of the Company's outstanding common stock.

Union Financial Services, Inc. - Union Financial Services Inc. ("UFS") is a corporation which is owned 50% by Michael S. Dunlap, a significant shareholder, Chief Executive Officer, Chairman, and a member of the Board of Directors of the Company, and 50% by Stephen F. Butterfield, Vice Chairman and a member of the Board of Directors of the Company.

#### Transactions with Union Bank

The Company has entered into certain contractual arrangements with Union Bank. These transactions include:

Loan purchases - During 2011, the Company purchased \$0.1 million (par value) of FFELP student loans from Union Bank. No premiums were paid for these loan purchases.

Loan servicing - As of December 31, 2011, the Company serviced \$496.3 million of loans for Union Bank. Servicing revenue earned by the Company from this portfolio was \$1.9 million for the year ended December 31, 2011.

Funding - The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans (the "FFELP Participation Agreement"). The Company uses this facility as a source to fund FFELP student loans. As of December 31, 2011, \$509.2 million of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans, while providing liquidity to the Company on a short term basis. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to \$750 million or an amount in excess of \$750 million if mutually agreed to by both parties. Loans participated under this agreement have been accounted for by the Company as loan sales. Accordingly, the participation interests sold are not included on the Company's consolidated balance sheet.

The Company has from time to time repurchased certain of its own asset-backed securities (bonds and notes payable). For accounting purposes, these notes have been effectively retired and are not included on the Company's consolidated

balance sheet. However, these securities are legally outstanding at the trust level and the Company could sell these notes to third parties or redeem the notes at par as cash is generated by the trust estate. During 2010, the Company participated \$218.7 million of these securities to Union Bank, as trustee for various grantor trusts, and obtained cash proceeds equal to the par value of the notes. The Company entered into a Guaranteed Purchase Agreement with Union Bank whereby it must purchase these notes back from Union Bank at par upon the request of Union Bank. As of December 31, 2010, \$107.1 million of these securities were outstanding and subject to the participation agreement and were included in "bonds and notes payable" on the Company's consolidated balance sheet. During the first quarter of 2011, the Company redeemed all outstanding notes under this participation.

**Operating cash** - The majority of the Company's cash operating bank accounts are maintained at Union Bank. The Company also invests cash in the Short term Federal Investment Trust ("STFIT") of the Student Loan Trust Division of Union Bank, which the Company uses as operating cash accounts. As of December 31, 2011, the Company had \$119.5 million deposited at Union Bank in operating accounts or invested in the STFIT. Interest income earned from cash deposited in these operating cash accounts for the year ended December 31, 2011 was \$0.2 million.

**529 Plan administration** - The Company provides certain 529 Plan administration services to certain college savings plans (the "College Savings Plans") through a contract with Union Bank, as the program manager. Union Bank is entitled to a fee as program manager pursuant to its program management agreement with the College Savings Plans. In 2011, the Company received fees of \$2.3 million from Union Bank related to the Company's administration services provided to the College Savings Plans.

**Lease arrangements** - Union Bank leases space in the Company's corporate headquarters building. During 2011, Union Bank paid the Company approximately \$73,000 for rent.

On October 31, 2011, the Company entered into a lease agreement with Union Bank under which the Company leases office space of approximately 1,300 square feet for \$25,000 per year. The initial term of the lease expires on November 30, 2012, and the lease agreement provides for automatic renewals each year. The Company paid Union Bank approximately \$4,000 during 2011 in accordance with the lease agreement.

**Other fees paid to Union Bank** - During 2011, the Company paid Union Bank approximately \$353,000 for administrative services, commissions, and cash management fees.

**Other fees received from Union Bank** - During 2011, the Company received approximately \$169,000 from Union Bank related to an employee sharing arrangement and for providing health and productivity services.

**Investment services** - In December 2010, Union Bank established various trusts whereby Union Bank serves as trustee for the purpose of purchasing, holding, and selling investments in student loan asset backed securities. The Company and Union Bank, in its individual capacity, have both invested money into the trusts. As of December 31, 2011, the Company and Union Bank had \$8.0 million and \$248.5 million, respectively, invested in the trusts.

