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www.nelnet.com  
NELNET, INC.

April 10, 2013

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 23, 2013 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". The signature is written in a cursive, flowing style.

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

**Nelnet, Inc.**

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

April 10, 2013

- TIME AND DATE** 8:30 a.m., Central Time, on Thursday, May 23, 2013
- PLACE** Embassy Suites  
1040 P Street  
Lincoln, Nebraska 68508
- ITEMS OF BUSINESS**
- (1) To elect eight directors nominated by the Board of Directors to serve until the 2014 Annual Meeting of Shareholders
  - (2) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2013
  - (3) To conduct an advisory vote to approve the Company's executive compensation
  - (4) To transact such other business if properly introduced
- RECORD DATE** You can vote if you were a shareholder as of the close of business on March 28, 2013
- OTHER INFORMATION** The 2013 Letter to Shareholders from the Chairman of the Board of Directors and Chief Executive Officer and our 2012 Annual Report on Form 10-K, which are not part of the proxy soliciting materials, are enclosed.
- PROXY VOTING** The Board of Directors solicits your proxy and asks you to vote your proxy at your earliest convenience to be sure your vote is received and counted. Instructions on how to vote are contained in our proxy statement and in the Notice of Internet Availability of Proxy Materials. **Whether or not you plan to attend the meeting, we ask you to vote over the Internet as described in those materials as promptly as possible in order to make sure that your shares will be voted in accordance with your wishes at the meeting. Alternatively, if you requested a copy of the proxy/voting instruction card by mail, you may mark, sign, date, and return the proxy/voting instruction card in the envelope provided.** The Board of Directors encourages you to attend the meeting in person. If you attend the meeting, you may vote by proxy or you may revoke your proxy and cast your vote in person. We recommend you vote by proxy even if you plan to attend the meeting.

By Order of the Board of Directors,



William J. Munn  
Corporate Secretary  
Nelnet, Inc.

**NELNET, INC.**  
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**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 2013 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, May 23, 2013, 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  
2013 Annual Meeting of Shareholders to be held on May 23, 2013**

**Our notice of annual meeting and proxy statement, 2012 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 10, 2013. At that time, we also will begin mailing paper copies of our proxy materials to shareholders who requested them. Additional information on how these materials will be distributed is provided below.

Under U.S. Securities and Exchange Commission (the "SEC") rules, we are allowed to mail a notice to our shareholders informing them that our proxy statement, annual report on Form 10-K, electronic proxy card, and related materials are available for viewing, free of charge, on the Internet. Shareholders may then access these materials and vote their shares over the Internet, or request delivery of a full set of proxy materials by mail or email. These rules give us the opportunity to serve shareholders more efficiently by making the proxy materials available online and reducing the environmental impact and costs associated with printing and physical delivery. We are utilizing this process for the 2013 Annual Meeting. We intend to begin mailing the required notice, called the Notice of Internet Availability of Proxy Materials (the "Notice"), to shareholders on or about April 10, 2013. The proxy materials will be posted on the Internet, at [www.proxyvote.com](http://www.proxyvote.com), no later than the day we begin mailing the Notice. If you receive a Notice, you will not receive a paper or email copy of the proxy materials unless you request one in the manner set forth in the Notice.

The Notice contains important information, including:

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

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

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

## VOTING

### Who Can Vote

You may vote if you owned Nelnet, Inc. Class A common stock, par value \$0.01 per share, or Class B common stock, par value \$0.01 per share, as of the close of business on March 28, 2013 (the "record date"). At the close of business on March 28, 2013, 35,037,643 and 11,495,377 shares of the Company's Class A and Class B common stock, respectively, were outstanding and eligible to vote. The Class A common stock is listed on the New York Stock Exchange under the symbol "NNI." The Class B common stock is not listed on any exchange or market. At the Annual Meeting, each Class A and Class B shareholder will be entitled to one and 10 vote(s), respectively, in person or by proxy, for each share of Class A and Class B common stock, respectively, owned of record as of the record date. 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 beginning two business days after the Notice of the Annual Meeting is given, including ten days prior to the date of the Annual Meeting in accordance with the Company's Bylaws, and continuing through the Annual Meeting, at the Company's headquarters in Lincoln, Nebraska at any time during usual business hours. Such records will also be available for inspection at the Annual Meeting.

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

### How You Vote

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

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

*By Internet (www.proxyvote.com):* Use the Internet to transmit your voting instructions until 11:59 p.m. EDT on May 22, 2013. Have your Notice of Internet Availability of Proxy Materials with you when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

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

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

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

*By telephone (1-800-690-6903):* Use any touch-tone phone to transmit your voting instructions until 11:59 p.m. EDT on May 22, 2013. Have your proxy card with you when you call and follow the instructions.

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

You may vote your shares at the Annual Meeting. If you are a *registered shareholder*, you can vote at the meeting any shares that were registered in your name as the shareholder of record as of the record date. If your shares are held in *street name*, you are not a holder of record of those shares and cannot vote them at the Annual Meeting unless you have a legal proxy from the holder of

record. If you plan to attend and vote your street name shares at the Annual Meeting, you should request a legal proxy from your broker, bank, or other holder of record and bring it with you to the meeting along with proof of identification.

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

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy.

### **What Items Require Your Vote**

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

- Electing the eight nominees named in this proxy statement to the Board of Directors for a term of one year
- Ratifying the appointment of KPMG LLP as the Company's independent registered public accounting firm ("independent auditor") for 2013
- Approving on an advisory basis the Company's executive compensation

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

### **How You Can Change Your Vote**

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

- Sending a written notice of revocation to our Corporate Secretary at 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508 (the notification must be received by the close of business on May 22, 2013)
- Voting again by Internet prior to 11:59 p.m. EDT on May 22, 2013 (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, the Company's Articles of Incorporation provide that shares constituting a majority of the voting power of all the shares of the Company's stock entitled to vote must be present in person or by proxy. This is called a quorum. If you return valid proxy instructions or vote in person at the Annual Meeting, your shares will be considered part of the quorum. **Abstentions and broker "non-votes" will be counted as present and entitled to vote for purposes of determining a quorum. New York Stock Exchange rules allow banks, brokers, and other nominees to vote shares held by them for a customer on matters that the New York Stock Exchange considers to be routine, even though the bank, broker, or nominee has not received voting instructions from the customer. A broker "non-vote" occurs when a bank, broker, or other nominee has not received voting instructions from the customer and the bank, broker, or other nominee cannot vote the shares because the matter is not considered to be routine under New York Stock Exchange rules.**

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

## **Counting Your Vote**

If you provide specific voting instructions, your shares will be voted as instructed. If you hold shares in your name and submit a valid proxy without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors. If you hold your shares in your name and do not return valid proxy instructions or do not vote in person at the Annual Meeting, your shares will not be voted. If you hold your shares in the name of a bank, broker, or other nominee, and you do not give that nominee instructions on how you want your shares to be voted, the nominee has the authority to vote your shares on the ratification of the appointment of KPMG LLP as independent auditor. However, as previously discussed, the nominee will not be permitted to vote your shares on the election of directors or the advisory vote to approve executive compensation.

Giving the Board your proxy also means that you authorize their representatives to vote in their discretion on any other matter that may be properly presented at the Annual Meeting. As of the date of this proxy statement, the Company does not know of any other matters to be presented at the Annual Meeting.

## **What Vote is Needed**

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

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

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

## **Voting Recommendations**

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

- “FOR” the election of each of the nominees to the Board of Directors
- “FOR” the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2013
- “FOR” the approval of the compensation of the Company's named executive officers, as disclosed in this proxy statement

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

## **Voting Results**

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

## Cost of This Proxy Solicitation

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

## PROPOSAL 1 - ELECTION OF DIRECTORS

### Nominees

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

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

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

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

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

**Michael S. Dunlap, 49**  
**Director since**  
**January 1996**

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

- Chairman, Nelnet, Inc., March 2000 to present; Chief Executive Officer, May 2007 to present and December 2001 – August 2003; Co-Chief Executive Officer, August 2003 – May 2007; President, December 2001 – August 2003; Chairman of the Company's predecessor in interest, January 1996 – March 2000
- Chairman, Farmers & Merchants Investment Inc. ("F&M"), the parent of Union Bank and Trust Company ("Union Bank"), January 2013 - present; Co-President and Director, January 2007 - January 2013; 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.

**Stephen F. Butterfield, 60**  
**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, 62**  
**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, Ameritas Mutual Holding Company; Director, Ameritas Holding Company and Ameritas Life Insurance Corp. Ameritas Mutual Holding Company is the parent company and owns Ameritas Holding Company, which owns 100 percent of the stock of Ameritas Life Insurance Corp. Director, Acacia Life Insurance Company. These entities offer a wide range of insurance and financial products and services to individuals, families, and businesses.

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

**William R. Cintani, 60**  
**Director since**  
**May 2012**

**Chairman and Chief Executive Officer, Mapes Industries**

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

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

**Kathleen A. Farrell, 49**  
**Director since**  
**October 2007**

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

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

Dr. Farrell's qualifications include her expertise in corporate finance, executive turnover, and executive compensation, and her prior experience as an auditor at a public accounting firm. Dr. Farrell has achieved designation as a Certified Public Accountant (inactive), has nearly 20 years experience teaching university courses in the areas of banking and finance, and has conducted extensive research on these topics. Dr. Farrell has also published articles on these topics in numerous scholarly journals.

