

Proxy



121 SOUTH 13TH STREET  
SUITE 201  
LINCOLN, NE 68508

p 402.458.2370  
f 402.458.2399

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

April 15, 2010

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 27, 2010 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,

A handwritten signature in black ink that reads "Mike Dunlap".

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  
TO BE HELD ON MAY 27, 2010**

April 15, 2010

**TIME AND DATE** 8:30 a.m., Central Time, on Thursday, May 27, 2010

**PLACE** Embassy Suites  
1040 P Street  
Lincoln, Nebraska 68508

**ITEMS OF BUSINESS** At the Annual Meeting, shareholders will be asked to vote on the following items:

- (1) Elect the eight nominees named in the attached proxy statement to the Board of Directors for a term of one year
- (2) Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2010
- (3) Other business if properly introduced

**RECORD DATE** You can vote if you were a shareholder as of the close of business on March 31, 2010.

**OTHER INFORMATION** Our 2009 annual report on Form 10-K, which is not part of the proxy soliciting materials, is 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. The Board of Directors encourages you to attend the meeting in person. **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.** 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.**  
**2010 PROXY STATEMENT**  
**TABLE OF CONTENTS**

PROXY STATEMENT	
General Information .....	1
VOTING .....	2
PROPOSAL 1- ELECTION OF DIRECTORS	
Nominees .....	5
CORPORATE GOVERNANCE	
Code of Business Conduct and Ethics for Directors, Officers, and Employees.....	8
Board Composition and Director Independence .....	8
Governance Guidelines of the Board.....	8
Board Diversity .....	9
The Board’s Role in Risk Oversight.....	9
Board Leadership Structure .....	9
Board Committees .....	10
Meetings of the Board .....	12
Attendance at Annual Meetings of Shareholders.....	12
Director Compensation Table for Fiscal Year 2009 .....	12
Matching Gift Program.....	13
Share Ownership Guidelines for Board Members .....	13
EXECUTIVE OFFICERS.....	13
EXECUTIVE COMPENSATION	
Compensation Discussion and Analysis .....	14
Compensation Committee Report.....	20
Compensation Committee Interlocks and Insider Participation.....	21
Summary Compensation Table For Fiscal Years 2009, 2008, and 2007 .....	21
Grants of Plan-Based Awards Table for Fiscal Year 2009 .....	22
Outstanding Equity Awards at Fiscal Year-End Table (As of December 31, 2009).....	23
Stock Vested Table for Fiscal Year 2009 .....	24
Stock Option, SAR, Long-Term Incentive, and Defined Benefit Plans .....	24
SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS	
Stock Ownership .....	24
Section 16(a) Beneficial Ownership Reporting Compliance .....	27
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS .....	28
AUDIT COMMITTEE REPORT .....	31
PROPOSAL 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	
Independent Accountant Fees and Services.....	33
OTHER SHAREHOLDER MATTERS	
Householding.....	34
Other Business.....	34
Shareholder Proposals for 2011 Annual Meeting .....	34
MISCELLANEOUS .....	35

**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 2010 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on Thursday, May 27, 2010, 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  
2010 Annual Meeting of Shareholders to be held on May 27, 2010**

**Our notice of annual meeting and proxy statement, 2009 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 15, 2010. 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. We have elected to utilize this process for the 2010 Annual Meeting. We intend to begin mailing the required notice, called the Notice of Internet Availability of Proxy Materials, to shareholders on or about April 15, 2010. 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 of Internet Availability of Proxy Materials 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

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.

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 of Internet Availability of Proxy Materials. 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 31, 2010 (the “record date”). At the close of business on March 31, 2010, 38,598,954 and 11,495,377 shares of the Company’s Class A and Class B common stock, respectively, were outstanding and eligible to vote (excluding 11,317,364 shares of the Company’s Class A common stock held by a subsidiary of the Company that are not entitled to be voted at the Annual Meeting). 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 31, 2010. 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 from April 19, 2010, through 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 of Internet Availability of Proxy Materials, 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 two ways to vote your shares before the meeting:

*By Internet (www.proxyvote.com):* Use the Internet to transmit your voting instructions until 11:59 p.m. EDT on May 26, 2010. 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 voting instruction form. 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 email\*: [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.

- 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 email 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 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 two 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 2010

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 26, 2010)
- Voting again by Internet prior to 11:59 p.m. EDT on May 26, 2010 (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 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, you 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 determines to be routine, even though the bank, broker, or nominee has not received 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 nominee cannot vote the shares because the matter is not considered routine under New York Stock Exchange rules.**

**Under New York Stock Exchange rules, the election of directors will not be considered to be a "routine" matter, 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 this matter 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 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 instruction 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.

Giving the Board your proxy also means that you authorize their representatives to vote on any other matter 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**

Directors are elected by a majority of the votes cast by the shares entitled to vote at the Annual Meeting. Abstentions and broker “non-votes” will not be counted as votes cast for the proposal, however, they will be counted for purposes of determining whether there is a quorum (as discussed previously). Accordingly, an abstention or “non-vote” will have the effect of a negative vote.

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.

A majority of votes cast at the meeting is required to approve Proposal 2 (ratifying the appointment of KPMG LLP). Abstentions and broker “non-votes” will not be counted as votes cast for the proposal, however, they will be counted for purposes of determining whether there is a quorum (as discussed previously). Accordingly, an abstention or “non-vote” will have the effect of a negative vote.

## **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

A proxy, when executed and not revoked, will be voted in accordance with the authorization 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 current directors for reelection.

**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 withholds authority to vote 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**

**Michael S. Dunlap, 46**  
Director since  
January 1996

**Chairman and Chief Executive Officer, Nelnet, Inc.**

- Chairman, Nelnet, Inc., August 2003 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 – December 2001
- Co-President and Director, Farmers & Merchants Investment Inc. ("F&M"), the parent of Union Bank and Trust Company ("Union Bank"), January 2007 – present; President and Director, January 1995 – January 2007 (F&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)

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 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.

**Name, Age, and  
Service as a Director**

**Principal Occupation(s), Other Directorships, and Qualifications**

**Stephen F. Butterfield, 57**

Director since  
January 1996

**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
- 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.

**James P. Abel, 59**

Director since  
August 2003

**Chief Executive Officer, NEBCO, Inc.**

- 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

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

**Kathleen A. Farrell, 46**

Director since  
October 2007

**Professor of Finance, University of Nebraska-Lincoln**

- Professor of Finance, University of Nebraska-Lincoln, August 2009 – present
- 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 a public accounting firm auditor. Dr. Farrell has achieved designation as a Certified Public Accountant (inactive), has nearly 17 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.

**Name, Age, and Service as a Director**

**Thomas E. Henning, 57**  
Director since  
August 2003

**Principal Occupation(s), Other Directorships, and Qualifications**

**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 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.

**Brian J. O'Connor, 54**  
Director since  
August 2003

**Senior Vice-President, Hutchinson, Shockey, Erley & Co.**

- Senior Vice-President, Hutchinson, Shockey, Erley & Co., which underwrites and trades securities for various local governments, 1997 – present

Mr. O'Connor's qualifications include 27 years of experience in investment banking, public and structured finance, and his extensive knowledge of financial and accounting matters, the knowledge that allowed him to acquire numerous securities licenses, and his past experience as a board member and committee chair of another public company.