Prior to May 1, 2011, the Company and Union Bank employed certain individuals as dual employees and such employees provided consulting and advisory services to Union Bank as trustee for these trusts, and Union Bank agreed to pay the Company for the share of such employees' salary and benefits based on the value of such services rendered as well as the loss of value of such dual employees' services to the Company. On May 9, 2011, WRCM, an SEC-registered investment advisor and a subsidiary of the Company, entered into a management agreement with Union Bank, effective as of May 1, 2011, under which WRCM performs various advisory and management services on behalf of Union Bank with respect to investments in securities by the trusts, including identifying securities for purchase or sale by the trusts. The agreement provides that Union Bank will pay to WRCM annual fees of 25 basis points on the outstanding balance of the investments in the trusts. As of December 31, 2011, the outstanding balance of investments in the trusts was \$394.2 million. In addition, Union Bank will pay additional fees to WRCM of up to 50 percent of the gains from the sale of securities from the trusts. For the year ended December 31, 2011, the Company recognized \$5.1 million of fee revenue related to this agreement.

**Defined contribution plan** - Union Bank administers the Company's 401(k) defined contribution plan. Fees paid to Union Bank to administer the plan, approximately \$270,000 in 2011, are paid by the plan's participants.

**Letter of credit** - Union Bank has issued a \$25,000 letter of credit for the Company's benefit. Union Bank charged no fee for providing this service.

The net aggregate impact on the Company's consolidated statements of income for the year ended December 31, 2011 related to the transactions with Union Bank as described above was income of approximately \$4.3 million. See note 19 of the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2011 for additional information related to the transactions between the Company and Union Bank.

The Company intends to maintain its relationship with Union Bank, which the Company's management believes provides certain benefits to the Company. Those benefits include Union Bank's knowledge of and experience in the FFELP industry, its willingness to provide services, and at times liquidity and capital resources on an expedient basis, and the proximity of Union Bank to the Company's corporate headquarters located in Lincoln, Nebraska.



The majority of the transactions and arrangements with Union Bank are not offered to unrelated third parties or subject to competitive bids. Accordingly, these transactions and arrangements not only present conflicts of interest, but also pose the risk to the Company's shareholders that the terms of such transactions and arrangements may not be as favorable to the Company as it could receive from unrelated third parties. Moreover, the Company may have and/or may enter into contracts and business transactions with related parties that benefit Mr. Dunlap and his sister, as well as other related parties, that may not benefit the Company and/or its minority shareholders.

#### Transactions with Union Financial Services

The Company owns a majority interest in an aircraft due to the frequent business travel needs of the Company's executives and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. UFS owns the remaining interest in the same aircraft. On March 1, 2012, the Company sold an additional 9.753% of its ownership in the aircraft to UFS for total consideration of approximately \$156,000. After this transaction, the Company and UFS own 65% and 35% of the aircraft, respectively. The aircraft joint ownership agreement between the Company and UFS for this aircraft will continue in effect on a month to month basis until terminated by mutual agreement. UFS will have the right to require the Company to purchase UFS's interest in the aircraft for an amount equal to UFS's pro rata portion (determined on the basis of its ownership percentage) of the aircraft's fair market value at that time. If the term of the joint ownership agreement is not extended by agreement of the Company and UFS, the aircraft must be sold and the net proceeds from the sale distributed to the Company and UFS in proportion to their ownership percentages. Under an aircraft maintenance agreement among the Company, UFS, and an unrelated aviation service company, a total of approximately \$0.5 million in management fees was paid to the service company in 2011, which amount was allocated to the Company and UFS based on their respective ownership percentages. The maintenance agreement also provides that the Company must pay for all flight operating expenses for each flight conducted on its behalf, with a corresponding obligation by UFS, and that both the Company and UFS must pay their pro-rata portion, based on actual use percentages, of the cost of maintaining the aircraft.

#### Other Transactions

During 2011, Mr. Dunlap established six separate grantor retained annuity trusts and three separate other irrevocable trusts in which WRCM has been designated to serve as investment advisor. Mr. Dunlap contributed a total of 3,375,000 shares of Class B common stock to the trusts, and the management agreement for the trusts provides that WRCM shall be paid annual fees of 5 basis points of the aggregate value of assets of the trusts as of the last day of each calendar quarter.