**Thomas E. Henning, 60**  
**Director since**  
**August 2003**

**President and Chief Executive Officer, Assurity Security Group, Inc. and its subsidiary, Assurity Life Insurance Company**

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

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

**Kimberly K. Rath, 52**  
**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 over 30 years of experience in the field of human resources, with expertise in executive development, employee engagement, and human capital management. Ms. Rath also has nearly 25 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, 60**  
**Director since**  
**December 2003**

**Chief Executive Officer, Provision Communications, LLC**

- Chief Executive Officer, Provision Communications, LLC, a telecommunications company, January 2004 - present
- Chairman, Geos Communications, Inc., a publicly traded mobile communications company, March 2010 - present; Director, June 2009 - February 2010
- Director, HyperFlo, LLC, a manufacturer of precision cleaning equipment, January 2010 - present; Chairman, 1997 - 2009

Mr. Reardon's qualifications include over 35 years of experience starting and building companies from the ground up, providing strategy, leadership, business development, and management expertise, and dealing with financial and operational issues in challenging environments. Through his roles as an executive officer and Chairman of such companies, and his experience on the board of directors and board committees of other public companies, Mr. Reardon provides valuable and unique insights.

## **CORPORATE GOVERNANCE**

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

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

### **Board Composition and Director Independence**

The Board of Directors is composed of a majority of independent directors as defined by the rules of the New York Stock Exchange. A director does not qualify as an independent director unless the Board has determined, pursuant to applicable legal and regulatory requirements, that such director has no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). The Nominating and Corporate Governance Committee reviews compliance with the definition of "independent" director annually. Mr. Dunlap beneficially owns 67.7% of the combined voting power of the Company's shareholders. Because of his beneficial ownership, Mr. Dunlap can effectively elect each member of the Board of Directors and has the power to defeat or remove each member of the Board of Directors.

In 2012, 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. See "Certain Relationships and Related Transactions." As part of this evaluation, the Board noted that none of the directors received any consulting, advisory, or other compensatory fees from the Company (other than for services as a director) or is a partner, member, or principal of an entity that provided accounting, consulting, legal, investment banking, financial, or other advisory services to the Company (other than approximately \$27,000 paid for health, dental, and vision benefits for Mr. Butterfield and approximately \$26,000 paid for leadership talent profiles to Talent Plus, of which Ms. Rath is Managing Director and President and with her spouse is a principal owner). Based on this independence review and evaluation, and on other facts and circumstances the Board deemed relevant, the Board, in its business judgment, determined that all of the Company's directors and nominees are independent, with the exception of Mr. Dunlap, who is currently an employee of the Company.

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

### **Governance Guidelines of the Board**

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

- A majority of the members of the Board must be independent directors.
- The Board undertakes an annual self-review.
- The Board and each Board Committee has the authority to engage independent or outside counsel, accountants, or other advisors, as it determines to be necessary or appropriate. All related fees and costs of such advisors are paid by the Company.
- Board members have open communication with all members of management and counsel.
- Non-Employee Directors meet in executive session, without the presence of management. Mr. Henning currently presides at these executive sessions. Anyone who has a concern about the Company may communicate that concern directly to these Non-Employee Directors. Such communication may be mailed to the Corporate Secretary at Nelnet, Inc., 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508 or anonymously submitted via the Company's Web site at [www.nelnet.com](http://www.nelnet.com) under "Contact Us." All such communications will be forwarded to the appropriate Non-Employee Directors for their review. The Non-Employee Directors may take any action deemed appropriate or necessary, including the retention of independent or outside counsel, accountants, or other advisors, with respect to any such communication addressed to them. No adverse action will be taken against any individual making any such communication in good faith to the Non-Employee Directors.

### **Board Diversity**

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

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

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

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

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

### **Board Leadership Structure**

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

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

### **Board Committees**

The Board uses committees to assist it in the performance of its duties. During 2012, the standing committees of the Board were the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, and Executive Committee. Each committee, other than the Executive Committee, is composed entirely of independent directors and operates pursuant to a formal written charter, approved by the Board, which sets forth the committee's functions and responsibilities. Each committee charter is posted on the Company's Web site at [www.nelnetinvestors.com](http://www.nelnetinvestors.com) under "Corporate Governance" - "Committees" and is available in print to any shareholder who requests it. The purposes of each committee and their current members are set forth below.

#### *Audit Committee*

The Audit Committee is composed of Ms. Farrell and Messrs. Cintani and Henning. The Committee held seven meetings in 2012. Each member of the Audit Committee is (1) "independent" in accordance with the rules and regulations of the New York Stock Exchange and the rules and regulations of the SEC and (2) sufficiently financially literate to enable him or her to discharge the responsibilities of an Audit Committee member. Mr. Henning has accounting and related financial management expertise and serves as the committee's "audit committee financial expert," as defined in the applicable rules and regulations of the SEC.

The Audit Committee provides assistance to the Board of Directors in its oversight of the integrity of the Company's financial statements, the Company's system of internal controls, the Company's policy standards and guidelines for risk assessment and risk management, the qualifications and independence of the Company's independent auditor, the performance of the Company's internal and independent auditors, and the Company's compliance with other regulatory and legal requirements. The Audit Committee discusses with management and the independent auditor the Company's annual audited financial statements, including the Company's disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its filings with the SEC, and recommends to the Board of Directors whether such audited financial statements should be included in the Company's annual report on Form 10-K. The Audit Committee also selects the independent auditors for the next year and presents such selection to the shareholders for ratification.

#### *Compensation Committee*

The Compensation Committee is composed of Ms. Rath and Messrs. Abel and Reardon. The Committee held six meetings in 2012. The members of the Compensation Committee are (1) "independent" in accordance with the rules and regulations of the New York Stock Exchange and the rules and regulations of the SEC, (2) "Non-Employee Directors" as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (3) "Outside Directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986. The Compensation Committee oversees the Company's compensation and benefit policies. The Company's compensation policies are designed with the goal of maximizing shareholder value over the long term. The Compensation Committee believes that this goal is best realized by utilizing a compensation program which serves to attract and retain superior executive talent by providing management with performance-based incentives and closely aligning the financial interests of management with those of the Company's shareholders. The level of compensation is based on numerous factors, including achievement of results and financial objectives established by the Compensation Committee and the Board of Directors. Salary and performance payments are reviewed regularly for competitiveness and are determined in large part by reference to compensation levels for comparable positions at comparable companies. See "Executive Compensation."

#### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee is composed of Ms. Rath and Messrs. Abel, Butterfield, and Reardon. The Committee held four meetings in 2012. The members of the Nominating and Corporate Governance Committee are "independent" as determined in accordance with the rules and regulations of the New York Stock Exchange and the rules and regulations of the SEC. The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified nominees to serve on the Company's Board of Directors, identifying members of the Board to serve on each Board committee, overseeing the evaluation by the Board of itself and its committees, identifying individuals to serve as officers of the Company and recommending such individuals to the Board, as well as developing and overseeing the Company's internal corporate governance processes. The Nominating and Corporate Governance Committee reviews related party transactions in accordance with the written policies and procedures adopted by the Board of Directors for the Committee's review of related party transactions, and takes such actions as the Committee deems necessary and appropriate in relation to such transactions, including reporting to the Board of Directors with respect to such transactions as the Committee deems necessary and appropriate.

The Company's Corporate Governance Guidelines establish criteria for specific qualities and skills to be considered by the Nominating and Corporate Governance Committee as necessary for the Company's directors to possess. These criteria include, among other items, independence, diversity, integrity, understanding the Company's corporate philosophy, valid business or professional knowledge, proven record of accomplishment with excellent organizations, ability to challenge and stimulate management, and willingness to commit time and energy. The Nominating and Corporate Governance Committee has been given the responsibility to take all reasonable steps to identify and evaluate nominees for director and has adopted a policy requiring it to consider written proposals for director nominees received from shareholders of the Company. No such proposals were received during 2012 from a beneficial owner of more than 5% of Nelnet's stock (other than current management). There is no difference in the manner in which the Committee evaluates director nominees based on whether the nominee is recommended by a shareholder. All of the nominees identified in this proxy statement have been recommended by the Committee.

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 for election 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 2014 Annual Meeting" for shareholder proposals not included in the

Company's Proxy Statement. A copy of such provisions is available upon written request to: Nelnet, Inc., 121 South 13<sup>th</sup> Street, Suite 201, Lincoln, Nebraska 68508, Attention: Corporate Secretary. The Company's By-Laws are also posted on the Company's Web site at [www.nelnetinvestors.com](http://www.nelnetinvestors.com) under "Corporate Governance" - "Corporate Documents."

#### *Risk and Finance Committee*

The Risk and Finance Committee is composed of Ms. Farrell and Messrs. Butterfield, Cintani, and Henning. The Committee held four meetings in 2012. The Risk and Finance Committee holds principal oversight responsibility with respect to the Company's enterprise-wide risk management framework, including the significant strategies, policies, procedures, and systems used to identify, assess, measure, and manage the major risks facing the Company and oversight of the Company's material financial matters, including capital management, funding strategy, investments, and acquisitions that are material to the Company's business.

#### *Executive Committee*

The Executive Committee is composed of Ms. Farrell and Messrs. Dunlap and Henning. The Executive Committee held no formal meetings in 2012. The Executive Committee 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 may impose from time to time, or as limited by applicable law.

