

NELNET INC
Form 424B5
September 20, 2006

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-124043

The information in this prospectus supplement is not complete and may be changed. The prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated September 19, 2006

Prospectus Supplement

(To Prospectus dated May 12, 2005)

\$

% Fixed-to-Floating Rate Capital Efficient Notes (CENts)

Interest is payable semi-annually, beginning March , 2007

The CENts will bear interest on their principal amount from the date they are issued to but excluding September , 2011 at the annual rate of % , payable semi-annually in arrears on each March and September , beginning March , 2007, and from and including September , 2011 to but excluding September , 2036, the [scheduled maturity date], at an annual rate equal to three-month LIBOR plus % , payable quarterly in arrears on each March , June , September and December . We have the right, on one or more occasions, to defer the payment of interest on the CENts for one or more consecutive interest periods that do not exceed 5 years without being subject to our obligations under the alternative payment mechanism described in this prospectus supplement and for one or more consecutive interest periods that do not exceed a total of 10 years without giving rise to an event of default. Deferred interest may be cancelled in certain limited circumstances, and in the event of our bankruptcy, holders will have a limited claim for deferred interest.

The principal amount of the CENts will become due on the scheduled maturity date only to the extent that we have received proceeds from the sale of certain qualifying capital securities during a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to such date. We will use our commercially reasonable efforts, subject to certain market disruption events, to sell enough qualifying capital securities to permit repayment of the CENts in full on the scheduled maturity date. If any amount is not paid on the scheduled maturity date, it will remain outstanding and bear interest at a floating rate payable monthly in arrears and we will continue to use our commercially reasonable efforts to sell enough qualifying capital securities to permit repayment of the CENts in full. On September , 2061, we must pay any remaining principal and interest on the CENts in full whether or not we have sold qualifying capital securities.

We may redeem the CENts (i) in whole or in part, at any time on or after September , 2011 at their principal amount plus accrued and unpaid interest to the date of redemption, provided in the case of a redemption in part that the principal amount outstanding after such redemption is at least \$, or (ii) in whole, but not in part, prior to September , 2011, within 90 days after certain events involving taxation at their principal amount plus accrued and unpaid interest to the date of redemption or, if greater, the make-whole redemption price as set forth herein.

The CENts will be subordinated to all existing and future senior, subordinated and junior subordinated debt of Nelnet, Inc., except for any future debt that by its terms is not superior in right of payment, and will be effectively subordinated to all liabilities of our subsidiaries.

See **“Risk Factors”** beginning on page S-5 for a discussion of certain risks that you should consider in connection with an investment in the CENts.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Commissions	Proceeds to Nelnet, Inc.
Per CENt	\$ (1)	\$	\$
Total	\$ (1)	\$	\$

(1) Your purchase price will also include any interest accrued on the CENts since September , 2006, if any.

We expect to deliver the CENts to investors through the book-entry facilities of The Depository Trust Company and its direct participants, including Euroclear and Clearstream, on or about September , 2006.

JPMorgan
Sole Structuring Advisor

Joint Bookrunners
Citigroup

Lehman Brothers

Co-Manager
Banc of America Securities LLC

September , 2006

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different from that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters are making or will make an offer to sell the CENts in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates of such documents, and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of the notes.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement contains the terms of this offering of CENts. This prospectus supplement may add, update or change information contained or incorporated by reference in the accompanying prospectus. In addition, the information incorporated by reference in this prospectus supplement and the accompanying prospectus may have added, updated or changed information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with any information in the accompanying prospectus (or any information incorporated by reference herein and therein), this prospectus supplement will apply and will supersede such information in the accompanying prospectus or the documents incorporated by reference in this prospectus supplement or the accompanying prospectus. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the additional information under the caption "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

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Summary

This summary highlights information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should read the entire prospectus supplement and the accompanying prospectus carefully, including the [Risk Factors] and [Cautionary Statement Regarding Forward-Looking Statements] sections and our consolidated financial statements and the notes to those financial statements, in each case included or incorporated by reference herein, before making an investment decision. As used in this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, references to [we,] [us,] [our,] [Nelnet] and the [Company] refer to Nelnet, Inc. and its subsidiaries.

Nelnet, Inc.

We are one of the leading education services and finance companies in the United States and are focused on providing quality products and services to students, families and schools nationwide. We rank among the nation's leaders in terms of total student loan assets originated, consolidated, held and serviced, principally consisting of loans originated under the Federal Family Education Loan Program of the U.S. Department of Education, which we refer to as the FFEL Program. We are a vertically-integrated organization that offers a broad range of pre-college, in-college and post-college products and services to our customers.

Our principal executive office is located at 121 South 13th Street, Suite 201, Lincoln, Nebraska 68508. Our telephone number is (402) 458-2370.

The CENts

Repayment of Principal

We must repay the principal amount of the CENts, together with accrued and unpaid interest, on September [], 2036, or if that date is not a business day, the following business day (the [scheduled maturity date]), subject to the limitations described below.

We are required to repay the CENts on the scheduled maturity date only to the extent that we have raised sufficient net proceeds from the issuance of [qualifying capital securities], as described under [Replacement Capital Covenant], during a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to such date. If we have not raised sufficient net proceeds to permit repayment of all principal and accrued and unpaid interest on the CENts on the scheduled maturity date, the CENts will remain outstanding and bear interest payable monthly until repaid. We will not be required to repay the CENts until (i) the next interest payment date following the notice date as of which we have raised sufficient net proceeds from the issuance of [qualifying capital securities] or (ii) an event of default occurs.

We will use our commercially reasonable efforts, subject to a [market disruption event], as described under [Summary of Terms of CENts]Market Disruption Event], to raise sufficient net proceeds from the issuance of qualifying capital securities in a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to the scheduled maturity date to permit repayment of the CENts in full on the scheduled maturity date in accordance with the replacement capital covenant. If we are unable for any reason to raise sufficient proceeds by the scheduled maturity date, thereafter we will use our commercially reasonable efforts, subject to a market disruption event, to raise sufficient proceeds from the sale of qualifying capital securities to permit repayment of the CENts on the following monthly interest payment date, and on each monthly interest payment date thereafter until the CENts are paid in full.