On February 9, 2012, WRCM established a private investment fund (the "Fund") for the primary purpose of purchasing, selling, investing, and trading, directly or indirectly, in student loan asset-backed securities ("Student Loan ABS"), and to engage in financial transactions related thereto. As of the date the Fund was established, the total amount invested in the Fund was \$48.9 million, and Mr. Dunlap, UFS, Jeffrey R. Noordhoek (an executive officer of the Company), F&M, Ms. Muhleisen and her spouse, and WRCM had investments in the Fund in the amounts of \$2.5 million, \$1.0 million, \$1.0 million, \$2.0 million, \$2.6 million, and \$0.1 million, respectively. The management agreement for the Fund provides that WRCM will earn 50 basis points (annually) from the Fund on the outstanding balance of the investments in the Fund, of which WRCM will pay approximately 50 percent of such amount to Union Bank as custodian. In addition, WRCM will earn up to 50 percent of the gains from the sale of securities from the Fund. The Company's Nominating and Corporate Governance Committee and Board of Directors have reviewed and approved the establishment of the Fund, the investment participation in the Fund by the above-named parties, the compensation arrangements for WRCM and the associated individuals from the Company managing the Fund, and the Student Loan ABS investments made by the Fund.

During 2011, the Company provided group life insurance policies for its employees through Assurity Life Insurance Company ("Assurity"). The Company paid Assurity approximately \$288,000 in premiums related to those policies during 2011. Mr. Henning, who serves on the Company's board of directors, is the president and chief executive officer of Assurity.

In addition to the foregoing, from time to time, the Company, some of the Company's executive officers, and some of the members of the Company's Board of Directors invest in small or startup companies, often in the Company's local community. In some cases, executive officers of the Company may also serve as members of the Board of Directors of such companies in connection with the investment.

The Company and Mr. Dunlap have invested \$100,000 and \$225,000, respectively, in Agile Sports, Inc. Agile Sports, Inc. is located in Lincoln, Nebraska and helps coaches and players of various sports prepare more efficiently through a web-based platform. In March 2011, Mr. Dunlap began serving on the Board of Directors of Agile Sports, Inc.

In November 2010, the Company and certain executive officers and board members invested a total of \$1.5 million in Xuba, LLC. Xuba, LLC is located in Omaha, Nebraska and offers an innovative social commerce model that delivers a personalized customer experience to its clients. The investors and amount invested include the Company (\$1.0 million) and certain executive officers and board members (\$0.5 million, including \$250,000 invested by UFS and \$150,000 by Jeffrey R. Noordhoek, the Company's president). Mr. Noordhoek is a Director of Xuba, LLC.

In January 2012, the Company and certain executive officers invested a total of \$420,000 in Capricorn Healthcare and Special Opportunities, LP ("Capricorn"). Capricorn is located in Palo Alto, California and is a limited partnership that primarily invests in healthcare-related companies. The investors and amount invested include the Company (\$200,000), Mr. Dunlap (\$200,000), and Mr. Noordhoek (\$20,000).

Neither the Company, the Company's executive officers, nor members of the Company's Board of Directors, individually or in the aggregate, owns a majority interest in any of these companies.

While the Company does not deem these investments to be related party transactions, the Company reports investment activity of this type to the Board of Directors.

## AUDIT COMMITTEE REPORT

### Report of the Board Audit Committee

The Audit Committee of the Board of Directors (the "Committee") is responsible for the oversight of the integrity of the Company's consolidated financial statements, the Company's system of internal control over financial reporting, the Company's policy standards and guidelines for risk assessment and risk management, the qualifications and independence of the Company's independent auditor, the performance of the Company's internal and independent auditors, and the Company's compliance with legal and regulatory requirements. The Committee has the sole authority and responsibility to select, determine the compensation of, evaluate, and, when appropriate, replace the Company's independent auditor. The Committee is currently comprised of three independent directors and operates under a written charter adopted by the Board, a copy of which is available at [www.nelnetinvestors.com](http://www.nelnetinvestors.com). The Board has determined that each Committee member is independent under the standards of director independence established under the Company's Corporate Governance Guidelines and the New York Stock Exchange listing requirements and is also independent under applicable independence standards of the Exchange Act.

The Committee serves in an oversight capacity and is not part of the Company's managerial or operational decision-making process. Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and for the report on the Company's internal control over financial reporting. The Company's independent auditor, KPMG LLP, is responsible for auditing those financial statements and expressing an opinion as to their conformity with generally accepted accounting principles and for expressing an opinion on the effectiveness of the Company's internal control over financial reporting. The Committee's responsibility is to oversee the financial reporting process and to review and discuss management's report on the Company's internal control over financial reporting. The Committee relies, without independent verification, on the information provided to it and on the representations made by management, the internal auditor, and the independent auditor.