#### **Meetings of the Board**

The Board of Directors held six meetings in 2012. 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 2012**

The following table sets forth summary information regarding compensation of Non-Employee Directors for the fiscal year ended December 31, 2012. Independent Non-Employee Directors are compensated based on Board meeting and committee meeting attendance. The Company also pays an annual retainer of \$60,000 to independent Non-Employee Directors. An additional annual retainer of \$10,000 is paid to independent Non-Employee Directors who serve as members of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, or Executive Committee, as applicable. The Chairman of the Audit Committee is paid an additional \$10,000 annual retainer fee. Mr. Dunlap, who is an employee of the Company, does not receive any consideration for participation in Board or committee meetings.

Director Name	2012 Compensation			Total (\$)
	Fees earned or paid in cash (\$) (a)	Stock awards (\$) (b)	All other compensation (\$)	
James P. Abel	16,000	94,113	—	110,113
Stephen F. Butterfield	94,000	—	27,340 (c)	121,340
William R. Cintani	11,000	94,113	—	105,113
Kathleen A. Farrell	17,000	105,872	—	122,872
Thomas E. Henning	17,000	117,631	—	134,631
Kimberly K. Rath	16,000	94,113	—	110,113
Michael D. Reardon	16,000	94,113	—	110,113

(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. Butterfield's annual retainer fees (\$80,000), which he elected to receive in 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 granted 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. Butterfield, elected to receive their annual retainer fees for 2012 in the form of the Company's Class A common stock or deferred shares in accordance with the provisions of this plan. As such, the amounts under "stock awards" in the table above represent the fair value of the stock on the date of issuance, June 25, 2012, of \$22.02 per share. The Company uses the closing market price of the Company's Class A common stock on the date the annual retainer fees are payable to calculate the number of shares to be issued under this plan.

- (c) As a non-employee strategic advisor to the Company, Mr. Butterfield received health, dental, and vision benefits. During 2012, Mr. Butterfield received \$9,267 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 \$18,073.

### **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 (\$100 minimum) 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 2012, the Company did not match any contributions of Non-Employee Directors pursuant to this program.

### **Share Ownership Guidelines for Board Members**

The Compensation Committee of the Board of Directors believes that Board members should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of Board members with the Company's shareholders, in 2005 the Committee recommended and the Board adopted Share Ownership Guidelines for Board members. Under these guidelines, each Non-Employee Director is encouraged to own shares of the Company's Class A common stock with a value of 50% of the amount obtained by multiplying the annual retainer fee by the number of years the Director has served. In 2012, all Non-Employee Directors owned an amount of shares equal to or in excess of that suggested by the guidelines.

## EXECUTIVE OFFICERS

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

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

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

<u>Name and Age</u>	<u>Position and Business Experience</u>
<b>Todd M. Eicher, 43</b>	<ul style="list-style-type: none"><li>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</li></ul>
<b>Terry J. Heimes, 48</b>	<ul style="list-style-type: none"><li>Executive Director and Chief Financial Officer, Nelnet, Inc., March 2001 - present</li><li>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</li></ul>
<b>William J. Munn, 45</b>	<ul style="list-style-type: none"><li>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</li></ul>
<b>Jeffrey R. Noordhoek, 47</b>	<ul style="list-style-type: none"><li>President, Nelnet, Inc., January 2006 - present; Executive Director and Capital Markets Officer, October 2002 - January 2006; Vice President, January 1996 - March 2001</li><li>Senior Vice President, National Education Loan Network, Inc., a subsidiary of Nelnet, Inc., March 2001 - October 2002</li></ul>
<b>Timothy A. Tewes, 54</b>	<ul style="list-style-type: none"><li>Executive Director, Nelnet, Inc., June 2005 - present</li><li>President and Chief Executive Officer, Nelnet Business Solutions, Inc., a subsidiary of Nelnet, Inc., May 2007 - present; President, Nelnet Business Solutions - K-12 operations, June 2005 - May 2007; Executive Vice President, FACTS Management Company, a subsidiary of Nelnet, Inc., September 2000 - June 2005. Mr. Tewes' responsibilities with Nelnet Business Solutions include oversight of an employee team of approximately 400 focused on offering actively managed tuition payment plans, financial needs assessment, donor management, and campus commerce for K-12 institutions and institutions of higher education.</li></ul>

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Executive Summary*

This Compensation Discussion and Analysis describes the key principles and measures that underlie the Company's executive compensation policies for Named Executive Officers, as defined below. The Company's stated compensation philosophy is clear and consistent, that it pays for performance. Its executives are accountable for Company performance and the business segment they manage, and are compensated based on that performance.

For 2012, the Company had strong financial performance with net income, excluding derivative market value and foreign currency adjustments, of \$207.4 million or \$4.38 per share. The Company has delivered strong financial results supported by achievement of its key objectives of growing its core businesses, driving diversification around its core, and improving customer experiences. The Company believes that its executive compensation program contributes to a high-performance culture where executives deliver results that drive sustained growth and long-term cash flow generation.

The following discussion summarizes the Company's executive compensation program, compensation philosophy, objectives, and process considered in determining compensation for its Named Executive Officers.

## *Compensation Committee Governance and Processes*

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

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

The Compensation Committee consists solely of independent members of the Board of Directors, and operates under a written charter adopted by the Board. Compensation Committee policy requires that all of the Company's compensation plans and practices shall comply with applicable laws, rules, and regulations.

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

### *Role of Management in Recommending Executive Compensation*

An internal compensation committee comprised of the Chief Learning Officer, the Chief Financial Officer, and the President, referred to herein as the internal committee, is directed by the Compensation Committee to develop, recommend, and administer in a consistent manner, compensation objectives and programs for the Compensation Committee and the Board of Directors to consider and approve. As part of this process, each year the internal committee, with the assistance of other members of management, reviews and updates as necessary the Company's compensation philosophy and strategy statement, and develops a proposed executive compensation framework. The internal committee is also tasked with ensuring that the objectives of the programs are aligned with the Company's long term strategy. In addition, the internal committee consults with the Chief Executive Officer in making compensation recommendations for the executives.

### *Objectives of Executive Compensation*

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

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

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

Variable pay is the primary mode to differentiate compensation based on performance; management and the Compensation Committee have the discretion to use a number of alternatives to create a compensation package that maintains flexibility and relative consistency among individuals and business segments. To promote long-term focus on shareholder value, the Company grants restricted stock awards as opposed to stock options, and the majority of restricted stock awards are subject to vesting periods or other restrictions on sale, generally of three to ten years.

The Company's overall objectives are to have executive compensation plans and practices that are consistent with the philosophy of a performance-based organization, and that align the interests of the executives with the shareholders. Accordingly, the Company's compensation philosophy seeks to award compensation that is based on Company, business segment, and individual performance, and that is designed to motivate executives to achieve strategic business objectives while individually performing at high levels.

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

- the levels of the Company's consolidated net income under U.S. generally accepted accounting principles ("GAAP")
- financial and operational performance measures, such as levels of operating expenses and diversification and growth of revenues from fee-based businesses
- associate engagement and motivation measures
- individual achievement
- business segment performance, including growth in customer base, revenues, and segment profitability
- generation of long-term cash flow

#### *Compensation Policies and Practices and Risk Management*

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

#### *Clawback Policy*

In 2012, the Board adopted a Clawback Policy, which gives the Board or any appropriate committee of the Board (such as the Compensation Committee), the discretion to recover incentive awards paid to any current or former executive officers of the Company if the financial results used to determine the amount of the incentive awards are materially restated and/or such person engaged in fraud or intentional misconduct.

The policy was adopted in advance of final rules or regulations, to be issued by the SEC and/or the New York Stock Exchange to implement the incentive-based compensation recovery requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Board has reserved the right to revise or restate the policy to any extent necessary to comply with such final regulations, and application may be made on a retroactive basis, if necessary, to comply with such final regulations.

## *Say on Pay*

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

## *Consideration of Prior Say on Pay Votes*

In making executive compensation determinations, the Compensation Committee has also considered the results of last year's advisory shareholder vote approving the compensation of the Company's Named Executive Officers as disclosed in the proxy statement for the 2012 annual meeting of shareholders. At the 2012 annual meeting, the Company's shareholders overwhelmingly approved such executive compensation by 99.4% of the votes cast. These voting results strongly communicated the shareholders' endorsement of the Compensation Committee's decisions and policies to date. The Board of Directors and Compensation Committee reviewed these final vote results and determined that, given the significant level of support from the shareholders, no changes to the Company's executive compensation plans, practices, and policies were necessary at this time based on the say on pay vote results. The Compensation Committee will continue to consider the results from this year's and future advisory shareholder votes regarding the Company's executive compensation programs.

## *Use of Compensation Consultant and Benchmarking*

To assist in establishing and maintaining a competitive overall compensation program, the Compensation Committee periodically engages a nationally recognized compensation consulting firm to review the compensation levels and practices for the most highly compensated executive officers of the Company, and compare those to the compensation levels and practices for executives holding comparable positions within select industries and companies. Through comparisons of the base salaries, the annual performance-based incentive bonus program, other benefit programs, and total compensation for the Company's Chief Executive Officer, Chief Financial Officer, President, and other executive officers, the consultant's analysis is used to develop a complete executive compensation package that is designed to be competitive in the marketplace. The study is also used by the Compensation Committee to identify potential gaps or inconsistencies in total compensation and to identify appropriate compensation levels and compensation design features and trends. The study is conducted as part of the Compensation Committee's oversight of the Company's continuing efforts to attract, retain, and motivate top executive talent that will drive the Company's performance results.