**Kimberly K. Rath, 49**  
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 25 years of experience in the field of human resources, with expertise in executive development, employee engagement, and human capital management. Ms. Rath also has 21 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, 57**  
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 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 34 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 President 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. The Company's existing code of conduct 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 guidelines address 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.

In 2009, 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. 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, and Mr. Butterfield, who was an employee of the Company through December 31, 2007, including Co-Chief Executive Officer of the Company from August 2003 through May 2007.

The Company's Board of Directors 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 affiliated party. 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 include the following:

- A majority of the members of the Board must be independent directors.
- All directors stand for re-election via majority vote every year.
- 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. O'Connor, who is chairman of the Audit Committee, presides at these executive sessions. Anyone who has concern about the Company may communicate that concern directly to these Non-Employee Directors. Such communication may be mailed to the Corporate Secretary at 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508. 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 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. 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. In addition to periodically meeting with the Board Committees, a full enterprise risk management assessment is presented to the entire Board of Directors by the Company's risk officer on an annual basis. In this process, risk is assessed throughout the business, including business, regulatory and compliance, fraud, technology, security, operational, liquidity, market, and credit risks.

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 Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's internal auditors. The Company's Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibility with respect to regulatory, compliance, 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 a 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 splitting the Chairman and Chief Executive Officer roles is necessarily a guarantee of better governance or the absence of risk, and in fact can lead to confusion, inefficiencies, and unproductive conflicts. 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.

The Company has appointed Mr. O'Connor as the 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. O'Connor as the Lead Director, Mr. Dunlap sets the Board agendas with Board and management input, facilitates communication among directors, works with Mr. O'Connor to provide an appropriate information flow to the Board, and presides at meetings of the Board of Directors and shareholders. Mr. O'Connor works with Mr. Dunlap and other Board members to provide strong, independent oversight of the Company's management and affairs. Among other things, Mr. O'Connor approves 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 2009, the standing committees of the Board were the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Finance Committee, and Executive Committee. Each committee, other than the Executive Committee, is composed entirely of independent directors. The purposes of each committee and their current members are set forth below.

*Audit Committee* - The Audit Committee operates pursuant to a formal written charter, approved by the Board, which sets forth the committee's functions and responsibilities. The Audit 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 Audit Committee is composed of Ms. Farrell and Messrs. Henning and O'Connor. The Committee held seven meetings in 2009. 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 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 operates pursuant to a formal written charter, approved by the Board, which sets forth the committee's functions and responsibilities. The Compensation 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 Compensation Committee is composed of Ms. Rath and Messrs. Abel and Reardon. The Committee held five meetings in 2009. The members of the Compensation Committee are (1) "independent" as determined in accordance with the rules and regulations of the New York Stock Exchange, (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 Company's compensation program combines two components: base salary and performance payments. 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 operates pursuant to a formal written charter, approved by the Board, which sets forth the committee’s functions and responsibilities. The Nominating and Corporate Governance 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 Nominating and Corporate Governance Committee is composed of Ms. Rath and Messrs. Abel and Reardon. The Committee held five meetings in 2009. 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. 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 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 2009 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 are up for re-election and have been recommended by the Committee.

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 2011 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.”

*Finance Committee* - The Finance Committee operates pursuant to a formal written charter, approved by the Board, which sets forth the committee’s functions and responsibilities. The Committee held five meetings in 2009. The Finance 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 Finance Committee is composed of Ms. Farrell and Messrs. Henning and O’Connor. The Finance Committee holds principal oversight responsibility with respect to certain 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 Messrs. Dunlap, Butterfield, and O’Connor. The Executive Committee held no formal meetings in 2009. 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 six meetings in 2009. 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 2009

The following table sets forth summary information regarding compensation of Non-Employee Directors for the fiscal year ended December 31, 2009. Independent Non-Employee Directors are compensated based on Board meeting and committee meeting attendance. The Company also pays an annual retainer of \$50,000 to independent Non-Employee Directors. An additional annual retainer of \$10,000 is paid to independent Non-Employee Directors who serve on each of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Finance Committee, or Executive Committee, as applicable. The Chairman of the Audit Committee is paid an additional \$10,000 annual retainer fee. Beginning in 2010, the annual retainer paid to independent Non-Employee Directors will be \$60,000. Mr. Dunlap, who is an employee of the Company, and Mr. Butterfield, who is a strategic advisor to the Company, do not receive any consideration for participation in Board or committee meetings.

Director Name	2009 Compensation			
	Fees earned or paid in cash (\$) (a)	Stock awards (\$) (b)	All other compensation (\$)	Total (\$)
James P. Abel	13,000	82,359	-	95,359
Stephen F. Butterfield	-	-	17,715 (c)	17,715
Kathleen A. Farrell	19,000	82,359	-	101,359
Thomas E. Henning	17,000	82,359	-	99,359
Brian J. O'Connor	109,000	-	-	109,000
Kimberly K. Rath	15,000	82,359	-	97,359
Michael D. Reardon	16,000	82,359	-	98,359
James H. Van Horn (d)	19,000	82,359	-	101,359

- (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. Amount also includes Mr. O'Connor's annual retainer fees for 2009 (\$90,000) in which he elected to receive cash.
- (b) 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 awarded will be equal to 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, with the exception of Mr. O'Connor, elected to receive their annual retainer fees for 2009 in the form of the Company's Class A common stock 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 19, 2009, of \$11.53 per share. The Company uses the closing market price of the Company's common stock on the date the annual retainer fees are payable to calculate the number of shares to be issued under this plan.

- (c) As a non-employee strategic advisor to the Company, Mr. Butterfield receives health, dental, and vision benefits. During 2009, Mr. Butterfield received \$6,000 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 \$11,715.
- (d) Mr. Van Horn resigned from the Board of Directors effective February 15, 2010.

### **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 2009, 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.

### **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, 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, 40**

- 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, 45**

- 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, 42**

- 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

## Name and Age

## Position and Business Experience

### **Jeffrey R. Noordhoek, 44**

- 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, 51**

- 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 300 focused on tuition management, needs assessment, campus commerce, and enrollment management for K-12 institutions and institutions of higher education.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Compensation Committee Governance*

The Company's Board of Directors has designated a 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 and incentive compensation plans
- assessing the effectiveness of succession planning relative to the Company's Chief Executive Officer and executives
- approving, reviewing, and overseeing certain other benefit plans

The Compensation Committee consists solely of independent members of the Board of Directors. The Compensation Committee operates under a written charter adopted by the Board. A committee comprised of certain members of senior management, referred to herein as the internal committee, is also engaged, at the direction of the Compensation Committee, in developing and recommending the Company's compensation philosophy and programs to the Board and ensuring the Company's compensation programs are administered in a fair and equitable manner, and that the objectives of the programs are achieved in full alignment with the Company's long term strategy.

#### *Compensation Objectives*

The Company's general compensation philosophy as an organization that values long-term success of its shareholders, customers, and associates is:

The Company will pay a fair and equitable wage to its associates that is focused on the long-term performance objectives of the Company and is differentiated based on both performance of the associate and their business segment.

The Company structures its total compensation to encourage ownership, savings, wellness, and productivity. In addition, total compensation will be market competitive within appropriate peer group companies, internally equitable, and aligned with a performance-based organization. The Company believes this approach will enable it to attract, retain, and develop the talent required for long-term success, recognize high levels of associate performance, provide opportunities for all associates to become an owner in the Company, and enhance associate engagement.

