Hosted PBX Telephone Systems

HOSTED PBX

ALLO Communications
330 South 21St
Lincoln, Ne 68510

RFP 5824 Z1
Response

Allo

Original

RETURN TO:
Name: State Purchasing Bureau
Address: 1526 K Street, Suite 130
City/State/Zip: Lincoln, NE 68508
Phone:402-471-6500

State of Nebraska State Purchasing
REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES

SOLICITATION NUMBER	RELEASE DATE
RFP 5824 Z1	April 9, 2018
OPENING DATE AND TIME	**PROCUREMENT CONTACT**
May 22, 2018 2:00 p.m. Central Time	Nancy Storant/Annette Walton

PLEASE READ CAREFULLY!
SCOPE OF SERVICE

The State of Nebraska (State), Department of Administrative Services (DAS), Materiel Division, State Purchasing Bureau (SPB), is issuing this Request for Proposal (RFP) Number 5824 Z1 for the purpose of selecting a qualified Bidder to provide Hosted Voice Over Internet Protocol Telephony (VOIP) Service. A more detailed description can be found in Section V. The resulting contract may not be an exclusive contract as the State reserves the right to contract for the same or similar services from other sources now or in the future.

The term of the contract will be five (5) years commencing upon execution of the contract by the State. The Contract includes the option to renew for five (5) additional two (2) year periods upon mutual agreement of the Parties. The State reserves the right to extend the period of this contract beyond the termination date when mutually agreeable to the Parties.

ALL INFORMATION PERTINENT TO THIS REQUEST FOR PROPOSAL CAN BE FOUND ON THE INTERNET AT: **http://das.nebraska.gov/materiel/purchasing.html**.

A mandatory Pre-Proposal Conference will be held on Thursday, April 26, 2018 at 10:00AM CT at 1526 K Street, Suite 130, Lincoln, NE 68520.

IMPORTANT NOTICE: Pursuant to Neb. Rev. Stat. § 84-602.04, State contracts in effect as of January 1, 2014, and contracts entered into thereafter, must be posted to a public website. The resulting contract, the RFP, and the successful bidder's proposal or response will be posted to a public website managed by DAS, which can be found at http://statecontracts.nebraska.gov.

In addition and in furtherance of the State's public records Statute (Neb. Rev. Stat. § 84-712 et seq.), all proposals or responses received regarding this RFP will be posted to the State Purchasing Bureau public website.

These postings will include the entire proposal or response. Bidders must request that proprietary information be excluded from the posting. The bidder must identify the proprietary information, mark the proprietary information according to state law, and submit the proprietary information in a separate container or envelope marked conspicuously in black ink with the words "PROPRIETARY INFORMATION". The bidder must submit a detailed written document showing that the release of the proprietary information would give a business advantage to named business competitor(s) and explain how the named business competitor(s) will gain an actual business advantage by disclosure of information. The mere assertion that information is proprietary or that a speculative business advantage might be gained is not sufficient. (See Attorney General Opinion No. 92068, April 27, 1992) THE BIDDER MAY NOT ASSERT THAT THE ENTIRE PROPOSAL IS PROPRIETARY. COST PROPOSALS WILL NOT BE CONSIDERED PROPRIETARY AND ARE A PUBLIC RECORD IN THE STATE OF NEBRASKA. The State will then determine, in its discretion, if the interests served by nondisclosure outweighs any public purpose served by disclosure. (See Neb. Rev. Stat. § 84-712.05(3)) The Bidder will be notified of the agency's decision. Absent a State determination that information is proprietary, the State will consider all information a public record subject to release regardless of any assertion that the information is proprietary.

If the agency determines it is required to release proprietary information, the bidder will be informed. It will be the bidder's responsibility to defend the bidder's asserted interest in non-disclosure.

To facilitate such public postings, with the exception of proprietary information, the State of Nebraska reserves a royalty-free, nonexclusive, and irrevocable right to copy, reproduce, publish, post to a website, or otherwise use any contract, proposal, or response to this RFP for any purpose, and to authorize others to use the documents. Any individual or entity awarded a contract, or who submits a proposal or response to this RFP, specifically waives any copyright or other protection the contract, proposal, or response to the RFP may have; and, acknowledges that they have the ability and authority to enter into such waiver. This reservation and waiver is a prerequisite for submitting a proposal or response to this RFP, and award of a contract. Failure to agree to the reservation and waiver will result in the proposal or response to the RFP being found non-responsive and rejected.

Original

Any entity awarded a contract or submitting a proposal or response to the RFP agrees not to sue, file a claim, or make a demand of any kind, and will indemnify and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials from and against any and all claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses, sustained or asserted against the State, arising out of, resulting from, or attributable to the posting of the contract or the proposals and responses to the RFP, awards, and other documents.

TABLE OF CONTENTS

GLOSSARY OF TERMS

Acceptance Test Procedure: Benchmarks and other performance criteria, developed by the State of Nebraska or other sources of testing standards, for measuring the effectiveness of products or services and the means used for testing such performance.

Addendum: Something to be added or deleted to an existing document; a supplement.

After Receipt of Order (ARO): After Receipt of Order

Agency: Any state agency, board, or commission other than the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any other office or agency established by the Constitution of Nebraska.

Agent/Representative: A person authorized to act on behalf of another.

Amend: To alter or change by adding, subtracting, or substituting.

Amendment: A written correction or alteration to a document.

Appropriation: Legislative authorization to expend public funds for a specific purpose. Money set apart for a specific use.

Award: All purchases, leases, or contracts which are based on competitive proposals will be awarded according to the provisions in the RFP. The State reserves the right to reject any or all proposals, wholly or in part, or to award to multiple bidders in whole or in part. The State reserves the right to waive any deviations or errors that are not material, do not invalidate the legitimacy of the proposal, and do not improve the bidder's competitive position. All awards will be made in a manner deemed in the best interest of the State.

Best and Final Offer (BAFO): In a competitive bid, the final offer submitted which contains the bidder's (vendor's) most favorable terms for price.

Bid/Proposal: The offer submitted by a vendor in a response to a written solicitation.

Bid Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the vendor will not withdraw the bid.

Bidder: A vendor who submits an offer bid in response to a written solicitation.

Business: Any corporation, partnership, individual, sole proprietorship, joint-stock company, joint venture, or any other private legal entity.

Business Day: Any weekday, except State-recognized holidays.

Calendar Day: Every day shown on the calendar including Saturdays, Sundays, and State/Federal holidays.

Cancellation: To call off or revoke a purchase order without expectation of conducting or performing it at a later time.

Central Processing Unit (CPU): Any computer or computer system that is used by the State to store, process, or retrieve data or perform other functions using Operating Systems and applications software.

Change Order: Document that provides amendments to an executed purchase order or contract.

Collusion: An agreement or cooperation between two or more persons or entities to accomplish a fraudulent, deceitful, or unlawful purpose.

Commodities: Any equipment, material, supply or goods; anything movable or tangible that is provided or sold.

Commodities Description: Detailed descriptions of the items to be purchased; may include information necessary to obtain the desired quality, type, color, size, shape, or special characteristics necessary to perform the work intended to produce the desired results.

Competition: The effort or action of two or more commercial interests to obtain the same business from third parties.

Confidential Information: Unless otherwise defined below, "Confidential Information" shall also mean proprietary trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. §84-712.05(3)). In accordance with Nebraska Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would receive.

Contract: An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law; the writing that sets forth such an agreement.

Contract Administration: The management of the contract which includes and is not limited to; contract signing, contract amendments and any necessary legal actions.

Contract Award: Occurs upon execution of the State document titled "Service Contract Award" by the proper authority.

Contract Management: The management of day to day activities at the agency which includes and is not limited to ensuring deliverables are received, specifications are met, handling meetings and making payments to the Contractor.

Contract Period: The duration of the contract.

Contractor: Any individual or entity having a contract to furnish commodities or services.

Cooperative Purchasing: The combining of requirements of two or more political entities to obtain advantages of volume purchases, reduction in administrative expenses or other public benefits.

Copyright: A property right in an original work of authorship fixed in any tangible medium of expression, giving the holder the exclusive right to reproduce, adapt and distribute the work.

Critical Program Error: Any Program Error, whether or not known to the State, which prohibits or significantly impairs use of the Licensed Software as set forth in the documentation and intended in the contract.

Customer Service: The process of ensuring customer satisfaction by providing assistance and advice on those products or services provided by the Contractor.

Default: The omission or failure to perform a contractual duty.

Demarc: Demarcation Point

Deviation: Any proposed change(s) or alteration(s) to either the terms and conditions or deliverables within the scope of the written solicitation or contract.

Evaluation: The process of examining an offer after opening to determine the vendor's responsibility, responsiveness to requirements, and to ascertain other characteristics of the offer that relate to determination of the successful award.

Evaluation Committee: Committee(s) appointed by the requesting agency that advises and assists the procuring office in the evaluation of bids/proposals (offers made in response to written solicitations).

Extension: Continuance of a contract for a specified duration upon the agreement of the parties beyond the original Contract Period. Not to be confused with "Renewal Period".

Free on Board (F.O.B.) Destination: The delivery charges are included in the quoted price and prepaid by the vendor. Vendor is responsible for all claims associated with damages during delivery of product.

Free on Board (F.O.B.) Point of Origin: The delivery charges are not included in the quoted price and are the responsibility of the agency. Agency is responsible for all claims associated with damages during delivery of product.

Foreign Corporation: A foreign corporation that was organized and chartered under the laws of another state, government, or country.

Installation Date: The date when the procedures described in "Installation by Contractor", and "Installation by State", as found in the RFP, or contract, are completed.

Interested Party: A person, acting in their personal capacity, or an entity entering into a contract or other agreement creating a legal interest therein.

Late Bid/Proposal: An offer received after the Opening Date and Time.

Licensed Software Documentation: The user manuals and any other materials in any form or medium customarily provided by the Contractor to the users of the Licensed Software which will provide the State with sufficient information to operate, diagnose, and maintain the Licensed Software properly, safely, and efficiently.

Mandatory/Must: Required, compulsory, or obligatory.

May: Discretionary, permitted; used to express possibility.

Module (see System): A collection of routines and data structures that perform a specific function of software.

Must: See Mandatory/ Must and Shall/Will/Must.

National Institute for Governmental Purchasing (NIGP): National Institute of Governmental Purchasing – Source used for assignment of universal commodity codes to goods and services.

Open Market Purchase: Authorization may be given to an agency to purchase items above direct purchase authority due to the unique nature, price, quantity, location of the using agency, or time limitations by the AS Materiel Division, State Purchasing Bureau.

Opening Date and Time: Specified date and time for the public opening of received, labeled, and sealed formal proposals.

Operating System: The control program in a computer that provides the interface to the computer hardware and peripheral devices, and the usage and allocation of memory resources, processor resources, input/output resources, and security resources.

Outsourcing: The contracting out of a business process which an organization may have previously performed internally or has a new need for, to an independent organization from which the process is purchased back.

Payroll & Financial Center (PFC): Electronic procurement system of record.

Performance Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the Contractor fulfills any and all obligations under the contract.

Platform: A specific hardware and Operating System combination that is different from other hardware and Operating System combinations to the extent that a different version of the Licensed Software product is required to execute properly in the environment established by such hardware and Operating System combination.

Point of Contact (POC): The person designated to receive communications and to communicate.

Pre-Bid/Pre-Proposal Conference: A meeting scheduled for the purpose of clarifying a written solicitation and related expectations.

Product: Something that is distributed commercially for use or consumption and that is usually (1) tangible personal property, (2) the result of fabrication or processing, and (3) an item that has passed through a chain of commercial distribution before ultimate use or consumption.

Program Error: Code in Licensed Software which produces unintended results or actions, or which produces results or actions other than those described in the specifications. A program error includes, without limitation, any Critical Program Error.

Program Set: The group of programs and products, including the Licensed Software specified in the RFP, plus any additional programs and products licensed by the State under the contract for use by the State.

Project: The total scheme, program, or method worked out for the accomplishment of an objective, including all documentation, commodities, and services to be provided under the contract.

Proposal: See Bid/Proposal.

Proprietary Information: Proprietary information is defined as trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serves no public purpose (see Neb. Rev. Stat. § 84-712.05(3)). In accordance with Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific named competitor(s) advantaged by release of the information and the demonstrated advantage the named competitor(s) would gain by the release of information.

Protest/Grievance: A complaint about a governmental action or decision related to a RFP or resultant contract, brought by a vendor who has timely submitted a bid response in connection with the award in question, to AS Materiel Division or another designated agency with the intention of achieving a remedial result.

Public Proposal Opening: The process of opening correctly submitted offers at the time and place specified in the written solicitation and in the presence of anyone who wished to attend.

Recommended Hardware Configuration: The data processing hardware (including all terminals, auxiliary storage, communication, and other peripheral devices) to the extent utilized by the State as recommended by the Contractor.

Release Date: The date of public release of the written solicitation to seek offers.

Renewal Period: Optional contract periods subsequent to the original Contract Period for a specified duration with previously agreed to terms and conditions. Not to be confused with Extension.

Request for Information (RFI): A general invitation to vendors requesting information for a potential future solicitation. The RFI is typically used as a research and information gathering tool for preparation of a solicitation.

Request for Proposal (RFP): A written solicitation utilized for obtaining competitive offers.

Responsible Bidder: A bidder who has the capability in all respects to perform fully and lawfully all requirements with integrity and reliability to assure good faith performance.

Responsive Bidder: A bidder who has submitted a bid which conforms to all requirements of the solicitation document.

Shall/Will/Must: An order/command; mandatory.

Should: Expected; suggested, but not necessarily mandatory.

Software License: Legal instrument with or without printed material that governs the use or redistribution of licensed software.

Sole Source – Commodity: When an item is available from only one source due to the unique nature of the requirement, its supplier, or market conditions.

Sole Source – Services: A service of such a unique nature that the vendor selected is clearly and justifiably the only practical source to provide the service. Determination that the vendor selected is justifiably the sole source is based on either the uniqueness of the service or sole availability at the location required.

Specifications: The detailed statement, especially of the measurements, quality, materials, and functional characteristics, or other items to be provided under a contract.

Statutory: These clauses are controlled by state law and are not subject to negotiation.

Subcontractor: Individual or entity with whom the contractor enters a contract to perform a portion of the work awarded to the contractor.

System (see Module): Any collection or aggregation of two (2) or more Modules that is designed to function, or is represented by the Contractor as functioning or being capable of functioning, as an entity.

TECHNOLOGY REFRESH: The periodic replacement of equipment and updating of systems (software and hardware) to ensure continuing reliability of solution.

Termination: Occurs when either Party, pursuant to a power created by agreement or law, puts an end to the contract prior to the stated expiration date. All obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

Third Party: Any person or entity, including but not limited to fiduciaries, shareholders, owners, officers, managers, employees, legally disinterested persons, and sub-contractors or agents, and their employees. It shall not include any entity or person who is an interested Party to the contract or agreement.

Trade Secret: Information, including, but not limited to, a drawing, formula, pattern, compilation, program, device, method, technique, code, or process that (a) derives independent economic value, actual or potential, from not being known to, and not being ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (see Neb. Rev. Stat. §87-502(4)).

Trademark: A word, phrase, logo, or other graphic symbol used by a manufacturer or vendor to distinguish its product from those of others, registered with the U.S. Patent and Trademark Office.

Upgrade: Any change that improves or alters the basic function of a product or service.

Vendor: An individual or entity lawfully conducting business in the State of Nebraska, or licensed to do so, who seeks to provide goods or services under the terms of a written solicitation.

Vendor Performance Report: A report issued to the Contractor by State Purchasing Bureau when products or services delivered or performed fail to meet the terms of the purchase order, contract, and/or specifications, as reported to State Purchasing Bureau by the agency. The State Purchasing Bureau shall contact the Contractor regarding any such report. The vendor performance report will become a part of the permanent record for the Contractor. The State may require vendor to cure. Two such reports may be cause for immediate termination.

Will: See Shall/Will/Must.

Work Day: See Business Day.

ACRONYM LIST

VOIP – Voice Over Internet Protocol Telephony

OCIO – Office of the Chief Information Officer

RFP – Request for proposal

PSTN – Public Switched Telephone Network

SIP- Session Initiation Protocol

PSC – Public Service Commission

POTS – Plain old telephone service

ASOC/USOC – Universal Service Ordering Code

SFTP – Secure File Transfer Protocol

NDM – Network Data Mover

PMP – Project Management Plan

PoE – Power over Ethernet

IEEE - The Institute of Electrical and Electronic Engineers

ACD - Automatic call distributor

UCD – Uniform call distributor

WAN – Wide area network

QOS – Quality of Service

IPv6 – Internet Protocol Version 6

DHCP – Dynamic Host Configuration Protocol

MTTR –Mean time to repair

E911 – Enhanced 911

NEMA – Nebraska Emergency Management Agency

FEMA - Federal Emergency Management Agency

LEC – Local Exchange Carrier

CLEC - Competitive Local Exchange Carrier

CLASS - Centralized Local Area Selective Signaling

PSAP - Public Safety Answering Port

I. PROCUREMENT PROCEDURE

A. GENERAL INFORMATION

The RFP is designed to solicit proposals from qualified Bidders who will be responsible for providing Hosted Voice Over Internet Protocol Telephony (VOIP) Service at a competitive and reasonable cost.

Proposals shall conform to all instructions, conditions, and requirements included in the RFP. Prospective bidders are expected to carefully examine all documents, schedules, and requirements in this RFP, and respond to each requirement in the format prescribed. Proposals may be found non-responsive if they do not conform to the RFP.

B. PROCURING OFFICE AND COMMUNICATION WITH STATE STAFF AND EVALUATORS

Procurement responsibilities related to this RFP reside with the State Purchasing Bureau. The point of contact (POC) for the procurement is as follows:

Name: Nancy Storant/Annette Walton
Agency: State Purchasing Bureau
Address: 1526 K Street, Suite 130
Lincoln, NE 68508
Telephone: 402-471-6500

E-Mail: as.materielpurchasing@nebraska.gov

From the date the RFP is issued until the Intent to Award is issued, communication from the Bidder is limited to the POC listed above. After the Intent to Award is issued, the Bidder may communicate with individuals the State has designated as responsible for negotiating the contract on behalf of the State. No member of the State Government, employee of the State, or member of the Evaluation Committee is empowered to make binding statements regarding this RFP. The POC will issue any clarifications or opinions regarding this RFP in writing. Only the buyer can modify the RFP, answer questions, render opinions, and only the SPB or awarding agency can award a contract. Bidders shall not have any communication with, or attempt to communicate or influence any evaluator involved in this RFP.