Any unpaid principal amount of the CENts, together with accrued and unpaid interest, will be due and payable on September [], 2061 (or if this day is not a business day, the following business day),

which is the final repayment date for the CENts, regardless of the amount of qualifying capital securities we have issued and sold by that time.

Although under the replacement capital covenant the principal amount of CENts that we may repay may be based on the net cash proceeds from certain issuances of common stock, rights to acquire common stock, mandatorily convertible preferred stock and debt exchangeable into equity in addition to qualifying capital securities, we have no obligation to issue any securities other than qualifying capital securities or to use the proceeds of the issuance of any other securities to repay the CENts on the scheduled maturity date or at any time thereafter.

Interest

Until the scheduled maturity date, the CENts will bear interest on their principal amount from and including September 1, 2006 to but excluding September 1, 2011 at the annual rate of 6%, payable semi-annually in arrears on March and September of each year, beginning March 1, 2007, and from and including September 1, 2011 to but excluding the scheduled maturity date at an annual rate equal to three-month LIBOR plus 1%, payable quarterly in arrears on March 1, June 1, September and December of each year, or if any of these dates falling on or after September 1, 2011 is not a business day, the following business day unless such date would fall in the next calendar month, in which case the preceding business day. We refer to these dates as interest payment dates. In the event that any interest payment date before September 1, 2011 would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day and no interest will accrue as a result of that postponement.

Ranking

The CENts will constitute one series of the subordinated debt securities referred to in the accompanying prospectus and will be issued by Nelnet, Inc. under the indenture referred to in the accompanying prospectus. The CENts will be unsecured and will rank junior to all existing and future senior, subordinated and junior subordinated debt (excluding trade accounts payable or accrued liabilities arising in the ordinary course of business) of Nelnet, Inc., except for any future debt that by its terms is not superior in right of payment to the CENts, and will be effectively subordinated to all liabilities of our subsidiaries. Substantially all of our existing indebtedness is senior debt.

Further Issues

We may from time to time, without the consent of the holders, create and issue additional CENts having the same terms and conditions as the CENts offered hereby, except for the issue date, issue price and, if applicable, the first payment of interest thereon, provided that the total principal amount of CENts outstanding after such additional issuance may not exceed \$ 100,000,000, and provided further that we receive an opinion of counsel to the effect that the U.S. federal income tax consequences of acquiring, holding and disposing of such additional CENts will be the same as the U.S. federal income tax consequences of acquiring, holding and disposing of the original CENts. Additional CENts issued in this manner will be consolidated and will form a single series with the CENts.

Option to Defer Interest Payments

We have the right, on one or more occasions, to defer the payment of interest on the CENts for one or more consecutive interest periods that do not exceed 5 years without being subject to our obligations described under Summary of Terms of CENtsAlternative Payment Mechanism, and for one or more consecutive interest periods that do not exceed a total of 10 years without giving rise to an event of default under the terms of the CENts. However, no interest deferral may extend beyond the repayment or redemption of the CENts.

Although we will not be required to make any interest payments during a deferral period other than pursuant to the alternative payment mechanism, interest on the CENts will continue to accrue during deferral periods at the then applicable interest rate on the CENts, compounded on each interest payment date. In limited circumstances, interest will be cancelled as described under [Summary of Terms of CENts]Option to Defer Interest Payments.

Following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment of current interest on the CENts, we will be required to pay deferred interest pursuant to the alternative payment mechanism described under [Summary of Terms of CENts]Alternative Payment Mechanism. At any time during a deferral period, we may not pay deferred interest except pursuant to the alternative payment mechanism.

If we defer payments of interest on the CENts, the CENts will be treated as being issued with original issue discount for United States federal income tax purposes. This means that you must include interest income with respect to the deferred interest on your CENts in gross income for United States federal income tax purposes, even though we will not make current payments on the CENts during a deferral period. See [Certain United States Federal Income Tax Consequences]United States Holders]Interest Income and Original Issue Discount.

Certain Payment Restrictions

During any period in which

- there has occurred any event of which we have actual knowledge that with the giving of notice or lapse of time would become an event of default under the indenture and which we have not taken reasonable steps to cure; or
- we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing,

we generally may not make payments on or redeem or repurchase our capital stock or our debt securities or guarantees having the same rank as or ranking junior to the CENts, subject to certain limited exceptions. In addition, if any deferral period lasts longer than one year, the restrictions on our ability to redeem or repurchase any of our securities that rank pari passu with or junior to the CENts will continue until the first anniversary of the date on which all deferred interest has been paid or cancelled.

Redemption

We may elect to redeem the CENts (i) in whole or in part, at any time on or after September , 2011 at their principal amount plus accrued and unpaid interest to the date of redemption, provided in the case of a redemption in part that the principal amount outstanding after such redemption is at least \$, or (ii) in whole, but not in part, prior to September , 2011, within 90 days after certain events involving taxation, at their principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a make-whole price calculated as described under [Summary of Terms of CENts]Redemption.

Any redemption of the CENts will be subject to the limitations described under [Replacement Capital Covenant] below.

Events of Default

The following events are events of default with respect to the CENts:

- default in the payment of interest, including compounded interest, in full on any CENt for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period; or

- some events of bankruptcy, insolvency and reorganization involving us.

If an event of default under the indenture arising from a default in the payment of interest has occurred and is continuing, the holders of at least 25% in aggregate outstanding principal amount of the CENts will have the right to declare the principal of and accrued interest (including compounded interest) on those securities to be due and payable immediately. If an event of default under the indenture arising from events of bankruptcy, insolvency or reorganization involving us occurs, the principal of and accrued interest on the CENts will automatically, and without any declaration or other action on the part of any holder of CENts, become immediately due and payable. No other breach under the indenture is an event of default or gives rise to any right to declare the principal amount of the CENts immediately payable.

In certain events of our bankruptcy, insolvency or receivership, you will have no claim for, and thus no right to receive, optionally deferred and unpaid interest (including compounded interest thereon) that has not been settled through the application of the alternative payment mechanism to the extent the amount of such interest exceeds two years of accumulated and unpaid interest (including compounded interest thereon) on your CENts.