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

- Base pay
- Variable pay (performance-based incentives, sales incentives, stock grants, spot bonuses)
- Benefits (health, wellness incentives, savings/investment options)

The Company wants its culture and work environment to encourage innovation, development, and high performance. Specifically, the application of pay for performance principles will result in high performing associates being compensated above market and lower performing associates being compensated below market. While variable pay will be the primary mode to differentiate performance, management has the discretion to use a number of choices to create a compensation package that maintains flexibility among individuals and business segments. To promote long term concentration on value, the Company grants restricted stock awards as opposed to stock options.

Over the past several years, the Company has continued to build a culture focused on innovation. An important part of this strategy is to provide incentives that reward new ideas, products, services, and markets that have the potential to positively transform the Company's future. Associates and related teams that demonstrate innovative results can share in the success of their ideas by receiving recognition and rewards through one-time or increased annual performance-based incentives, which may be paid in cash, Class A common stock, or a combination of both.

The Company's objective is 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.

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

- the levels of the Company's consolidated net income under generally accepted accounting principles ("GAAP")
- consolidated "base net income"<sup>1</sup> as reported by the Company in its filings with the SEC
- financial and operational performance measures, such as levels of operating expenses and diversification and growth of revenue from fee-based businesses
- associate engagement and motivation measures
- individual achievement
- business segment performance, including growth in customer base, revenue, and segment profitability

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

Each year the Committee directs the Company, through the internal committee consisting of the Chief Learning Officer, Chief Financial Officer, and Executive Director of People Services, to review and update as necessary the Company's compensation philosophy and strategy statement for the compensation of the executives, and a proposed executive compensation framework for the year. When establishing the proposed compensation framework, in keeping with the Company's goal of attracting, motivating, and retaining executives who will contribute to the Company's long-term success and the creation of shareholder value, the internal committee periodically undertakes the review of comparative compensation offered within the industries in which the Company competes for executive talent. Given the Company's diversified business segments, management believes the Company competes for executive talent in many industries, including, but not limited to, financial services, technology, and business process outsourcing.

---

<sup>1</sup> "Base net income" is GAAP net income excluding derivative market value, foreign currency, and put option adjustments, amortization of intangible assets, compensation related to business combinations, variable-rate floor income, and discontinued operations. A description of "base net income" and a reconciliation of GAAP net income to "base net income" can be found in supplemental financial information online at [www.nelnetinvestors.com](http://www.nelnetinvestors.com).

The internal committee periodically completes an external compensation review based on information from various databases and the industries noted previously. The purpose of this review is to ensure compensation is aligned with the market for comparable jobs so the Company can continue to attract, motivate, retain, and reward qualified executives. Also, the internal committee considers the average salary adjustments anticipated in the marketplace each year and sets the Company's target increase accordingly. In this way, the Company seeks to ensure any changes to compensation are appropriate and reflect any material changes in the market.

The Company also considers 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 Company seeks to maintain internal pay equity 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.

The internal committee also consults with the Chief Executive Officer in making compensation decisions for the executives.

The Company's compensation philosophy and strategy described above is developed by the internal committee and other members of management and then reviewed and approved by the Compensation Committee, with any modifications that the Committee deems to be appropriate, after discussions by the Committee. To ensure independence and candid discussions, the Committee also meets in executive session without the Chief Executive Officer and President being present to review and approve the compensation framework. As part of this process, the Committee reviews the Company's goals and financial objectives related to base salaries and incentive compensation. The Committee also discusses the Chief Executive Officer's individual performance in reviewing and approving his total compensation potential for the year, and coordinates with the Board to monitor the performance of the Chief Executive Officer throughout the year to ensure that compensation being provided meets the performance incentive intent of the compensation framework.

#### *Risk Management*

The internal compensation committee reviews incentive compensation arrangements to ensure that the arrangements do not encourage executives to take unnecessary and excessive risks. Compensation approaches are reviewed by the Company's Enterprise Risk Management team. A balance between Company and business segment performance is required to mitigate unnecessary risks being taken and the Company believes that its compensation structures do not encourage unnecessary risk.

#### *Industry Comparison of Compensation*

To assist in establishing a competitive overall compensation program, the Company periodically engages a nationally recognized compensation consulting firm to review the most highly compensated officers of the Company. This review includes the Company's Chief Executive Officer, Chief Financial Officer, President, and other executive officers. In 2007, the Company engaged Towers Perrin, an objective third party, to review executive compensation at the Company and to conduct an executive total cash compensation analysis to assess the competitiveness of the compensation levels of base salary and bonuses provided to the Company's Chief Executive Officer and executives. The consulting firm formulated competitive market rates for all executive positions included in the study. Based upon their market analysis, the consultants presented their findings and observations as to the competitiveness of the Company's base salaries and bonuses compared to industries within North America, including, but not limited to, financial services, technology, and business process outsourcing. Based on their analysis, the internal committee concluded that no material modifications needed to be made to the existing compensation structures.

This study is used by the Company to identify potential gaps or inequities in total compensation and to identify appropriate compensation levels and compensation design features. The study was conducted based on the Company's duty to its shareholders and executives in an effort to motivate, retain, and attract top performers that drive the Company's performance results.

When comparing the Company's executive base salaries, annual incentive plan, benefit plans, and total compensation to data of the peer group, the consultants made suggestions to ensure that the Company provides a complete compensation package that is competitive in the marketplace.

Another independent third party review of the Company's total compensation structure will be completed in 2010.

The industries referenced previously and used by the Company to establish competitive compensation programs may not represent the same industry as the peer group used by the Company for purposes of the Performance Index Graph furnished in the Company's annual report on Form 10-K.

### *Components of Executive Compensation*

The Company's Chief Executive Officer and executives may be compensated with a combination of annual base salary, annual performance-based incentive 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 over a defined vesting period. The Chief Executive Officer has historically not received equity compensation because he controls the majority of voting rights of the Company, and has interests already aligned with the other shareholders of the Company. In determining levels of compensation, management and the Committee work together to establish targeted total compensation for each executive and then allocate that compensation among base salary and incentive compensation.

The Company's 2009 annual performance-based incentives were paid in fully vested and unrestricted shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan. The Company will continue to pay future annual performance-based incentives, if any, for executives (other than the Chief Executive Officer) in shares of common stock.

Other awards of the Company's common stock (not associated with the annual performance-based incentives) 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.

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 Committee, upon management's recommendation, 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 Committee seeks to achieve an appropriate balance between base salary, annual performance-based incentives, and longer-term equity incentives for all of the Company's executives. The Committee does not assign relative weights to the performance measures described above in "Compensation Objectives" in setting these salaries, annual performance-based incentives, and longer-term equity incentives.

### *Base Salaries*

The Company wants 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 executives is based upon 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.

The Chief Executive Officer has not had a base salary increase from 2006 through 2010, the President had no increase in 2009, and the Chief Financial Officer did not have a base salary increase from 2007 through 2009.

The decline in economic conditions resulted in minimal to negative increase in the cost of living during 2008 into 2009. Thus, as a general rule, no overall base salary adjustments were made and wages were frozen in 2009 for all employees, including executives. Considering the improvement in corporate business results for 2009 and the current economic conditions, base salary merit increases were reinstated for 2010.

### *Annual Performance-Based Incentive Payments*

Historically, the performance-based incentive pools are determined and funded based on the Company's financial performance while allowing for subjective modification to account for unique results during the year.