The following exceptions to these restrictions are permitted:

1. Contact made pursuant to pre-existing contracts or obligations;
2. Contact required by the schedule of events or an event scheduled later by the RFP POC; and
3. Contact required for negotiation and execution of the final contract.

The State reserves the right to reject a bidder's proposal, withdraw an Intent to Award, or terminate a contract if the State determines there has been a violation of these procurement procedures.

C. **SCHEDULE OF EVENTS**

The State expects to adhere to the procurement schedule shown below, but all dates are approximate and subject to change.

ACTIVITY		DATE/TIME
1.	Release RFP	April 9, 2018
2.	Last day to submit "Notification of Intent to Attend Pre-Proposal Conference"	April 16, 2018
3.	Last day to submit written questions	April 19, 2018
4.	Mandatory Pre-Proposal Conference Location: State Purchasing Bureau 1526 K Street, Suite 130 Lincoln, NE 68508 * Registration Advisement: Bids will only be accepted from those Companies/Firms which properly register their attendance at this meeting by completing all of the required information on the State Registration Sheet.	April 26, 2018 10:00 AM Central Time
5.	Last day to submit written questions after Pre-Proposal Conference	May 3, 2018
6.	State responds to written questions through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: and/or http://das.nebraska.gov/materiel/purchasing.html	May 10, 2018
7.	Proposal opening Location: State Purchasing Bureau 1526 K Street, Suite 130 Lincoln, NE 68508	May 22, 2018 2:00 PM Central Time
8.	Review for conformance to RFP requirements	May 22, 2018
9.	Evaluation period	May 24, 2018 through June 7, 2018
10.	"Oral Interviews/Presentations and/or Demonstrations" (if required)	TBD
11.	Post "Intent to Award" to Internet at: and/or http://das.nebraska.gov/materiel/purchasing.html	June 18, 2018
12.	Contract finalization period	June 18, 2018 through July 13, 2018
13.	Contract award	July 16, 2018
14.	Contractor start date	July 16, 2018

D. **WRITTEN QUESTIONS AND ANSWERS**

Questions regarding the meaning or interpretation of any RFP provision must be submitted in writing to the State Purchasing Bureau and clearly marked "RFP Number 5824 Z1; Hosted Voice Over Internet Protocol Telephony (VOIP) Service Questions". The POC is not obligated to respond to questions that are received late per the Schedule of Events.

Bidders should present, as questions, any assumptions upon which the Bidder's proposal is or might be developed. Proposals will be evaluated without consideration of any known or unknown assumptions of a bidder. The contract will not incorporate any known or unknown assumptions of a bidder.

It is preferred that questions be sent via e-mail to as.materielpurchasing@nebraska.gov, but may be delivered by hand or by U.S. Mail. It is recommended that Bidders submit questions using the following format.

RFP Section Reference	RFP Page Number	Question

Written answers will be posted at http://das.nebraska.gov/materiel/purchasing.html per the Schedule of Events.

E. **PRE-PROPOSAL CONFERENCE**

A pre-proposal conference will be held per the Schedule of Events. Attendance at the pre-proposal conference is mandatory in order to submit a proposal. Bidders will have an opportunity to ask questions at the conference to assist in the clarification and understanding of the RFP requirements. Questions that have a material impact on the RFP or process, and questions that are relevant to all bidders, will be answered in writing and posted at http://das.nebraska.gov/materiel/purchasing.html. An answer must be posted to be binding on the State. The State will attempt to provide verbal answers to questions that do not impact the RFP or process, and are only of interest to an individual bidder during the conference. If a bidder feels it necessary to have a binding answer to a question that was answered verbally, the question should be submitted in writing per the Schedule of Events.

F. **NOTICE OF INTENT TO ATTEND MANDATORY PRE-PROPOSAL CONFERENCE**

Bidders should notify the POC of their intent to attend by submitting a "Notification of Intent to Attend the Pre-Proposal Conference Form" (see Form B) by hand-delivery, U.S. Mail, or email at as.materielpurchasing@nebraska.gov

G. **PRICES**

All prices, costs, and terms and conditions submitted in the proposal shall remain fixed and valid commencing on the opening date of the proposal until the contract terminates or expires.

The State reserves the right to deny any requested price increase. No price increases are to be billed to any State Agencies prior to written amendment of the contract by the parties.

H. **SECRETARY OF STATE/TAX COMMISSIONER REGISTRATION REQUIREMENTS (Statutory)**

All bidders must be authorized to transact business in the State of Nebraska and comply with all Nebraska Secretary of State Registration requirements. The bidder who is the recipient of an Intent to Award will be required to certify that it has complied and produce a true and exact copy of its current (within ninety (90) calendar days of the intent to award) Certificate or Letter of Good Standing, or in the case of a sole proprietorship, provide written documentation of sole proprietorship and complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at http://das.nebraska.gov/materiel/purchasing.html. This must be accomplished prior to execution of the contract.

I. **ETHICS IN PUBLIC CONTRACTING**

The State reserves the right to reject bids, withdraw an intent to award or award, or terminate a contract if a bidder commits or has committed ethical violations, which include, but are not limited to:

1. Offering or giving, directly or indirectly, a bribe, fee, commission, compensation, gift, gratuity, or anything of value to any person or entity in an attempt to influence the bidding process;
2. Utilize the services of lobbyists, attorneys, political activists, or consultants to influence or subvert the bidding process;
3. Being considered for, presently being, or becoming debarred, suspended, ineligible, or excluded from contracting with any state or federal entity:
4. Submitting a proposal on behalf of another Party or entity; and
5. Collude with any person or entity to influence the bidding process, submit sham proposals, preclude bidding, fix pricing or costs, create an unfair advantage, subvert the bid, or prejudice the State.

The Bidder shall include this clause in any subcontract entered into for the exclusive purpose of performing this contract.

Bidder shall have an affirmative duty to report any violations of this clause by the Bidder throughout the bidding process, and throughout the term of this contract for the successful Bidder and their subcontractors.

J. **DEVIATIONS FROM THE REQUEST FOR PROPOSAL**

The requirements contained in the RFP become a part of the terms and conditions of the contract resulting from this RFP. Any deviations from the RFP in Sections II through VI must be clearly defined by the bidder in its proposal and, if accepted by the State, will become part of the contract. Any specifically defined deviations must not be in conflict with the basic nature of the RFP, requirements, or applicable state or federal laws or statutes. "Deviation", for the purposes of this RFP, means any proposed changes or alterations to either the contractual language or deliverables within the scope of this RFP. The State discourages deviations and reserves the right to reject proposed deviations.

K. **SUBMISSION OF PROPOSALS**

Bidders should submit one proposal marked on the first page: "ORIGINAL". If multiple proposals are submitted, the State will retain one copy marked "ORIGINAL" and destroy the other copies. The Bidder is solely responsible for any variance between the copies submitted. Proposal responses should include the completed Form A, "Bidder Contact Sheet". Proposals must reference the RFP number and be sent to the specified address. Please note that the address label should appear as specified in Section I B. on the face of each container or bidder's bid response packet. If a recipient phone number is required for delivery purposes, 402-471-6500 should be used. The RFP number should be included in all correspondence.

Emphasis should be concentrated on conformance to the RFP instructions, responsiveness to requirements, completeness, and clarity of content. If the bidder's proposal is presented in such a fashion that makes evaluation difficult or overly time consuming the State reserves the right to reject the proposal as non-conforming.

By signing the "Request for Proposal for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this RFP.

The State shall not incur any liability for any costs incurred by bidders in replying to this RFP, in the demonstrations and/or oral presentations, or in any other activity related to bidding on this RFP.

The Technical and Cost Proposals Template should be presented in separate sections (loose-leaf binders are preferred) on standard 8 ½" x 11" paper, except that charts, diagrams and the like may be on fold-outs which, when folded, fit into the 8 ½" by 11" format. Pages may be consecutively numbered for the entire proposal, or may be numbered consecutively within sections. Figures and tables should be numbered consecutively within sections. Figures and tables should be numbered and referenced in the text by that number. They should be placed as close as possible to the referencing text.

L. **BID PREPARATION COSTS**

The State shall not incur any liability for any costs incurred by Bidders in replying to this RFP, including any activity related to bidding on this RFP.

M. **FAILURE TO COMPLY WITH REQUEST FOR PROPOSAL**

Violation of the terms and conditions contained in this RFP or any resultant contract, at any time before or after the award, shall be grounds for action by the State which may include, but is not limited to, the following:

1. Rejection of a bidder's proposal;
2. Withdrawal of the Intent to Award;
3. Withdrawal of the Award;
4. Termination of the resulting contract;
5. Legal action; and
6. Suspension of the bidder from further bidding with the State for the period of time relative to the seriousness of the violation, such period to be within the sole discretion of the State.

N. **BID CORRECTIONS**

A bidder may correct a mistake in a bid prior to the time of opening by giving written notice to the State of intent to withdraw the bid for modification or to withdraw the bid completely. Changes in a bid after opening are acceptable only if the change is made to correct a minor error that does not affect price, quantity, quality, delivery, or contractual conditions. In case of a mathematical error in extension of price, unit price shall govern.

O. **LATE PROPOSALS**

Proposals received after the time and date of the proposal opening will be considered late proposals. Late proposals will be returned unopened, if requested by the bidder and at bidder's expense. The State is not responsible for proposals that are late or lost regardless of cause or fault.

P. **PROPOSAL OPENING**

The opening of proposals will be public and the bidders will be announced. Proposals **WILL NOT** be available for viewing by those present at the proposal opening. Vendors may contact the State to schedule an appointment for viewing proposals after the Intent to Award has been posted to the website. Once proposals are opened, they become the property of the State of Nebraska and will not be returned.

Q. **REQUEST FOR PROPOSAL/PROPOSAL REQUIREMENTS**

The proposals will first be examined to determine if all requirements listed below have been addressed and whether further evaluation is warranted. Proposals not meeting the requirements may be rejected as non-responsive. The requirements are:

1. Original Request for Proposal for Contractual Services form signed using an indelible method;
2. Clarity and responsiveness of the proposal;
3. Completed Corporate Overview;
4. Completed Sections II through VI;
5. Completed Technical Approach; and
6. Completed State Cost Proposal Template.

R. **EVALUATION COMMITTEE**

Proposals are evaluated by members of an Evaluation Committee(s). The Evaluation Committee(s) will consist of individuals selected at the discretion of the State. Names of the members of the Evaluation Committee(s) will not be published prior to the intent to award.

Any contact, attempted contact, or attempt to influence an evaluator that is involved with this RFP may result in the rejection of this proposal and further administrative actions.

S. **EVALUATION OF PROPOSALS**

All proposals that are responsive to the RFP will be evaluated. Each evaluation category will have a maximum point potential. The State will conduct a fair, impartial, and comprehensive evaluation of all proposals in accordance with the criteria set forth below. Areas that will be addressed and scored during the evaluation include:

1. Corporate Overview should include but is not limited to:
   - **a.** the ability, capacity, and skill of the bidder to deliver and implement the system or project that meets the requirements of the RFP;
   - **b.** the character, integrity, reputation, judgment, experience, and efficiency of the bidder;
   - **c.** whether the bidder can perform the contract within the specified time frame;
   - **d.** the quality of bidder performance on prior contracts;
   - **e.** such other information that may be secured and that has a bearing on the decision to award the contract;
2. Technical Approach; and,
3. Cost Proposal.

Neb. Rev. Stat. §73-107 allows for a preference for a resident disabled veteran or business located in a designated enterprise zone. When a state contract is to be awarded to the lowest responsible bidder, a resident disabled veteran or a business located in a designated enterprise zone under the Enterprise Zone Act shall be allowed a preference over any other resident or nonresident bidder, if all other factors are equal.

Resident disabled veterans means any person (a) who resides in the State of Nebraska, who served in the United States Armed Forces, including any reserve component or the National Guard, who was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions), and who possesses a disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense and (b)(i) who owns and controls a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in subdivision (a) of this subsection and (ii) the management and daily business operations of the business are controlled by one or more persons described in subdivision(a) of this subsection. Any contract entered into without compliance with this section shall be null and void.

Therefore, if a resident disabled veteran or business located in a designated enterprise zone submits a proposal in accordance with Neb. Rev. Stat. §73-107 and has so indicated on the RFP cover page under "Bidder must complete the following" requesting priority/preference to be considered in the award of this contract, the following will need to be submitted by the vendor within ten (10) business days of request:

1. Documentation from the United States Armed Forces confirming service;
2. Documentation of discharge or otherwise separated characterization of honorable or general (under honorable conditions);
3. Disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense; and
4. Documentation which shows ownership and control of a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in subdivision (a) of this subsection; and the management and daily business operations of the business are controlled by one or more persons described in subdivision (a) of this subsection.

Failure to submit the requested documentation within ten (10) business days of notice will disqualify the bidder from consideration of the preference.

Evaluation criteria weighting will be released with the RFP.

T. ORAL INTERVIEWS/PRESENTATIONS AND/OR DEMONSTRATIONS

The State may determine after the completion of the Technical and Cost Proposal evaluation that oral interviews/presentations and/or demonstrations are required. Every bidder may not be given an opportunity to interview/present and/or give demonstrations; the State reserves the right, in its discretion, to select only the top scoring bidders to present/give oral interviews. The scores from the oral interviews/presentations and/or demonstrations will be added to the scores from the Technical and Cost Proposals. The presentation process will allow the bidders to demonstrate their proposal offering, explaining and/or clarifying any unusual or significant elements related to their proposals. Bidders' key personnel, identified in their proposal, may be requested to participate in a structured interview to determine their understanding of the requirements of this proposal, their authority and reporting relationships within their firm, and their management style and philosophy. Only representatives of the State and the presenting bidder will be permitted to attend the oral interviews/presentations and/or demonstrations. A written copy or summary of the presentation, and demonstrative information (such as briefing charts, et cetera) may be offered by the bidder, but the State reserves the right to refuse or not consider the offered materials. Bidders shall not be allowed to alter or amend their proposals.

Once the oral interviews/presentations and/or demonstrations have been completed, the State reserves the right to make an award without any further discussion with the bidders regarding the proposals received.

Any cost incidental to the oral interviews/presentations and/or demonstrations shall be borne entirely by the bidder and will not be compensated by the State.

U. BEST AND FINAL OFFER

If best and final offers (BAFO) are requested by the State and submitted by the bidder, they will be evaluated (using the stated BAFO criteria), scored, and ranked by the Evaluation Committee. The State reserves the right to conduct more than one Best and Final Offer. The award will then be granted to the highest scoring bidder. However, a bidder should provide its best offer in its original proposal. Bidders should not expect that the State will request a best and final offer.

V. REFERENCE AND CREDIT CHECKS

The State reserves the right to conduct and consider reference and credit checks. The State reserves the right to use third parties to conduct reference and credit checks. By submitting a proposal in response to this RFP, the bidder grants to the State the right to contact or arrange a visit in person with any or all of the bidder's clients. Reference and credit checks may be grounds to reject a proposal, withdraw an intent to award, or rescind the award of a contract.

W. AWARD

The State reserves the right to evaluate proposals and award contracts in a manner utilizing criteria selected at the State's discretion and in the State's best interest. After evaluation of the proposals, or at any point in the RFP process, the State of Nebraska may take one or more of the following actions:

1. Amend the RFP;
2. Extend the time of or establish a new proposal opening time;
3. Waive deviations or errors in the State's RFP process and in bidder proposals that are not material, do not compromise the RFP process or a bidder's proposal, and do not improve a bidder's competitive position;
4. Accept or reject a portion of or all of a proposal;

5. Accept or reject all proposals;
6. Withdraw the RFP;
7. Elect to rebid the RFP;
8. Award single lines or multiple lines to one or more bidders; or,
9. Award one or more all-inclusive contracts.

The RFP does not commit the State to award a contract. Once intent to award decision has been determined, it will be posted to the Internet at:
http://das.nebraska.gov/materiel/purchasing.html

Grievance and protest procedure is available on the Internet at:
http://das.nebraska.gov/materiel/purchasing.html

Any protests must be filed by a bidder within ten (10) business days after the intent to award decision is posted to the Internet.

II. TERMS AND CONDITIONS

Bidders should complete Sections II through VI as part of their proposal. Bidder is expected to read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The bidder should also provide an explanation of why the bidder rejected the clause or rejected the clause and provided alternate language. By signing the RFP, bidder is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and bidder fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this RFP. The State of Nebraska reserves the right to reject proposals that attempt to substitute the bidder's commercial contracts and/or documents for this RFP.

The bidders should submit with their proposal any license, user agreement, service level agreement, or similar documents that the bidder wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the bidder's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control;
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together;
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

A. GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The contract resulting from this RFP shall incorporate the following documents:

1. Request for Proposal and Addenda;
2. Amendments to the RFP;
3. Questions and Answers;
4. Contractor's proposal (RFP and properly submitted documents);
5. The executed Contract and Addendum One to Contract, if applicable; and,
6. Amendments/Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to the executed Contract with the most recent dated amendment having the highest priority, 2) executed Contract and any attached Addenda, 3) Amendments to RFP and any Questions and Answers, 4) the original RFP document and any Addenda, and 5) the Contractor's submitted Proposal.

Any ambiguity or conflict in the contract discovered after its execution, not otherwise addressed herein, shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

B. **NOTIFICATION**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Contractor and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

Communications regarding the executed contract shall be in writing and shall be deemed to have been given if delivered personally or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth below, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or three (3) calendar days following deposit in the mail.

C. **GOVERNING LAW (Statutory)**

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.

The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

D. **BEGINNING OF WORK**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

E. **CHANGE ORDERS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the RFP. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.

No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

F. **NOTICE OF POTENTIAL CONTRACTOR BREACH**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

G. **BREACH**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

H. NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

I. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

J. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

1. GENERAL

The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, Subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this RFP.

3. **PERSONNEL**
The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and their employees, provided by the Contractor.

4. **SELF-INSURANCE**
The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

5. **ALL REMEDIES AT LAW**
Nothing in this agreement shall be construed as an indemnification by one Party of the other for liabilities of a Party or third parties for property loss or damage or death or personal injury arising out of and during the performance of this lease. Any liabilities or claims for property loss or damages or for death or personal injury by a Party or its agents, employees, contractors or assigns or by third persons shall be determined according to applicable law.

6. The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

K. **ATTORNEY'S FEES**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if order by the court, including attorney's fees and costs, if the other Party prevails.

L. **LIQUIDATED DAMAGES**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Failure to meet the dates for the deliverables as agreed upon by the parties may result in an assessment of liquidate damages due the State as noted below. Contractor will be notified in writing when liquidated damages will commence.

In events where the Contractor does not correct invoices, the State reserves the right to pursue one or more of the following remedies:

1. Withholding of payment on disputed invoices.
2. "Vendor Performance Report" Filed with Materiel Division.
3. Removing or suspending Contractor from State vendor list.
4. Additional legal action as deemed appropriate by the State.