Book-Entry

The CENts will be represented by one or more global securities registered in the name of and deposited with The Depository Trust Company ("DTC") or its nominee. This means that you will not receive a certificate for your CENts and CENts will not be registered in your name, except under certain limited circumstances described below under the caption "Summary of Terms of CENts" Book-Entry Issuance; Issuance of Certificated CENts.

Replacement Capital Covenant

We agree in the replacement capital covenant for the benefit of persons that buy, hold or sell a specified series of our long-term indebtedness ranking senior to the CENts that the CENts will not be repaid, redeemed or repurchased by us on or before September , 2051, unless the principal amount repaid or the applicable redemption or repurchase price does not exceed a maximum amount determined by reference to the aggregate amount of net cash proceeds we have received from the sale of common stock, rights to acquire common stock, "mandatorily convertible preferred stock", "debt exchangeable into equity" and "qualifying capital securities" since the later of (x) the date 180 days prior to delivery of notice of such repayment or redemption or the date of such repurchase and (y) to the extent the CENts are outstanding after the scheduled maturity date, the most recent date, if any, on which a notice of repayment or redemption was delivered in respect of, or on which we repurchased, any CENts. Certain provisions of the replacement capital covenant, including the definitions of mandatorily convertible preferred stock, debt exchangeable into equity, qualifying capital securities and other important terms, are described under "Replacement Capital Covenant" below.

Risk Factors

Before deciding whether to purchase any CENTs, you should pay special attention to the following risk factors, as well as the risk factors discussed in our Form 10-K filing with Securities and Exchange Commission (the "SEC") for the fiscal year ended December 31, 2005 and the Form 10-Q filing for the quarters ended March 31, 2006 and June 30, 2006, as incorporated into the prospectus supplement and the accompanying prospectus. See "Incorporation of Documents by Reference" in this prospectus supplement.

Risks relating to Nelnet

Changes to certain special allowance payments may adversely affect Nelnet.

As has been previously disclosed in our reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Office of Inspector General of the Department of Education (the "OIG") has been conducting an audit of Nelnet's portfolio of student loans receiving 9.5% special allowance payments (the "9.5% Floor"). On August 9, 2006, Nelnet received from the OIG a copy of its draft audit report. The draft audit report recommends that, with respect to the loans in question, Nelnet be required to return overpayments the OIG contends were paid to Nelnet in connection with the 9.5% Floor and that Nelnet be instructed to exclude such loans from its claims in the future for payment under the 9.5% Floor. Nelnet has recorded approximately \$322.6 million of pre-tax income related to the 9.5% special allowance as of June 30, 2006. On September 7, 2006, Nelnet responded to the draft audit report. Such response may be part of any final audit report submitted by the OIG to the Department of Education. The Department of Education may accept or reject any findings or recommendations contained in any final audit report issued by the OIG. While Nelnet cannot predict the final outcome of the audit or of any subsequent review by the Department of Education or of any court proceedings following any action by the Department of Education, Nelnet continues to believe it has billed for the special allowance payments in accordance with applicable laws, regulations and Department of Education guidance. If Nelnet were required to return deemed overpayments paid to it in connection with the 9.5% Floor and/or is no longer eligible to receive special allowance payments relating to the 9.5% Floor, it may adversely affect Nelnet's financial condition and results of operations.

Risks relating to the CENTs

We may be unable to make payments on the CENTs if we default on our senior debt.

Our obligations under the CENTs are unsecured and rank junior in right of payment to all of our existing and future senior debt. For purposes of this prospectus supplement, "senior debt" means all existing and future senior, subordinated and junior subordinated debt of Nelnet, Inc. (except for any future debt that by its terms is not superior in right of payment).

This means that we cannot make any payments on the CENTs if we are in payment default on our senior debt and we may not be able to make payments on the CENTs if we are in default under any other provisions of our senior debt. In the event of our bankruptcy or liquidation, our assets must be used to pay off our senior debt in full before any payments may be made on the CENTs.

Substantially all of our existing indebtedness is senior debt. The terms of the indenture do not limit our ability to incur additional debt, including secured or unsecured debt.

Our obligation to repay the CENTs on the scheduled maturity date is subject to our receipt of sufficient net proceeds from the issuance of qualifying capital securities.

Our obligation to repay the CENTs on the scheduled maturity date of September , 2036 is limited. We are required to repay the CENTs on the scheduled maturity date only to the extent that we

have raised sufficient net proceeds from the issuance of qualifying capital securities within a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to such date. If we have not raised sufficient proceeds from the issuance of qualifying capital securities to permit repayment of the CENts on the scheduled maturity date, the unpaid amount will remain outstanding until (i) we have raised sufficient proceeds to permit repayment in full in accordance with this requirement, (ii) we redeem the CENts, (iii) an event of default occurs or (iv) the final repayment date for the CENts on September , 2061. Our ability to raise proceeds in connection with this obligation to repay the CENts will depend on, among other things, market conditions at the time the obligation arises, as well as the acceptability to prospective investors of the terms of these securities. Although we have agreed to use our commercially reasonable efforts to raise sufficient net proceeds from the issuance of qualifying capital securities to repay the CENts during the 180-day period referred to above and from month to month thereafter until the CENts are repaid in full, our failure to do so would not be an event of default or give rise to a right of acceleration or similar remedy until September , 2061, and we will be excused from using our commercially reasonable efforts if certain market disruption events occur. See □Summary of Terms of CENts□Market Disruption Events.□

Moreover, we are entering into a replacement capital covenant for the benefit of holders of a designated series of our indebtedness that ranks senior to the CENts, pursuant to which we will covenant that we will not repay, redeem or repurchase any CENts on or before September , 2051 unless during the applicable measurement period we or our subsidiaries have received sufficient proceeds from the sale of qualifying capital securities, mandatorily convertible preferred stock, debt exchangeable into equity, common stock or rights to acquire common stock. Although under the replacement capital covenant, the principal amount of CENts that we may repay may be based on the net cash proceeds from certain issuances of common stock, rights to acquire common stock, mandatorily convertible preferred stock and debt exchangeable into equity in addition to qualifying capital securities, we may modify the replacement capital covenant without your consent if the modification does not further restrict our ability to repay the CENts in connection with an issuance of qualifying capital securities. In addition, under the indenture we have no obligation to use commercially reasonable efforts to issue any securities that may entitle us under the replacement capital covenant to repay the CENts other than qualifying capital securities, nor do we have any obligation to use the proceeds of the issuance of any other securities to repay the CENts on the scheduled maturity date or at any time thereafter. See □Replacement Capital Covenant.□

We may defer interest payments for 10 years without an event of default.