In addition to earning targets, most business segment plan criteria also include additional measurements such as:

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

With respect to assessing performance, the achievements of the Company, the business segment, and individual performance objectives are considered. Company-wide performance objectives include, as stated previously, results of the Company's consolidated GAAP net income and "base net income," financial and operational performance measures, associate engagement, and business segment performance factors. Achieving the targeted "base net income" 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. Incentives are generally positioned to be within a median range of the compensation survey results.

The executives also have specific performance goals. 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 payments for business segment performance goal achievement can be negatively or positively impacted by overall company-wide performance, which funds the overall incentive pool. Where 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.

The executives are eligible for performance-based incentive payments under an incentive plan arrangement which generally increases as the Company's "base net income" increases. In addition to financial results, each executive's business segment and individual performance are considered in order to determine the final amount of the incentive payment earned.

While the Company strives for overall consistency in executive compensation, the executives' potential incentive amounts vary by business segment due to differences in roles, business models, and business performance.

The President and Chief Financial Officer's incentive targets are limited to 100% of their base salary. Other executives' incentive targets are generally 50% of base salary depending upon performance.

#### *Compensation Arrangements with Named Executive Officers*

On June 1, 2005, in connection with the Company's acquisition of a majority of the stock of FACTS Management Co., the Company entered into an employment agreement with Mr. Tewes. The term of the agreement is for the five year period beginning June 1, 2005 and ending May 31, 2010.

Mr. Tewes' employment agreement provides that if his employment is terminated "Without Cause" (which is defined as reasons other than being charged with or convicted of a felony; malfeasance, misfeasance, nonfeasance, negligence, or failure or refusal to perform his obligations under the agreement; or because of his material breach of the employment agreement or separate non-competition agreement), he is entitled to receive from the Company his then-current annual base salary for the remainder of the term of the employment agreement, paid in a lump sum. The terms of both the employment agreement and the non-competition agreement are through May 31, 2010; accordingly, if he is terminated "Without Cause," Mr. Tewes would receive his then-current annual salary through such date. Based on Mr. Tewes' current annual base salary in effect as of December 31, 2009, the total amount of payments that would be made to Mr. Tewes upon such termination would be a lump sum payment of approximately \$107,000. The non-competition agreement prohibits Mr. Tewes from competing with the Company during and for a period of two years following termination of his employment for any reason. If Mr. Tewes fails to comply with the non-competition agreement, the Company may seek to have the agreement enforced by a court, and may retain any salaries, bonuses, or other compensation then due to Mr. Tewes from the Company. Pursuant to the employment agreement, no waiver of a breach of, or failure to comply with, the agreement by either party may be deemed a waiver of a subsequent or similar breach of or failure to comply with the agreement.

Other than the employment agreement with Mr. Tewes, there are no written employment agreements with any other Named Executive Officer.

#### *Executive Officers Bonus Plan*

Effective January 1, 2010, the Board of Directors terminated the Executive Officers Bonus Plan (the "Plan") for Michael Dunlap, Chief Executive Officer.

Under the Plan, Mr. Dunlap was eligible for an annual bonus equal to \$500,000 for every \$1.00, or the pro-rata share thereof, in base net income per share earned by the Company during the year. Base net income per share was defined under the plan as the Company's annual base net income for the Plan year, as calculated and reported in the Company's earnings releases and filings, divided by the weighted average basic number of common shares outstanding as of the end of the Plan year.

In addition, the Plan included a requirement that in order for Mr. Dunlap to be entitled to any award under the Plan, the Company must have maintained a credit rating by Standard & Poor's of "BBB" or higher and Moody's Investor Services of "Baa3" or higher for that Plan year.

In October 2008, the Company's long term debt rating was downgraded to Ba1 by Moody's Investor Services. Accordingly, Mr. Dunlap was not entitled to any bonus compensation for 2008 and 2009.

Effective January 1, 2010, Mr. Dunlap's bonus will be determined by the Board of Directors based on individual performance and Company results, however, such amount shall not in any case exceed 100% of Mr. Dunlap's annual base salary nor is it subject to the Company's credit rating. Mr. Dunlap's annual base salary for 2010 is \$500,000.

#### *Restricted Stock Plan*

The Company maintains a Restricted Stock Plan administered by the Committee to reward performance by associates, including executives other than the Chief Executive Officer. This plan permits the Committee to reward a recipient with an award of shares of the Company's Class A common stock, which, in the Committee's sole discretion, may have vesting requirements attached. These additional awards are designed to recognize and reward the executives, and to connect the executives' wealth accumulation directly to the Company's performance, therefore encouraging the executives to behave as owners of the Company.

#### *Other Equity Awards*

The Company also supports a number of other savings and investment vehicles that assist all associates, including executives, in increasing their long-term financial savings and in becoming owners in the Company. The Company provides an Employee Share Purchase Plan, pursuant to which Company shares may be acquired through payroll deduction, 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 the opportunity to receive the Company's matching contribution to the 401(k) plan in Company stock.

The Company does not offer stock options. It is management's opinion that awards of restricted stock are a better method of encouraging executives to focus on the long term value of the Company.

#### *Share Ownership Guidelines*

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, in 2005 the Committee recommended and the Board 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, and is thereby exposed to downside risk in the Company's equity performance.

#### *Other Compensation*

In addition to base salaries and annual performance-based incentive compensation, the Company provides executives with certain other benefits to assist the Company in remaining competitive in the marketplace and to encourage executives to remain with the Company.

Benefits, including health, dental, and vision coverage, are designed to be competitive with 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 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, a member of the Board of Directors and former Co-Chief Executive Officer of the Company, owns the remaining interest in the aircraft. In prior years, the Company has allowed 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 2009, 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.

As discussed above, the Company has an employment agreement with Mr. Tewes, entered into when he was hired by the Company, which contains provisions for compensation upon termination of his employment in certain circumstances. Other than this agreement, the Company does not have contracts, agreements, plans, or arrangements with its named executive officers, whether written or unwritten, that provide for payment in connection with any termination or change-in-control.

The Company does not currently have a formal written policy for the adjustment or recovery of awards or payments if the relevant performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

#### *Policy on 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 Committee believes that the Company will not be subject to Section 162(m) limitations on the deductibility of compensation paid to executives for 2009. The Committee may consider other steps which might be in the Company's best interests to comply with Section 162(m), while reserving the right to award future compensation which may not comply with the Section 162(m) requirements for deductibility if the 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 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. During 2009, the Company matched \$23,100 related to contributions made by Mr. Heimes under the provisions of this program. No other Company matching contributions were made in 2009 related to the Company's Named Executive Officers.

#### *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 long-term goals. This is critical, as management knows 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 Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based upon such review, the related discussions, and such other matters deemed relevant and appropriate by the Compensation Committee, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement to be delivered to shareholders.

Respectfully submitted,

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

## Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Ms. Rath and Messrs. Abel (Chairman) and Reardon all of whom are independent Non-Employee Directors. None of the Compensation Committee members has served as an officer or employee of the Company, and none of the Company's executive officers have served as a member of a compensation committee or board of directors of any other entity, which has an executive officer serving as a member of the Company's Compensation Committee or Board of Directors.

## Summary Compensation Table for Fiscal Years 2009, 2008, and 2007

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, 2009, (collectively, the "Named Executive Officers"). The information presented in the table relates to the fiscal years ended December 31, 2009, 2008, and 2007, except that in accordance with SEC staff guidance only information relating to the fiscal year ended December 31, 2009 is presented for individuals who first became a Named Executive Officer in 2009 and only information relating to the fiscal years ended December 31, 2009 and 2008 is presented for individuals who first became a Named Executive Officer in 2008. Salaries and bonuses are paid at the discretion of the Board of Directors.