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

Based on their market analysis, Towers Watson presented their findings and observations as to the competitiveness of the Company's base salaries and bonuses. While the Chief Executive Officer's base salary and bonus (as discussed below) appeared at that time and continues to appear to be below those of chief executive officers for the selected survey companies, Mr. Dunlap's compensation is reviewed by the Compensation Committee at least annually, and to date Mr. Dunlap has advised the Compensation Committee that he believes it to be appropriate at the current levels. In addition, the Compensation Committee believes that his existing equity ownership position sufficiently aligns his interests with those of the Company's shareholders. Based on the Compensation Committee's review with Towers Watson in 2010, and subsequent reviews with the internal committee as discussed below, the Compensation Committee has determined that no material modifications to the existing compensation structures for the Company are needed at this time. Towers Watson did not provide any services for the Company in 2011 and 2012. The Compensation Committee currently plans to engage Towers Watson to conduct an independent compensation review of the Company's total executive compensation structure in 2013, and in connection therewith has noted that Towers Watson does not perform any other services for the Company or have any relationship that would raise a conflict of interest or impair the independence of Towers Watson with respect to its expected services for the Compensation Committee.

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

### *Elements of Executive Compensation*

The Company's Chief Executive Officer and other executives are compensated with a combination of annual base salary, annual performance-based incentive bonus payments, and, with respect to the executives other than the Chief Executive Officer, issuance of shares of the Company's Class A common stock, which are typically restricted from sale for some period of time. The Chief Executive Officer has historically not received equity compensation because he already owns a significant amount of the Company's common stock and controls the majority of voting rights of the Company, and thus already has significant interests aligned with the other shareholders of the Company. In determining levels of compensation, the Compensation Committee and the internal committee work together to establish targeted total compensation for each executive and then allocate that compensation among base salary and performance-based incentive compensation.

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

### *Base Salaries*

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

### *Annual Performance-Based Incentive Bonuses*

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

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

Accordingly, with respect to assessing performance for bonus purposes, the achievements of the Company, the applicable business segment or segments, and individual performance objectives are considered. Company-wide performance objectives include, as discussed above, the Company's consolidated GAAP net income, other financial and operational performance measures, and associate engagement and motivation measures.

The specific individual performance goals for executives include a broad spectrum of metrics, such as business growth and diversification achievements, customer satisfaction accomplishments, strategy implementation, corporate citizenship and responsibility, and associate development. Where an executive has responsibility for a particular business segment, the performance goals are heavily weighted toward the performance of that business segment. However, actual bonus payments for business

segment performance goal achievements can be negatively or positively impacted by overall company-wide performance, which funds the overall incentive bonus pool. When an executive has broader corporate responsibilities, such as the Company's Chief Financial Officer and President, their particular objectives for the year are tied more closely to the overall company-wide performance.

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

The Company's 2012 annual performance-based incentive bonuses were paid, at the executives' option (other than the Chief Executive Officer, who received his incentive in cash), as either 100% cash, 100% stock, or 50% cash/50% stock. Those electing stock also received an additional restricted share grant equal to 15% of the amount of their bonus they elected to receive in stock, in order to promote increased and continued share ownership by associates. All shares issued as part of the incentive awards were issued pursuant to the Company's Restricted Stock Plan discussed below, and were fully vested but restricted from transfer for one year from issuance.

#### *Other Equity Compensation Awards*

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

#### *2012 Compensation for Named Executive Officers*

The Named Executive Officers for 2012 were:

- Michael S. Dunlap, Chief Executive Officer
- Terry J. Heimes, Chief Financial Officer
- Jeffrey R. Noordhoek, President
- Timothy A. Tewes, President and Chief Executive Officer, Nelnet Business Solutions, a subsidiary of Nelnet, Inc.
- William J. Munn, Executive Director, Corporate Secretary, Chief Governance Officer, and General Counsel

#### *Individual Performance of Named Executive Officers for 2012*

##### Messrs. Dunlap, Heimes, and Noordhoek

The Compensation Committee reviewed the individual performance of the Chief Executive Officer (Mr. Dunlap), Chief Financial Officer (Mr. Heimes), and President (Mr. Noordhoek) in establishing base salary and incentive awards for each and approved levels of compensation considering among other things, achievements in:

- Revenue growth
- Net profitability
- Continuous improvement in operating efficiency
- Long-term strategic positioning of the Company
- Improved service rating under the U.S. Department of Education servicing contract
- Long-term cash flow generation

The annual incentive bonuses for Messrs. Dunlap, Heimes, and Noordhoek are based on the Company's results and individual performance, and limited to 100% of their annual base salary, although the summary compensation table below may reflect a bonus higher than 100% of annual salary for Messrs. Heimes and Noordhoek due to the additional 15% stock grant resulting from their election to take the performance-based incentive bonus plan payment in shares of the Company's Class A common stock.

### Mr. Tewes

Individual performance was reviewed by the Chief Executive Officer in conjunction with the Compensation Committee to establish base and incentive compensation based upon:

- Business segment revenue generation
- Business segment profitability
- Improvements to customer experience
- Enhancements to technology and customer offerings

### Mr. Munn

Upon review by the Chief Financial Officer in conjunction with the Compensation Committee, Mr. Munn's compensation levels were determined considering his achievements and contributions to:

- Consolidated Company profitability
- Long-term strategic positioning
- Oversight of regulatory and corporate compliance matters
- Management of corporate governance
- Risk mitigation

### *Restricted Stock Plan*

The Company maintains a Restricted Stock Plan to reward performance by associates, including executives other than the Chief Executive Officer. This plan permits the Compensation Committee to reward a recipient with an award of shares of the Company's Class A common stock, which, in the Compensation Committee's sole discretion, may have vesting requirements or other restrictions. These awards are designed to recognize and reward associates, and to connect the associates' financial interests directly to the Company's performance, thereby encouraging associates to focus their efforts as owners of the Company. As discussed above, shares issued in payment of annual performance-based incentive bonuses and other equity compensation awards are issued under the Restricted Stock Plan. The Company does not grant stock options, since management and the Compensation Committee believe that awards of shares of restricted stock are a better method of encouraging executives to focus on the long term value of the Company.

### *Employee Share Purchase Plan*

The Company also has an Employee Share Purchase Plan ("ESPP") that assists all associates, including executives, in becoming owners and increasing their ownership of the Company. Under the ESPP, associates may purchase shares of the Company's Class A common stock through payroll deductions, at a discount of 15% of the lower of the average market price of the Company's stock on the first and last trading days of each calendar quarter.

### *Termination or Change-in-Control Compensation*

The Company does not have any contracts, agreements, plans, or arrangements with its Named Executive Officers that provide for payment in connection with any termination of employment or change-in-control of the Company.

### *Share Ownership Guidelines and Trading Requirements*

The Compensation Committee believes that executives should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of management with the Company's shareholders, the Board of Directors has adopted Share Ownership Guidelines for management associates at certain levels. Under these guidelines, each Named Executive Officer is encouraged to own at least 15,000 shares of Company stock. As of February 28, 2013, all Named Executive Officers met these guidelines, and are thereby subject to downside risk in the Company's equity performance.

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

#### *Other Compensation*

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

The Company owns a controlling interest in an aircraft due to the frequent business travel needs of its executives and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. Union Financial Services, Inc., which is owned by Messrs. Dunlap and Butterfield, owns the remaining interest in the aircraft. Consistent with guidance issued in 2010 from the Federal Aviation Administration, the Company can be reimbursed for the pro rata cost of owning, operating, and maintaining the aircraft when used for routine personal travel by certain individuals whose positions with the Company require them to routinely change travel plans within a short time period. Accordingly, the Company allows certain members of executive management 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 2012, Messrs. Dunlap, Heimes, and Noordhoek received personal travel benefits valued at \$7,196, \$2,432, and \$2,432, respectively. Mr. Butterfield did not receive any personal travel benefits with respect to the Company's interest in the aircraft since all personal travel by Mr. Butterfield on such aircraft occurred with respect to the interest in the aircraft owned by Union Financial Services, Inc.

#### *Policy on Tax Deductibility of Compensation*

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

For the year ended December 31, 2012, approximately \$27,000 will be subject to Section 162(m) limitations on the deductibility of compensation paid to executives for 2012. The Compensation Committee may consider steps in the future which might be in the Company's best interests to address any potential Section 162(m) deduction limitations, while reserving the right to award future compensation which may not be fully deductible under Section 162(m) if the Compensation Committee concludes that such compensation is in the Company's best interests in providing incentives to attract, motivate, and retain key executives.

#### *Matching Gift Program*

The Company offers a matching gift program in which all associates with at least six months of service and all members of the Board of Directors are eligible to participate. Under this program, for every dollar (\$100 minimum) that an associate or Board member contributes to an eligible charitable organization or educational institution, the Company will make matching donations of additional funds, subject to terms and conditions applicable in an equal manner to all associates and Board members. The total dollar amount payable under the program is \$25,000 per director or associate per calendar year. Any amounts matched by the Company for the Named Executive Officers per the provisions of the program are included in the summary compensation table below.