We have the right to defer interest on the CENts for consecutive interest periods totaling 10 years. Although we would be subject to the alternative payment mechanism after we have deferred interest for consecutive interest periods totaling five years, if we are unable to raise sufficient eligible proceeds, we may fail to pay accrued interest on the CENts for a period of up to 10 consecutive years without causing an event of default. If we exercise our rights to defer the interest, holders of CENts will receive no or limited current payments on the CENts and, so long as we are otherwise in compliance with our obligations, will have no remedies against us for nonpayment unless we fail to pay all deferred interest (including compounded amounts but not including cancelled interest) at the end of the 10-year deferral period.

Our ability to pay deferred interest pursuant to the alternative payment mechanism depends on a number of factors beyond our control.

If we elect to defer interest payments, we will not be permitted to pay deferred interest on the CENts (and compounded interest thereon) during the deferral period, which may last up to 10 years, from any source other than the issuance of common stock or non-cumulative perpetual preferred stock up to the preferred stock issuance cap. The occurrence of a market disruption event

may prevent or delay a sale of common stock or non-cumulative perpetual preferred stock pursuant to the alternative payment mechanism and, accordingly, the payment of deferred interest on the CENts. Market disruption events include events and circumstances both within and beyond our control, such as the failure to obtain any consent or approval of our shareholders or a regulatory body or governmental authority to issue common stock and non-cumulative perpetual preferred stock notwithstanding our commercially reasonable efforts. Moreover, we may encounter difficulties in successfully marketing our common stock and non-cumulative perpetual preferred stock, particularly during times we are subject to the restrictions on dividends as a result of the deferral of interest. If we do not sell sufficient common stock or preferred stock to fund deferred interest payments in these circumstances, we will not be permitted to pay deferred interest, even if we have cash available from other sources. See [Summary of Terms of CENts]Option to Defer Interest Payments[, [Alternative Payment Mechanism] and [Market Disruption Events].

Your right to receive interest on the CENts is subject to permanent cancellation in certain limited circumstances.

Your right to receive interest on the CENts is subject to permanent cancellation in certain limited circumstances. If the deferral period continues for 10 years and at the expiration of such period, (i) no event of default under the indenture is continuing, (ii) we have been unable, due to the [common stock issuance cap] and the [preferred issuance cap], each as defined under [Summary of Terms of CENts]Alternative Payment Mechanism[, to raise sufficient proceeds from the sale of common stock and non-cumulative perpetual preferred stock to pay all deferred interest (and compounded amounts) attributable to the portion of deferral period prior to the date on which we became subject to the alternative payment mechanism, and (iii) we have not yet cancelled any interest pursuant to this provision, then our obligation to pay any remaining deferred interest (and compounded amounts) attributable to that portion of the deferral period that we were unable to pay because of these caps will be permanently cancelled, as will the corresponding rights of holders to receive distributions on the CENts. See [Summary of Terms of CENts]Option to Defer Interest Payments.

Our right to defer interest payments on the CENts may adversely affect the market price and have tax consequences for you.

We currently do not intend to exercise our right to defer payments of interest on the CENts. However, if we exercise that right in the future, the market price of the CENts is likely to be affected. As a result of the existence of our deferral right, the market price of the CENts may be more volatile than the market prices of other securities that are not subject to optional deferrals.

If we do defer interest on the CENts and you elect to sell CENts during the period of that deferral, you may not receive the same return on your investment as a holder that continues to hold its CENts until the payment of interest at the end of the deferral period.

If we do defer interest payments on the CENts, you will be required to accrue income, in the form of original issue discount, for United States federal income tax purposes with respect to the deferred interest on the CENts, even if you normally report income when received and even though you may not receive the cash attributable to that income during the deferral period. See [Certain United States Federal Income Tax Consequences]United States Holders]Interest Income and Original Issue Discount.

The CENts may be redeemed at any time.

At our election, but subject to our obligations under the replacement capital covenant, we may redeem the CENts (i) on or after September , 2011 at their principal amount plus accrued and unpaid interest to the date of redemption or (ii) at any time within 90 days after certain events involving taxation at a make-whole redemption amount. If the CENts were redeemed, the redemp-

tion would be a taxable event to you. In addition, you might not be able to reinvest the money you receive upon redemption of the CENts at the same rate as the rate of return on the CENts. See "Summary of Terms of CENts" "Redemption" below.

Your claims in bankruptcy, insolvency and receivership to receive payment in respect of accrued interest may be limited.

In certain events of our bankruptcy, insolvency or receivership prior to the redemption or repayment of any CENts, whether voluntary or not, a holder of CENts will have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest thereon) that has not been settled through the application of the alternative payment mechanism to the extent the amount of such interest exceeds two years of accumulated and unpaid interest (including compounded interest) on such holder's CENts. Since we are permitted to defer interest payments for up to 10 years without an event of default, claims may be extinguished in respect of interest accrued during as many as eight years.

If we fail to pay all accrued and unpaid interest, your right to accelerate payment of the CENts is limited.

The remedies for any breach of our obligations under the alternative payment mechanism, the limitation on the source for payments of deferred interest, the restrictions imposed in connection with any optional deferral of interest payments and our obligation to raise proceeds from the issuance of qualifying capital securities to permit the repayment of the CENts on or after the scheduled maturity date are all limited. Our failure to comply with these obligations and restrictions would not constitute an event of default or give rise to a right of acceleration or similar remedy under the terms of the indenture.

There may be changes in demand for CENts.