Name and principal position	Year	Annual compensation (a)			Total (\$)
		Salary (\$)	Bonus (\$) (b)	All other compensation (\$ (c)	
Michael S. Dunlap Chief Executive Officer	2009	500,000	- (d)	10,340	510,340
	2008	500,000	- (d)	9,740	509,740
	2007	500,000	175,000 (e)	9,540	684,540
Terry J. Heimes Chief Financial Officer	2009	325,000	325,017	10,340	660,357
	2008	325,000	50,001	9,886	384,887
	2007	325,000	100,000	9,540	434,540
Jeffrey R. Noordhoek President	2009	325,000	325,017	10,340	660,357
	2008	325,000	50,001	9,740	384,741
	2007	275,000	100,000	9,540	384,540
Timothy A. Tewes President and Chief Executive Officer, Nelnet Business Solutions, a subsidiary of Nelnet, Inc.	2009	260,000	120,005	26,943	406,948
	2008	260,000	150,004	26,093	436,097
Todd M. Eicher Executive Director, Nelnet Enrollment Solutions LLC, a subsidiary of Nelnet, Inc.	2009	215,000	120,005	7,010	342,015

- (a) Executive officers may receive perquisites and personal benefits, the dollar amounts of which are below current SEC thresholds for reporting requirements.
- (b) Amounts represent bonuses paid in 2010, 2009, and 2008 for services rendered during the 2009, 2008, and 2007 calendar years, respectively. All 2009 and 2008 bonuses (paid in 2010 and 2009, respectively) were paid in fully vested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan. The stock issuances were not made as equity incentive plan awards. See "Grants of Plan-Based Awards Table for Fiscal Year 2009."

(c) “All other compensation” includes the following:

		<b>All other compensation</b>						
	<b>Year</b>	<b>Employer matching contributions under 401(k) Plan (\$)</b>	<b>Premiums on life insurance (\$)</b>	<b>Dividends on restricted stock (\$) (1)</b>	<b>Automobile allowance (\$)</b>	<b>Gross-up for payment of taxes (\$)</b>	<b>Other (\$)</b>	<b>Total (\$)</b>
Michael S. Dunlap	2009	9,800	540	-	-	-	-	10,340
	2008	9,200	540	-	-	-	-	9,740
	2007	9,000	540	-	-	-	-	9,540
Terry J. Heimes	2009	9,800	540	-	-	-	-	10,340
	2008	9,200	540	-	-	-	146	9,886
	2007	9,000	540	-	-	-	-	9,540
Jeffrey R. Noordhoek	2009	9,800	540	-	-	-	-	10,340
	2008	9,200	540	-	-	-	-	9,740
	2007	9,000	540	-	-	-	-	9,540
Timothy A. Tewes	2009	9,800	540	280	12,000	4,323	-	26,943
	2008	8,976	540	529	12,000	4,048	-	26,093
Todd M. Eicher	2009	6,450	540	20	-	-	-	7,010

(1) The Company paid a cash dividend of \$0.07 per share on the Company’s Class A and Class B common stock, including unvested shares of Class A common stock issued pursuant to the Company’s Restricted Stock Plan, during both the first fiscal quarter of 2008 and the fourth fiscal quarter of 2009. Dividends paid to employees on unvested restricted stock are included in the table above.

(d) For the years ended December 31, 2009 and 2008, Mr. Dunlap was not entitled to any award under the Executive Officers Bonus Plan, as the Company failed to maintain an investment grade rating by both Standard & Poor’s and Moody’s Investor Services. The minimum investment grade rating by Standard & Poor’s was “BBB” and the minimum investment grade rating by Moody’s Investment Services was “Baa3.” In October 2008, the Company was downgraded to Ba1 by Moody’s Investor Services.

(e) Mr. Dunlap’s potential 2007 bonus, as calculated pursuant to the provisions of the Executive Officers Bonus Plan, was \$390,000. Mr. Dunlap requested that \$215,000 of his 2007 bonus be distributed to certain associates for purposes of recognition and retention.

#### Grants of Plan-Based Awards Table for Fiscal Year 2009

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, 2009.

<b>Name</b>	<b>Grant date (a)</b>	<b>Approval of grant by Compensation Committee</b>	<b>Number of restricted shares of stock</b>	<b>Grant date fair value of stock awards (\$) (b)</b>
Michael S. Dunlap	-	-	-	-
Terry J. Heimes	March 9, 2009	March 4, 2009	10,753	50,001
Jeffrey R. Noordhoek	March 9, 2009	March 4, 2009	10,753	50,001
Timothy A. Tewes	March 9, 2009	March 4, 2009	32,259	150,004
Todd M. Eicher	March 9, 2009	March 4, 2009	8,603	40,004

- (a) On March 9, 2009, the Company issued stock to pay fiscal year 2008 bonuses. The stock issuances were not made as equity incentive plan awards. All 2008 bonuses (paid in 2009) 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 issuance price for these awards based on the closing market price on March 3, 2009 of \$4.65 per share.

#### Outstanding Equity Awards at Fiscal Year-End Table (As of December 31, 2009)

The following table sets forth summary information relating to the outstanding equity awards for the Company's Named Executive Officers as of December 31, 2009.

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	4,000 (b)	68,920
Todd M. Eicher	279 (c)	4,807

- (a) The closing market price of the Company's common stock as of December 31, 2009 was \$17.23.
- (b) Amount represents shares of restricted Class A common stock issued on August 23, 2007 and October 1, 2007 pursuant to the Company's Restricted Stock Plan, of which 1,000 shares and 3,000 shares, respectively, remain unvested as of December 31, 2009. These shares vest as follows:

Vesting date	Number of shares
March 15, 2010	375
April 30, 2010	1,000
March 15, 2011	375
March 15, 2012	375
March 15, 2013	375
March 15, 2014	375
March 15, 2015	375
March 15, 2016	375
March 15, 2017	375
Total	4,000

- (c) Amount represents shares of restricted Class A common stock issued on March 15, 2007 as a result of Mr. Eicher's election to receive a portion of his 2006 performance-based incentive plan payout in shares of restricted Class A common stock, of which 279 shares remain unvested as of December 31, 2009. During 2006, when an associate elected to take their bonus in shares of stock, the Company awarded additional shares equal to 25% of the amount elected to be received in stock. These shares are the additional shares awarded to Mr. Eicher as a result of his election to receive his 2006 performance-based incentive plan payment in shares of stock. A total of 838 shares were issued on March 15, 2007 and 280 shares and 279 shares of this award vested on March 15, 2008 and March 15, 2009, respectively. The remaining shares will vest on March 15, 2010.

## Stock Vested Table for Fiscal Year 2009

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, 2009.