Accurate billing, timely invoice delivery, and billing dispute resolutions are required, and repeated failure to meet these requirements will result in liquidated damages that compensate the State for all costs including labor for such resolutions. The State may choose to deduct an amount equal to the hourly labor rate for employees time spent identifying and disputing billing errors and tracking credits for billing errors. All billing errors must be corrected and/or credited within 60 days

FOR SERVICE DELIVERY NONCOMPLIANCE

For all orders placed after initial installation, committed due dates from the Contractor must be honored or liquidated damages may be assessed. If the committed due date for installation is not met within one day of the scheduled date, the Contractor must waive all installation charges, including labor for that particular order. If the install is not completed within three (3) days of the committed due date the Contractor must further waive the first month of charges for the services that are delayed.

M. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.

The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor's business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

N. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. §81-145, to use this contract. The terms and conditions, including price, of the contract may not be amended. The State shall not be contractually obligated or liable for any contract entered into pursuant to this clause. A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

O. **FORCE MAJEURE**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party, and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

P. **CONFIDENTIALITY**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.

It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000.

Q. **EARLY TERMINATION**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.
2. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.
3. The State may terminate the contract immediately for the following reasons:
    a. if directed to do so by statute;
    b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;

c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;

d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;

e. an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;

f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;

g. Contractor intentionally discloses confidential information;

h. Contractor has or announces it will discontinue support of the deliverable; and,

i. In the event funding is no longer available.

R. **CONTRACT CLOSEOUT**

Accept (Initial)	**Reject (Initial)**	**Reject & Provide Alternative within RFP Response (Initial)**	**NOTES/COMMENTS:**
ALLO			

Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;
2. Transfer ownership and title to all completed or partially completed deliverables to the State;
3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;
4. Cooperate with any successor Contactor, person or entity in the assumption of any or all of the obligations of this contract;
5. Cooperate with any successor Contactor, person or entity with the transfer of information or data related to this contract;
6. Return or vacate any state owned real or personal property; and,
7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

III. CONTRACTOR DUTIES

A. INDEPENDENT CONTRACTOR / OBLIGATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. Damages incurred by Contractor's employees within the scope of their duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law; and
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees.
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees)

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the bidder's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any Subcontractor engaged to perform work on this contract.

B. **EMPLOYEE WORK ELIGIBILITY STATUS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at http://das.nebraska.gov/materiel/purchasing.html

   The completed United States Attestation Form should be submitted with the RFP response.

2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.

3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

C. **COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)**

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for services to be covered by any contract resulting from this RFP.

D. **COOPERATION WITH OTHER CONTRACTORS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Contractor may be required to work with or in close proximity to other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals, and shall not commit or permit any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

E. **PERMITS, REGULATIONS, LAWS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

F. **OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

G. **INSURANCE REQUIREMENTS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not commence work on the contract until the insurance is in place. If Contractor subcontracts any portion of the Contract the Contractor must, throughout the term of the contract, either:

1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;
2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,
3. Provide the State with copies of each subcontractor's Certificate of Insurance evidencing the required coverage.

The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within one (1) years of termination or expiration of the contract, the contractor shall obtain an extended discovery or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and one (1) years following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

1. **WORKERS' COMPENSATION INSURANCE**
The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contactors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. **The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter**. The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

2. **COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE**
The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

   The Commercial General Liability Insurance shall be written on an **occurrence basis**, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. **The policy shall include the State, and others as required by the contract documents, as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory. The COI shall contain the mandatory COI liability waiver language found hereinafter.** The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

REQUIRED INSURANCE COVERAGE	
COMMERCIAL GENERAL LIABILITY	
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal/Advertising Injury	$1,000,000 per occurrence
Bodily Injury/Property Damage	$1,000,000 per occurrence
Medical Payments	$10,000 any one person
Damage to Rented Premises (Fire)	$300,000 each occurrence
Contractual	Included
XCU Liability (Explosion, Collapse, and Underground Damage)	Included
Independent Contractors	Included
Abuse & Molestation	Included
If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.	
WORKER'S COMPENSATION	
Employers Liability Limits	$500K/$500K/$500K
Statutory Limits- All States	Statutory - State of Nebraska
USL&H Endorsement	Statutory
Voluntary Compensation	Statutory
COMMERCIAL AUTOMOBILE LIABILITY	
Bodily Injury/Property Damage	$1,000,000 combined single limit
Include All Owned, Hired & Non-Owned Automobile liability	Included
Motor Carrier Act Endorsement	Where Applicable
UMBRELLA/EXCESS LIABILITY	
Over Primary Insurance	$5,000,000 per occurrence
PROFESSIONAL LIABILITY	
All Other Professional Liability (Errors & Omissions)	$1,000,000 Per Claim / Aggregate
COMMERCIAL CRIME	
Crime/Employee Dishonesty Including 3rd Party Fidelity	$1,000,000
CYBER LIABILITY	
Breach of Privacy, Security Breach, Denial of Service, Remediation, Fines and Penalties	$10,000,000
MANDATORY COI SUBROGATION WAIVER LANGUAGE	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
MANDATORY COI LIABILITY WAIVER LANGUAGE	
"Commercial General Liability & Commercial Automobile Liability policies shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured."	

If the mandatory COI subrogation waiver language or mandatory COI liability waiver language on the COI states that the waiver is subject to, condition upon, or otherwise limit by the insurance policy, a copy of the relevant sections of the policy must be submitted with the COI so the State can review the limitations imposed by the insurance policy.

3. **EVIDENCE OF COVERAGE**

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

Office of the CIO
Attn: Controller
501 South 14th Street
Lincoln, NE 68508

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

4. DEVIATIONS

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

H. **ANTITRUST**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

I. **CONFLICT OF INTEREST**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

By submitting a proposal, bidder certifies that there does not now exist a relationship between the bidder and any person or entity which is or gives the appearance of a conflict of interest related to this RFP or project.

The bidder certifies that it shall not take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder or which creates an actual or an appearance of conflict of interest.

The bidder certifies that it will not knowingly employ any individual known by bidder to have a conflict of interest.

The Parties shall not knowingly, for a period of two years after execution of the contract, recruit or employ any employee or agent of the other Party who has worked on the RFP or project, or who had any influence on decisions affecting the RFP or project.

J. **STATE PROPERTY**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor shall be responsible for the proper care and custody of any State-owned property which is furnished for the Contractor's use during the performance of the contract. The Contractor shall reimburse the State for any loss or damage of such property; normal wear and tear is expected.

K. **SITE RULES AND REGULATIONS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor shall use its best efforts to ensure that its employees, agents, and Subcontractors comply with site rules and regulations while on State premises. If the Contractor must perform on-site work outside of the daily operational hours set forth by the State, it must make arrangements with the State to ensure access to the facility and the equipment has been arranged. No additional payment will be made by the State on the basis of lack of access, unless the State fails to provide access as agreed to in writing between the State and the Contractor.

L. **ADVERTISING**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

M. **NEBRASKA TECHNOLOGY ACCESS STANDARDS (Statutory)**

Contractor shall review the Nebraska Technology Access Standards, found at http://nitc.nebraska.gov/standards/2-201.html and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

N. **DISASTER RECOVERY/BACK UP PLAN**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue services as specified under the specifications in the contract in the event of a disaster.

O. **DRUG POLICY**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

IV. PAYMENT

A. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)

Payments shall not be made until contractual deliverable(s) are received and accepted by the State.

B. TAXES (Statutory)

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor.

C. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. All invoicing requirements can be found in Attachments A, B, and C. Invoices shall be submitted to AS Accounting 1526 K St. Suite 240, Lincoln, NE 68508 .The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

D. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

The State and/or its authorized representatives shall have the right to enter any premises where the Contractor or Subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.

E. PAYMENT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

State will render payment to Contractor when the terms and conditions of the contract and specifications have been satisfactorily completed on the part of the Contractor as solely determined by the State. (Neb. Rev. Stat. Section 73-506(1)) Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment

Act (See Neb. Rev. Stat. §81-2401 through 81-2408). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

F. **LATE PAYMENT (Statutory)**

The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408).

G. **SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The State's obligation to pay amounts due on the Contract for a fiscal years following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

H. **RIGHT TO AUDIT (First Paragraph is Statutory)**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
ALLO			

The State shall have the right to audit the Contractor's performance of this contract upon a 30 days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. The State may audit and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the Contractor so elects, the Contractor may provide electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

The Parties shall pay their own costs of the audit unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one-half of one (.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.

V. PROJECT DESCRIPTION AND SCOPE OF WORK

The bidder should provide the following information in response to this RFP.

Proposals are being sought for the purpose of securing the most cost efficient Hosted Voice Over Internet Protocol Telephony (VOIP) Services. This solution will replace the State's Centrex service in select locations throughout the State as defined in Attachment D. The purpose of this RFP is to provide for phone service that includes the most up-to-date VOIP features and functionality as a hosted service with equipment ownership, maintenance and service remaining with the Contractor.

A. **VOIP HOSTING**

This RFP provides three options for bidding:

Option A, Office of the Chief Information Officer (OCIO)-Hosted Solution,
Option B, Carrier-Hosted Solution, and;
Option C, an Alternate Solution.

Bidders may bid on any or all options. In order for a bid to be considered for more than one option, a complete, separate proposal (Corporate, Technical, and Cost) must be submitted for **EACH** option. Each proposal submitted must clearly identify which option is being bid. The State will evaluate all proposals submitted within each separate option, (Option A, OCIO-Hosted, Option B, Carrier-Hosted, and Option C, Alternate) the highest scoring bidder will be identified for each option (A, B, C). The State will then make a determination as to which option will best meet the State's needs and make an award to the highest scoring bidder for that option.

The following defines the intent of this RFP:

1. **Option A: OCIO-Hosted Solution**:
The proposed solution's application in hardware, software, licensing, and all associated equipment would be maintained, supported, and managed by the Contractor and should be installed at the State's data Center. Network necessary to transport VOIP from the core platform out to the desktop would be owned and maintained by the State. PSTN connectivity resources will be provided by the State using SIP trunks.
See Attachment A for additional requirements.

2. **Option B: Carrier-Hosted Solution**:
This service will be provided by a PSC certified telecommunications carrier. The proposed solution's application hardware, software, licensing, all associated equipment infrastructure will be owned and maintained by the Contractor on the Contractor's premises. All connectivity necessary to deliver proposed service to the OCIO aggregation points in the Lincoln and Omaha data centers will be provided by the Contractor. Network necessary to transport VOIP from the Contractor's aggregation point in the State Data center out to the desktop would be owned and maintained by the State.
See Attachment B for additional requirements.

3. **Option C: An Alternate solution**: Other configurations could be proposed.
See Attachment C for additional requirements.

Office of the Chief Information Officer
The Nebraska OCIO is directly responsible for this project. The OCIO provides, for the State of Nebraska, leadership, project management, planning, implementation, and support services for Information Technology for the State of Nebraska. The OCIO will provide support for the project, including support for the technical planning, implementation, testing and maintenance of the new solution.

B. **PROJECT OVERVIEW**

The State currently utilizes traditional Centrex products to provide digital and analog telephony services in many locations. The purpose of this RFP is to secure a replacement of these services.

C. **PROJECT ENVIRONMENT**

The current telephony environment is a mix of Carrier provided Centrex, POTS lines, and State operated Cisco solutions. Integration with the bidders proposed solution may be possible if that integration is feasible and economical. Any proposed solution that integrates in a manner that reduces cost and increases current network resiliency and redundancy would be preferred however, is not required. See Attachment D for a list of current Centrex quantities by City. Bidder MUST be able to provide service to ALL communities listed on Attachment D and any other community within the State of Nebraska as deemed necessary during the course of the contract.

D. **SCOPE OF WORK**

The State is soliciting proposals for a qualified Contractor to provide a managed VOIP solution that will replace the current Centrex environment. Please see Attachment A – OCIO Hosted Solution, Attachment B – Carrier Hosted Solution and Attachment C – Alternative Solution for technical requirements.

VI. PROPOSAL INSTRUCTIONS

This section documents the requirements that should be met by bidders in preparing the Technical and Cost Proposal. Bidders should identify the subdivisions of "Project Description and Scope of Work" clearly in their proposals; failure to do so may result in disqualification. Failure to respond to a specific requirement may be the basis for elimination from consideration during the State's comparative evaluation.

Proposals are due by the date and time shown in the Schedule of Events. Content requirements for the Technical and Cost Proposal are presented separately in the following subdivisions; format and order:

A. PROPOSAL SUBMISSION

1. REQUEST FOR PROPOSAL FORM

By signing the "RFP for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this RFP, agrees to the Terms and Conditions stated in this RFP unless otherwise agreed to, and certifies bidder maintains a drug free work place environment.

The RFP for Contractual Services form must be signed using an indelible method (not electronically) and returned per the schedule of events in order to be considered for an award.

Sealed proposals must be received in the State Purchasing Bureau by the date and time of the proposal opening per the Schedule of Events. No late proposals will be accepted. No electronic, e-mail, fax, voice, or telephone proposals will be accepted.

It is the responsibility of the bidder to check the website for all information relevant to this solicitation to include addenda and/or amendments issued prior to the opening date. Website address is as follows: http://das.nebraska.gov/materiel/purchasing.html

Further, Sections II through VII must be completed and returned with the proposal response.

2. CORPORATE OVERVIEW

The Corporate Overview section of the Technical Proposal should consist of the following subdivisions:

a. BIDDER IDENTIFICATION AND INFORMATION

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

ALLO Response:
Full Company Name: ALLO Communications LLC
Address of Headquarters: 121 South 13th Street, Lincoln NE 68508
Entity Organization: Limited Liability Company (LLC)
State Incorporated: NE
Year organized: 2002

b. FINANCIAL STATEMENTS

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.

The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

ALLO Response: Financials: see attached Nelnet Inc. 10K as of 12/31/2017

Banking Info: Union Bank & Trust
3643 S 48th St
Lincoln NE 68506
Phone: 402.488.0941

c. **CHANGE OF OWNERSHIP**

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder should describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded vendor(s) will require notification to the State.

ALLO Response: The only organizational change since 2002 is the 12/2015 acquisition of 80% of ALLO by Nelnet, Inc.

d. **OFFICE LOCATION**

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

ALLO Response: ALLO Communications
330 S 21st
Lincoln, Ne 68510

e. **RELATIONSHIPS WITH THE STATE**

The bidder should describe any dealings with the State over the previous two (2) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the bidder should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

ALLO Response: ALLO provides service to State of Nebraska on awarded bids for voice and data.

f. **BIDDER'S EMPLOYEE RELATIONS TO STATE**

If any Party named in the bidder's proposal response is or was an employee of the State within the past twenty four (24) months, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

ALLO Response: ALLO employees working on this contract have not been an employee of the State of Nebraska for the last 24 months.

g. **CONTRACT PERFORMANCE**

If the bidder or any proposed Subcontractor has had a contract terminated for default during the past five (5) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the bidder or litigated and such litigation determined the bidder to be in default.

It is mandatory that the bidder submit full details of all termination for default experienced during the past five (5) years, including the other Party's name, address, and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past five (5) years, so declare.

If at any time during the past five (5) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all

circumstances surrounding such termination, including the name and address of the other contracting Party.
ALLO Response: ALLO has not had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason in the past 5 years.

h. **SUMMARY OF BIDDER'S CORPORATE EXPERIENCE**
The bidder should provide a summary matrix listing the bidder's previous projects similar to this RFP in size, scope, and complexity. The State will use no more than three (3) narrative project descriptions submitted by the bidder during its evaluation of the proposal.

The bidder should address the following:

1. Provide narrative descriptions to highlight the similarities between the bidder's experience and this RFP. These descriptions should include:

    a) The time period of the project;
    b) The scheduled and actual completion dates;
    c) The Contractor's responsibilities;
    d) For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
    e) Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a bidder performed as the prime Contractor, the description should provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

ALLO Response:
Executive Summary

ALLO Communications is a Nebraska Eligible Telecommunications Carrier certified by the Nebraska Public Service Commission in 2003. We are a Nebraska-based and Nebraska-owned communications company offering fiber optic local telephone, long distance, broadband, internet and television services and telephone equipment to governmental entities, businesses and residents in Nebraska. We believe our technology advantage combined with superior Nebraska-based customer service is our competitive advantage.

ALLO has more than 500 telecom professionals in Nebraska installing and operating our all-fiber networks. Our parent company, Nelnet (NYSE-NNI), has an additional 2,500 Nebraska employees providing call center, information technology, and executive support enhancing ALLO's current and future capabilities. By the year end 2018, ALLO expects to have ubiquitous fiber that passes the governmental entities, businesses, and residents in Nebraska communities totaling more than 400,000 population, or more than 40% of the Nebraska population outside of the Omaha metro area. Through on-going investments from corporate cash flows and Nelnet's investment-grade debt rating, ALLO expects to continue our rapid local fiber expansion in Nebraska and neighboring states.

ALLO has reviewed and understands the requirements of RFP 5824 Z1. ALLO agrees to comply with the Terms and Conditions as described in ALLO's response to the request for proposal.

ALLO's solution will utilize our existing network connections to the State of Nebraska's network in Omaha, Lincoln, and Scottsbluff creating valuable redundancy and disaster-recovery capabilities. Additionally, ALLO will (at no incremental non-recurring charge) expand our fiber facilities to connect significant locations for this RFP located in our current and future markets providing unmatched fiber coverage for the State of Nebraska.

Telecom Expertise

ALLO is excited to offer the State of Nebraska our solution for converting existing Centrex to a more modern solution. ALLO has successfully partnered with the State of Nebraska in converting Centrex services in other parts of Nebraska. ALLO will not only provide the same high quality customer service, but also continue to serve the State of Nebraska with a team that has remained very consistent over the past decade including Brad Moline-President, Allison O'Neil-VP Customer Operations, Jeff Kuenne-EVP Network Operations, Nick Colton-Director Technical Services, and Christina Peterson-Manager Enterprise Customer Service. With our Lincoln expansion, additions to the team make ALLO's service team stronger including Kathy Carstenson-Director Business Sales, Tim Hahn – Business Sales Engineer, Sonya Pinneo Manager of Hosted PBX Specialist and our 400 person local Lincoln team.

In 2018, ALLO virtualized our Metaswitch to add capabilities and redundancy from locations in Denver, Colorado and Bellevue, Nebraska. The project, which included expanding capacity on our regional network, was complex but readies ALLO for future needs of the State of Nebraska and our other customers. ALLO continues to be the Nebraska leader in telecommunications capabilities and in our opinion with our recent upgrades and expansion has widened the gap from our competitors.