We cannot assure you as to the market prices for the CENts. Investor demand for securities with the characteristics of the CENts may change as these characteristics are assessed by market participants, regulators and others. Accordingly, the CENts that you may purchase, whether pursuant to the offer made by this prospectus supplement or in the secondary market, may trade at a discount to the price that you paid to purchase the CENts if investor demand for securities with characteristics similar to those of the CENts decreases over time.

There may be no trading market for the CENts.

We do not intend to apply for listing of the CENts on The New York Stock Exchange or any other securities exchange. Although we have been advised that the underwriters intend to make a market in the CENts, the underwriters are not obligated to do so and may discontinue market making at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the CENts.

Nelnet, Inc.

We are one of the leading education services and finance companies in the United States and are focused on providing quality products and services to students, families and schools nationwide. We rank among the nation's leaders in terms of total student loan assets originated, consolidated, held and serviced, principally consisting of loans originated under the FFEL Program. We are a vertically-integrated organization that offers a broad range of pre-college, in-college and post-college products and services to our customers.

We have five operating segments as defined in SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, or SFAS No. 131, as follows: Asset Management, Student Loan and Guarantee Servicing, Software Services, Direct Marketing and Payment Management Services.

□ **Asset Management.** We own a large portfolio of student loan assets through a series of education lending subsidiaries. We obtain loans through direct origination or through acquisition of loans.

□ **Student Loan and Guarantee Servicing.** We service our student loan portfolio and the portfolios of third parties. Servicing activities include loan origination activities, application processing, borrower updates, payment processing, due diligence procedures and claim processing. The Student Loan and Guarantee Servicing segment includes EDULINX, a Canadian subsidiary of ours that services student loans in Canada. The following table summarizes our loan servicing volumes as of June 30, 2006:

	Company	Third party (dollars in millions)	Total
FFEL Program and private loans	\$19,820	\$ 8,856	\$28,676
Canadian loans (in U.S. \$)	□	8,592	8,592
Total	\$19,820	\$17,448	\$37,298

We also provide servicing support to guaranty agencies, which includes system software, hardware and telecommunications support, borrower and loan updates, default aversion tracking services, claim processing services and post-default collection services. In addition, under an agreement with College Access Network, or CAN, a state designated guaranty agency, we provide certain other guarantee operations.

□ **Software Services.** We use internally developed loan servicing software and also provide this software to third-party student loan holders and servicers. In addition, we provide information technology products and services, with core areas of business in student loan software solutions for schools, lenders and guarantors; technical consulting services; and enterprise content management.

□ **Direct Marketing.** We provide a wide range of direct marketing products and services to help businesses reach the middle school, high school, college bound high school, college and young adult market places. We also provide marketing services and college bound student lists to college and university admissions offices nationwide. We also recognize middle and high school students for exceptional academic success through our publications and scholarships.

□ **Payment Management Services.** We provide actively managed tuition payment solutions, online payment processing, detailed information reporting, financial needs analysis and data integration services to K-12 and post-secondary educational institutions, families and students. In addition, we provide customer-focused electronic transactions, information sharing and account and bill presentment to colleges, universities and healthcare organizations.

Our Asset Management and Student Loan and Guarantee Servicing offerings constitute reportable operating segments according to the provisions of SFAS No. 131. The Software Services, Direct Marketing and Payment Management Services operations are operating segments that do not meet the quantitative thresholds, and, therefore, are combined and included as "Other segments." The following tables show the percentage of total segment revenue (excluding intersegment revenue) and net income (loss) before taxes for each of our reportable segments:

Six months ended June 30,

	2006			2005		
	Asset management	Student loan and guarantee servicing	Other segments	Asset management	Student loan and guarantee servicing	Other segments
Segment revenues	67.1%	23.6%	9.3%	65.8%	29.0%	5.2%
Segment net income before taxes	79.4% [^]	14.9%	5.7%	69.8%	25.7%	4.5%

Our derivative market value adjustment is included in the Asset Management segment. Because our derivatives do not qualify for hedge accounting under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, the derivative market value adjustment can cause the percentage of revenue and net income before taxes to fluctuate from period to period between segments. Due to fluctuations in currency rates, foreign currency adjustments can also cause the percentage of revenue and net income before taxes to fluctuate from period to period between segments.

Cautionary Statement Regarding Forward-Looking Statements

This prospectus supplement and the accompanying prospectus, including the information incorporated by reference herein and therein, contain forward-looking statements and information that are based on management's current expectations as of the date of this document. When used in this prospectus supplement and the accompanying prospectus, the words "anticipate," "believe," "estimate," "intend" and "expect" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in "Risk Factors" in this prospectus supplement and the accompanying prospectus, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations, which may reduce the volume, average term and costs of yields on student loans under the FFEL Program, or result in loans being originated or refinanced under non-FFEL Program programs or may affect the terms upon which banks and others agree to sell FFEL Program loans to us. We could also be affected by changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans; losses from loan defaults; changes in prepayment rates and credit spreads; and the uncertain nature of the expected benefits from acquisitions and the ability to successfully integrate operations. You should not place undue reliance on forward-looking statements, which speak only as of the date of this prospectus supplement. We are not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this prospectus supplement or unforeseen events. Although we may from time to time voluntarily update prior forward-looking statements, we disclaim any commitment to do so except as required by applicable securities laws.

Use of Proceeds

The net proceeds from this offering are estimated to be \$197.0 million after deducting the underwriting discounts and estimated offering expenses that we will pay. We intend to use the net proceeds from this offering to repay a portion of the borrowings outstanding under our unsecured line of credit (which primarily were incurred for share repurchases pursuant to our share repurchase program and for acquisitions). Following this offering, we may reborrow amounts outstanding under such line of credit for share repurchases and general corporate purposes, including capital expenditures, working capital and possible acquisitions which we believe complementary to our business. As of September 18, 2006, borrowings under the line of credit agreement bore interest at LIBOR plus 31 basis points.

