

NELNET INC

FORM 8-K (Current report filing)

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Address	121 SOUTH 13TH ST STE 201 LINCOLN, Nebraska 68508
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CIK	0001258602
Industry	Consumer Financial Services
Sector	Financial
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported)
DECEMBER 22, 2006

NELNET, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA	001-31924	84-0748903
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(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
121 SOUTH 13TH STREET SUITE 201 LINCOLN, NEBRASKA		68508
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(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code (402) 458-2370

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act

(17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act

(17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

On December 22, 2006, Nelnet, Inc. issued a press release announcing that the Government of Canada has notified EDULINX Canada Corporation, a subsidiary of Nelnet, that the Government of Canada has decided to award a competitive contract to provide financial and related administrative services in support of the Canada and Integrated Student Loan Programs ("CSLP") upon the expiration of the current EDULINX contract for such services to another service provider.

Under its existing contract with the Government of Canada, EDULINX provides services for student borrowers attending public institutions. The Government of Canada is EDULINX's largest customer, and as previously disclosed, this contract is currently scheduled to expire on July 31, 2007 (the Government of Canada has the option to extend the existing contract to March 31, 2008). As a result of this decision, EDULINX will be required to transition the existing direct-financed CSLP portfolio it services to the selected service provider.

EDULINX's servicing revenue for the nine-months ended September 30, 2006 was \$48.2 million (USD), of which \$37.3 million (USD) was earned under the CSLP contract. For the nine-months ended September 30, 2006, EDULINX contributed \$3.7 million (USD), or \$0.07 per share, to Nelnet's consolidated net income earned under generally accepted accounting principles ("GAAP").

In addition to evaluating the Company's GAAP-based financial information, management also evaluates the Company on certain non-GAAP performance measures referred to as base net income. Base net income as defined by Nelnet is GAAP net income excluding derivative market value, foreign currency, and put option adjustments, the amortization of intangible assets, non-cash stock based compensation related to business combinations, and variable-rate floor income. While base net income is not a substitute for reported results under GAAP, the Company provides base net income as additional information regarding its financial results. Base net income is a non-GAAP financial measure and may not be comparable to similarly titled measures reported by other companies. The Company's base net income presentation does not represent another comprehensive basis of accounting. The difference between GAAP and base net income related to EDULINX's operating results is due to the amortization of certain EDULINX intangible assets.

EDULINX contributed \$4.3 million (USD), or \$0.08 per share, to Nelnet's consolidated base net income for the nine-month period ended September 30, 2006.

For the year ending December 31, 2006, the Company expects to earn approximately \$65 million (USD) of servicing revenue from EDULINX. Of this amount, approximately \$51 million (USD) is expected to be earned under the CSLP contract. In addition, Nelnet expects that approximately \$5 million (USD), or \$0.09 per share, and approximately \$6 million (USD), or \$0.11 per share, of Nelnet's GAAP and base net income for 2006, respectively, will be contributed by EDULINX.

A copy of the press release is attached as an exhibit to this Report.

Item 2.06. Material Impairments.

As a result of the Government of Canada's decision to award the contract to provide financial and related administrative services for CSLP to another service provider as discussed in Item 8.01 above, Nelnet concluded that an impairment charge for certain EDULINX assets, including servicing software and hardware under development, intangible assets, and goodwill, was required under GAAP. This determination was made based upon the decision that Nelnet will no longer continue to develop a servicing platform for EDULINX and a comparison of the carrying amount of certain EDULINX intangible assets and goodwill with their fair value. Accordingly, the Company currently estimates that it will record a non-cash pre-tax impairment charge of \$9 million (USD) to \$10 million (USD) during the fourth quarter of 2006. The actual amount of the impairment charge recorded will not be known until the Company has finalized its determination of certain servicing hardware and software assets to be sold and prepared or obtained updated estimates.