The Committee held eight meetings during 2011. The Committee, among other things:

- Reviewed and discussed the Company's earnings releases, Quarterly Reports on form 10-Q, and Annual Report on form 10-K, including the consolidated financial statements

- Reviewed and discussed the Company's policies and procedures for risk assessment and risk management and the major risk exposures of the Company and its business units, as appropriate

-

Edgar Filing: NELNET INC - Form DEF 14A

Reviewed and discussed the annual plan and the scope of the work of the internal auditor for fiscal 2011 and summaries of the reports to management by the internal auditor

Reviewed and discussed the annual plan and scope of the work of the independent auditor

Reviewed and discussed reports from management on the Company's policies regarding applicable legal and regulatory requirements

Met with KPMG LLP, the internal auditor, and Company management in separate executive sessions

The Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2011 with management, the internal auditor, and KPMG LLP. The Committee reviewed and discussed the critical accounting policies as set forth in the Company's Annual Report on Form 10-K, management's annual report on the Company's internal control over financial reporting, and KPMG LLP's opinion on the effectiveness of internal control over financial reporting. The Committee also discussed with management and the internal auditor the process used to support certifications by the Company's Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes-Oxley Act of 2002 to accompany the Company's periodic filings with the SEC and the processes used to support management's annual report on the Company's internal control over financial reporting.

The Committee discussed with KPMG LLP matters that independent accounting firms must discuss with audit committees under generally accepted auditing standards and standards of the Public Company Accounting Oversight Board, including, among other things, matters related to the conduct of the audit of the Company's consolidated financial statements and the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). This review included a discussion with management and KPMG LLP as to the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures within the Company's consolidated financial statements, including the disclosures relating to critical accounting policies.

KPMG LLP also provided to the Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Committee concerning independence. The Committee discussed with KPMG LLP their independence from the Company. When considering KPMG LLP's independence, the Committee considered if services they provided to the Company beyond those rendered in connection with their audit of the Company's consolidated financial statements, reviews of the Company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q, and their opinion on the effectiveness of the Company's internal control over financial reporting were compatible with maintaining their independence. The Committee also reviewed and pre-approved, among other things, the audit, audit-related, and tax services performed by KPMG LLP. For tax services, the pre-approval included discussion with KPMG concerning their independence as required by the Public Company Accounting Oversight Board Rule 3524 (Audit Committee Pre-approval of Certain Tax Services). The Committee received regular updates on the amount of fees and scope of audit, audit-related, and tax services provided.

Based on the Committee's review and these meetings, discussions, and reports, and subject to the limitations on the Committee's role and responsibilities referred to previously and in the Audit Committee Charter, the Committee recommended to the Board that the Company's audited consolidated financial statements for the year ended December 31, 2011 be included in the Company's 2011 Annual Report on Form 10-K for filing with the SEC.

The Committee has also selected KPMG LLP as the Company's independent auditor for the year ending December 31, 2012 and is presenting the selection to the shareholders for ratification.

Respectfully submitted,

Thomas E. Henning, Chairman  
Kathleen A. Farrell  
Brian J. O'Connor

#### PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee selects the Company's independent registered public accounting firm. This proposal is put before the shareholders because the Board believes that it is good corporate practice to seek shareholder ratification of

the selection of the independent registered public accounting firm. If the appointment of KPMG LLP is not ratified, the Audit Committee will evaluate the basis for the shareholders' vote when determining whether to continue the firm's engagement.

The Board of Directors of the Company recommends a vote FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for 2012.

The affirmative vote of the holders of a majority of the shares of common stock present or represented and entitled to be voted at the Annual Meeting is required to ratify the appointment of KPMG LLP. Unless marked to the contrary, proxies will be voted FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for 2012.

Representatives of KPMG LLP are expected to attend the Annual Meeting and to respond to appropriate questions from shareholders present at the meeting and will have an opportunity to make a statement if they desire to do so.

Independent Accountant Fees and Services

Aggregate fees for professional services rendered by KPMG LLP for the years ended December 31, 2011 and 2010 are set forth below.

	2011	2010
Audit fees	\$638,125	577,309
Audit-related fees	830,613	1,105,595
Tax fees	110,920	168,582
All other fees	1,500	1,500
Total	\$1,581,158	1,852,986

Audit fees were for professional services rendered for the audits of the consolidated financial statements of the Company and subsidiary audits, the audit on the effectiveness of the Company's internal control over financial reporting, and consents.