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Capitalization

The following table sets forth our consolidated capitalization as of June 30, 2006, on an actual basis and as adjusted to reflect the issuance of the CENts and the use of \$120.0 million of net proceeds from this offering to repay borrowings under our unsecured line of credit (which increased to approximately \$214.0 million at September 18, 2006). You should read this information in conjunction with our consolidated financial statements and other financial information that are included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of June 30, 2006	
	Actual	As Adjusted
	(in thousands, except share data)	
Bonds and notes payable	\$24,327,855	\$24,207,855
CENts	□	200,000
<hr/>		
Shareholders' equity:		
Preferred stock, \$0.01 par value:		
50,000,000 shares authorized; no shares issued or outstanding	□	□
Class A common stock, \$0.01 par value:		
600,000,000 shares authorized; 40,118,981 shares issued and outstanding	401	401
Class B common stock, \$0.01 par value:		
15,000,000 shares authorized; 13,942,954 shares issued and outstanding	139	139
Additional paid-in capital	229,994	229,994
Retained earnings	526,005	526,005
Unearned compensation	(5,155)	(5,155)
Employee note receivable	(501)	(501)
Accumulated other comprehensive income, net of taxes	1,306	1,306
	<hr/>	
Total shareholders' equity	752,189	752,189
	<hr/>	
Total capitalization	\$25,080,044	\$25,160,044
	<hr/>	

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges for each of the periods set forth below is as follows:

Six months ended June 30, 2006	Year ended December 31,				
	2005	2004	2003	2002	2001

Ratio of earnings to fixed charges(1)	1.28	1.46	1.92	1.23	1.32	1.06
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(1) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as earnings from continuing operations before income taxes, minority interest and income or loss from equity investments, plus distributed income of equity investments and fixed charges. Fixed charges include interest expense on indebtedness and rental expense on operating leases representing that portion of rental expense deemed to be interest.

Summary of Terms of CENts

We have summarized below certain terms of the CENts. This summary is not complete. You should refer to the indenture, which has been filed as an exhibit to the registration statement. The CENts will be a series of "subordinated debt securities" under the indenture, as described in the accompanying prospectus. This summary supplements the general description of the subordinated debt securities contained therein. Any information regarding the CENts contained in this prospectus supplement that is inconsistent with information in the prospectus will apply and will supersede the inconsistent information in the prospectus. The CENts will be unsecured and junior in right of payment to all of our senior debt. For purposes of the CENts, "senior debt" means the principal of, and premium and interest, if any, on debt (excluding trade accounts payable or accrued liabilities arising in the ordinary course of business) of Nelnet, Inc., whether created, assumed or incurred on, prior to or after the date of the indenture, unless the instrument creating that debt provides that those obligations are not superior in right of payment to the CENts. Substantially all our existing indebtedness is senior debt.

Interest Rate and Interest Payment Dates

The CENts will bear interest on their principal amount from and including September 1, 2006 to but excluding September 1, 2011 at the annual rate of 6.5%, payable semi-annually in arrears on March and September of each year, beginning March 1, 2007, and from and including September 1, 2011 to but excluding the scheduled maturity date of September 1, 2036 at an annual rate equal to three-month LIBOR plus 0.5%, payable quarterly in arrears on March 1, June 1, September and December of each year, or, if any of these dates falling on or after September 1, 2011 is not a business day (as defined below), the following business day unless such date would fall in the next calendar month, in which case the preceding business day. We refer to these dates as "interest payment dates" and to the period beginning on and including September 1, 2006 and ending on but excluding the first interest payment date and each successive period beginning on and including an interest payment date and ending on but excluding the next interest payment date as an "interest period." The amount of interest payable for any interest period ending on or prior to September 1, 2011 will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any interest payment date before September 1, 2011 would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day and no interest will accrue as a result of that postponement.

For the purposes of calculating interest due on the CENts after September 1, 2011 and prior to September 1, 2036:

- "Three-month LIBOR" means, with respect to any interest period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that interest period and ending on the next interest payment date (the "relevant period") that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the LIBOR determination date for that interest period. If such rate does not appear on MoneyLine Telerate Page 3750, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for the relevant period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the calculation agent (after consultation with us), at approximately 11:00 a.m., London time on the LIBOR determination date for that interest period. The calculation agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, three-month LIBOR with respect to that interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of such quotations. If fewer than two quotations are provided, three-month LIBOR with respect to

that interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of the rates quoted by three major banks in New York City selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of that interest period for loans in U.S. dollars to leading European banks for the relevant period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the calculation agent to provide quotations are quoting as described above, three-month LIBOR for that interest period will be the same as LIBOR as determined for the previous interest period or, in the case of the interest period beginning on September , 2011, %. The establishment of three-month LIBOR for each three-month interest period beginning on or after September , 2011 by the calculation agent shall (in the absence of manifest error) be final and binding.

- "Calculation agent" means , or any other firm appointed by us, acting as calculation agent.
- "London banking day" means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.
- "LIBOR determination date" means the second London banking day immediately preceding the first day of the relevant period.
- "MoneyLine Telerate Page" means the display on Moneyline Telerate, Inc., or any successor service, on Telerate Page 3750 or any replacement page or pages on that service.
- "Telerate Page 3750" means the display designated on page 3750 on MoneyLine Telerate Page or such other page as may replace the 3750 page on the service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. Dollar deposits).

Accrued interest that is not paid on the applicable interest payment date will bear additional interest, to the extent permitted by law, at the interest rate in effect from time to time, from the relevant interest payment date, compounded on each subsequent interest payment date. When we use the term "interest", we are referring not only to regularly scheduled interest payments but also interest on interest payments not paid on the applicable interest payment date.

If any amount of CENts remains outstanding after the scheduled maturity date, the principal amount of the outstanding CENts will bear interest at a floating interest rate until repaid as described under "Repayment of Principal" below.

Further Issues

We may from time to time, without the consent of the holders, create and issue additional CENts having the same terms and conditions as the CENts offered hereby, except for the issue date, issue price and, if applicable, the first payment of interest thereon, provided that the total principal amount of CENts outstanding after such additional issuance may not exceed \$, and provided further that we receive an opinion of counsel to the effect that the U.S. federal income tax consequences of acquiring, holding and disposing of such additional CENts will be the same as the U.S. federal income tax consequences of acquiring, holding and disposing of the original CENts.

Additional CENts issued in this manner will be consolidated and will form a single series with the CENts.