## Conclusion

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

## Compensation Committee Report

The Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on this review and discussion, and such other matters deemed relevant and appropriate by the Compensation Committee, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Respectfully submitted,

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

## Summary Compensation Table for Fiscal Years 2012, 2011, and 2010

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, 2012 (collectively, the "Named Executive Officers"). The information presented in the table relates to the fiscal years ended December 31, 2012, 2011, and 2010. 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)	Stock awards (\$)	All other compensation (\$) (c)	
Michael S. Dunlap Chief Executive Officer	2012	500,000	500,000	—	17,736	1,017,736
	2011	500,000	500,000	—	10,440	1,010,440
	2010	500,000	500,000	—	10,440	1,010,440
Terry J. Heimes Chief Financial Officer	2012	500,000	537,506	—	38,152	1,075,658
	2011	450,000	483,760	—	33,520	967,280
	2010	331,500	381,240	—	33,180	745,920
Jeffrey R. Noordhoek President	2012	500,000	500,000	—	34,972	1,034,972
	2011	450,000	517,519	—	16,340	983,859
	2010	331,500	381,240	—	10,340	723,080
Timothy A. Tewes President and Chief Executive Officer, Nelnet Business Solutions, a subsidiary of Nelnet, Inc.	2012	303,850	175,000	150,024 (d)	20,585	649,459
	2011	295,000	172,524	—	11,199	478,723
	2010	275,800	172,512	—	21,087	469,399
William J. Munn Executive Director, Corporate Secretary, Chief Governance Officer, and General Counsel	2012	238,700	134,402	—	18,986	392,088
	2011	231,750	134,376	79,650 (e)	17,308	463,084
	2010	225,000	172,512	—	10,646	408,158

- (a) Executive officers may receive perquisites and other personal benefits, the aggregate annual dollar amounts of which are below the current SEC threshold of \$10,000 for reporting.
- (b) Amounts represent bonuses paid in 2013, 2012, and 2011 for services rendered during the 2012, 2011, and 2010 calendar years, respectively. The Company's annual performance-based incentives were paid, at the executives' option (other than to the Chief Executive Officer, who received his incentive in cash), as either 100% cash, 100% stock, or 50% cash/50% stock. Those electing stock also received an additional restricted share grant equal to 15% of the amount of their bonus they elected to receive in stock, to promote increased and continued share ownership by associates. All shares issued as part of the incentive award were issued pursuant to the Company's Restricted Stock Plan and were fully vested, but restricted from

transfer for one year from issuance. The stock issuances for annual performance bonuses were not made as equity incentive plan awards contemplating future service or performance.

(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>Matching gift program (1)</b>	<b>Dividends on restricted stock (\$ (2)</b>	<b>Automobile allowance (\$)</b>	<b>Gross-up for payment of taxes (\$)</b>	<b>Other (\$)</b>	<b>Total (\$)</b>
Michael S. Dunlap	2012	10,000	540	—	—	—	—	7,196 (3)	17,736
	2011	9,800	540	100	—	—	—	—	10,440
	2010	9,800	540	100	—	—	—	—	10,440
Terry J. Heimes	2012	10,000	540	25,000	—	—	—	2,612 (3)	38,152
	2011	9,800	540	23,000	—	—	—	180	33,520
	2010	9,800	540	22,600	—	—	—	240	33,180
Jeffrey R. Noordhoek	2012	10,000	540	22,000	—	—	—	2,432 (3)	34,972
	2011	9,800	540	6,000	—	—	—	—	16,340
	2010	9,800	540	—	—	—	—	—	10,340
Timothy A. Tewes	2012	10,000	540	—	10,045	—	—	—	20,585
	2011	9,800	540	—	859	—	—	—	11,199
	2010	9,800	540	—	2,004	6,000	2,743	—	21,087
William J. Munn	2012	8,532	540	4,970	4,444	—	—	500	18,986
	2011	7,923	540	7,696	1,149	—	—	—	17,308
	2010	8,308	540	1,750	48	—	—	—	10,646

- (1) The Company has a matching gift program as discussed previously in the “Compensation Discussion and Analysis” included in this proxy statement.
- (2) The Company's cash dividend payments on its Class A and Class B common stock include dividend payments on unvested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan. Dividends paid to the Named Executive Officers on unvested restricted stock are included in the table above.
- (3) Amount includes personal use of Company aircraft.

(d) Amount represents 5,621 shares of restricted Class A common stock issued to Mr. Tewes on March 9, 2012 pursuant to the Company's Restricted Stock Plan. The Company determined the value of this award based on the average of the high and low prices for sales of Class A common stock on February 29, 2012, which was \$26.69.

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

## Grants of Plan-Based Awards Table for Fiscal Year 2012

The following table sets forth summary information relating to each grant of an award made to the Company's Named Executive Officers in the fiscal year ended December 31, 2012.

Name	Grant date	Approval of grant by Compensation Committee	Number of shares of stock	Grant date fair value of stock awards (\$)
Michael S. Dunlap	—	—	—	—
Terry J. Heimes	March 9, 2012 (a)	March 1, 2012	9,695	258,760 (c)
Jeffrey R. Noordhoek	March 9, 2012 (a)	March 1, 2012	19,390	517,519 (c)
Timothy A. Tewes	March 9, 2012 (a)	March 1, 2012	6,464	172,524 (c)
	March 9, 2012 (b)	March 1, 2012	5,621	150,024 (c)
William J. Munn	March 9, 2012 (a)	March 1, 2012	2,693	71,876 (c)

- (a) On March 9, 2012, the Company issued stock to pay fiscal year 2011 bonuses. The stock issuances were not made as equity incentive plan awards. All 2011 bonuses (paid in 2012) were paid in fully vested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan.
- (b) Amount represents shares of restricted Class A common stock issued to Mr. Tewes on March 9, 2012 pursuant to the Company's Restricted Stock Plan, of which 1,124 shares will vest on each March 9 during the years 2013 through 2016, and 1,125 shares will vest on March 9, 2017.
- (c) The Company determined the value of these awards based on the average of the high and low prices for sales of Class A common stock on February 29, 2012, which was \$26.69.

## Outstanding Equity Awards at Fiscal Year-End Table (As of December 31, 2012)

The following table sets forth summary information relating to the outstanding unvested equity awards for the Company's Named Executive Officers as of December 31, 2012.

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	7,496 (b)	223,306
William J. Munn	3,125 (c)	93,094

- (a) Based on the closing market price of the Company's Class A common stock as of December 31, 2012 of \$29.79.
- (b) Amount represents (i) 1,875 shares of restricted Class A common stock issued on October 1, 2007 pursuant to the Company's Restricted Stock Plan, of which 375 shares will vest on each March 15 during the years 2013 through 2017, and (ii) 5,621 shares of restricted Class A common stock issued on March 9, 2012 pursuant to the Company's Restricted Stock Plan, of

which 1,124 shares will vest on each March 9 during the years 2013 through 2016, and 1,125 shares will vest on March 9, 2017.

- (c) Amount represents shares of restricted Class A common stock issued on May 26, 2011 pursuant to the Company's Restricted Stock Plan, of which 625 shares will vest on each March 10 during the years 2013 through 2017.

### Stock Vested Table for Fiscal Year 2012

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, 2012.

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	375 (a)	10,065
William J. Munn	658 (b)	17,277

- (a) Amount represents shares of restricted Class A common stock issued on October 1, 2007, pursuant to the Company's Restricted Stock Plan. The closing market price on the date of issuance of these shares was \$18.71 per share. These shares vested on March 15, 2012.
- (b) Amount represents 33 shares of restricted Class A common stock issued on March 9, 2009, pursuant to the Company's Restricted Stock Plan; the closing market price on the date of issuance of these shares was \$4.91 per share. These shares vested on March 9, 2012. Also included in this amount are 625 shares of restricted Class A common stock issued on May 26, 2011, pursuant to the Company's Restricted Stock Plan; the closing market price on the date of issuance of these shares was \$21.24 per share. These shares vested on March 10, 2012.
- (c) The closing market price of the Company's Class A common stock as of March 9, 2012, March 12, 2012, and March 15, 2012 (the vesting dates, or the first business day after the vesting date) was \$26.40 per share, \$26.25 per share, and \$26.84 per share, respectively.

### Stock Option, Stock Appreciation Right, Long-Term Incentive, and Defined Benefit Plans

The Company does not have any stock option, stock appreciation right, 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 28, 2013, 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 - As of February 28, 2013

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	7,608,329 (3)	9,394,330 (4)	17,002,659	21.8%	81.7%	36.6%	67.7%
Stephen F. Butterfield	4,708	3,952,364 (5)	3,957,072	*	34.4%	8.5%	26.4%
Angela L. Muhleisen	6,810,726 (6)	1,246,886 (7)	8,057,612	19.5%	10.8%	17.3%	12.9%
Union Bank and Trust Company	5,144,974 (8)	1,246,886 (9)	6,391,860	14.7%	10.8%	13.8%	11.7%
Deborah Bartels	1,968,278 (10)	—	1,968,278	5.6%	—	4.2%	1.3%
The Vanguard Group, Inc.	1,904,448 (11)	—	1,904,448	5.4%	—	4.1%	1.3%
Whitetail Rock Capital Management, LLC	—	3,244,850 (12)	3,244,850	—	28.2%	7.0%	21.6%
Terry J. Heimes	209,950 (13)	—	209,950	*	—	*	*
William J. Munn	27,808 (14)	—	27,808	*	—	*	*
Jeffrey R. Noordhoek	443,847 (15)	—	443,847	1.3%	—	1.0%	*
Timothy A. Tewes	28,010 (16)	—	28,010	*	—	*	*
James P. Abel	44,045 (17)	—	44,045	*	—	*	*
William R. Cintani	4,867 (18)	—	4,867	*	—	*	*
Kathleen A. Farrell	23,826 (19)	—	23,826	*	—	*	*
Thomas E. Henning	51,405 (20)	—	51,405	*	—	*	*
Kimberly K. Rath	25,634 (21)	—	25,634	*	—	*	*
Michael D. Reardon	28,748 (22)	—	28,748	*	—	*	*
Executive officers and directors as a group	8,334,860	11,495,377	19,830,237	23.8%	100.0%	42.7%	82.2%

\* Less than 1%.