1) Home Real Estate 2015 through 2016

Home Real Estate and ALLO teamed up in 2015 to provide a Hosted PBX solution 7 locations and over 180 HPBX phones, auto attendants and music and voice mail. HPBX was installed using customers' existing network to provide the HPBX phones to all their Lincoln and Grand Island offices. ALLO worked closely with Home Real Estate voice and data team to make sure the QoS was set correctly to provide crystal clear voice quality. Home Real Estate has several locations a schedule was set by Home Real Estate and ALLO to cut each department over one at a time. Our HPBX team interviewed each department and designed the call flow to meet the customer needs, they programed the phones, set the phones out and tested the phones. Once everyone was satisfied with the testing results a date was set to cut them over. ALLO remained on site until all questions had been answered and customer was satisfied.
The installation time was longer than usual because the customer was in the process of building a new building and they wanted to wait until they moved in.

Now that we are local in Lincoln ALLO is installing fiber to each location to provide DR for the voice. By installing a separate fiber feed into the building the voice will have a back feed in case the data network should go down. The HPBX phone lines will automatically switch over to the ALLO network if our HPBX system senses the call can't be completed.

All work was completed by ALLO employees. ALLO worked closely with Home Services/Home Real Estate Corp to make sure the transition is hassle free.

Reference:
Ben Dinger – 402-434-3737

2) Landscapes Unlimited. 10/20/15 through 12/15/15

Landscapes Unlimited has 2 locations with over 80 HPBX Lines. ALLO installed the HPBX over customer network connecting locations. ALLO worked with the IT team to make sure the customer network could handle voice. Once the customer owned POE switches were programed and tested ALLO interviewed, programed the phones and trained both offices.

All work was completed by ALLO employees. ALLO worked closely with Landscapes Unlimited to make the transition is hassle free.

Reference:
Brad Jurgensen – 402-423-6653

3) **State of Nebraska**

During the fourth quarter of 2006, ALLO converted substantially all of the Centrex lines (450 stations in numerous locations) that were previously with Embarq to ALLO's service in Scottsbluff and Gering. The project included replacing outdated telephones where needed with IP telephones, upgrading services on the IP and analog telephones, and adding numerous vertical features. The time frame for the project included work to be completed by October 1, 2006. The time frame was not possible due to the fact that long runs of fiber needed to be constructed and the contract was awarded with a very short time frame to complete. ALLO worked with the Office of the CIO to complete the project on a mutually agreed upon revised completion date. The project was completed at the rates stated in the contract.

The State of Nebraska is now served entirely by a fiber-based service that includes modern telephones (where requested) and modern capabilities. The fiber has allowed ALLO to increase the number of lines needed at a facility without additional construction. In most cases, additional lines have been live in 24 hours. Data connectivity has also been modified in an immediate time frame when necessary.

ALLO Communications also provides services for the Health and Human Services Scottsbluff call center, Network Nebraska connections, and various other services.

ALLO was the prime contractor on the project and did not use subcontractors except for fiber construction. This solution includes use of LAN extensions, voicemail, call distribution and other features of ALLO's hosted PBX solutions.

Reference-
Bob Howard, Lana Brox, Jayne Scofield, Jim Sheets
State of Nebraska
Office of the CIO
Lincoln, NE

4) ALLO Communications: 2002 on going 2018
ALLO had over 400 employees and we all use all our Hosted PBX solution features. We have offices in Lincoln, North Platte, Alliance, Bridgeport, Ogallala, Scottsbluff and Gering.

Reference:
Brad Moline – 308-633-7802

2. Contractor and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.
ALLO Response: ALLO does not intend to use Subcontractors. If the need should change, ALLO will meet with OCIO to make sure they approve of our selection.

3. If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the Contractors above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.
ALLO Response: ALLO does not intend to use Subcontractors. If the need should change, ALLO will meet with OCIO to make sure they approve of our selection.

i. **SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH**

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this RFP. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder should provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the bidder's understanding of the skill mixes required to carry out the requirements of the RFP in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

ALLO Response:
ALLO has selected the following project team that has years of telephony experience, leadership, large depth of knowledge on installation best practices and technology excellence.

Name	Title	Report To	Responsible for
Tim Hahn	Sales Engineer/Project	Kathy Carstenson	Project Mangager
Tadd Vanschoiack	Sales Engineer	Kathy Carstenson	Support to Project manager and Hosted PBX Specialist
Kristan Cross	Accunt Manger	Chris Peterson	NISC, 1st line of trouble, billing over all customer customer specilist
Thomas Scheele	Hosted PBX Specialist	Sonya Pinneo	Customer interview, site surve, programing, testing and training.
Mathew Greenwo	Hosted PBX Specialist	Sonya Pinneo	Customer interview, site surve, programing, testing and training.
Kyle Nichols	Hosted PBX Specialist	Chris Peterson	Customer interview, site surve, programing, testing and training.
Drew Roberts	Network Engineer	Jill McDaniel	Work with IT team to make sure network is set up. (DHCP,Qos and VLANS)
Jay Gregg	Network Engineer	Jill McDaniel	Work with IT team to make sure network is set up. (DHCP,Qos and VLANS)
Kathy Carstenson	Director of Sales	Brad Moline	Over all project and customer expecations.

j. **DEDICATED SUPPORT AND REPAIR TEAM**

The bidder must provide a single point of contact who is qualified to support the activities of order, installation and repair. The bidder must provide a list of personnel who will be assigned to the contract resulting from this RFP, as well as a current resume for each.

The State reserves the right to require the Contractor to replace any account team representative when the State determines that their performance is less than satisfactory. The Contractor must agree to make any requested replacement within 30 calendar days.

The bidder must provide a list of contacts and telephone numbers for personnel who can be called upon during emergencies. These contacts must have the authority to expedite the installation and/or restoration of State service, and be willing to work directly with OCIO personnel 24 hours a day, 365 days a year. These Contractor personnel may be contacted periodically and their contact numbers verified as the OCIO conducts preparedness exercises.
ALLO Response: ALLO understands and accepts.
Tim Hahn will be the single point of contact for the installation of contract.
After installation, Kristin Cross will be your account manager for any questions or to report trouble. If additional services and support are needed, Kristin will involve the appropriate personnel at ALLO.

See the following escalation list for services.

Name	Title	Report To	Responsible for
Tim Hahn	Sales Engineer/Project Manager	Kathy Carstenson	Project Mangager
Kristan Cross	Accunt Manger	Chris Peterson	NISC, 1st line of trouble, billing over all customer customer specilist
Thomas Scheele	Hosted PBX Specialist	Sonya Pinneo	Customer interview, site surve, programing, testing and training.
Kyle Nichols	Hosted PBX Specialist	Chris Peterson	Customer interview, site surve, programing, testing and training.
Kathy Carstenson	Director of Sales	Brad Moline	Over all project and customer expecations.
NOC	888-760-2556	Jason Wisman	24x7 Support number for Enterprize customers.
1ST LEVEL (1ST HOUR)	**On Duty Technician**	z-AllorepairCBC@allophone.net	888-760-2556
2nd LEVEL (2ND HOUR)	**Darryl Phillips** NOC Supervisor	Dphillips2@allophone.net	720-372-4663 x6001 (O) 303-507-2694 (M)
3rd LEVEL (3rd HOUR)	**Larry Lee, Jr.** Sr. Manager, Network Operations	lleejr@allophone.net	308-633-7997 (O) 720-232-5016 (M)
4th LEVEL (4th HOUR)	**Jason Wissman** Director, Network Operations	jwissman@allophone.net	308-633-7994 (O) 720-438-8648 (M)
5th LEVEL (5th HOUR)	**Jeff Kuenne** VP, Network Operations	jkuenne@allophone.net	308-633-7822 (O) 816-716-7224 (M)

k. PERSONNEL AND MANAGEMENT APPROACH

A major factor in the success of the Project is the degree of collaboration between Contractor staff, the OCIO, and Agency staff. The Contractor is expected to work with key OCIO stakeholders, management and subject matter experts throughout the business and technology enterprise when conducting the project activities and developing the work products and deliverables. The Contractor is required to propose a project approach that incorporates the involvement of the OCIO staff in order to obtain information and feedback necessary to produce quality work products and deliverables.

In recognition of this, the OCIO has established a dedicated project team and management structure that will participate with the Contractor on the project. The bidders shall propose a project approach that incorporates assignments to the OCIO staff to affect knowledge transfer and collaborate in producing project deliverables. The meaningful participation of the OCIO throughout the project is critical to the successful operation of the VOIP system. While OCIO staff will participate in all contract activities, the Contractor remains responsible for the creation of all deliverables.

ALLO Response:

ALLO Hosted PBX Communication's policy is substantially the same philosophy that ALLO has utilized over the past decade supporting the OCIC. ALLO support personnel will perform the duties listed below and work closely with the OCIO project team to deliver excellent voice services in a hassle-free manner.

After the contract award a kick off meeting will be scheduled to introduce the OCIO project team to ALLO's OCIO project team.

Prior to any work being completed, we must agree on the following:

- Customer Contact details (OCIO dedicated project team and management)
- ALLO's Hosted PBX Proposal meetscustomer expectations
- Site Survey Requirements
- Existing Infrastructure
- Expected Time Schedules
- Other project dependencies
- End User Training

Project Manager Responsibilities:

- Preparation of detailed project plan
- Manage Scope and schedules
- Ensure project standards are followed
- Ensure quality of deliverables
- Communicate project progress to stake holders at regular predetermined intervals
- Escalate any issues encountered and support in resolving the same.
- Responsible for scope change management
-
- Documentation
- Key stakeholder in the go/no-go decision.
- Project Handover (end of project installation)
- 30 Day and on-going follow up

The Project Manager will be your main point of contact throughout the installation project. They will be responsible for working with OCIO project team to generate the project time line and assigning tasks to all team members.

Hosted Support Specialist is the lead specialist on installations.
Hosted Support Specialist Responsibilities:

- Equipment pre-checks
- Programming discussions
- Installation of equipment
- Carrying out programming and configuration
- Organize end user Training
- Basic user training
- Administrator training
- Project handover (end of installation project)
- Verify site surveys are completed and site is ready for HPBX phone installation.

Network Engineer Responsibilities:

- Support for the Hosted Support Specialist
- Responsible for DHCP requirements
- Network switch settings/QoS
- VLAN Tag
-
- With the OCIO IT team, ensure the network is optimized for voice services utilizing best practices.

Customer Contact Details

- OCIO Project Leader
- OCIO project team
- Site contacts (for each site)

Survey Requirements

The ALLO network engineers and hosted PBX specialist will verify that each site is ready for the project including cabling for hosted PBX phones and network verification.

LAN / WANS – ALLO and OCIO project personnel will discuss and document OCIO local network design including:

- Network Switches
- Router / Firewall
- MPLS / VPN
- DHCP Server

Expected Time Lines

Mutually agreed upon time lines will be set once the overall project is defined including installation, testing, and turnover of the individual sites and the project as a whole.

End User Training

ALLO offers a wide range of training for Hosted PBX users. Our professional trainers will tailor a training course to match OCIO business needs including basic, call center agent, and administrator instruction. Training will be completed by Hosted PBX Specialist.

Telephone Handset Training

User training will cover all aspects of their handset features. Our basic user training includes answering, transferring and holding calls, accessing and programming speed dials, conferencing, diverting and utilizing all feature buttons.

- Recommended class size would not excedd 12 users and 45 minutes.
- Training may extend to 1hr 30mins if voicemail and end user software training is incorporated

Voice Mail Training

ALLO's voice mail user training is often concurrent with handset training. These sessions cover setup, mailbox personalization, etiquette, diverting calls from handset to the voicemail, accessing the voicemail system internally and remotely, and other common feature operations.

Call Center Supervisor / Manager Training

This training session is suitable for anyone managing call center / contact center statistical & MIS or call center administration responsibilities. The training course will cover: Report generation, filtering of statistics by extensions, agents and hunt groups, screen layouts, real time & historical call reporting and agent profiles and more.

Call Center Agent Training

Call center users/agents will receive interactive training including call handling, answering conditions, logging in and out of groups, break/pause, wrap-up and other call center features.

System Administrator Training

The system administrator course occurs post-installation and held on the customer site within 2-4 weeks of conversion. This course is for personnel responsible for the system programming, making moves and changes on the telephone system and will cover the following areas of phone system programming:

- Extension / Users / Agents setup
- Hunt / ACD groups
- Lines & DDI programming
- Voice mail boxes
- Call routing announcements / comfort messages
- Voice mail to email setup

  Duration: 2 hrs – maximum attendees 4 staff

Summary

ALLO Communications will provide a professional experience and recognize your needs as a customer. Once the Hosted PBX installation completes and the telecom engineers leave,. ALLO will continue to support your needs as we have for the past decade. ALLO's service team, account manager and sales representative will continue to assist with your everyday needs.

I. **DEDICATED SUPPORT AND REPAIR TEAM**

The bidder must provide a single point of contact who is qualified to support the activities of order, installation and repair. The bidder must provide a list of personnel who will be assigned to the contract resulting from this RFP, as well as a current resume for each.

The State reserves the right to require the Contractor to replace any account team representative when the State determines that their performance is less than satisfactory. The Contractor must agree to make any requested replacement within 30 calendar days.

The bidder must provide a list of contacts and telephone numbers for personnel who can be called upon during emergencies. These contacts must have the authority to expedite the installation and/or restoration of State service, and be willing to work directly with OCIO personnel 24 hours a day, 365 days a year. These Contractor personnel may be contacted periodically and their contact numbers verified as the OCIO conducts preparedness exercises.
ALLO Response: ALLO understands and accepts.
Tim Hahn will be the single point of contact for the installation of contract.
After the installation, Kristin Cross will be your account manager for any questions or issues. See the following escalation list for services.

Name	Title	Report To	Responsible for
Tim Hahn	Sales Engineer/Project Manager	Kathy Carstenson	Project Mangager
Kristan Cross	Accunt Manger	Chris Peterson	NISC, 1st line of trouble, billing over all customer customer specilist
Thomas Scheele	Hosted PBX Specialist	Sonya Pinneo	Customer interview, site surve, programing, testing and training.
Kyle Nichols	Hosted PBX Specialist	Chris Peterson	Customer interview, site surve, programing, testing and training.
Kathy Carstenson	Director of Sales	Brad Moline	Over all project and customer expecations.
NOC	888-760-2556	Jason Wisman	24x7 Support number for Enterprize customers.
1ST LEVEL (1ST HOUR)	**On Duty Technician**	z-AllorepairCBC@allophone.net	888-760-2556
2nd LEVEL (2ND HOUR)	**Darryl Phillips** NOC Supervisor	Dphillips2@allophone.net	720-372-4663 x6001 (O) 303-507-2694 (M)
3rd LEVEL (3rd HOUR)	**Larry Lee, Jr.** Sr. Manager, Network Operations	lleejr@allophone.net	308-633-7997 (O) 720-232-5016 (M)
4th LEVEL (4th HOUR)	**Jason Wissman** Director, Network Operations	jwissman@allophone.net	308-633-7994 (O) 720-438-8648 (M)
5th LEVEL (5th HOUR)	**Jeff Kuenne** VP, Network Operations	jkuenne@allophone.net	308-633-7822 (O) 816-716-7224 (M)

m. PROJECT MANAGER

The Bidder's proposal must describe policies, plans and intentions with regard to maintaining continuity of key personnel and the implementation team assigned to the project to avoid and minimize the impact of necessary staff changes.

ALLO Response: ALLO takes great pride in providing world class customer service and understands the importance of keeping key personnel and the implementation team assigned for the duration of the project. Historically, ALLO has had little employee turnover which has created a relatively consistent team. The Lincoln expansion provides numerous additional local resources which provide exceptional service in a team structure. In the unlikely event of employee turnover, the team will have the knowledge of the State's account which should minimize service gaps.

n. SUBCONTRACTORS

If the bidder intends to Subcontract any part of its performance hereunder, the bidder should provide:

- **a)** name, address, and telephone number of the Subcontractor(s);
- **b)** specific tasks for each Subcontractor(s);
- **c)** percentage of performance hours intended for each Subcontract; and
- **d)** Total percentage of Subcontractor(s) performance hours.

ALLO Response:

ALLO does not intend to use Subcontractors. If a subcontractor is necessary, ALLO will gain OCIO approval of the contractor..

3. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections:

a. Understanding of the project requirements;

b. Proposed development approach;
c. Technical considerations,
d. Attachments A, B, and/or C,
e. Detailed project work plan; and
f. Deliverables and due dates.

VII. COST PROPOSAL REQUIREMENTS

This section describes the requirements to be addressed by bidders in preparing the State's Cost Sheet. The bidder must use the State's Cost Sheet. The bidder should submit the State's Cost Sheet in accordance with Section I Submission of Proposal.

THE STATE'S COST SHEET AND ANY OTHER COST DOCUMENT SUBMITTED WITH THE PROPOSAL SHALL NOT BE CONSIDERED CONFIDENTIAL OR PROPRIETARY AND IS CONSIDERED A PUBLIC RECORD IN THE STATE OF NEBRASKA AND WILL BE POSTED TO A PUBLIC WEBSITE.

This section describes the requirements to be addressed by bidders in preparing the Cost Proposal. The bidder must submit the Cost Proposal in a section of the proposal that is a separate section or is packaged separately as specified in this RFP from the Technical Proposal section. For Option A: OCIO-Hosted, see Attachment A; for Option B: Carrier-Hosted, see Attachment B; for Option C: Alternate solution, see Attachment C.

A. **PRICING SUMMARY**

The State reserves the right to review all aspects of the Cost Proposal for reasonableness and to request clarification of any proposal where the cost component shows significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

1. COST SHEET

This summary shall present the total fixed price to perform all of the requirements of the RFP. The bidder must include details in the State's Cost Sheet supporting any and all costs.

Option A: OCIO-Hosted, see Attachment E, for Option B: Carrier-Hosted, see Attachment E, for Option C: Alternate Solution, see Attachment E.

The State reserves the right to review all aspects of cost for reasonableness and to request clarification of any proposal where the cost component shows significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

2. PRICES

Prices quoted shall be net, including transportation and delivery charges fully prepaid by the bidder, F.O.B. destination named in the RFP. No additional charges will be allowed for packing, packages, or partial delivery costs. When an arithmetic error has been made in the extended total, the unit price will govern.