Name	Stock awards	
	Number of shares of stock acquired on vesting	Market value of shares of stock realized on vesting (\$) (c)
Michael S. Dunlap	-	-
Terry J. Heimes	-	-
Jeffrey R. Noordhoek	-	-
Timothy A. Tewes	1,779 (a)	15,781
Todd M. Eicher	279 (b)	1,959

- (a) Amount includes 375 shares, 1,000 shares, and 404 shares of restricted Class A common stock issued on October 1, 2007, August 23, 2007, and November 22, 2006, respectively, pursuant to the Company's Restricted Stock Plan. The closing market price on the date of issuance of these shares was \$18.71, \$18.36, and \$25.80 per share, respectively. These shares vested on March 15, 2009, April 30, 2009, and November 22, 2009, respectively.
- (b) Amount represents shares of restricted Class A common stock issued on March 15, 2007 as a result of Mr. Eicher's election to receive a portion of his 2006 performance-based incentive plan award in shares of stock. The closing market price on the date of issuance of these shares was \$25.22. These shares vested on March 15, 2009.
- (c) The closing market price of the Company's common stock as of March 15, 2009, April 30, 2009, and November 22, 2009 (the vesting dates) was \$7.02 per share, \$6.03 per share, and \$17.62 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 26, 2010, 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.

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

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	8,092,768 (3)	9,489,880 (4)	17,582,648	21.1%	82.6%	35.2%	67.2%
Stephen F. Butterfield	355	3,952,364 (5)	3,952,719	*	34.4%	7.9%	25.8%
Angela L. Muhleisen	8,478,295 (6)	1,438,586 (7)	9,916,881	22.1%	12.5%	19.9%	14.9%
Union Bank and Trust Company	5,262,886 (8)	1,438,586 (9)	6,701,472	13.7%	12.5%	13.4%	12.8%
Todd M. Eicher	403,704 (10)	-	403,704	1.1%	-	*	*
Terry J. Heimes	179,626 (11)	-	179,626	*	-	*	*
Jeffrey R. Noordhoek	805,770 (12)	-	805,770	2.1%	-	1.6%	*
Timothy A. Tewes	10,740 (13)	-	10,740	*	-	*	*
James P. Abel	27,936 (14)	-	27,936	*	-	*	*
Kathleen A. Farrell	13,888 (15)	-	13,888	*	-	*	*
Thomas E. Henning	36,120 (16)	-	36,120	*	-	*	*
Brian J. O'Connor	35,476	-	35,476	*	-	*	*
Kimberly K. Rath	15,088 (17)	-	15,088	*	-	*	*
Michael D. Reardon	30,619 (18)	-	30,619	*	-	*	*
Executive officers and directors as a group	9,433,382	11,495,377	20,928,759	24.6%	100.0%	42.0%	81.1%

\* Less than 1%.

- (1) Based on 38,393,640 shares of Class A common stock (which excludes 11,317,364 shares of Class A common stock held by a subsidiary of the Company that are not entitled to vote at the Annual Meeting) and 11,495,377 shares of Class B common stock outstanding as of February 26, 2010.
- (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 2,425,403 shares of Class A common stock, which includes 2,547 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 is deemed to have shared voting and investment power over 5,667,365 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 38.5% of the outstanding voting stock, and (ii) 5,262,865 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank and Trust Company ("Union Bank"), 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 of his pecuniary interest therein. 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, 2009, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 16, 2010.

- (4) Mr. Dunlap is deemed to have sole voting and investment power over 6,464,603 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 3,025,277 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) 1,078,410 shares held by Union Bank as Trustee for a Class B grantor retained annuity trust ("GRAT") established by Mr. Dunlap, and (iii) 360,176 shares held by Union Bank as Trustee under a Class B GRAT established by Mr. Butterfield. Mr. Dunlap disclaims beneficial ownership of the shares held by Union Financial Services, Inc., except to the extent of his pecuniary interest therein. Mr. Dunlap also disclaims beneficial ownership of the 360,176 shares held by Union Bank as Trustee under the Class B GRAT.
- (5) Mr. Butterfield is deemed to have sole voting and investment power over 2,005,497 shares of Class B common stock 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 1,946,867 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) 360,176 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 of his pecuniary interest therein. A total of 1,904,315 shares are pledged as collateral.
- (6) Ms. Muhleisen is deemed to have sole voting and investment power over 2,594,040 shares of Class A common stock. Ms. Muhleisen is deemed to have shared voting and investment power over 5,884,255 shares of Class A common stock, which includes (i) 88,864 shares jointly owned by Ms. Muhleisen and her spouse, (ii) 1,195,690 shares owned by her spouse, (iii) 621,495 shares held by Ms. Muhleisen's son, (iv) 621,495 shares held by Ms. Muhleisen's daughter, (v) 1,010,620 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, chairperson, and co-president and owns or controls 36.1% of the outstanding capital stock, and 1,941,591 shares held by Union Bank for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank with respect to which Union Bank may be deemed to have or share voting or investment power. Ms. Muhleisen, the sister of Michael S. Dunlap, is a director, 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 1,010,620 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. She also disclaims beneficial ownership of the shares held by F&M, except to the extent of her pecuniary interest therein. 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, 2009, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 16, 2010.
- (7) Ms. Muhleisen is deemed to have shared voting and investment power over 1,438,586 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.
- (8) 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 5,232,865 shares of Class A common stock, which includes (i) 203,400 shares held as trustee for the University of Nebraska Foundation, (ii) 240,578 shares held by Union Bank as Trustee under a Class A GRAT and a Class A charitable remainder trust established by Mr. Noordhoek, (iii) 1,010,620 shares held by Union Bank as Trustee under Class A GRATs established by Ms. Muhleisen and her spouse, (iv) 2,310,654 shares of Class A common stock held by Union Bank in individual accounts for Ms. Muhleisen and her spouse, and (v) 1,467,613 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank 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, 2009, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 16, 2010.

- (9) Union Bank is deemed to have shared voting and investment power over 1,438,586 shares of Class A common stock that are held by Union Bank as Trustee under Class B GRATs established by Mr. Dunlap and Mr. 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.
- (10) Includes 279 shares issued under the Company's Restricted Stock Plan that will vest on March 15, 2010. Includes 65,186 shares owned by Mr. Eicher's spouse. A total of 251,612 Class A shares are pledged as collateral.
- (11) Includes 50,000 shares owned by Mr. Heimes' spouse.
- (12) Includes 542,730 shares held by the Jeffrey R. Noordhoek Trust, 216,287 shares held by Union Bank as Trustee under a Class A GRAT established by Mr. Noordhoek, and 24,291 shares held by Union Bank as Trustee under a Class A CRUT established by Mr. Noordhoek. A total of 159,156 Class A shares are pledged as collateral for a line of credit which had not been drawn upon as of February 26, 2010.
- (13) Includes 3,000 shares issued under the Company's Restricted Stock Plan, which vest in equal annual installments of 375 shares from March 2010 through March 2017, and 1,000 shares issued under the Company's Restricted Stock Plan which vest on April 30, 2010.
- (14) Includes 19,832 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.
- (15) Includes 13,888 shares that Ms. Farrell has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.
- (16) Includes 24,031 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 3,090 shares owned by Mr. Henning's spouse.
- (17) Includes 13,888 shares that Ms. Rath has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan. Amount also includes 1,200 shares owned by Ms. Rath's husband in an individual retirement account.
- (18) Includes 15,672 shares owned jointly by Mr. Reardon and his spouse in a brokerage firm account, which may under certain circumstances involve a pledge of such shares as collateral.

#### **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, 2009, 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.

Todd Eicher and Terry Heimes each failed to timely file a required Form 4 with respect to shares of Class A common stock sold on July 2, 2009. These shares were sold by each reporting person for diversification and estate planning purposes pursuant to a Rule 10b5-1 Sales Plan entered into on December 9, 2008 and March 13, 2009, respectively. The Company's staff, due to administrative error, made the Form 4 filings with respect to these transactions one day late, on July 8, 2009.