- (1) Based on 34,954,405 shares of Class A common stock and 11,495,377 shares of Class B common stock outstanding as of February 28, 2013.
- (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 2,403,322 shares of Class A common stock, which reflects 56,718 shares previously held by Farmers & Merchants Investment Inc. ("F&M"), of which Mr. Dunlap serves as director and chairman and owns or controls approximately 22% of the outstanding voting stock, and Mr. Dunlap's spouse owns approximately 18% of the outstanding voting stock. On December 31, 2012, F&M made a pro rata dividend distribution to all of its shareholders of the total of 404,500 shares of the Company's stock previously held by F&M. The amount also includes 3,748 shares of Class A common stock held indirectly by Mr. Dunlap that were issued under the Company's 401(k) plan matching stock program. Mr. Dunlap may be deemed to have shared voting and investment power over 5,205,007 shares of Class A common stock, which includes (i) 52,675 shares owned by Mr. Dunlap's spouse, which reflects the F&M pro rata dividend distribution discussed above, (ii) a total of 7,358 shares held by or for each of Mr. Dunlap's three sons, which also reflects the F&M pro rata dividend

distribution discussed above, and (iii) 5,144,974 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank and Trust Company ("Union Bank") (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Mr. Dunlap controls Union Bank through F&M. Mr. Dunlap disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except for his beneficial interest in the shares of Class A common stock issued to him through the Company's 401(k) plan matching stock program. 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, 2012, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 12, 2013.

- (4) Mr. Dunlap is deemed to have sole voting and investment power over 3,315,603 shares of Class B common stock, which includes 1,701,000 shares owned by Mr. Dunlap's spouse and 1,614,603 shares, which reflects distributions to Mr. Dunlap from grantor retained annuity trusts ("GRATs") established by Mr. Dunlap in 2011, as discussed below. Mr. Dunlap is deemed to have shared voting and investment power over 6,078,727 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) 982,260 shares held by Union Bank as Trustee for a Class B GRAT established by Mr. Dunlap, (iii) 264,626 shares held by Union Bank as Trustee under a Class B GRAT established by Mr. Butterfield, (iv) a total of 300 shares held by or for each of Mr. Dunlap's sons, and (v) 3,244,850 shares held in six separate GRATs and three other irrevocable trusts established by Mr. Dunlap during 2011, which reflect the distributions discussed above. Mr. Dunlap disclaims beneficial ownership of the shares held by Union Financial Services, Inc., except to the extent that he actually has or shares voting power or investment power with respect to such shares. Mr. Dunlap also disclaims beneficial ownership of the 264,626 shares held by Union Bank as Trustee under the Class B GRAT established by Mr. Butterfield, except to the extent that he actually has or shares voting power or investment power with respect to such shares.
- (5) Mr. Butterfield is deemed to have sole voting and investment power over 2,101,047 shares of Class B common stock, which includes 2,039,647 shares that are held by the Stephen F. Butterfield Revocable Living Trust, of which Mr. Butterfield is a trustee. Mr. Butterfield is deemed to have shared voting and investment power over 1,851,317 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) 264,626 shares held by Union Bank as Trustee for a Class B GRAT established by Mr. Butterfield. Mr. Butterfield disclaims beneficial ownership of the shares held by Union Financial Services, Inc., except to the extent that he actually has or shares voting power or investment power with respect to such shares. A total of 2,101,047 shares are pledged as collateral on a line of credit, of which approximately \$13.4 million was drawn as of February 28, 2013.
- (6) Ms. Muhleisen is deemed to have sole voting and investment power over 2,520,516 shares of Class A common stock. Ms. Muhleisen is deemed to have shared voting and investment power over 4,290,210 shares of Class A common stock, which includes (i) 105,327 shares jointly owned by Ms. Muhleisen and her spouse, which reflects the pro rata dividend distribution by F&M, of which Ms. Muhleisen is a director and president and, along with her children and husband, owns or controls 38.6% of the outstanding capital stock, (ii) 756,390 shares owned by her spouse, (iii) 527,708 shares held by Ms. Muhleisen's adult son, (iv) 529,165 shares held by Ms. Muhleisen's adult daughter, (v) 734,220 shares held by Union Bank as Trustee for Class A GRATs established by Ms. Muhleisen and her spouse, (vi) 350,000 shares held in two separate irrevocable trusts established by Ms. Muhleisen and her spouse during 2012, and (vii) shares that are owned by entities that Ms. Muhleisen may be deemed to control, consisting of 1,287,400 shares held by Union Bank for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Ms. Muhleisen, a sister of Michael S. Dunlap, is a director, chairperson, president, and chief executive officer of and controls Union Bank through F&M. Ms. Muhleisen disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except for her retained beneficial interest in 734,220 shares of Class A common stock held in trust on her behalf and on behalf of her spouse under two of the Class A GRATs and except to the extent that she actually has or shares voting power or investment power with respect to such shares. 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, 2012, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 12, 2013.

- (7) Ms. Muhleisen is deemed to have shared voting and investment power over 1,246,886 shares of Class B common stock that are held by Union Bank as Trustee under Class B GRATs established by Mr. Dunlap and Mr. Butterfield. Ms. Muhleisen disclaims beneficial ownership of the shares held by Union Bank as Trustee under the Class B GRATs, except to the extent that she actually has or shares voting power or investment power with respect to such shares.
- (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 5,114,974 shares of Class A common stock, which includes (i) 140,000 shares held as trustee for the University of Nebraska Foundation, (ii) 166,317 shares held by Union Bank as Trustee under a Class A GRAT and a Class A charitable remainder trust established by Mr. Noordhoek, (iii) 734,220 shares held by Union Bank as Trustee under Class A GRATs established by Ms. Muhleisen and her spouse, (iv) 3,123,354 shares of Class A common stock held by Union Bank in individual accounts for Ms. Muhleisen and her spouse, and (v) 951,083 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Union Bank disclaims beneficial ownership of such shares except to the extent that Union Bank actually has or shares voting power or investment power with respect to such shares. The address for Union Bank is P.O. Box 82529, Lincoln, Nebraska 68501; Attention: Angela L. Muhleisen, President. The number of shares of Class A common stock set forth in the table for Union Bank reflect the number of shares held by Union Bank as of December 31, 2012, as reported in a Schedule 13G/A filed by Union Bank with the SEC on February 12, 2013.
- (9) Union Bank is deemed to have shared voting and investment power over 1,246,886 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. 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) On February 12, 2013, Deborah Bartels filed a Schedule 13G with the SEC indicating that she beneficially owned 5.6% of the Company's Class A common stock as of December 31, 2012. The amount set forth in the table reflects the number of shares reported in the Schedule 13G and includes (i) 1,297,040 shares held by Ms. Bartels, (ii) a total of 120,767 shares held in managed agency accounts for Ms. Bartels and her spouse by Union Bank, which is controlled by F&M, of which Ms. Bartels' brother, Mr. Dunlap, and sister, Ms. Muhleisen, are directors, executive officers, and significant shareholders; (iii) 217,150 shares held by Ms. Bartels' spouse; (iv) a total of 173,321 shares held by Union Bank as trustee for GRATs established by Ms. Bartels and her spouse; and (v) a total of 160,000 shares held by Union Bank as trustee for irrevocable trusts established by Ms. Bartels and her spouse, of which Ms. Bartels' adult sons and her spouse are the initial beneficiaries (the "Dynasty Trusts"). Ms. Bartels disclaims beneficial ownership of the shares held in the GRATs and the Dynasty Trusts except to the extent that she actually has or shares voting power or dispositive power with respect to such shares. The shares held in the managed agency accounts, the GRATs, and the Dynasty Trusts may also be deemed to be beneficially owned by Union Bank, Mr. Dunlap, and Ms. Muhleisen, and are included in the total number of shares beneficially owned by them as set forth in this table.
- (11) On February 12, 2013, The Vanguard Group, Inc. ("Vanguard") filed a Schedule 13G/A with the SEC indicating that they beneficially owned 5.3% of the Company's Class A common stock as of December 31, 2012. The amount set forth in the table reflects the number of shares reported in the Schedule 13G/A and includes 40,725 shares and 1,500 shares held by Vanguard Fiduciary Trust Company ("VFTC"), and Vanguard Investments Australia, Ltd. ("VIA"), respectively, both of which are wholly-owned subsidiaries of Vanguard. VFTC is the investment manager of collective trust accounts and VIA is investment manager of Australian investment offerings. The principal business address for Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.
- (12) Includes shares held in six separate GRATs and three separate other irrevocable trusts established by Mr. Dunlap in 2011. Under the trusts, Whitetail Rock Capital Management, LLC ("WRCM") has been designated to serve as investment adviser with investment power with respect to assets held by the trusts and voting power with respect to the shares of stock held by the trusts. WRCM is not a beneficiary of any of the trusts, and is a majority owned subsidiary of the Company.
- (13) Includes 50,083 shares owned by Mr. Heimes' spouse. A total of 201,044 Class A shares are pledged as collateral for various credit agreements, of which approximately \$230,900 was drawn as of February 28, 2013.