Form A
Bidder Contact Sheet
Request for Proposal Number 5824 Z1

Form A should be completed and submitted with each response to this RFP. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

Preparation of Response Contact Information	
Bidder Name:	ALLO Communications
Bidder Address:	330 South 21st Lincoln, Ne 68510
Contact Person & Title:	Kathy Carstenson
E-mail Address:	kcarstenson@allophone.net
Telephone Number (Office):	402-261-0932
Telephone Number (Cellular):	402-430-5269
Fax Number:	

Each bidder should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Bidder Name:	ALLO Communications
Bidder Address:	330 South 21st Lincoln, Ne 68510
Contact Person & Title:	Kathy Carstenson
E-mail Address:	kcarstenson@allophone.net
Telephone Number (Office):	402-261-0932
Telephone Number (Cellular):	402-430-5269
Fax Number:	

Form B
Notification of Intent to Attend Pre-Proposal Conference
Request for Proposal Number 5824 Z1

Bidder Name:	
Bidder Address:	
Contact Person:	
E-mail Address:	
Telephone Number:	
Fax Number:	
Number of Attendees:	

The "Notification of Intent to Attend Pre-Proposal Conference" form should be submitted to the State Purchasing Bureau via e-mail (as.materielpurchasing@nebraska.gov), hand delivered or US Mail by the date shown in the Schedule of Events.

REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance

BIDDER MUST COMPLETE THE FOLLOWING

with the procedures stated in this Request for Proposal, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that bidder maintains a drug free work place.

Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

__X__ NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this RFP.

______I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

______ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED USING AN INDELIBLE METHOD (NOT ELECTRONICALLY)

FIRM:	**ALLO Communications LLC**
COMPLETE ADDRESS:	**330 S 21st Lincoln, Ne 68510**
TELEPHONE NUMBER:	**402-261-0932**
FAX NUMBER:	
DATE:	**6/5/18**
SIGNATURE:	Kathy Carstenson
TYPED NAME & TITLE OF SIGNER:	**Director of Business Sales**

Attachment B

Attachment B Revision One

Mandatory Requirements Checklist (MRC)
Option B: Carrier Hosted Solution
Request for Proposal Number 5824 Z1

Bidders must respond to the Mandatory Requirements Checklist using the matrix format provided and must not change the order or number of the requirements.

The responses in the MRC must indicate that the bidder intends to comply with each individual requirement by initialing the Acceptance box. Initialing the box with a no will be considered as not meeting the requirements of the bid and the bidder's proposal will be disqualified.

Received via e-mail 6/6/18

	Mandatory System Requirements	Y/N
MSR – 1	The bidder's solution must provide call forwarding, both inside and outside of the system.	Y
MSR – 2	The State will use telephone sets in line with computer workstations. All telephone sets provided by the Contractor must include an internal switch.	Y
MSR – 3	The bidder's solution must provide call transfer and redial inside and outside of the system.	Y
MSR – 4	The bidder's solution must provide caller ID capability for both the called and calling party. This feature must apply to internal and external calls.	Y
MSR - 5	Telephone sets must support Power over Ethernet (PoE) IEEE standard 802.03af.	Y
MSR - 6	The System must be configured so that all internal calling will be 10 Digit dialing. All local calling will be dialed using 9 + xxx-xxx-xxxx, and toll calling dialed using 9 + 1-xxx-xxx-xxxx.	Y
MSR - 7	The bidder must provide a list of contacts and telephone numbers for personnel who can be called upon during emergencies. These contacts must have the authority to expedite the installation and/or restoration of State service, and be willing to work directly with OCIO personnel 24 hours a day, 365 days a year. These Contractor personnel may be contacted periodically and their contact numbers verified as the OCIO conducts preparedness exercises.	Y
MSR – 8	Bidder's solution must be capable of restricting toll, and/or international calling from stations designated by the State. Bidder must also restrict dialing to 900/976 numbers.	Y
MSR-9	In most cases the State will be utilizing existing telephone numbers. The Contractor's system must be capable of supporting telephone numbers ported from existing Centrex carriers. The OCIO will place orders for porting if necessary. The Contractor must provide the OCIO with reject information or Firm Order Commitment immediately upon receipt from the surrendering carrier. Describe your process for porting numbers from other carriers.	Y
MSR-10	The Contractor must be able to provide new telephone numbers when requested in each city on Attachment D. It is preferable that the Contractor reserve blocks of numbers in each community for use by the State.	Y
MSR-11	Bidder's solution must include all necessary connectivity to the Public Switched Telephone Network at no additional cost. Connectivity will include PSTN trunks/call paths in quantities necessary to support call volumes with a Grade of Service of P.01 or better during peak call periods. In addition, bidder's solution will include all equipment, software, licensing, installation, and maintenance necessary to support PSTN call paths	Y
MSR-12	Bidder must route all out bound toll calls to the State's contracted toll carrier, if requested, at no additional cost to the State.	Y
MSR-13	Unless otherwise mutually agreed to in writing, the Contractor will, during the contract period, maintain any and all software and licensing products at the most current version or no less than one version back from the most current version at no additional charge, provided that such third-party software version upgrades can be installed and maintained with the State staff indicated in the Proposal for the Maintenance and Support services. Any patches made available by equipment manufacturers must be applied by the Contractor at a time and date mutually agreed upon.	Y
MSR-14	All bidders must be certificated by the Nebraska Public Service Commission (NPSC) as an LEC or CLEC in every city as noted on Attachment D.	Y
MSR-15	Contractors must provide service in all of the city's listed on attachment D.	Y
MSR-16	The Contractor must provide for total security of information and its services. This must include holding all databases and call records as confidential. With the exception of requests made by Law Enforcement agencies and the OCIO, the Contractor may not release information concerning call records. The Contractor may not provide any information concerning service covered by this contract to any individuals or entities who engage in any form of telemarketing. The Contractor may not market their products or services to any State agency except the OCIO without prior written permission.	Y
MSR-17	The Contractor must provide a centralized trouble reporting and maintenance system that is staffed 24 hours a day, seven (7) days a week. Upon notification, the Contractor must repair trouble as soon as possible. A report of trouble clearance should be furnished to the State employee who reported the trouble within one hour of trouble clearance. A copy of the written trouble ticket should be provided to the State, when requested. If correction has not occurred within 8 hours, a report should be provided showing the plan to correct the problem inclusive of a projected correction time. The centralized trouble reporting center must provide notification to the State immediately after any occurrence of a service affecting network failure condition when the State has not previously reported such failure.	Y

MSR-18	The bidder must provide an escalation procedure and contact list to be used for unresolved troubles, including names, titles, and phone numbers of contact persons in the escalation chain.	Y
MSR-19	The bidder must provide Service Level Agreements (SLA)s that are applicable to the service being proposed	Y
MSR-20	The bidder must provide a plan of redundancy and business recovery. A copy of the plan must be included in the bidder's response. The plan must include back-up and alternative facilities/resources, plans, procedures, conditions, authorizations, response and recovery times, statistical history including MTTR, and other information needed to assess and ensure the Contractor's capability to recover with a minimum of service disruption or degradation. In the event a major outage occurs, response and recovery must begin immediately. The Contractor must restore service as soon as possible.	Y
MSR-21	Bidders must include the line cost of telephone sets, voicemail, and unified messaging in their monthly rate. Multiple monthly rates for categories of service (ie. basic, standard and premium) are required and must be included in the bidders cost proposal. Monthly rates must include all costs associated with service to include, but not limited to, equipment, licensing, software, and maintenance. Monthly rates may not increase over the term of the contract including all renewals and extensions. Each rate should include a complete description of the telephone set and line features provided. Station installation costs must be included as a separate line item in the cost proposal and must include configuration, telephone set placement, and turn-up. The state may choose to install some telephone sets using State Staff or utilize the Contractor for telephone set installation.	Y
MSR-22	Telephone sets must be repaired or replacement guaranteed and supported for the life of the contract	Y
MSR-23	The bidder's solution must provide music on-hold.	Y
MSR-24	Hunt Group capability must be available with the bidder's solution.	Y
MSR-25	Ring down capability must be available with the bidder's solution.	Y
MSR-26	The bidder's solution must be able to provide IP to analog conversion where needed	Y

	Mandatory Voice Mail Requirements	**Y/N**
MVMR-1	The bidders proposed solution must include a centralized Voice Mail system including system installation, engineering, implementation, maintenance, and support. The State will provide network from the Centralized voicemail system to the telephone sets.	Y
MVMR-2	The bidders proposed system must provide "announcement only" mailboxes where the caller cannot leave a message.	Y
MVMR-3	The State requires Unified Messaging.	Y
MVMR-4	The bidders proposed solution must include Automated Attendant features.	Y
MVMR-5	The proposed voice mail/unified messaging system must accommodate multiple levels of Automated Attendant menus of various lengths.	Y
MVMR-6	The proposed Automated Attendant must support automatic time, day, night and holiday routing schedules. (ie. Route calls to various destination numbers based on day/time).	Y

	Mandatory State Network Requirements	**Y/N**
MSNR-1	The State does not allow the utilization of Multicast. Does the proposed solution require the use of Multicast to support any of the proposed features?	N
MSNR-2	The State requires the use of 802.1x for network devices.	Y
MSNR-3	The Bidder's solution must be capable of encrypting their voice traffic using means provided by their chosen platform provider.	Y

	E911 Requirement	Y/N
E911-1	Would you be able to describe your procedure for making adds, moves, and deletions from the PSALI database?	Y
E911-2	Describe your procedure for making adds, moves, and deletions from the PSALI database.	Y

	Mandatory Billing Requirement	Y/N
MBR-1	The billing cycle for all Contractor provided services must end on the last day of each month, and the next billing cycle must begin the first day of the following month.	Y
MBR-2	A paper summary invoice must be delivered to the AS Accounting 1526 K St. Suite 240 Lincoln, NE 68508. The paper invoice must include all current services covering the previous calendar month and must be delivered by the 10th of the month. Bidders must include in their proposal snap shots depicting the actual invoice format that includes each service type offered.	Y
MBR-3	The paper invoice must show order activity detail and current monthly charges by service and must be organized in a clear and precise manner. An overall summary must provide total lines and total cost.	Y
MBR-4	An accurate electronic station-billing file must be delivered to the OCIO. This electronic file must include all current services covering the previous calendar month and must be received by the 10th of each month.	Y
MBR-5	The electronic record layout must be either "delimited" or "fixed length". There must be a separate line for each telephone number that includes, as a minimum, the following: 1. Station number 2. ASOC/USOC code or Product ID 3. Description 4. individual rate	Y
MBR-6	All charges and usage information related to billable calls must be provided in a separate electronic file each month covering the previous calendar month and must be received by the 10th of the month. In cases where the Contractor must bill for third party toll calls such as "collect calls", that file must itemize each call in detail and in consistent fixed length format. The format must include the following items: 1.Time of Day 2. Date of Call 3. Originating Number (calling number) 4. Originating City/State 5. Terminating Number (called number) 6. Terminating City/State 7. Call Duration (billable time) 8. Charges.	Y
MBR-7	Receiving electronic files must be an automated process. The State will not consider a CD, DVD or email attachment to be automated. Any process that relies on a single person at a desktop to receive data and manually extract or manipulate files will not considered automation. Current platforms supported by the State are Connect Direct (NDM), and SFTP. The Bidder's proposal must include a complete description of the proposed process for electronic file delivery.	Y
MBR-8	The bidder must provide the contact names, escalation procedures, and telephone numbers for billing questions and technical problems.	Y
MBR-9	Totals in both electronic files must match totals on the paper summary invoice. Paper summary invoices that do not match the electronic data file will not be paid until corrected.	Y
MBR-10	The bidder must provide an example of both electronic billing files. A single CD with sample billing files must be included in bid proposal.	Y

	Mandatory Business Requirement	Y/N
MBUR-1	The State will not accept any requirements by the bidder concerning minimum orders. The State may place orders for 1 line, or as many as 1000 lines at any given time, and will pay the same installation and monthly rate for each line regardless of the quantity of lines ordered.	Y

MBUR-2	Payment will be made only against invoices complying with the requirements listed above. Such payment will be made within 45 days of receipt of an acceptable invoice. Invoices, which are inaccurate, will not be paid until corrected. Upon notice to the Contractor of billing errors, the Contractor will be required to correct the invoice, and resubmit to the State. All invoices deemed inaccurate must be corrected by the Contractor and re-submitted within 60 days.	Y
MBUR-3	The OCIO will provide a list of State personnel to the Contractor that are authorized to place orders and make billing inquiries. The Contractor will not accept or act on orders and inquiries from anyone whose name does not appear on the OCIO provided list.	Y
MBUR-4	When requested by the State, the Contractor must provide reports including station inventory and physical addresses. The State prefers access to the above information through an on-line, near real time system via the Internet at no additional cost.	Y
MBUR-5	Volume commitments will not be accepted by the State. If the bidder submits a response that contains volume commitments, the bid may be rejected.	Y

Option B – Carrier Hosted Solution

		System Requirements **Carrier-hosted solution**	Supported (Y/N)	Explanation
MSR – 1	**R**	Bidder's solution must provide call forwarding, both inside and outside of the system.	Y	
MSR – 2	**R**	The State will use telephone sets in line with computer workstations. All telephone sets provided by the Contractor must include an internal 10/100/1000 baseT switch.	Y	
MSR – 3	**R**	The bidder's solution must provide call transfer and redial inside and outside of the system.	Y	
MSR – 4	**R**	The bidder's solution must provide caller ID for both the called and calling party. This feature must apply to internal and external calls.	Y	
MSR - 5	**R**	Telephone sets must support Power over Ethernet (PoE) IEEE standard 802.03af. Please provide the PoE current draw and power requirements for each phone proposed.	Y	Mitel 6867I – 6.49W Mitel 6865I – 6.49W
MSR - 6	**R**	The System must be configured so that all internal calling will be 10 Digit dialing. All local calling will be dialed using 9 + xxx-xxx-xxxx, and toll calling dialed using 9 + 1-xxx-xxx-xxxx.	Y	
MSR - 7	**R**	The bidder must provide a list of contacts and telephone numbers for personnel who can be called upon during emergencies. These contacts must have the authority to expedite the installation and/or restoration of State service, and be willing to work directly with OCIO personnel 24 hours a day, 365 days a year. These Contractor personnel may be contacted periodically and their contact numbers verified as the OCIO conducts preparedness exercises.	Y	
MSR – 8	**R**	Bidder's solution must be capable of restricting toll, and/or international calling from stations designated by the State. Bidder must also restrict dialing to 900/976 numbers.	Y	
MSR-9	**R**	In most cases the State will be utilizing existing telephone numbers. The Contractor's system must be capable of supporting telephone numbers ported from existing Centrex carriers. The OCIO will place orders for porting if necessary. The Contractor must provide the OCIO with reject information or Firm Order Commitment immediately upon receipt from the surrendering carrier. Describe your process for porting numbers from other carriers.	Y	Upon receiving an order for a port request from the State of Nebraska, ALLO will process the request within 24 hours and will notify the State of any rejections within the standard requirements of 5-7 business days. In the event of a large port request (100 + numbers), extra time will be required to allow the carriers to process the large request.

MSR-10	**R**	The Contractor must be able to provide new telephone numbers when requested in each city on Attachment D. It is preferable that the Contractor reserve blocks of numbers in each community for use by the State. Describe your process for providing new telephone numbers.	Y	When requesting new phone numbers; upon the request for new telephone numbers, ALLO can purchase and provide a block of numbers. ALLO will reserve said numbers until requested to put into service.
MSR-11	**R**	Bidder's solution must include all necessary connectivity to the Public Switched Telephone Network at no additional cost. Connectivity will include PSTN trunks/call paths in quantities necessary to support call volumes with a Grade of Service of P.01 or better during peak call periods. In addition, bidder's solution will include all equipment, software, licensing, installation, and maintenance necessary to support PSTN call paths	Y	
MSR-12	**R**	Bidder must route all out bound toll calls to the State's contracted toll carrier, if requested, at no additional cost to the State.	Y	
MSR-13	**R**	Unless otherwise mutually agreed to in writing, the Contractor will, during the contract period, maintain any and all software and licensing products at the most current version or no less than one version back from the most current version at no additional charge, provided that such third-party software version upgrades can be installed and maintained with the State staff indicated in the Proposal for the Maintenance and Support services. Any patches made available by equipment manufacturers must be applied by the Contractor at a time and date mutually agreed upon.	Y	
MSR-14	**R**	All bidders must be certified by the Nebraska Public Service Commission (NPSC) as an LEC or CLEC in every city as noted on Attachment D. Proposals submitted by bidders who are not certified by the NPSC will not be considered.	Y	
MSR-15	**R**	Contractors must provide service in all of the cities listed on Attachment D.	Y	
MSR-16	**R**	The Contractor must provide for total security of information and its services. This must include holding all databases and call records as confidential. With the exception of requests made by Law Enforcement agencies and the OCIO, the Contractor may not release information concerning call records. The Contractor may not provide any information concerning service covered by this contract to any individuals or entities who engage in any form of telemarketing. The Contractor may not market their products or services to any State agency except the OCIO without prior written permission.	Y	
MSR-17	**R**	The Contractor must provide a centralized trouble reporting and maintenance system that is staffed 24 hours a day, seven (7) days a week. Upon notification, the Contractor must repair trouble as soon as possible. A report of trouble clearance should be furnished to the State employee who reported the trouble within one hour of trouble clearance. A copy of the written trouble ticket should be provided to the State, when requested. If correction has not occurred within 8 hours, a report should be provided showing the plan to correct the problem inclusive of a projected correction time. The centralized trouble reporting center must provide notification to the State immediately after any occurrence of a service affecting network failure condition when the State has not previously reported such failure.	Y	

MSR-18	R	The bidder must provide an escalation procedure and contact list to be used for unresolved troubles, including names, titles, and phone numbers of contact persons in the escalation chain.	Y	See Attachment "ALLO NOC Escalation List".
MSR-19	R	The bidder must provide Service Level Agreements (SLA)'s that are applicable to the service being propose	Y	See Attachment "Service Level Agreement / Guaranty".
MSR-20	R	The bidder must provide a plan of redundancy and business recovery. A copy of the plan must be included in the bidder's response. The plan must include back-up and alternative facilities/resources, plans, procedures, conditions, authorizations, response and recovery times, statistical history including MTTR, and other information needed to assess and ensure the Contractor's capability to recover with a minimum of service disruption or degradation. In the event a major outage occurs, response and recovery must begin immediately. The Contractor must restore service as soon as possible.	Y	See Attachment "Redundancy and Business Recovery Plan".
MSR-21	R	Bidders must include the line cost of telephone sets, voicemail, and unified messaging in their monthly rate. Multiple monthly rates for categories of service (ie. basic, standard and premium) are required and must be included in the bidders cost proposal. Monthly rates must include all costs associated with service to include, but not limited to, equipment, licensing, software, and maintenance. Monthly rates may not increase over the term of the contract including all renewals and extensions. Each rate should include a complete description of the telephone set and line features provided. Station installation costs must be included as a separate line item in the cost proposal and must include configuration, telephone set placement, and turn-up. The state may choose to install some telephone sets using State Staff or utilize the Contractor for telephone set installation.	Y	See phone data sheets ALLO is providing two types of phones. Our basic, standard and premium have all the same features. The only difference would be the phone. Pricing includes all taxes and fees as are in place today. Should a Federal or State tax payable by the State be modified or added during the contract period, the rates will be adjusted accordingly.
MSR-22	R	Ring down capability must be available with the bidder's solution.	Y	
MSR-23	R	The bidder's solution must provide music on-hold.	Y	
MSR-24	R	Hunt Group capability must be available with the bidder's solution.	Y	
MSR-25	R	The bidder's solution must be able to provide IP to analog conversion on selected lines when needed.	Y	
MSR-26	R	Telephone sets will be repair or replacement warrantied and supported for the life of the contract, including all renewals and extensions. Describe your procedure for replacing non-working telephone sets.	Y	ALLO will stock additional phones on site that are already provisioned. In the event that a phone needs replaced customer can either contact ALLO or give us the MAC address of the phone or the customer can enter the MAC address themselves in the Customer Comm Portal.
SR -27		Does the bidder's solution offer the Do Not Disturb Feature?	Y	