Audit-related fees were for assurance and other services related to service provider compliance reports, employee benefit plan audits, agreed-upon procedures, and consultations concerning financial accounting and reporting standards.

Tax fees were for services related to tax compliance and planning.

All other fees represent the amount paid by the Company for access to an on-line accounting and tax reference tool.

The Audit Committee's pre-approval policy and procedures are outlined in its charter. The Audit Committee has the sole authority to appoint, retain, and terminate the Company's independent auditor, which reports directly to the Audit Committee. The Audit Committee is directly responsible for the evaluation, compensation (including as to fees and terms), and oversight of the work of the Company's independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attestation services for the Company. All related fees and costs of the independent auditor, as determined by the Audit Committee, are paid promptly by the Company in accordance with its normal business practices. All auditing services and permitted non-audit services performed for the Company by the independent auditor, including the services described above, are pre-approved by the Audit Committee, subject to applicable laws, rules, and regulations. The Audit Committee may form and delegate to a subcommittee the authority to grant pre-approvals with respect to auditing services and permitted non-auditing services, provided that any such grant of pre-approval shall be reported to the full Audit Committee at its next meeting.

**PROPOSAL 3 - ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

Section 14A of the Securities Exchange Act of 1934, added by the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires that the Company provide its shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of the Company's Named Executives Officers as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission. The Company is therefore providing its shareholders with the opportunity to cast an advisory vote on executive compensation as described below. The Company believes that it is appropriate to seek the views of shareholders on the design and effectiveness of the Company's executive compensation program.

Based on the results of the advisory vote on the frequency of future advisory votes on executive compensation at the Company's 2011 annual meeting of shareholders, where the Company's shareholders voted in favor of holding an advisory vote on executive compensation every year (as opposed to every two years or every three years), and consistent with the Board of Directors' previous recommendation to the Company's shareholders in connection with such frequency vote, the Board of Directors determined that, until the next vote on the frequency of holding advisory votes on executive compensation, the Company will hold a non-binding advisory vote on executive compensation every year. Therefore, the next advisory vote on executive compensation will occur at the Company's 2012 annual meeting of shareholders. The Company must hold an advisory vote on the frequency of holding advisory votes on executive compensation at least once every six years.

As described in the Compensation Discussion and Analysis section of this Proxy Statement, the Company's objective for its executive compensation program is to attract, motivate and retain executives who will contribute to the Company's long-term success and the creation of shareholder value. The Company seeks to accomplish this objective in a way that rewards performance and is aligned with its shareholders' long-term interests, and the Company's compensation programs are designed to reward the



Named Executive Officers for the achievement of short-term and long-term strategic and operational goals and the achievement of increased shareholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

The framework and executive compensation philosophy are established by an independent Compensation Committee of the Board of Directors. The following items reflect our commitment to pay for performance and to maintain a strong executive compensation governance framework:

- Incentive plans that are based upon targets that are approved annually by the Compensation Committee.
- The peer group of companies used to benchmark executive compensation levels is carefully selected and reviewed.
- An annual risk assessment conducted by the Compensation Committee to evaluate whether incentive programs drive behaviors that are demonstrably within the risk management parameters it deems prudent.
- A robust share ownership and retention policy.

The Compensation Discussion and Analysis and the compensation tables and disclosures provided in this Proxy Statement describe the Company's executive compensation program in more detail, and discuss the following key elements of the program:

• Mr. Dunlap's salary as Chief Executive Officer is \$500,000 per year and has not been increased since 2006, and his annual performance-based incentive opportunity will not exceed an additional \$500,000.

• Mr. Dunlap beneficially owns 17.4 million shares, or 36.9%, of the Company's outstanding Class A and Class B common stock, which significantly aligns his interests with the shareholders' interests.

None of the Named Executive Officers has an employment agreement or severance arrangement. In addition, the Company generally does not provide any perquisites, tax reimbursements, or change in control benefits to the Named Executive Officers that are not available to other employees.

• Each of the Named Executive Officers is employed at-will and is expected to demonstrate exceptional personal performance in order to continue serving as a member of the executive team.