Option to Defer Interest Payments

We may elect at one or more times to defer payment of interest on the CENts for one or more consecutive interest periods that do not exceed 10 years. We may defer payment of interest prior to,

on or after the scheduled maturity date. We may not defer interest beyond September , 2061 or the earlier repayment or redemption in full of the CENts.

Deferred interest on the CENts will bear interest at the then applicable interest rate, compounded on each interest payment date, subject to applicable law. As used in this prospectus supplement, a "deferral period" refers to the period beginning on an interest payment date with respect to which we elect to defer interest and ending on the earlier of (i) the tenth anniversary of that interest payment date and (ii) the next interest payment date on which we have paid the deferred amount, all deferred amounts with respect to any subsequent period and all other accrued interest on the CENts.

We have agreed in the indenture that:

- immediately following the first interest payment date during the deferral period on which we elect to pay current interest or, if earlier, the fifth anniversary of the beginning of the deferral period, we will be required to sell common stock and "qualifying non-cumulative perpetual preferred stock" pursuant to the alternative payment mechanism, unless we have delivered notice of a "market disruption event," and to apply the "eligible proceeds" (as these terms are defined under "Market Disruption Event" and "Alternative Payment Mechanism" below) to the payment of any deferred interest (and compounded amounts) on the next interest payment date, and this requirement will continue in effect until the end of the deferral period; and
- we will not pay deferred interest on the CENts (and compounded amounts thereon) prior to the final repayment date from any source other than eligible proceeds, although we may pay current interest at all times from any available funds.

Although our failure to comply with the foregoing rules with respect to the alternative payment mechanism and payment of interest during a deferral period will be a breach of the indenture, it will not constitute an event of default under the indenture or give rise to a right of acceleration or similar remedy under the terms thereof.

If we are involved in a business combination where immediately after its consummation more than 50% of the surviving entity's voting stock is owned by the shareholders of the other party to the business combination, then neither the foregoing rules nor the following paragraph will apply to any interest on the CENts that is deferred and unpaid as of the date of consummation of the business combination. They will apply, however, to any interest on the CENts that is deferred after such date.

To the extent that we apply proceeds from the sale of common stock and non-cumulative perpetual preferred stock to pay interest, we will allocate the proceeds first to deferred payments of interest (and compounded amounts on such payments) in chronological order based on the date each payment was first deferred, subject to the "common stock issuance cap" and the "preferred stock issuance cap", each as defined under "Alternative Payment Mechanism" below.

If the deferral period continues for 10 years and, if at the expiration of such period:

- no event of default under the indenture is continuing,
- we have been unable due to the common stock issuance cap and the preferred stock issuance cap to raise sufficient proceeds from the sale of qualifying common stock and preferred stock to pay all deferred interest (and compounded amounts) attributable to the portion of the deferral period prior to the date on which we became subject to the alternative payment mechanism, and
- we have not previously cancelled interest pursuant to this provision,

then our obligation to pay any remaining deferred interest (and compounded amounts) attributable to that portion of the deferral period that we were unable to pay because of those caps will be permanently cancelled, as will the corresponding right of holders to receive distributions on the CENts. If an event of default under the indenture is continuing at the end of a 10-year deferral period, the obligation to pay deferred interest or distributions on the CENts will not be cancelled except to the extent described under "Limitation on Claims in the Event of Our Bankruptcy, Insolvency or Receivership" below.

At the end of a 10-year deferral period, we must pay all deferred interest that has not been cancelled. If we have paid all deferred interest (and compounded amounts) on the CENts that has not been cancelled, we can again defer interest payments on the CENts as described above.

We will give the holders of the CENts and the indenture trustee written notice of our election to begin or extend a deferral period at least one business day before the record date for the next interest payment date.

Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances

We will agree in the indenture that, so long as any CENts remain outstanding, if we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing, then we will not, and will not permit any of our subsidiaries to:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment regarding, any of our capital stock;
- except as required under "Repayment of Principal" below, and except for any partial payments of deferred interest that may be made as described under "Alternative Payment Mechanisms" below, make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of our debt securities that rank pari passu with or junior to the CENts; or
- make any guarantee payments regarding any guarantee by us of the subordinated debt securities of any of our subsidiaries if the guarantee ranks pari passu with or junior in interest to the CENts.

In addition, if any deferral period lasts longer than one year, the limitation on our ability to redeem or repurchase any of our securities that rank pari passu with or junior in interest to the CENts will continue until the first anniversary of the date on which all deferred interest has been paid or cancelled.

If we are involved in a business combination where immediately after its consummation more than 50% of the surviving entity's voting stock is owned by the shareholders of the other party to the business combination, then the immediately preceding sentence will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.

However, at any time, including during a deferral period, we will be permitted to:

- pay dividends or distributions in additional shares of our capital stock;
- declare or pay a dividend in connection with the implementation of a shareholders' rights plan or issue stock under such a plan, or redeem or repurchase any rights distributed pursuant to such a plan; and
- purchase common stock for issuance pursuant to any employee benefit plans.

Alternative Payment Mechanism

Subject to the exclusion described in "Market Disruption Events" below, if we defer interest on the CENts, we will be required, commencing not later than (i) the first interest payment date on which we pay current interest or (ii) the fifth anniversary of the commencement of the deferral period, to issue common stock and "qualifying non-cumulative perpetual preferred stock" until we have raised an amount of eligible proceeds, as defined below, at least equal to the aggregate amount of accrued and unpaid deferred interest, including compound interest, on the CENts. We refer to this period as the "APM period" and to this method of funding the payment of accrued and unpaid interest as the "alternative payment mechanism."

We have agreed to apply eligible proceeds raised during any deferral period pursuant to the alternative payment mechanism to pay deferred interest (and compounded amounts) on the CENts.

For each relevant interest payment date, "eligible proceeds" means the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuance or sale) we have received during the 180-day period prior to that interest payment date from the issuance or sale of common stock or "qualifying non-cumulative perpetual preferred stock" up to the preferred stock issuance cap to persons that are not our subsidiaries. "Qualifying non-cumulative perpetual preferred stock" means our non-cumulative perpetual preferred stock that (i) contains no remedies other than "permitted remedies", and (ii)(a) is subject to "intent-based replacement disclosure" and has a "mandatory trigger provision" or (b) is subject to a replacement capital covenant substantially similar to the replacement capital covenant applicable to the CENts, as such terms are defined under "Replacement Capital Covenant" below.