SR - 28		Does the bidder's solution provide a three month intercept message feature for lines that have been recently disconnected?	Y	
SR - 29		Does the bidder's solution provide seasonal suspension for select lines, where the lines and billing are suspended at the end of each season and returned to service at the beginning of the next season?	Y	
SR - 30		Does the bidder's solution have the ability to block all incoming call to select lines?	Y	
SR - 31		Does the bidder's solution have the ability to block specific numbers to select lines?	Y	Up to 10.
SR - 32		Does the bidder's solution provide call waiting?	Y	
SR - 33		Does the bidder's solution provide analog paging interface?	Y	
SR - 34		Describe your procedure for tracing malicious calls.	Y	Initially ALLO will block the call. Once ALLO has an authorized court document ALLO will trace the call.
SR - 35		Does the bidder's solution include in-state/out-of-state long distance service?	Y	
SR - 36		Does the bidder's solution provide Centralized Call Detail Reporting? If so, please describe.	Y	Provide date, time, call type, calling number, called extension, called department, call connected, duration, and queuing time.
SR - 37		Describe the levels of security included with your proposed solution (toll fraud, etc.).	Y	Provide call logs. Setup Limits. Require Account Codes for International Calls. Look for short duration calls or irregular call paths and turn off service if anything is found.
SR - 38		Describe options for re-routing of voice traffic in the event of a component failure.	Y	Manual Forward, Unreachable Destination, Automatic Schedule, or hunt group out of it.
SR - 39		Does bidder's solution provide conference calling capabilities? If so, how many parties can be conferenced from a single telephone set?	Y	Phones are capable of 3 way calling. Conference Calling Bridge can hold up to 50 participants.
SR - 40		How will telephone set firmware releases (including dot releases) from the manufacturer be tested and certified for use with the VOIP Communications platform? How will they be rolled out to the States telephone sets?	Y	Our Engineering team always pulls down firmware releases and tests them before deploying in a live environment. Once they have been tested, a scheduled maintenance date is determined and done in the middle of the night. The customer is also notified prior to the maintenance and after to follow up.
SR - 41		Provide a list of wireless headsets that are compatible with proposed telephone sets.	Y	Plantronics CS540 is what we currently sell and support. However, if you are currently

				using different models, we are open to checking compatibility with our phones and switch.
SR - 42		Describe any administrative interfaces available to the State to manage, configure or change settings on an individual, group, or total systems level. Provide information, brochures or data sheets showing the user interface.	Y	CommPortal allows you to manage each individual line. This gives you access to forward, reset voicemail pins, and listen to and manage voicemails as well. You can also maintain your auto attendant and upload music on hold. Can access CommPortal from anywhere with internet access.
SR - 43		Describe how error and alarm reporting is handled?	Y	Session Border Control will tell us if a system went down. Will not know each phone.
SR - 44		Because of the nature of State Government business, and its requirement to support Law Enforcement, NEMA, FEMA, Military Dept. and various other agencies charged with the protection of life and property, the Contractor must agree to do everything in its power to support the State's telecommunication needs in times of emergency. This support includes, but is not limited to installation of temporary circuits/lines, temporary rerouting of existing circuits/lines, and the prioritized restoration of mission critical circuits and lines. Upon contract award, the State may identify lines and circuits which are considered to be "Mission Critical" and necessary to the preservation of life and property. The Bidder should define how priority is given to the restoration of these services in times of emergency at no additional cost to the State.	Y	In the case of an emergency the circuits/lines that are deemed mission critical will need to be identified so ALLO can document each circuit/line and prioritize accordingly. ALLO will follow TSP system rules, service vendors are required to provision and restore services registered with TSP designations before services that do not have such assignments.
SR - 45		Describe the telephone set installation process. Include all procedures necessary and whether they will be performed by the Contractor or OCIO personnel. Describe any site or network assessment work that will be performed by the Contractor.	Y	Installs are coordinated with the customer on their timeline. All equipment is set up at Allo prior to installation. Allo techs will bring equipment (switch, phones, etc) onsite and set up and test. Once testing is complete, we will coordinate the cutover, assuring that no one is on the phone and activate accordingly. Allo reps will be onsite to continue live testing and begin training employees and addressing any issues that may arise.

SR - 46		The Contractor may not market their products or services to any State agency except the office of the CIO without prior written permission.	Y	
SR - 47		The Contractor will also indemnify the State against any third-party billing associated with any system or service the State has not specifically authorized in writing beforehand (billing for collect calls will be an exception).	Y	
SR - 48		The Contractor will be responsible for determining the cause for service outages and providing that determination to the State at no cost. Those troubles that are determined to reside in the Contractor owned or leased facilities must be repaired without cost to the State. In the event the failure is determined to be on the Contractor side of the demarcation point, the Contractor must NOT charge for such failure determination.	Y	
SR - 49		Provide a description of your basic ACD and UCD features to include any reporting functionality	Y	Integrated Automatic Call Distribution (ACD) FEATURES - Hosted IP PBX Services include a group of related functions used in call center & help desk environments for queuing & routing incoming calls so that they can be handled quickly & efficiently. A user of a Business Group line can dynamically join and leave a MLHG as call volumes change or at the start and end of a shift. Agents may be logged into multiple queues simultaneously. Supports a primary and secondary announcement file. Direct Inward Dial numbers can be recorded and stored. Live monitor/whisper/barge-in on calls as a supervisor System will record in-coming calls per Queue/agent and can be retrieved daily via a report. System will record out-going calls per DID and can be retrieved daily via a report.

				System includes a wrap up time function. It also contains disposition codes. Queue time is monitored and can be found in the daily reports for the queues. System measure how many calls were abandoned and at what time a call was abandoned. User can see the outbound calls to the night service in the call log reports. Individual Call Agent productivity is measured. Stats include: Calls taken/Talk Time/Aux time(lunch, Break, Project)/Outbound calls/Wrap time/Abandoned calls.

		<u>**Voice Mail Requirements**</u> **Carrier-hosted solution**	**Supported (Y/N)**	**Explanation**
MVMR-1	**R**	The bidders proposed solution must include a centralized voice mail system including system installation, engineering, implementation, maintenance, and support. The State will provide network from the Centralized voicemail system to the telephone sets..	Y	
MVMR-2	**R**	The bidders proposed system must provide "announcement only" mailboxes where the caller cannot leave a message.	Y	
MVMR-3	**R**	The State requires unified messaging. Describe the functionality and features of the Unified Messaging platform included with your proposal	Y	Users get the same calling features, dial plans and outgoing caller ID that they get on their office phone. Access to a centralized corporate contact book. Presence. Rebrand application. Supports Windows & MacOS. Audio .wav voicemail. Incoming call management.

				SILK audio codec. Forward error correction minimizes packet loss. Zero-touch dynamic distribution and auto-provisioning.
MVMR-4	**R**	The bidders proposed solution must include Automated Attendant features.	Y	
MVMR-5	**R**	The proposed voice mail/unified messaging system must accommodate multiple levels of Automated Attendant menus of various lengths. Describe such capabilities. How many menu layers are supported?	Y	There are no limits to the amount of layers supported.
MVMR-6	**R**	The proposed Automated Attendant must support automatic time, day, night and holiday routing schedules. (i.e. Route calls to various destination numbers based on day/time)	Y	
MVMR – 7		The bidder's solution should provide Message Waiting Indicators. Describe the various Message Waiting Indicators included with your proposed solution	Y	Physical Light, Audible, and Visual on Display.
MVMR – 8		Describe any limitations to the storage size on the voice mail system. Please state the limit per user.		100MB per user but can be adjusted if more space is needed.
MVMR – 9		What are the time limits for recorded greetings?	Y	No Limits.
MVMR – 10		What are the time limits for messages?	Y	Normally defaulted to 90 seconds, however, that can be increased by user as needed.

		<u>**State Network Requirements**</u> **Carrier-hosted solution**	**Supported (Y/N)**	**Explanation**
MSNR-1	**R**	The State does not allow the utilization of Multicast. Does the proposed solution require the use of Multicast to support any of the proposed features?	N	Paging over the phones does require Multicast. Intercom over the phones does not require Multicast.
MSNR-2	**R**	The State requires the use of 802.1x for network devices. Please explain how your proposed solution meets this requirement.	Y	The Mitel phones support 802.1x. From a Metaswitch perspective there is no impact.
MSNR-3	**R**	The Bidders solution must be capable of encrypting their voice traffic using means provided by their chosen platform provider.	Y	
SNR – 4		Does your solution require the placement of any equipment other than phones on the State's network? If yes, provide your physical and logical network requirements. What type of access is needed for the provider owned equipment?	Y	A Session Border Control will be required for a SIP to analog conversion. Access

				would be the same access as IP phones.
SNR – 5		Provide your bandwidth requirements with regards to the following:		
		Any Overhead network requirements	N	
		Bandwidth per call; and	64Kbps for G7.11	
		Bandwidth for Management	5Mbps per site.	
SNR – 6		What are your QOS requirements to include but not limited to the following:		
		Latency	20ms	
		Jitter	<2	
		Prioritization; and	Voice traffic will need to be prioritized on the internal network.	
		Bandwidth Reservation	256Kbps reserved on top of any active calls.	
SNR – 7		Does your solution support IPv6?	N	Does not support IPv6 at this time.
SNR – 8		What troubleshooting duties will State personnel be responsible for?	Y	Make sure phone has power. Make sure phone is connected to network. Reboot Phone.
SNR – 9		What level of monitoring is provided by the Contractor?	Y	Session Border Controls will be monitored.
SNR – 10		Describe your remote diagnostic capabilities that are included.		Packet Capture from the Session Border Control. SAS Traces for phone quality assurance. Remote access to the end device.
SNR – 11		Bidder should provide a list of the various network elements and devices that are monitored and their procedure for reporting trouble to the OCIO.	Y	ALLO monitors the router connected to the ENNI and all core upstream network equipment. In the event there is a problem the ALLO Engineering Team will engage and contact the appropriate personnel at the OCIO.
SNR – 12		Does the Bidder have any DHCP requirements? If yes, what options are needed?	Y	Two Options: Option 1 (preferred): State responsible for all DHCP to IP Phones

				State responsible for traffic segregation and QoS/CoS of phone traffic. Phones separated into their own dedicated subnet State and Allo coordinate a IP range (likely a /16) that is unique on both State and Allo network. eBGP peer turned up in both Omaha and Lincoln on two separate ENNI's We will advertise our SBC IP directly to the state over the ENNI State will advertise IP Phone /16 to Allo over ENNI Option 2: State builds a dedicated layer 2 infrastructure from each phone back to Allo. State hands 2 ports in this layer 2 environment off to Allo, one in Omaha, one in Lincoln. Allo runs VRRP between two ENNI's, and will handle all DHCP State and Allo coordinate a IP range (likely a /16) that is unique on both State and Allo network. State responsible for traffic segregation and QoS/CoS of phone traffic.

SNR – 13		Will the State be allowed and/or be required to monitor Contractor owned equipment?	Y	The customer will be allowed but not required to monitor ALLO premise equipment.
SNR – 14		Do you require access to State owned equipment? If yes, what level of access is required?	Y	Switches will need to have ALLO's standard config for the Hosted environment. ALLO can config if allowed access or State of Nebraska can add the config.
SNR – 15		Please describe, in detail, the demarc between the Contractor and the State.	Y	Omaha – Optical 1310 LX 1Gb Handoff. Cross Connect will be needed. Lincoln – Cisco ASR Router. 1GB Handoff (Copper, Single-Mode or Muti-Mode depending what is needed from the State of Nebraska.
SNR – 16		Identify maintenance tool(s) that are part of the system and options, including tools, which provide identification of network problems.	Y	Metaswitch Tool Suite
SNR – 17		Describe the levels of security included with your proposed solution (IP network security, etc.).	Y	We can make recommendations for the states network.

		Post Implementation Support **Carrier-hosted solution**	**Supported (Y/N)**	**Explanation**
PIS – 1		Describe any end user or administrator documentation available.	Y	User guides are left with customers and hands on training is also performed.
PIS – 2		Describe any end user or administrator training available.	Y	Administrators are trained by a member of the Hosted PBX Team and available for support when needed.

		E911 **Carrier-hosted solution**	**Supported (Y/N)**	**Explanation**
ME911-1	R	Describe your procedure for making adds, moves, and deletions from the PSALI database.	Y	ALLO submits all 911 additions through Intrado.
ME911-2	R	Proposed solution must support callers dialing "911", or "9,911" to reach a PSAP.	Y	

		Billing Requirements **Carrier-hosted solution**	Supported (Y/N)	Explanation
MBR-1	**R**	The billing cycle for all Contractor provided services must end on the last day of each month, and the next billing cycle must begin the first day of the following month.	Y	
MBR-2	**R**	A paper summary invoice must be delivered to the AS Accounting 1526 K St. Suite 240 Lincoln, NE 68508. The paper invoice must include all current services covering the previous calendar month and must be delivered by the 10th of the month. Bidders must include in their proposal snap shots depicting the actual invoice format that includes each service type offered.	Y	See attached Monthly invoice.
MBR-3	**R**	The paper invoice must show order activity detail and current monthly charges by service and must be organized in a clear and precise manner. An overall summary must provide total lines and total cost.	Y	
MBR-4	**R**	An accurate electronic station-billing file must be delivered to the OCIO. This electronic file must include all current services covering the previous calendar month and must be received by the 10th of each month.	Y	
MBR-5	**R**	The electronic record layout must be either "delimited" or "fixed length". There must be a separate line for each telephone number that includes, as a minimum, the following: 1. Station number 2. ASOC/USOC code or Product ID 3. Description 4. Individual rate	Y	
MBR-6	**R**	All charges and usage information related to billable calls must be provided in a separate electronic file each month covering the previous calendar month and must be received by the 10th of the month. In cases where the Contractor must bill for third party toll calls such as "collect calls", that file must itemize each call in detail and in consistent fixed length format. The format must include the following items: 1.Time of Day 2. Date of Call 3. Originating Number (calling number) 4. Originating City/State 5. Terminating Number (called number) 6. Terminating City/State 7. Call Duration (billable time) 8. Charges.	Y	
MBR-7	**R**	Receiving electronic files must be an automated process. The State will not consider a CD, DVD or email attachment to be automated. Any process that relies on a single person at a desktop to receive data and manually extract or manipulate files will not considered automation. Current platforms supported by the State are Connect Direct (NDM), and SFTP. The Bidder's proposal must include a complete description of the proposed process for electronic file delivery.	Y	We regret that the electronic bill example is not included but will be available before the contract is finalized.
MBR-8	**R**	The bidder must provide the contact names, escalation procedures, and telephone numbers for billing questions and technical problems.	Y	Kristin Cross will handle all billing questions and first line of contact. See attached escalation list.

MBR-9	R	Totals in both electronic files must match totals on the paper summary invoice. Paper summary invoices that do not match the electronic data file will not be paid until corrected.	Y	
MBR-10	R	The bidder must provide an example of both electronic billing files. A single CD with sample billing files must be included in bid proposal.	Y	We regret that the electronic bill example is not included but will be available before the contract is finalized.

		Business Requirements Carrier-hosted solution	Supported (Y/N)	Explanation
MBUR-1	R	The State will not accept any requirements by the bidder concerning minimum orders. The State may place orders for 1 line, or as many as 1000 lines at any given time, and will pay the same installation and monthly rate for each line regardless of the quantity of lines ordered.	Y	
MBUR-2	R	Payment will be made only against invoices complying with the requirements listed above. Such payment will be made within 45 days of receipt of an acceptable invoice. Invoices, which are inaccurate, will not be paid until corrected. Upon notice to the Contractor of billing errors, the Contractor will be required to correct the invoice, and resubmit to the State. All invoices deemed inaccurate must be corrected by the Contractor and re-submitted within 60 days.	Y	
MBUR-3	R	The OCIO will provide a list of State personnel to the Contractor that are authorized to place orders and make billing inquiries. The Contractor will not accept or act on orders and inquiries from anyone whose name does not appear on the OCIO provided list.	Y	
MBUR-4	R	When requested by the State, the Contractor must provide reports including station inventory and physical addresses. The State prefers access to the above information through an on-line, near real time system via the Internet at no additional cost.	Y	
MBUR-5	R	Volume commitments will not be accepted by the State. If the bidder submits a response that contains volume commitments, the bid may be rejected.	Y	
BUR – 6		The State requires timely response to all requests for order activity. All requests should be acknowledged by the Contractor, in writing, within 48 hours. Contractor order number and order due date must be sent to the	Y	

		OCIO within 5 business days. All order activity must be completed by the Contractor within 14 calendar days.		
BUR – 7		All due dates must be met by the Contractor. In the event that a Contractor provided due date cannot be met, the OCIO must be notified in writing at least two (2) business days prior to original due date. The Contractor must notify the service requestor when a work order has been completed.	Y	
BUR – 8		The State and the Contractor will work in partnership to ensure the services provided under this contract will be refreshed as technologies evolve and user needs grow. The OCIO, in conjunction with, or on behalf of, all other participants, will assume the primary role in seeking and proposing new technologies and enhancements. This technology refreshment clause will be a required condition of the contract. At a minimum, the State and the Contractor will conduct yearly reviews during the term of the contract to review service offerings and pricing. These reviews may result in expanding the services offered by the Contractor to include new optional pricing elements or pricing reductions associated with improved economies of scale and/or technological innovations. Changes in the industry related to regulation and/or pricing mechanisms may also result in modification of rates identified in the services offered by the Contractor.	Y	
BUR – 9		Bidder must submit a Change Management Plan with their bid response detailing the Change Management process and approach along with a visual aid of the overall process and approach when a change that is within scope needs to be made. Bidder must document change requests that are within scope utilizing a format and process approved by the State.	Y	Change order management will be tracked via our PMP. See attached samples of the forms.