Under the current contract between EDULINX and the Government of Canada, EDULINX can earn performance incentive revenue if certain performance levels are achieved (as defined in the servicing contract). The current contract is for the period April 1, 2006 through July 31, 2007. Based on EDULINX achieving certain performance objectives through December 31, 2006, the Company may recognize up to \$5.0 million (USD) during the fourth quarter of 2006 related to the incentives under this contract. (This incentive revenue is not included in the 2006 revenue, GAAP net income, and base net income estimated projections discussed under Item 8.01 above). Additional incentive revenue could be recognized by EDULINX over the remaining term of this contract.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following exhibit is filed as part of this report:

Exhibit No.	Description
99.1	Press release dated December 22, 2006 - "Nelnet Statement Regarding Canadian Student Loan Contract"

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 22, 2006

NELNET, INC.

By: /s/ TERRY J. HEIMES

Name: Terry J. Heimes

Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press Release dated December 22, 2006 - "Nelnet Statement Regarding Canadian Student Loan Contract"

Media Contact: Ben Kiser, 402.458.3024
Investor Contact: Cheryl Watson, 317.469.2064

For immediate release

Nelnet Statement Regarding Canadian Student Loan Contract

LINCOLN, Neb., December 22, 2006 - Nelnet, Inc. (NYSE:NNI) announced today that the Government of Canada has notified EDULINX Canada Corporation, a subsidiary of Nelnet, that the Government of Canada has decided to award a competitive contract to provide financial and related administrative services in support of the Canada and Integrated Student Loans Program (CSLP) upon the expiration of the current EDULINX contract for such services to another service provider.

"We are very disappointed by the Government of Canada's decision," said George Hopkinson, President of EDULINX. "We remain committed to providing exceptional service to our clients and customers and we will work closely with the Government of Canada and the selected service provider to ensure a seamless transition for those student borrowers impacted by this change."

Under its existing contract with the Government of Canada, EDULINX provides services for student borrowers attending public institutions. This contract is currently scheduled to expire on July 31, 2007 (the Government of Canada has the option to extend the existing contract to March 31, 2008). As a result of this decision, EDULINX will be required to transition the existing CSLP portfolio it services to the selected service provider.

EDULINX currently administers more than \$9.2 billion (USD) in student loan assets of which approximately \$7.9 billion (USD) is from the existing contract with the Government of Canada. The company will continue to service the remaining volume for its clients.

For the nine-months ended September 30, 2006, servicing revenue for EDULINX was \$48.2 million (USD), of which \$37.3 million (USD) was earned under the CSLP contract. For the nine-month period ended September 30, 2006, EDULINX contributed \$3.7 million (USD), or \$0.07 per share, to Nelnet's consolidated GAAP net income.

For the year ending December 31, 2006, the company expects to earn approximately \$65 million (USD) of servicing revenue from EDULINX. Of this amount, approximately \$51 million (USD) is expected to be earned under the contract with the Government of Canada. For the year ending December 31, 2006, it is expected that EDULINX will contribute approximately \$5 million (USD), or \$0.09 per share, to Nelnet's consolidated GAAP net income.

Additionally, as a result of the Government of Canada's decision to award the contract to provide financial and related administrative services for CSLP to another service provider, Nelnet concluded that an impairment charge for certain EDULINX assets, including servicing software and hardware under development, intangible assets, and goodwill, was required under GAAP. The company has filed a current report on Form 8-K with the Securities and Exchange Commission, which contains additional information regarding the impairment charge and the potential impact on certain non-GAAP performance measures that the company utilizes.

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For 28 years, Nelnet has been helping the education-seeking family plan for their education, pay for their education, and prepare for their careers. The company has invested hundreds of millions of dollars in products, services, and technology improvements for students and the educational institutions they attend. These services include live counseling to help families through all aspects of the financial aid process, benefits for borrowers, including tens of millions of dollars in fee reductions, and Nelnet sponsored scholarships. Nelnet serves students in 50 states and Canada, employs approximately 3,700 associates, and had \$22.9 billion (USD) in net student loan assets as of September 30, 2006.

Additional information is available at www.nelnet.net.

Information contained in this press release, other than historical information, may be considered forward-looking in nature and is subject to various risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or expected. Among the key factors that may have a direct bearing on Nelnet's operating results, performance, or financial condition expressed or implied by the forward-looking statements are changes in the actual results of operations for the periods discussed, terms of student loans and the educational credit marketplace, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, or changes in the general interest rate environment and in the securitization markets for education loans.