Rule 10b5-1, promulgated under the Exchange Act, allows executives of a company who are not in possession of material non-public information to establish pre-arranged plans to buy or sell a specified number of shares of such company's stock. Once a plan is established, the executive does not retain or exercise any discretion over sales of stock under the plan and the pre-planned trades may be executed at later dates as set forth in the plan, without regard to any subsequent material non-public information related to the company that the executive may receive.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Section 6 of the Company's Code of Conduct requires the disclosure of conflicts of interest (such as related party transactions) by officers and directors of the Company and provides that a relationship which involves or benefits one of the Company's officers or directors is not considered a conflict of interest if the Board of Directors is aware of the relationship and deems it to be immaterial. Accordingly, related party transactions are presented to the Board of Directors for their review and approval or ratification. See "Corporate Governance – Code of Business Conduct and Ethics for Directors, Officers, and Employees."

Additionally, Section 6 of the Company's Code of Conduct provides that officers and directors shall not have a material financial interest in any company that is selling supplies, furnishing services, or otherwise doing business with the Company, unless approved by the Company's executive management.

Some of the Company's directors and members of management beneficially own shares of stock or other ownership interests in other entities with which the Company does business and, in some cases, they serve on the Board of Directors and/or as executive officers of one or more such entities. These related parties include:

- *Union Bank and Trust Company and Farmers & Merchants Investment Inc.* — Union Bank is controlled by 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, owns or controls 40.2% of the stock of F&M, while Mr. Dunlap's sister, Angela L. Muhleisen, owns or controls 38.55% 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 26, 2010, Union Bank beneficially owned 13.4% 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 26, 2010, Mr. Dunlap beneficially owned 35.2% of the Company's outstanding common stock and Ms. Muhleisen beneficially owned 19.9% 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**

During 2008, the Company sold approximately \$535 million of FFELP student loans (the "FFELP Loans") to Union Bank. These loans were sold for a purchase price of 100 percent of the outstanding unpaid principal balance plus accrued and unpaid borrower interest. The Company recognized a loss on this loan sale of \$3.9 million, which represented unamortized loan costs on this portfolio.

Including the loans sold in this transaction, Union Bank may purchase up to \$750 million in FFELP loans from the Company in accordance with an affiliate transaction exemption granted by the Federal Reserve Board. In connection with the exemption and the loan purchase by Union Bank, an Assurance Commitment Agreement (the "Commitment Agreement") was also entered into, by and among, the Company, Union Bank, and Mr. Dunlap. Per the terms of the Commitment Agreement, the Company provided certain assurances to Union Bank designed to mitigate potential losses related to the FFELP Loans, including holding amounts in escrow equal to the unguaranteed portion and reimbursing Union Bank for losses, if any, related to the portfolio. As of December 31, 2009 and 2008, the Company held \$13.9 million and \$14.3 million, respectively, in escrow related to this agreement. As part of this agreement, the Company is obligated to buy back 30 days delinquent loans; in 2009, the Company bought back from Union Bank \$36.9 million in loans related to this obligation. In conjunction with this transaction, the Company paid Union Bank approximately \$374,000 to reimburse Union Bank related to FDIC insurance fees.

During 2009, the Company sold \$76.4 million of loans to Union Bank under this \$750 million exemption. The Company recognized a loss on this loan sale of \$0.8 million, which represented unamortized costs on this portfolio.

Pursuant to agreements effective January 1999 and amended February 2005, the Company agreed to purchase certain guaranteed student loans from Union Bank as well as origination rights in guaranteed student loans to be originated in the future, except for loans committed for sale to others. Union Bank may continue to originate student loans, and such guaranteed student loans not previously committed for sale to others are to be sold by Union Bank to the Company in the future. Union Bank also granted to the Company exclusive rights as marketing agent for student loans on behalf of Union Bank, and thus the Company is responsible for marketing expenses with respect to such student loans.

The Company pays Union Bank a purchase price equal to 100% of the outstanding principal balance and accrued and unpaid interest on the loans purchased pursuant to the agreement described in the preceding paragraph, and also reimburses Union Bank for origination fees required to be paid to the Department of Education, for origination costs, and any borrower incentive program costs offered. This agreement renews automatically for successive one-year terms unless both parties mutually agree to terminate it.

During 2009, the Company paid the outstanding principal and accrued and unpaid interest of \$47.6 million to Union Bank for the purchase of student loans (which includes loans purchased under the Commitment Agreement as discussed previously). No premiums were paid for loans purchased during 2009.

Pursuant to a June 2001 agreement, Union Bank, in its capacity as trustee for various grantor trusts, agreed to purchase from the Company participation interests in student loans. In 2009, the Company retained a portion of the interest earned from the participated loans at a rate equal to the difference between the borrower's interest rate on the loans and the most recently published 90-day commercial paper rate plus 50 basis points. However, the Company also must continue to pay the servicing costs with respect to such participated loans. The Company sold to Union Bank, as trustee, participation interests with balances of \$613.3 million as of December 31, 2009. The Company has the option to purchase the participation interests from these grantor trusts at the end of a 364-day term upon termination of the participation certificate. The agreement automatically renews for additional 364-day terms unless either party gives notice to terminate. The agreement is also 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.

As of December 31, 2009, the Company purchased participation interests in private student loans from Union Bank in the amount of \$18.9 million. The largest aggregate amount of principal outstanding on these participation interests during 2009 was \$21.5 million, which was outstanding as of January 1, 2009. The Company received all interest income from the participated student loans, except for \$0.3 million retained by Union Bank related to these participated student loans during 2009. Union Bank retains interest income on the participated student loans based on the three-month commercial paper rate plus 50 basis points, which was 1.42 % as of December 31, 2009.

The Company services loans for Union Bank, and, pursuant to a servicing agreement dated January 1, 1998, as amended, the Company charges a standard origination and servicing fee at a level substantially commensurate to those charged to the majority (in terms of volume of loans serviced) of the Company's non-affiliated servicing clients. Union Bank paid the Company fees pursuant to this servicing agreement aggregating \$1.9 million in 2009. The servicing agreement is for a month-to-month term, subject to a removal fee based on the number of loans serviced. The Company may terminate the agreement in the event of a material uncured breach. Pursuant to the February 2005 amendment of agreements with Union Bank discussed previously, the Company began waiving fees charged under the servicing agreement on all loans originated as part of the February 2005 agreement as these loans are funded by and sold to the Company. On November 25, 2008, the Company entered into an additional loan servicing agreement with Union Bank to service the approximately \$535 million FFELP Loans sold to Union Bank. Under this agreement the Company will receive a servicing fee of 34 basis points per year related to the FFELP Loans. Fees received in conjunction with this agreement are included in the servicing income for the year ended December 31, 2009 noted above.

On October 13, 2006, the Company purchased its corporate headquarters building and assumed certain existing lease agreements pursuant to which Union Bank leases office and storage space. The leases assumed by the Company provided for the lease to Union Bank of a total of approximately 15,000 square feet through June 30, 2008. The lease was amended to reduce the space leased to 4,000 square feet. Union Bank paid the Company approximately \$70,000 for commercial rent and storage income during 2009. The amended lease agreement expires on June 30, 2018.