		Project Planning And Management **Carrier-hosted solution**	**Supported (Y/N)**	**Explanation**
PPM 1		Bidder must describe in their proposal each of the steps they will take during discovery, network assessment, individual site assessment, and install. Bidder must provide a draft Project Management Plan (PMP) with their response. Upon contract execution, the Contractor must deliver a detailed PMP describing how the project will be managed. The OCIO will review the Contractor's PMP, including all subsidiary plans and components described below, within ten (10) business days of receipt. The Contractor will make any changes requested by OCIO within five (5) business days of receipt of the OCIO feedback. The PMP must include the proposed team(s), team composition, roles of team members, and the proposed project schedule and timelines. The PMP must include a preliminary schedule that describes the total number of anticipated development and implementation cycles, and the deliverables that are expected to be completed in each.	Y	See RFP responses. PMP is high level will be designed to meet OCIO project team's requirements. ALLO will have finalized PMP to OCIO within 5 days. See attachments for high level steps.

Change Order Agreement

Customer:	State of Nebraska
Address:	OCIO/Network Services, 501 So 14th Street, Lincoln, NE 68508-5045
Contact:	

This Service & Equipment Agreement ("Agreement") is dated "DATE" between State of Nebraska (Customer) and Allo Communications LLC (Allo). This Agreement sets forth the terms and conditions for the provision of certain telecommunications services and/or equipment by Allo to customer. This Service and Equipment Agreement amends the Master Service Agreement dated June 6, 2008.

The contract price will be paid as follows:

	__ Month Contract	
Purchase Price	Non Recurring	Recurring
Description:	$ -	$ -
Location:		

Scope of Work:

The provision of services and /or equipment by Allo is subject to the terms and conditions set forth in the following attachments and incorporated herein. This agreement may be signed in one or more counterparts, each facsimile copy of which will be deemed an original and such counterparts, together, will constitute one Agreement. This Agreement is binding as of the date Allo signs this Agreement or places a letter in the US mail to Customer, confirming Allo's acceptance of the contract, as signed by Customer. No alterations to this Agreement are valid, unless acknowledged in writing as accepted by both parties.

Agreed:
Allo Communications LLC

By: *Kathy Carstenson*

Printed: Kathy Carstenson

Title: Business Sales Director

Date:

Agreed:
State of Nebraska

By: ____________________

Printed: ____________________

Title: ____________________

Date: ____________________

Request for Service Change Order

Order & Customer Information	
..der Date	
Customer Phone	
Contact Name	
Salesperson	

Billing Information	
Bill To	
Billing Address	
City, State	

Installation Information	
Install Location	
Install Address	
City, State	

Voice Services

Quantity	Description	Total Price
	Voice Monthly:	$0.00

Additional Lines	
Line 1	
Line 2	
Line 3	
Line 4	
Line 5	
Line 6	
Line 7	
Line 8	
Line 9	
Line 10	
New Installation	
Contact #	

Data Services

Quantity	Description	Total Price
	Data Monthly:	$0.00

Equipment Fee	
Quantity	Unit Price
Monthly Fee	

.V Services

Quantity	Description	Total Price
	TV Monthly:	$0.00

Taxes & Surcharges

Quantity	Description	Total Price
	Line Charge	
	Access Recovery	
	Number Portability	
	Telecom Relay	
	911 Surcharge	
	FCC User Fee	
	Franchise Tax	
	Federal USF	
	Nebraska USF	
	Federal Taxes	
	State / Local Taxes	
	Tax Monthly:	$0.00
	Monthly Total:	$0.00

Terms

Taxes & Surcharges can change without notice as they are generally controlled by government entities. Starting on the 1st minute of Long Distance usage you will be billed at a rate of $0.05 per minute for intrastate & interstate calls. I authorize Allo Communications to act as my agent to make the listed changes, and direct my current phone company to work with the new provider designated to effect the change. I understand that there is no charge to switch providers. If I later wish to return to my current telephone company(s), I may be required to pay a reconnection charge to that company. I also understand that my new telephone company may have different calling areas, rates, and charges that my current telephone company(s) and that by signing below, I indicate that I understand these differences (if any) and I am willing to be billed accordingly.

I authorize Allo Communications to provide the following below (check all that apply) to my telephone number(s).

- ☐ Local Service
- ☐ Local-Toll Service
- ☐ Long Distance

I certify that I have read and understand this Letter of Agency. I further certify that I am at least nineteen years of age and I am authorized to change telephone companies for telephone services. Taxes & Surcharges can change without notice as they are generally controlled by government entities.

..nature: ____________________ Printed Name: ____________________ Date: __________

Equipment Request
Change Order

Order & Customer Info	
Order Date	
Customer Phone	
Customer Name	
Salesperson	

Billing Information	
Bill To	
Address	
City	
Email	

Installation Information	
Location	
Address	
City	

Hardware

Quantity	Hardware	Unit Price	Total Price

Installation

Quantity	Description	Unit Price	Total Price

Taxes & Totals

Category Totals	Totals
Hardware Totals	
Phone & Installation Totals	
Sales Taxes	
Installation Taxes	
Final Total	$0.00

Notes

Taxes & Surcharges can change without notice as they are generally controlled by government entities.I certify that I have read and understand this Equipment Request. I further certify that I am authorized to sign and engage in such a transaction on behalf of the company.

Signature ____ Date

Printed Name ____ Date

Phone 866-481-2556 • Fax 888-882-7850 • 610 Broadway • Imperial NE 69033

000000009597

Visit us on the web www.ALLOcommunications.com

ACCOUNT NO: 9597

Previous Bill	Payment/Adj	Current Billing	Total Due
$462.45	$565.34CR	$591.52	$488.63

Service At A Glance 05/24/2018
STATE OF NEBRASKA BRIDGEPORT

BALANCE FROM LAST BILLING		462.45
PAYMENT(S) RECEIVED - THANK YOU!	05-08	565.34CR
PREVIOUS BALANCE DUE		**102.89CR**

SUMMARY BY SERVICE TYPE

TELEPHONE SERVICES	523.88
TAXES & FEES	67.64
CURRENT BILLING AMOUNT	**591.52**
Total Due: Please Pay This Amount	**488.63**

DEPARTMENT SUMMARY

DEPT OF ROADS		
262-1924	43.56	
	TOTAL DEPT OF ROADS	**43.56**
DMV		
262-1927	28.91	
	TOTAL DMV	**28.91**
EDU TELECOMM		
262-1948	28.26	
	TOTAL EDU TELECOMM	**28.26**
EALTH & HUMAN		
262-1042	28.91	
	TOTAL HEALTH & HUMAN	**28.91**
NATURAL RES 3		
	TOTAL NATURAL RES 3	**.00**
NATURAL RES 4		
262-1942	34.26	
	TOTAL NATURAL RES 4	**34.26**
NATURAL RES 5		
	TOTAL NATURAL RES 5	**.00**

MESSAGE CENTER

BUSINESS: (308) 262-7500 | RESIDENTIAL: (308) 262-7550

MONDAY-FRIDAY, 8:00 AM - 5:00 PM

PAY BY PHONE: (844) 209-7165

If you have questions about your ALLO service, want to add a new ALLO feature, or want to share your feedback, our friendly local chat team is available on our website and would love to hear from you. Visit www.allocommunications.com today!

Download the SmartHub app to access your ALLO account and pay bills quickly from your smartphone.

Payments received after 05-24 may not be reflected on the bill.

By using our services, you agree to abide by, and require your guests using services to abide by, the terms of our Subscriber Agreement. The Subscriber Agreement (revised March 2018) can be found on our website at allofiber.com/rsa.

DELINQUENT NOTE: If your account has a PREVIOUS BALANCE DUE and payment has not been made by JUNE 5TH, your services may be interrupted.

Please return lower portion with your payment...retain upper portion for your records

ALLO COMMUNICATIONS
610 BROADWAY
IMPERIAL NE 69033

Visit us on the web www.ALLOcommunications.com

☐ *Check for Address Change*

Payment Due	Total Due
06/15/2018	$488.63

05/24/2018 000010
STATE OF NEBRASKA BRIDGEPORT
ACCOUNT NO: 9597

Enter Amount Paid

12040 1 AB 0.405 5 12040
STATE OF NEBRASKA BRIDGEPORT C-41 P-47
PO BOX 95045
LINCOLN NE 68509-5045

ALLO COMMUNICATIONS
PO BOX 2697
OMAHA NE 68103-2697

000000009597000488631

Visit us on the web www.ALLOcommunications.com

Say "ALLO" to Easier Payments.

Register for Online Bill Pay and Auto-Pay:

1. Visit **AlloCommunications.com/PayMyBill**
2. Select "**Login/Register**" - you'll be directed to our SmartHub Application.
3. You'll need your account number, city of birth, zip code, and email address.

You'll Then be Able to Sign Up for Auto-Payments:

1. Visit **AlloCommunications.com/PayMyBill**
2. Select "**Setup Auto-Payments.**"
3. You'll need your account number and bank information.
4. Fill out the form and click, "**Submit.**"

Questions?

Call your local residential support team or visit **AlloFiber.com** to chat.
Lincoln: **402.480.6650** | Central and Western NE: **866.481.2556**
Business Support - Lincoln: **402.480.6570** | Central and Western NE: **855.632.3154**

This Bill is Due Upon Receipt.

Delinquent 5 days after the due date. Payments not made within 5 days of the due date are subject to a $5 or 1.5% charge added to your bill. A $25 charge will apply for insufficient funds.

A nelnet COMPANY

PLEASE INDICATE CHANGE OF ADDRESS

Name		Contact Number
Address		
Delivery Address		
City	State	Zip
Signature		Effective Date

NATURAL RES 6		TOTAL NATURAL RES 6	.00
NATURAL RESOURC 262-1930	324.73	TOTAL NATURAL RESOURC	324.73
TOTAL AMOUNT DUE			486.63

MONTHLY USAGE FOR TELEPHONE: (308)262-1042

Description	Date	Quantity		Amount
DETAIL FOR: HEALTH & HUMAN SERVICES				
TELEPHONE SERVICES	05/24-06/23			
BUSINESS PLAN		1 @	20.00	20.00
BUSINESS NONPUBLISHED		1 @	6.00	6.00
TELEPHONE SERVICES SUBTOTAL				26.00
TAXES & FEES	05/24-06/23			
911 SURCHARGE - BRIDGEPORT		1 @	1.00	1.00
NUMBER PORTABILITY		1 @	0.43	.43
TDD - DUAL PARTY RELAY		1 @	0.01	.01
NUSF				1.39
FUSF				.08
TAXES & FEES SUBTOTAL				2.91
SUB-TOTAL				28.91
CURRENT BILLING AMOUNT				28.91

The carrier you have chosen for your long distance (InterLATA) calls is MCI COMM. SERV.
The carrier you have chosen for your long distance (IntraLATA) calls is MCI COMM. SERV.

Allo

Visit us on the web www.ALLOcommunications.com

STATE OF NEBRASKA BRIDGEPORT
ACCOUNT NO: 9597
BILL DATE: 05/24/2018

MONTHLY USAGE FOR TELEPHONE: (308)262-1924

Description	Date	Quantity		Amount
DETAIL FOR: DEPT OF ROADS				
TELEPHONE SERVICES	05/24-06/23			
BUSINESS ADDITIONAL LISTING		3 @	3.00	9.00
BUSINESS PLAN		6 @	20.00	120.00
TELEPHONE SERVICES SUBTOTAL				**129.00**
TAXES & FEES	05/24-06/23			
911 SURCHARGE - BRIDGEPORT		6 @	1.00	6.00
NUMBER PORTABILITY		6 @	0.43	2.58
TDD - DUAL PARTY RELAY		6 @	0.01	.06
NUSF				8.34
FUSF				.47
TAXES & FEES SUBTOTAL				**17.45**
SUB-TOTAL				146.45
CURRENT BILLING AMOUNT				146.45

The carrier you have chosen for your long distance (InterLATA) calls is MCI COMM. SERV.
The carrier you have chosen for your long distance (IntraLATA) calls is MCI COMM. SERV.

Allo

Visit us on the web www.ALLOcommunications.com

STATE OF NEBRASKA BRIDGEPORT
ACCOUNT NO: 9597
BILL DATE: 05/24/2018

MONTHLY USAGE FOR TELEPHONE: (308)262-1927

Description	Date	Quantity		Amount
DETAIL FOR: DMV				
TELEPHONE SERVICES	05/24-06/23			
BUSINESS PLAN		1 @	20.00	20.00
BUSINESS NONPUBLISHED		1 @	6.00	6.00
TELEPHONE SERVICES SUBTOTAL				**26.00**
TAXES & FEES	05/24-06/23			
911 SURCHARGE - BRIDGEPORT		1 @	1.00	1.00
NUMBER PORTABILITY		1 @	0.43	.43
TDD - DUAL PARTY RELAY		1 @	0.01	.01
NUSF				1.39
FUSF				.08
TAXES & FEES SUBTOTAL				**2.91**
SUB-TOTAL				28.91
CURRENT BILLING AMOUNT				28.91

The carrier you have chosen for your long distance (InterLATA) calls is MCI COMM. SERV.
The carrier you have chosen for your long distance (IntraLATA) calls is MCI COMM. SERV.

Allo

Visit us on the web www.ALLOcommunications.com

STATE OF NEBRASKA BRIDGEPORT
ACCOUNT NO: 9597
BILL DATE: 05/24/2018

MONTHLY USAGE FOR TELEPHONE: (308)262-1930

Description	Date	Quantity		Amount
DETAIL FOR: NATURAL RESOURCES				
TELEPHONE SERVICES	05/24-06/23			
BUSINESS PLAN		13 @	20.00	260.00
BUSINESS VOICEMAIL		2 @	2.00	4.00
TELEPHONE SERVICES SUBTOTAL				264.00
TAXES & FEES	05/24-06/23			
911 SURCHARGE - BRIDGEPORT		13 @	1.00	13.00
NUMBER PORTABILITY		13 @	0.43	5.59
TDD - DUAL PARTY RELAY		13 @	0.01	.13
NUSF				18.07
FUSF				1.03
TAXES & FEES SUBTOTAL				37.82
		(308)262-1930 TOTAL		301.82
DETAIL FOR: NATURAL RESOURCES (308)262-1940				
TELEPHONE SERVICES	05/24-06/23			
BUSINESS PLAN		1 @	20.00	20.00
TELEPHONE SERVICES SUBTOTAL				20.00
TAXES & FEES	05/24-06/23			
911 SURCHARGE - BRIDGEPORT		1 @	1.00	1.00
NUMBER PORTABILITY		1 @	0.43	.43
TDD - DUAL PARTY RELAY		1 @	0.01	.01
NUSF				1.39
FUSF				.08
TAXES & FEES SUBTOTAL				2.91
		(308)262-1940 TOTAL		22.91
SUB-TOTAL				324.73
CURRENT BILLING AMOUNT				324.73

The carrier you have chosen for your long distance (interLATA) calls is MCI COMM. SERV.
The carrier you have chosen for your long distance (intraLATA) calls is MCI COMM. SERV.

Allo

Visit us on the web www.ALLOcommunications.com

STATE OF NEBRASKA BRIDGEPORT
ACCOUNT NO: 9597
BILL DATE: 05/24/2018

MONTHLY USAGE FOR TELEPHONE: (308)262-1942

Description	Date	Quantity		Amount
DETAIL FOR: NATURAL RESOURCES 4				
TELEPHONE SERVICES	05/24-06/23			
911 SURCHARGE - BRIDGEPORT		1 @	1.00	1.00
BUSINESS LINE		1 @	25.00	25.00
NUMBER PORTABILITY		1 @	0.43	.43
NON PUBLISHED BUSINESS		1 @	6.00	6.00
TDD-DUAL PARTY RELAY		1 @	0.01	.01
TELEPHONE SERVICES SUBTOTAL				32.44
TAXES & FEES	05/24-06/23			
NUSF				1.74
FUSF				.08
Total TAXES & FEES SUBTOTAL				1.82
SUB-TOTAL				34.26
CURRENT BILLING AMOUNT				34.26

The carrier you have chosen for your long distance (interLATA) calls is MCI COMM. SERV.
The carrier you have chosen for your long distance (intraLATA) calls is MCI COMM. SERV.

Allo

Visit us on the web www.ALLOcommunications.com

MONTHLY USAGE FOR TELEPHONE: (308)262-1948

Description	Date	Quantity		Amount
DETAIL FOR: EDU TELECOMM				
TELEPHONE SERVICES	05/24-06/23			
911 SURCHARGE - BRIDGEPORT		1 @	1.00	1.00
BUSINESS LINE		1 @	25.00	25.00
NUMBER PORTABILITY		1 @	0.43	.43
TDD-DUAL PARTY RELAY		1 @	0.01	.01
TELEPHONE SERVICES SUBTOTAL				**26.44**
TAXES & FEES	05/24-06/23			
NUSF				1.74
FUSF				.08
Total TAXES & FEES SUBTOTAL				**1.82**
SUB-TOTAL				28.26
CURRENT BILLING AMOUNT				28.26

The carrier you have chosen for your long distance (InterLATA) calls is MCI COMM. SERV.
The carrier you have chosen for your long distance (IntraLATA) calls is MCI COMM. SERV.

Service Level Agreement / Guaranty

Network Availability Guarantee

ALLO Communication's network is guaranteed to be available and capable of forwarding IP packets 99.99% of the time, averaged over a calendar month. ALLO Communication's IP network includes the customer access port (the port on the ALLO Communications aggregation router upon which the customer's circuit terminates) and the ALLO Communications IP backbone network. The ALLO Communications IP backbone includes ALLO Communications owned and controlled routers and circuits, including any transit connections and the customer-based network interface device. ALLO Communication's Network Availability Guarantee does not include the customer's Local Area Network (LAN), scheduled and unscheduled maintenance events, customer owned Customer Premise Equipment (router or CPE), customer-caused outages or disruptions, and force majeure events. If the Network Availability Guarantee is not met in a calendar month, the customer is eligible to receive a credit up to 1/30th of the monthly service charge (MRC) for that month for each full hour of outage in excess of the 99.99% guaranteed under this SLA up to a maximum of one month's recurring charge.

Latency Guarantee

The ALLO Communications network (as defined in the previous section) is guaranteed to have an average round trip packet transit time within the ALLO Communications backbone network over a calendar month of 40ms or less. The average network latency is measured as the average of 5 minute samples taken throughout the month. The ALLO Communications Latency Guarantee does not include the customer's Local Area Network (LAN), scheduled and unscheduled maintenance events, customer owned Customer Premise Equipment (router or CPE), customer-caused outages or disruptions, and force majeure events. If the Latency Guarantee is not met in a calendar month, the customer is eligible to receive a credit up to 1/30th of the monthly service charge (MRC) for that month for each full 1ms above the 40ms average maximum guaranteed under this SLA up to a maximum of one month's recurring charge.