The Company believes the compensation program for the Named Executive Officers is instrumental in helping the Company achieve its strong financial performance, and is asking shareholders to approve the compensation of the Company's Named Executive Officers as disclosed in this Proxy Statement, including in the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables.

The vote on this proposal is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our Named Executive Officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission. As an advisory vote, the vote on this proposal is not binding upon the Company, the Board of Directors, or the Compensation Committee. However, the Compensation Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions expressed by shareholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for Named Executive Officers.

Accordingly, the Company's shareholders are asked to vote on the following resolution at the Annual Meeting:

“RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2011 Summary Compensation Table, and the other related tables and disclosure.”

The Board of Directors recommends a vote FOR the approval of the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement.

#### OTHER SHAREHOLDER MATTERS

Householding

Under SEC rules, we are allowed to send in a single envelope our Notice of Internet Availability of Proxy Materials or a single copy of our proxy solicitation and other required annual meeting materials to two or more shareholders sharing the same address.

34

---

We may do this only if the shareholders at that address share the same last name or if we reasonably believe that the shareholders are members of the same family or group. If we are sending a Notice, the envelope must contain a separate Notice for each shareholder at the shared address. Each Notice must also contain a unique control number that each shareholder will use to gain access to our proxy materials and vote online. If we are mailing a paper copy of our proxy materials, the rules require us to send each shareholder at the shared address a separate proxy card.

We believe these rules are beneficial to both our shareholders and to us. Our printing and postage costs are lowered anytime we eliminate duplicate mailings to the same household. However, shareholders at a shared address may revoke their consent to the householding program and receive their Notice in a separate envelope, or, if they have elected to receive a full copy of our proxy materials in the mail, receive a separate copy of these materials. If you receive a single set of proxy materials but prefer to receive separate copies for each registered account in your household, please contact our agent, Broadridge, at: 1-800-542-1061, or in writing at: Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Broadridge will remove you from the householding program within 30 days of receipt of your request, following which you will begin receiving an individual copy of the material.

You can also contact Broadridge at the phone number above if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

#### Other Business

On the date that this Proxy Statement is first made available to shareholders, the Board of Directors has no knowledge of any other matter which will come before the Annual Meeting other than the matters described herein. However, if any such matter is properly presented at the Annual Meeting, the proxy solicited hereby confers discretionary authority to the proxies to vote in their sole discretion with respect to such matters, as well as other matters incident to the conduct of the Annual Meeting.

#### Shareholder Proposals for 2013 Annual Meeting

Shareholder proposals intended to be presented at the 2013 Annual Meeting of Shareholders, currently scheduled for May 23, 2013, must be received at the Company's offices at 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508, Attention: Corporate Secretary, on or before December 14, 2012, to be eligible for inclusion in the Company's 2013 proxy materials. The inclusion of any such proposal in such proxy materials shall be subject to the requirements of the proxy rules adopted under the Exchange Act, (the "Proxy Rules"). The submission of a shareholder proposal does not guarantee that it will be included in the Company's Proxy Statement.

A shareholder may otherwise propose business for consideration or nominate persons for election to the Board of Directors, in compliance with federal proxy rules, applicable state law, and other legal requirements and without seeking to have the proposal included in the Company's Proxy Statement pursuant to the Proxy Rules. The Company's By-Laws provide that the Secretary of the Company must receive any such proposal or nominations for the Company's 2013 Annual Meeting between January 23 and February 22, 2013 (90 to 120 days before the 2013 Annual Meeting date). The notice must contain the information required by the Company's By-Laws. A proxy may confer discretionary authority to vote on any matter at a meeting if the Company does not receive notice of the matter within the time frame described above. A copy of the Company's By-Laws is available at the Company's Web site at [www.nelnetinvestors.com](http://www.nelnetinvestors.com) under "Corporate Governance" - "Corporate Documents" or is available upon request to: Nelnet, Inc., 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508, Attention: Corporate Secretary. The Chairman of the meeting may exclude matters that are not properly presented in accordance with these requirements.

#### MISCELLANEOUS

The information referred to under the captions “Compensation Committee Report,” and “Audit Committee Report” (to the extent permitted under the Securities Act of 1933, as amended (the “1933 Act”)) (i) shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or the liabilities of Section 18 of the Exchange Act, and (ii) notwithstanding anything to the contrary that may be contained in any filing by the Company under the Exchange Act or the 1933 Act, shall not be deemed to be incorporated by reference in any such filing.