- (14) Includes 500 shares jointly owned by Mr. Munn and his spouse and 3,125 shares issued under the Company's Restricted Stock Plan, of which 625 shares vested on March 10, 2013; the remaining shares will vest in equal annual installments of 625 shares each from March 2014 through March 2017.
- (15) Includes 190,411 shares held by the Jeffrey R. Noordhoek Trust, 144,087 shares held by Union Bank as trustee under a Class A GRAT established by Mr. Noordhoek, and 22,230 shares held by Union Bank as trustee under a Class A CRUT established by Mr. Noordhoek.
- (16) Includes 7,496 shares issued under the Company's Restricted Stock Plan, of which 1,124 shares and 375 shares vested on March 9, 2013 and March 15, 2013, respectively; the remaining shares will vest as follows: 375 shares on each March 15 during the years 2014 through March 2017, 1,124 shares on each March 9 during the years 2014 through 2016, and 1,125 shares on March 9, 2017.
- (17) Includes 35,941 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.
- (18) Includes 2,230 shares that Mr. Cintani has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.
- (19) Includes 20,533 shares that Ms. Farrell has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.
- (20) Includes 37,896 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.
- (21) Includes 24,434 shares that Ms. Rath has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan. Also includes 1,200 shares owned by Ms. Rath's husband in an individual retirement account.
- (22) Includes 15,672 shares owned jointly by Mr. Reardon and his spouse in a margin securities account at a brokerage firm. Positions held in such account, including shares of the Company's Class A common stock, may under certain circumstances be pledged as collateral security for the repayment of debit balances, if any, in such account.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

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

Based solely on a review of the reports furnished to the Company, or written representations from reporting persons that all reportable transactions were reported, the Company believes that during the year ended December 31, 2012, the Company's executive officers, directors, and greater than ten percent beneficial owners timely filed all reports they were required to file under Section 16(a) of the Exchange Act, except as noted below.

One Form 4 report for Angela Muhleisen reporting one transaction relating to the sale on August 6, 2012 of shares of Class A common stock by Ms. Muhleisen's spouse pursuant to his Rule 10b5-1 sales plan entered into on March 8, 2012, was filed late on August 21, 2012 due to an administrative oversight by the Company's staff. In addition, one Form 5 report for Thomas Henning reporting one transaction relating to a gift on December 14, 2012 of shares of Class A common stock pursuant to his Rule 10b5-1 gift plan entered into on November 14, 2012, was filed late on April 1, 2013 due to an administrative oversight by the Company's staff.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Policies and Procedures on Transactions with Related Persons

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

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

All approved related party transactions are communicated to the full Board of Directors by the Chairman of the Nominating and Corporate Governance Committee, or his designee. Mr. Dunlap beneficially owns shares representing 67.7% of the combined voting power of the Company's shareholders. Because of his beneficial ownership, Mr. Dunlap can effectively elect each member of the Board of Directors, including all members of the Nominating and Corporate Governance Committee, and has the power to defeat or remove each member.

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

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

During 2012, the Company entered into certain transactions and had business arrangements with Union Bank and Trust Company and Union Financial Services. These transactions were reviewed and approved by the Nominating and Corporate Governance Committee and reviewed by executive management. Union Bank and Trust Company and Union Financial Services are related persons as discussed below. We cannot affirm whether or not the fees and terms of each transaction are substantially the same terms as those prevailing at the time for transactions with persons that do not have a relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). However, all related party transactions are based on available market information for comparable assets, products, and services and are extensively negotiated.

- *Union Bank and Trust Company* - Union Bank is controlled by Farmers & Merchants Investment Inc. ("F&M"), which owns 81.4% of Union Bank's common stock and 15.4% of Union Bank's non-voting preferred stock. Michael S. Dunlap, a significant shareholder, Chief Executive Officer, Chairman, and a member of the Board of Directors of the Company, along with his spouse and children, owns or controls 40.2% of the stock of F&M, while Mr. Dunlap's sister, Angela L. Muhleisen, along with her spouse and children, owns or controls 38.6% of such stock. Mr. Dunlap serves as a director and Chairman of F&M. Ms. Muhleisen serves as a director and President of F&M and as a Director, Chairperson, President, and Chief Executive Officer of Union Bank. Union Bank is deemed to have beneficial ownership of various shares of Nelnet it holds because it serves in a capacity of trustee or account manager and may share voting and/or investment power with respect to such shares. At February 28, 2013, Union Bank beneficially owned 13.8% of the Company's common stock. The stock holdings of Union Bank are deemed to be beneficially owned by both Mr. Dunlap and Ms.

Muhleisen. At February 28, 2013, Mr. Dunlap beneficially owned 36.6% of the Company's outstanding common stock and Ms. Muhleisen beneficially owned 17.3% of the Company's outstanding common stock.

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

### **Transactions with Union Bank**

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

- **Loan purchases** - During 2012, the Company purchased \$0.3 million (par value) of FFELP student loans from Union Bank. No premiums were paid for these loan purchases.
- **Loan servicing** - As of December 31, 2012, the Company serviced \$445.8 million of loans for Union Bank. Servicing revenue earned by the Company from this portfolio was \$1.7 million for the year ended December 31, 2012.
- **Funding** - The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans (the "FFELP Participation Agreement"). The Company uses this facility as a source to fund FFELP student loans. As of December 31, 2012, \$453.0 million of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans, while providing liquidity to the Company on a short term basis. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to \$750 million or an amount in excess of \$750 million if mutually agreed to by both parties. Loans participated under this agreement have been accounted for by the Company as loan sales. Accordingly, the participation interests sold are not included on the Company's consolidated balance sheets.
- **Operating cash** - The majority of the Company's cash operating bank accounts are maintained at Union Bank. The Company also invests cash in the Short term Federal Investment Trust ("STFIT") of the Student Loan Trust Division of Union Bank, which the Company uses as operating cash accounts. As of December 31, 2012, the Company had \$111.8 million deposited at Union Bank in operating accounts or invested in the STFIT. Interest income earned from cash deposited in these operating cash accounts for the year ended December 31, 2012 was \$0.2 million.
- **529 Plan administration** - The Company provides certain 529 Plan administration services to certain college savings plans (the "College Savings Plans") through a contract with Union Bank, as the program manager. Union Bank is entitled to a fee as program manager pursuant to its program management agreement with the College Savings Plans. In 2012, the Company received fees of \$1.7 million from Union Bank related to the Company's administration services provided to the College Savings Plans.
- **Lease arrangements** - Union Bank leases space in the Company's corporate headquarters building. During 2012, Union Bank paid the Company approximately \$74,000 for rent. The lease agreement expires on June 30, 2018.

On October 31, 2011, the Company entered into a lease agreement with Union Bank under which the Company leases office space of approximately 1,300 square feet for \$25,000 per year, plus an additional monthly charge for each associate the Company assigns to the space. The initial term of the lease expired on November 30, 2012, and the lease agreement provides for automatic renewals each year, unless the Company provides notice to Union Bank to terminate the lease at least 90 days before the renewal date. The Company paid Union Bank approximately \$43,000 during 2012 in accordance with the lease agreement.

- **Other fees paid to Union Bank** - During 2012, the Company paid Union Bank approximately \$314,000 for administrative services, commissions, and cash management fees.
- **Other fees received from Union Bank** - During 2012, the Company received approximately \$184,000 from Union Bank related to an employee sharing arrangement and for providing health and productivity services.
- **Investment services** - Union Bank has established various trusts whereby Union Bank serves as trustee for the purpose of purchasing, holding, managing, and selling investments in student loan asset-backed securities. On May 9, 2011, WRCM, an SEC-registered investment advisor and a subsidiary of the Company, entered into a management agreement

with Union Bank, effective as of May 1, 2011, under which WRCM performs various advisory and management services on behalf of Union Bank with respect to investments in securities by the trusts, including identifying securities for purchase or sale by the trusts. The agreement provides that Union Bank will pay to WRCM annual fees of 25 basis points on the outstanding balance of the investments in the trusts. As of December 31, 2012, the outstanding balance of investments in the trusts was \$590.4 million. In addition, Union Bank will pay additional fees to WRCM of up to 50% of the gains from the sale of securities from the trusts. For the year ended December 31, 2012, the Company earned \$8.4 million of fees under this agreement.

On January 20, 2012, WRCM entered into a management agreement with Union Bank under which it was designated to serve as investment advisor with respect to the assets within several trusts established by Michael S. Dunlap. Union Bank serves as trustee for the trusts. Per the terms of this agreement, Union Bank pays WRCM five basis points of the aggregate value of the assets of the trusts as of the last day of each calendar quarter. Mr. Dunlap contributed a total of 3,375,000 shares of the Company's Class B common stock to the trusts upon the establishment thereof. For the year ended December 31, 2012, the Company earned approximately \$44,000 of fees under this agreement.