Under the alternative payment mechanism, we are not required (i) to issue a number of shares of common stock with respect to deferred interest attributable to the first five years of any deferral period (including compounded amounts thereon), that together with the number of shares of common stock the proceeds of which have previously been applied to pay deferred interest pursuant to the alternative payment mechanism, would exceed more than 2% of the total number of shares outstanding as of the fourth trading day preceding the date of issuance (the "common issuance cap"), or (ii) to issue non-cumulative perpetual preferred stock to the extent that the net proceeds of any issuance of non-cumulative perpetual preferred stock applied to pay interest on the CENts pursuant to the alternative payment mechanism, together with the net proceeds of all prior issuances of non-cumulative perpetual preferred stock so applied, would exceed 25% of the aggregate principal amount of the CENts initially issued under the indenture (the "preferred stock issuance cap"). Once we reach the common stock issuance cap, we will not be required to issue more common stock under the alternative payment mechanism with respect to deferred interest attributable to the first 5 years of any deferral period (including compounded interest thereon) even if the number of outstanding shares of our common stock subsequently increases.

Although our failure to comply with our obligations with respect to the alternative payment mechanism will breach the indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy under the terms thereof. The remedies of holders of the CENts will be limited in such circumstances as described under "Risk Factors" "If we fail to pay all accrued and unpaid interest, your right to accelerate payment of the CENts is limited" above.

If, due to a market disruption event or otherwise, we were able to raise some, but not all, eligible proceeds necessary to pay all deferred interest (including compounded interest thereon) on any interest payment date, we will apply any available eligible proceeds to pay accrued and unpaid interest on the applicable interest payment date in chronological order subject to the common stock issuance cap and preferred stock issuance cap. If we have outstanding securities in addition to, and that rank pari passu with, the CENts under which we are obligated to sell common stock or

non-cumulative perpetual preferred stock and apply the net proceeds to the payment of deferred interest or distributions, then on any date and for any period the amount of net proceeds received by us from those sales and available for payment of the deferred interest and distributions shall be applied to the CENts and those other securities on a pro rata basis in proportion to the total amounts that are due on the CENts and such securities.

Market Disruption Events

A "market disruption event" means the occurrence or existence of any of the following events or sets of circumstances:

- trading in securities generally on the New York Stock Exchange or any other national securities exchange or over-the-counter market on which our common stock and/or preferred stock is then listed or traded shall have been suspended or its settlement generally shall have been materially disrupted;
- we would be required to obtain the consent or approval of our shareholders or a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue common stock or non-cumulative perpetual preferred stock pursuant to the alternative payment mechanism or to issue qualifying capital securities pursuant to our repayment obligations described under "Repayment of Principal" below, and we fail to obtain that consent or approval notwithstanding our commercially reasonable efforts to obtain that consent or approval; or
- an event occurs and is continuing as a result of which the offering document for the offer and sale of common stock or non-cumulative perpetual preferred stock or qualifying capital securities, as the case may be, would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event, in our reasonable judgment, would have a material adverse effect on our business or (b) the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede our ability to consummate that transaction, provided that one or more events described under this bullet shall not constitute a market disruption event with respect to more than one semi-annual or two consecutive quarterly interest payment dates (or after the scheduled maturity date, six consecutive monthly interest payment dates) in any APM period or, in the case of our obligations in connection with the repayment of principal described under "Repayment of Principal" below, more than six monthly interest payment dates (whether or not consecutive).

We will be excused from our obligations under the alternative payment mechanism in respect of any interest payment date if we provide written certification to the indenture trustee (which the indenture trustee will promptly forward upon receipt to each holder of record of CENts) no more than 15 and no less than 10 business days in advance of that interest payment date certifying that:

- a market disruption event was existing after the immediately preceding interest payment date; and
- either (a) the market disruption event continued for the entire period from the business day immediately following the preceding interest payment date to the business day immediately preceding the date on which that certification is provided or (b) the market disruption event continued for only part of this period, but we were unable after commercially reasonable efforts to raise sufficient eligible proceeds during the rest of that period to pay all accrued and unpaid interest.

We will not be excused from our obligations under the alternative payment mechanism if we determine not to pursue or complete the sale of common stock or non-cumulative perpetual preferred stock due to pricing, dividend rate or dilution considerations.

Repayment of Principal

We must repay the principal amount of the CENts, together with accrued and unpaid interest, on September , 2036, or if that date is not a business day, the following business day (the []scheduled maturity date[]), subject to the limitations described below.

Our obligation to repay the CENts on the scheduled maturity date is limited. We are required to repay the CENts on the scheduled maturity date only to the extent that we have raised sufficient net proceeds from the issuance of qualifying capital securities, as described under []Replacement Capital Covenant[] below, within a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date. If we have not raised sufficient proceeds to permit repayment of all principal and accrued and unpaid interest on the CENts on the scheduled maturity date, the unpaid amount will remain outstanding from month to month until we have raised sufficient proceeds to permit repayment in full in accordance with the replacement capital covenant, we redeem the CENts or an event of default occurs.

We will agree in the indenture to use our commercially reasonable efforts (except as described below) to raise sufficient net proceeds from the issuance of qualifying capital securities in a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date to permit repayment of the CENts in full on this date in accordance with the replacement capital covenant. We will further agree in the indenture that if we are unable for any reason to raise sufficient proceeds to permit payment in full on the scheduled maturity date, we will use our commercially reasonable efforts (except as described below) to raise sufficient proceeds to permit repayment on the next monthly interest payment date, and on each monthly interest payment date thereafter until the CENts are paid in full. Except under those circumstances, our failure to use our commercially reasonable efforts to raise these proceeds would be a breach of covenant under the indenture. However, in no event will such failure be an event of default thereunder.

Although under the replacement capital covenant, the principal amount of CENts that we may repay at any time may be based on the net cash proceeds from certain issuances during the applicable measurement period of common stock, rights to acquire common stock, debt exchangeable into eq