The Company has entered into an agreement to assist Union Bank in marketing and providing program operations related to certain college savings plans (the "College Savings Plans") under Section 529 of the Internal Revenue Code. Union Bank has agreed to pay the Company fees in an amount equal to 50% of the net profits, if any, associated with Union Bank's program management agreement with the College Savings Plans. Union Bank is entitled to a fee as program manager pursuant to its program management agreement with the College Savings Plans and is not entitled to other payments pursuant to that agreement. The Company has agreed to share 50% of the expenses relating to the program, up to a capped amount of \$1.25 million over the life of the agreement, as well as 50% of mutually agreeable costs related to the program operations, if any, which exceed the aggregate of \$1.25 million. In 2009, the Company received a net fee of \$3.4 million arising from this agreement. This consulting and services agreement terminates when Union Bank's program manager agreement with the College Savings Plans terminate.

Nelnet Capital, LLC, a subsidiary of Nelnet, Inc ("Nelnet Capital"), serves as distributor on behalf of Union Bank for all advisor-sold accounts with the College Savings Plans. Nelnet Capital is entitled to approximately 10 basis points of plan assets pursuant to this agreement. Either party, upon 30 days' notice, may terminate this agreement. Nelnet Capital also serves as distributor on behalf of Union Bank for the TD Waterhouse accounts within the College Savings Plans. This agreement terminates upon termination of the TD Waterhouse distribution agreement for the College Savings Plans. Nelnet Capital received payments aggregating approximately \$256,000 from these agreements in 2009.

Union Bank permits Nelnet Capital to gain certain access to Union Bank customers by permitting marketing efforts in Union Bank facilities. Nelnet Capital paid Union Bank 90% of its gross commissions, after deducting trading and closing expenses, which was approximately \$118,000 in 2009.

The Company invests in student loan-backed investment securities from time to time by establishing several grantor trusts with Union Bank as trustee for Union Bank's Short Term Federal Investment Trust. As a grantor, the Company places cash into the trust account, and Union Bank uses such cash to acquire interests in student loan-backed investment securities on the Company's behalf. The Company earns the yield on the securities purchased by the trust and pays to Union Bank a trustee fee based on amounts invested and upon the type of investment asset being acquired in the trust account. As of December 31, 2009, the Company had \$387.8 million invested in these trusts or deposited at Union Bank in operating accounts. Union Bank has created similar Short Term Federal Investment Trusts with non-affiliated trust beneficiaries, and the fees and terms applicable to the trust agreements it has entered into with the Company are substantially the same as the fees charged by Union Bank to the majority (in terms of assets) of non-affiliated persons. As trustee, Union Bank has agreed to return the Company's funds invested in these trusts or assets held on the Company's behalf in these trusts upon 30 days' notice from the Company at any time and thus terminate the trusts. The Company utilizes these trust arrangements as a short-term investment facility. Interest income earned by the Company on the amounts invested in these trusts was \$2.9 million in 2009.

During 2009, the Company paid Union Bank approximately \$72,000 in fees related to certain cash management activities.

The Company and Union Bank have an employee sharing arrangement with respect to a small group of employees. The arrangement requires each counterparty receiving services from any such employee to pay for the share of the employee's salary and payroll equal to the approximate percentage of such employee's time devoted to such recipient. This agreement renews automatically for one-year terms unless the parties mutually agree not to renew. During 2009, Union Bank paid the Company a net amount of approximately \$74,000 under this agreement.

Union Bank has issued a letter of credit for the benefit of the Company, dated February 25, 2005 and amended on May 24, 2006, in the amount of \$239,000. This letter of credit was increased to \$300,000 by an amendment dated January 10, 2008. Union Bank charged no fee for providing this letter of credit.

During 2009, the Company received approximately \$57,000 in fees from Union Bank for health and productivity services provided by the Company as part of its Total Well-Being program.

The Company has retained Union Bank to administer its 401(k) defined contribution plan. The fees charged by Union Bank are commensurate with those Union Bank charges to other employee benefit customers. Beginning in 2007, the fees paid to Union Bank to administer the plan are paid by the plan's participants. Total fees paid in 2009 to Union Bank by the plan's participants were approximately \$193,000. The 401(k) plan agreement may be terminated upon 60 days' notice from either party.

## **Transactions with Farmers & Merchants and Its Related Parties**

In connection with an agreement to sell certain loans, the Company has provided to The First Marblehead Corporation, or First Marblehead, and each special purpose entity, or SPE, named in the agreement a guarantee of liabilities of First National Bank Northeast, or First National, pursuant to indemnity covenants given by First National to First Marblehead with respect to a sale of loans from First National to First Marblehead. Mr. Dunlap is a director of First National, and F&M owns, indirectly, approximately 25% of the outstanding capital stock of that financial institution. The Company's liability under such guarantee is limited to an aggregate amount of \$10 million, plus costs incurred by First Marblehead with respect to recovery efforts. In consideration for such guarantee, First Marblehead agreed to pay or cause a SPE to pay the Company the sum of 1% of the outstanding balance of private loans sold by First National to First Marblehead. This guarantee remains in effect until First Marblehead and the SPEs receive written notice from the Company to discontinue the guarantee or until all obligations of First National pursuant to its indemnity of First Marblehead are paid in full. During 2009, there was no activity under this agreement and the Company has not paid out any sums pursuant to the indemnity covenants thereunder.

In March 2001, Nelnet Capital hired Adminisystems, Inc., a subsidiary of F&M, to perform certain administrative services in connection with the investment portfolios maintained by the College Savings Plans. The fees to be paid under this agreement equal 40% of the distribution fees that Nelnet Capital receives with respect to certain accounts placed with the College Savings Plans. Nelnet Capital paid Adminisystems, Inc. approximately \$173,000 in 2009. Any party upon 60 days' notice may terminate this agreement. In addition, the Company paid Adminisystems approximately \$1,000 in 2009 related to other servicing fees.

## **Transactions with Union Financial Services**

In December 2007, the Company approved an assignment of a lease to UFS. The lease is for approximately 3,100 square feet at a current base rent of \$23.50 per square foot per year. The lease provides that the base rent shall be subject to specified increases through the termination date of the lease on August 31, 2010.

The Company owns a 74.753% 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 25.247% interest in the same aircraft. 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 \$380,000 in management fees was paid to the service company in 2009, 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.

## **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 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 seven meetings during 2009. 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
- Reviewed and discussed the annual plan and the scope of the work of the internal auditor for fiscal 2009 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, 2009 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. 114 (The Auditor's Communication With Those Charged With Governance). 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. 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, 2009 be included in the Company's 2009 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, 2010 and is presenting the selection to the shareholders for ratification.

Respectfully submitted,

Brian J. O'Connor, Chairman  
Kathleen A. Farrell  
Thomas E. Henning  
James H. Van Horn\*

\* Mr. Van Horn resigned from the Board and the Committee effective February 15, 2010.

## **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 2010.**

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 2010.

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, 2009 and 2008 are set forth below.

	<u>2009</u>	<u>2008</u>
Audit fees	\$ 634,461	864,795
Audit-related fees	1,014,384	1,019,645
Tax fees	129,948	393,648
All other fees	<u>1,500</u>	<u>1,500</u>
Total	<u>\$ 1,780,293</u>	<u>2,279,588</u>

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.

## **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. 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 2011 Annual Meeting**

Shareholder proposals intended to be presented at the 2011 Annual Meeting of Shareholders, currently scheduled for May 26, 2011, 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 16, 2010, to be eligible for inclusion in the Company's 2011 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 2011 Annual Meeting by February 25, 2011 (90 days before the 2011 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.