On February 9, 2012, WRCM established a private investment fund ("SLABS Fund-I") for the primary purpose of purchasing, selling, investing, and trading, directly or indirectly, in student loan asset-backed securities, and to engage in financial transactions related thereto. As of the date SLABS Fund-I was established, the total amount invested in SLABS Fund-I was \$48.9 million, and Mr. Dunlap, Union Financial Services, Inc., Jeffrey R. Noordhoek, F&M, Ms. Muhleisen and her spouse, and WRCM had investments in SLABS Fund-I in the amounts of \$2.5 million, \$1.0 million, \$1.0 million, \$2.0 million, \$2.6 million, and \$0.1 million, respectively.

On October 12, 2012, WRCM established another private investment fund ("SLABS Fund-II"). No executive officers or affiliates of the Company invested in SLABS Fund-II.

On February 14, 2013, WRCM established a third private investment fund ("SLABS Fund-III"). As of the date SLABS Fund-III was established, the total amount invested in SLABS Fund-III was \$34.5 million, and Mr. Dunlap and Ms. Muhleisen had investments in SLABS Fund-III of \$3.0 million and \$2.0 million, respectively.

WRCM earns 50 basis points (annually) from SLABS Fund-I, SLABS Fund-II, and SLABS Fund-III on the outstanding balance of the investments in these funds, of which WRCM pays approximately 50% of such amount to Union Bank as custodian. For the year ended December 31, 2012, the Company paid Union Bank \$0.1 million as custodian.

- Defined contribution plan - Union Bank administers the Company's 401(k) defined contribution plan. Fees paid to Union Bank to administer the plan, approximately \$305,000 in 2012, are paid by the plan's participants.

The net aggregate impact on the Company's consolidated statements of income for the year ended December 31, 2012 related to the transactions with Union Bank as described above was income of approximately \$11.9 million.

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

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

### **Transactions with Union Financial Services**

The Company owns a majority interest in an aircraft due to the frequent business travel needs of the Company's executives and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. UFS owns the remaining interest in the same aircraft. On March 1, 2012, the Company sold an additional 9.753% of its ownership in the aircraft to UFS for total consideration of approximately \$156,000. After this transaction, the Company and UFS own 65% and 35% of the aircraft, respectively. The aircraft joint ownership agreement between the Company and UFS for this aircraft will continue in effect on a month to month basis until terminated by mutual agreement. UFS will have the right to require the Company

to purchase UFS's interest in the aircraft for an amount equal to UFS's pro rata portion (determined on the basis of its ownership percentage) of the aircraft's fair market value at that time. If the term of the joint ownership agreement is not extended by agreement of the Company and UFS, the aircraft must be sold and the net proceeds from the sale distributed to the Company and UFS in proportion to their ownership percentages. Under an aircraft maintenance agreement among the Company, UFS, and an unrelated aviation service company, a total of approximately \$0.6 million in management fees was paid to the service company in 2012, which amount was allocated to the Company and UFS based on their respective ownership percentages. The maintenance agreement also provides that the Company must pay for all flight operating expenses for each flight conducted on its behalf, with a corresponding obligation by UFS, and that both the Company and UFS must pay their pro-rata portion, based on actual use percentages, of the cost of maintaining the aircraft.

### **Other Transactions**

During 2012, the Company provided group life insurance policies for its employees through Assurity Life Insurance Company ("Assurity"). The Company paid Assurity approximately \$309,000 in premiums related to those policies during 2012. Mr. Henning, who serves on the Company's board of directors, is the president and chief executive officer of Assurity.

During 2012, the Company engaged Talent Plus to perform leadership talent profiles for certain Company associates. The Company paid Talent Plus approximately \$26,000 related to those services in 2012. Ms. Rath, who serves on the Company's board of directors, is the Managing Director and President of Talent Plus, and with her spouse is a principal owner.

Mr. Cintani, who serves on the Company's board of directors, has a son, Brian Cintani, 36, who is employed by the Company as an experienced financial analyst in the Company's capital markets group. During the 12 month period ended March 31, 2013, Brian Cintani's total compensation was approximately \$129,000, including the grant date fair value of a restricted stock award that vests over the next five years. Brian Cintani has been employed by the Company since 2002 and his employment preceded Mr. Cintani's service as a director which began in May 2012.

During 2012, the Company received approximately \$10,000 in fees from NEBCO, Inc. for health and productivity services provided by the Company as part of its total well-being program. Mr. Abel, who serves on the Company's board of directors, is the chief executive officer of NEBCO, Inc.

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

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

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

The Company and certain executive officers have invested a total of \$609,000 in Capricorn Healthcare and Special Opportunities, LP ("Capricorn"). Capricorn is located in Palo Alto, California and is a limited partnership that primarily invests in healthcare-related companies. As of December 31, 2012, the investors and amount invested include the Company (\$290,000), Mr. Dunlap (\$290,000), and Mr. Noordhoek (\$29,000).

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

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

## AUDIT COMMITTEE REPORT

### Report of the Board Audit Committee

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

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 2012. 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 2012 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, 2012 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 ("PCAOB"), including, among other things, matters related to the conduct of the audit of the Company's consolidated financial statements and the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the PCAOB in Rule 3200T. 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 PCAOB regarding KPMG LLP's communications with the Committee concerning independence. The Committee discussed with KPMG LLP their independence from the Company. When considering KPMG LLP's independence, the Committee considered if services they provided to the Company beyond those rendered in connection with their audit of the Company's consolidated financial statements, reviews of the Company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q, and their opinion on the effectiveness of the Company's internal control over financial reporting were compatible with maintaining their independence. The Committee also reviewed and pre-approved, among other things, the audit, audit-related, and tax services performed by KPMG LLP. For tax services, the pre-approval included discussion with KPMG concerning their independence as required by the PCAOB Rule 3524 (Audit Committee Pre-approval of Certain Tax Services). The Committee received regular updates on the amount of fees and scope of audit, audit-related, and tax services provided.

Based on the Committee's review and these meetings, discussions, and reports, and subject to the limitations on the Committee's role and responsibilities referred to previously and in the Audit Committee Charter, the Committee recommended to the Board that the Company's audited consolidated financial statements for the year ended December 31, 2012 be included in the Company's 2012 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, 2013 and is presenting the selection to the shareholders for ratification.

Respectfully submitted,

Thomas E. Henning, Chairman  
 Kathleen A. Farrell  
 William R. Cintani

**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 2013.**

The affirmative vote of the majority of votes cast 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 2013.

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, 2012 and 2011 are set forth below.

	<u>2012</u>	<u>2011</u>
Audit fees	\$ 565,875	638,125
Audit-related fees	954,349	830,613
Tax fees	135,496	110,920
All other fees	1,650	1,500
Total	<u>\$ 1,657,370</u>	<u>1,581,158</u>

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

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

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

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

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

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

Based on the results of the advisory vote on the frequency of future advisory votes on executive compensation at the Company's 2011 annual meeting of shareholders, where the Company's shareholders voted in favor of holding an advisory vote on executive compensation every year (as opposed to every two years or every three years), and consistent with the Board of Directors' previous recommendation to the Company's shareholders in connection with such frequency vote, the Board of Directors determined that, until the next vote on the frequency of holding advisory votes on executive compensation, the Company will hold a non-binding advisory vote on executive compensation every year. Therefore, the next advisory vote on executive compensation will occur at the Company's 2013 annual meeting of shareholders. The Company must hold an advisory vote on the frequency of holding advisory votes on executive compensation at least once every six years.

As described in the Compensation Discussion and Analysis section of this Proxy Statement, the Company's objective for its executive compensation program is to attract, motivate, develop, and retain executives who will contribute to the Company's long-term success and the creation of shareholder value. The Company seeks to accomplish this objective in a way that rewards performance and is aligned with its shareholders' long-term interests, and the Company's compensation programs are designed to reward the Named Executive Officers for the achievement of short-term and long-term strategic and operational goals and the achievement of increased shareholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

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

- Incentive plans that are based upon targets that are approved annually by the Compensation Committee.
- An annual risk assessment conducted by the Compensation Committee to evaluate whether incentive programs drive behaviors that are demonstrably within the risk management parameters it deems prudent.
- A robust share ownership and retention policy.

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

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

- Mr. Dunlap beneficially owns 17.0 million shares, or 36.6%, of the Company's outstanding Class A and Class B common stock, which significantly aligns his interests with the shareholders' interests.
- None of the Named Executive Officers has an employment agreement or severance arrangement. In addition, the Company generally does not provide any perquisites, tax reimbursements, or change in control benefits to the Named Executive Officers that are not available to other employees.
- Each of the Named Executive Officers is employed at-will and is expected to demonstrate exceptional personal performance in order to continue serving as a member of the executive team.

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

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

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

“RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2012 Summary Compensation Table, and the other related tables and disclosure.”

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

## **OTHER SHAREHOLDER MATTERS**

### **Householding**

Under SEC rules, we are allowed to send in a single envelope our Notice of Internet Availability of Proxy Materials or a single copy of our proxy solicitation and other required annual meeting materials to two or more shareholders sharing the same address. 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 2014 Annual Meeting**

Shareholder proposals intended to be presented at the 2014 Annual Meeting of Shareholders, currently scheduled for May 22, 2014, 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 10, 2013, to be eligible for inclusion in the Company's 2014 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 notice of any such proposal or nominations for the Company's 2014 Annual Meeting between January 22 and February 21, 2014 (90 to 120 days before the 2014 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.