Mean Time to Repair

MTTR SLA is measured as the average time it takes to restore all Failures of the Network Availability Guarantee for all Customer sites with similar circuit types during a calendar month. (For the purposes of determining MTTR measurements, only a failure of the Network Availability Guarantee shall constitute a Failure; failures of other guarantees do not apply to MTTR.)

Ethernet – 4 hours

Measurement: MTTR is the period of time beginning when a trouble ticket is opened by either ALLO or the Customer as a result of a Failure, and ending when the Failure has been remedied. The MTTR service guarantee takes effect on the 1st calendar day of the first full month after the connection is successfully installed and activated. If ALLO fails to meet the MTTR for a calendar month, the Customer will receive a credit of 1/30th of the MRC for that month for each hour over the MTTR.

Packet Loss Guarantee

The ALLO Communications network is guaranteed to have a maximum average packet loss of 1 percent or less during any calendar month.

Credit Requests
ALLO Communications will offer credits outlined above should these guarantees not be met, subject to verification by ALLO Communications. Requests for credits must be in writing and received by ALLO Communications no later than seven days from the disruption in service as outlined in the guarantees above. Customers requesting credits must have opened a trouble ticket with the ALLO Communications Network Operations Center (NMC) at the time of the incident (308) 633-5000. Please allow one week for credit requests to be adequately researched by ALLO Communications prior to posting to a customers' account. Total credits under this SLA are limited to the monthly service charge for the month in which the service does not meet the commitment. Concurrent events will not provide consecutive credits. Requests for credits may be mailed to ALLO Communications, 610 Broadway, Box 1123, Imperial, NE 69033 or faxed to 308-882-7850.

Mitel 6867 SIP Phone

Key Features

- Support for up to 24 lines when connected to an expansion module
- 3.5" QVGA 320x240 pixel color backlit display
- HD wideband audio
- Six programmable soft keys and four programmable context sensitive system keys
- Native DHSG/EHS headset support
- Support for detachable keyboard and up to three expansion modules
- XML capabilities
- PoE Class 2

The Mitel 6867 SIP Phone is designed for power users who demand a lot from both their phones and their networks. The 6867 provides remarkable HD wideband audio and an enhanced speakerphone that uses advanced audio processing to achieve richer and clearer hands-free conversations. Supporting today's high speed networks through dual Gigabit Ethernet ports, the 6867 offers a large color LCD display, six programmable soft keys, four programmable context-sensitive system keys and native DHSG/EHS headset support. When equipped with an optional detachable keyboard and up to three expansion modules, the 6867 becomes a productivity-enhancing 24-line desktop communication tool. With its fully customizable hard key layout, XML capabilities and an environmentally efficient PoE class 2 rating, the 6867 is one of the most advanced SIP desktop phones available on the market today.

Key Features and Benefits

REMARKABLE AUDIO

All Mitel 6800 series SIP Phones feature Mitel's high definition Hi-Q audio technology to deliver enhanced performance and voice clarity. Integrating HD wideband audio codecs, advanced audio processing, and hardware components that support a true wideband frequency range, the 6867 offers a superior voice experience on each audio path – handset, speakerphone or headset port – making conversations crystal clear and more life-like.

LARGE COLOR SCREEN DISPLAY

Mitel 6867 SIP Phone features a high resolution 3.5" QVGA color backlit LCD display that delivers a rich visual presentation to maximize productivity. The large color display, combined with icon based navigation menus and intuitive user interface, makes the many powerful telephony features of the 6867 instinctively easy to use.

Mitel

FLEXIBLE HEADSET OPTIONS

The Mitel 6867 SIP Phone offers USB headset support and features an innovative headset port that uniquely provides dual support for DHSG/EHS and modular 4-pin headset connections. Users with wireless headsets that support DHSG/EHS can connect directly to the 6867 using standard third party cables.

ENVIRONMENTALLY FRIENDLY

All Mitel 6800 series SIP phones have been designed with the environment in mind. Using dynamic PoE class reporting, the 6867 has a PoE Class 2 rating that automatically switches classes when an expansion module is connected, enabling the phone and network switches to efficiently manage power consumption. The Mitel 6867 SIP Phone also supports an optional Efficiency Level "V" compliant power adaptor, if required. With smaller packaging that includes 100% recycled and biodegradable material, the Mitel 6800 series SIP phones comprise one of the most environmentally friendly family of SIP phones on the market.

Feature Keys

- *2 dedicated line keys with LEDs*
- *6 programmable soft keys with LEDs that can be customized to access up to a total of 20 functions*
- *4 context-sensitive system keys that can be customized to access up to a total of 18 functions*
- *4-way navigation key with Select/OK button*
- *Dedicated function keys, including Conference, Transfer, Callers List, Hold, Redial, Goodbye, Options, 2 volume keys, Mute (with LED) and Speaker/Headset (with LED)*
- *Optional customizable hard keys for personalized key configurations*
  - *5 alternative key caps include: DND, CFD, Voice Mail, L3, L4*
- *Built in USB 2.0 port*

Audio and Codecs

- *Mitel Hi-Q Audio Technology*
- *Hearing aid compatible (HAC) handset*
- *Full-duplex quality speakerphone*
- *Codecs: G.711 μ-law / A-law, G.729, G.722, AMR*, AMR-WB(G.722.2)*, G.726, iLBC, BV16, BV32, L16*
- *Echo cancellation*
- *Comfort noise utilization*
- *Voice Quality Metrics, including MOS*
- *USB, DHSG/EHS, and 4-pin modular headset support*

Display and Indicators

- *3.5" QVGA 320x240 pixel color display*
- *Intuitive graphical user interface and navigation menus*
- *Adjustable screen brightness for user comfort in different lighting environments*
- *Dedicated LED for call and message waiting indication*

Security

- *User and administrator level passwords for login*
- *Encryption of configuration files*
- *HTTPS configuration download and web management*
- *Phone lock with PIN*
- *Digest Authentication*
- *Transport Layer Security (TLS)*
- *Secure Real-Time Protocol (SRTP)*

XML API Capabilities

- *Display control based on user actions or events*
- *Dynamic Phone Configuration*
- *RTP Streaming Control*
- *CTI applications*
- *Extensive XML documentation and sample apps*

Localization

- *Multilingual support – English, French, Spanish, Italian, German*
  - *Downloadable language pack support for customization and additional language translations*
- *Country-specific call progress tones and cadences*
- *Latin1, Latin2 Character sets*

Protocol

- *IETF SIP (RFC3261) and associated RFCs*
- *Extensive SIP standards compliance*

*license required

Networking and Provisioning

- Dual 10/100/1000 Mbps Ethernet ports (LAN/PC)
- Manual or Dynamic Host Configuration Protocol (DHCP) IP address setup
- Support of multiple DHCP options: 2,12,42,43,60,66,77, 120,132,159,160
- Time and date synchronization using SNTP
- Quality of Service support – IEEE 802.1 p/Q VLAN and priority tagging, Type of Service (TOS), and Differentiated Services Code Point
- Integrated HTTP/HTTPS server for web administration and maintenance, including a built-in troubleshooting section
- Mass deployment via central provisioning of user configuration files – TFTP, FTP, HTTP, HTTPS
- TR-069 support
- Redundant server support
  - DNS-SRV
  - Backup proxy/registrar server support
- RTCP support (RFC1889)
- RTP streaming for Paging and Intercom applications
- IEEE 802.1x
- LLDP-MED

Power

- PoE Class 2
- Dynamic PoE class changes when expansion modules are added
- Level "V" energy efficiency rated power adapters available
  - 87-00012AAA-A (Europe)
  - 87-00013AAA-A (North America)
  - D6700-0131-48-20 (Universal)

Package Content

- Mitel 6867 SIP Phone (80C00002AAA-A)
- Handset and coil cord
- Adjustable two-angle stand (35° & 60°)

Accessories

- M685 LCD Expansion Module (80C00007AAA-A)
- M680 Paper Expansion Module (80C00010AAA-A)
- K680 QY Keyboard (80C00008AAA-A)
- K680 QZ Keyboard (80C00013AAA-A)
- K680 AY Keyboard (80C00014AAA-A)
- Wall Mount Kit (80C00011AAA-A)

14030-18254 123456-R0115-EN

Mitel 6865 SIP Phone

Key Features

- Support for up to 24 lines when connected to an expansion module
- 3.4" 128x48 pixel LCD display with soft white backlighting
- HD wideband audio
- Eight programmable hard keys
- Dual GigE Ethernet ports
- XML capabilities
- Native DHSG/EHS headset support
- Supports up to three expansion modules
- PoE Class 2

The Mitel 6865 SIP Phone offers exceptional flexibility in a true enterprise grade SIP desktop phone. Supporting up to 24 lines when connected to an expansion module, the 6865 features Dual Gigabit Ethernet ports and a large 3.4" (128x48 pixel) LCD display with soft white backlighting and large fonts, making the screen easy to read in any lighting conditions. With eight programmable keys, XML capabilities, native DHSG/EHS headset support, a true HD handset, and a speakerphone that delivers remarkable wideband HD audio quality, the Mitel 6865 SIP Phone is ideally suited for the small to large business that needs Gigabit throughout for PC connectivity.

Key Features and Benefits

REMARKABLE AUDIO

All Mitel 6800 series SIP phones feature high definition audio technology to deliver enhanced performance and voice clarity. Integrating HD wideband audio codecs, advanced audio processing and hardware components that support a true wideband frequency range, the 6865 offers a superior voice experience on each audio path – handset, speakerphone or headset port – making conversations crystal clear and more life-like.

ENHANCED CALL MANAGEMENT

With an extensive storage capacity for personal directories, callers logs, redial lists, and eight programmable key entries, the Mitel 6865 SIP Phone is designed to easily manage access to all of the most frequently used call management features. Even more productivity-enhancing features are available at the push of a button, Including Shared Call Appearance (SCA), Busy Lamp Fields (BLF), three-way conferencing, transfer, call waiting, call park, call pickup, intercom and paging. The 6865 supports up to three expansion modules, offering additional programmable keys that can be used to access a broad list of advanced features.

Mitel

Flexible Headset Options

The Mitel 6865 SIP Phone features an innovative headset port that uniquely provides dual support for DHSG/EHS and modular four-pin headset connections. Users with wireless headsets that support DHSG/EHS can connect directly to the 6865 using standard third party cables.

Environmentally Friendly

All Mitel 6800 series SIP phones have been designed with the environment in mind. Using dynamic Power over Ethernet (PoE) class reporting, the 6865 has a PoE Class 2 rating and automatically switches classes when an M685 LCD expansion module is connected, enabling the phone and network switches to efficiently manage power consumption. The Mitel 6865 SIP Phone also supports an optional Efficiency Level "V" compliant power adaptor if required. With smaller packaging that includes 100% recycled and biodegradable material, the Mitel 6800 series SIP Phones comprise one of the most environmentally friendly family of SIP phones on the market.

Feature Keys

- *2 dedicated line keys with LEDs*
- *8 Programmable keys with LEDs*
- *4-way navigation key with Select/OK button*
- *Dedicated function keys, including Conference, Transfer, Callers List, Hold, Redial, Goodbye, Options, 2 volume keys, Mute (with LED) and Speaker/Headset (with LED)*

Audio and Codecs

- *Mitel Hi-Q Audio Technology*
- *Hearing aid compatible (HAC) handset*
- *Full-duplex quality speakerphone*
- *Wideband handset and speakerphone*
- *Codecs: G.711 μ-law / A-law, G.729, G.722, AMR*, AMR-WB(G.722.2)*, G.726, iLBC, BV16, BV32, L16*
- *Echo cancellation*
- *Comfort noise utilization*
- *Packet loss concealment*
- *Voice Quality Metrics, including MOS*
- *DHSG/EHS and 4-pin modular headset supported*

Display and Indicators

- *Monochrome LCD*
  - *3.4" 128x48 pixel graphical backlit display*
  - *Soft white backlight for user comfort in any lighting condition*
- *LED for call and message waiting indication*

Security

- *User and administrator level passwords for login*
- *Encryption of configuration files*
- *HTTPS configuration and web management*
- *Phone lock with PIN*
- *Digest Authentication*
- *Transport Layer Security (TLS)*
- *Secure Real-Time Protocol (SRTP)*

XML API Capabilities

- *Display control based on user actions or events*
- *Dynamic Phone Configuration*
- *RTP Streaming Control*
- *CTI applications*
- *Extensive XML documentation and sample apps*

Localization

- *Multilingual support – English, French, Spanish, Italian, German*
- *Downloadable language pack support for customization and additional language translations*
- *Country-specific call progress tones and cadences*
- *Latin1, Latin2 Character sets*

Protocol

- *IETF SIP (RFC3261) and associated RFCs*
- *Extensive SIP standards compliance*

Networking and Provisioning

- *Dual 10/100/1000 Mbps Ethernet ports (LAN/PC)*
- *Manual or Dynamic Host Configuration Protocol (DHCP) IP address setup*
- *Support of multiple DHCP options: 2,12,42,43,60,66,77, 120,132,159,160*
- *Time and date synchronization using SNTP*
- *Quality of Service support – IEEE 802.1 p/Q VLAN and priority tagging, Type of Service (TOS), and Differentiated Services Code Point*
- *Integrated HTTP/HTTPS server for web administration and maintenance, including a built-in troubleshooting section*
- *Mass deployment via central provisioning of user configuration files – TFTP, FTP, HTTP, HTTPS*
- *TR-069 support*
- *Redundant server support*
  - *DNS-SRV*
  - *Backup proxy/registrar server support*
- *RTCP support (RFC1889)*
- *RTP streaming for Paging and Intercom applications*
- *IEEE 802.1x*
- *LLDP-MED*

Power

- *PoE Class 2*
- *Dynamic PoE class changes when expansion modules are added*
- *Level "V" energy efficiency rated power adapters available*
  - *87-00012AAA-A (Europe)*
  - *87-00013AAA-A (North America)*
  - *D6700-0131-48-20 (Universal)*

Package Content

- *Mitel 6865 SIP Phone (80C00001AAA-A)*
- *Handset and coil cord*
- *Adjustable two-angle stand (35° & 60°)*

Accessories

- *M685 LCD Expansion Module (80C00007AAA-A)*
- *M680 Paper Expansion Module (80C00010AAA-A)*
- *Wall Mount Kit (80C00011AAA-A)*

*license required

14050-21056 123456-R0115-EN

Technical Proposal

TECHNICAL PROPOSAL

a. Understanding of the project and its requirements.

ALLO Response:

ALLO Communications understands the requirement of the project is to replace Centrex with a hosted PBX solution and other services including fax and modem services to the State of Nebraska locations that ALLO serves.

ALLO's solution will utilize our existing network connections to the State of Nebraska's network in Omaha, Lincoln, and Scottsbluff creating valuable redundancy and disaster-recovery capabilities. Additionally, ALLO will (at no incremental charge) expand our fiber facilities to connect significant locations for this RFP located in our current and future markets providing unmatched fiber coverage for the State of Nebraska.

b. Proposed development approach:

ALLO Response:

ALLO Communications provides comprehensive support through every phase of the project lifecycle, including implementation and delivery, operations management, and account management support. See below chart for our development approach:

Design	Deploy	Operate	Maintain	Evolve
✓Discovery	✓Logistics	✓24x7 Support	✓Manage Vendors	✓Manage Changes
✓Requirements	✓Install & Configure	✓Notify & Report	✓Onsite Break-Fix	✓Plan Capacity
✓Planning	✓Test & Turn-Up	✓Resolve Issues	✓Data Backup	✓Upgrades

c. Technical considerations:

ALLO Response:

ALLO currently provides services to the State of Nebraska under these technical requirements. ALLO has demonstrated that our service solution is technically sound and appropriate for the State. No technical considerations exist that have not been described in other sections of this response.

d. Detailed Project Work Plan:

Dates and time lines will be assigned once ALLO understands the OCIO's preferred order of conversion. ALLO will immediately begin the deployment of HPBX services after successful network testing. Concurrently, user interviews will be used to develop call flows. The HPBX service solution will be verified and the users will be trained on the new services. After conversion, successful implementation will be verified. This cycle will be repeated until all locations have been converted and user satisfaction is verified.

Estimated Schedule

Week 1 through 4

- Receive contract award.
- Kick off Meeting to review time line for replacing Centrex lines with HPBX lines, review network requirements, set priority for installation locations.
- Review deployment of HPBX network. Verify configuration for QoS, DHCP and VLANS.
- Receive station call features and call patterns from State in new areas to be served.
- Develop individual site conversion schedule.
- Begin conducting tours of facilities and verifying call flows.
- Place equipment orders.

Week 5 and 6

- Complete facility tours and call flow verification.
- Test provisioning and initial services.

Week 7

- Test solutions and begin installing IP telephones where necessary.
- Install drop fiber and NIDs to facilities where ALLO has local fiber to provide disaster recovery.

- Begin training on ALLO's services.
- Begin converting service to ALLO including number porting.

Week 8

- Provide on-site support verifying all conversions are complete.
- Evaluate customer needs and satisfaction to determine on-site needs.
- Prepare first bills and electronic bills.

e. Deliverables and Due Dates

ALLO Response:
The deliverables and due dates will be set with OCIOs project team. All lines and telephones are to be ported and working in an equivalent form by OCIOS due date. ALLO will deliver and verify telephone configurations and stations to the State of Nebraska locations by their due date*.
After all lines are active, ALLO and the State of Nebraska will continue to optimize the communication services in a cost efficient manner.
*ALLO will install fiber connections to key locations free of charge if the OCIO will obtain a benefit from such connections.

Escalation Lists

Name	Title	Report To	Responsible for
Tim Hahn	Sales Engineer/Project Manager	Kathy Carstenson	Project Mangager
Kristan Cross	Accunt Manger	Chris Peterson	NISC, 1st line of trouble, billing over all customer customer specilist
Thomas Scheele	Hosted PBX Specialist	Sonya Pinneo	Customer interview, site surve, programing, testing and training.
Kyle Nichols	Hosted PBX Specialist	Chris Peterson	Customer interview, site surve, programing, testing and training.
Kathy Carstenson	Director of Sales	Brad Moline	Over all project and customer expecations.
NOC	888-760-2556	Jason Wisman	24x7 Support number for Enterprize customers.

1ST LEVEL (1ST HOUR)	**On Duty Technician**	z-AllorepairCBC@allophone.net	888-760-2556
2nd LEVEL (2ND HOUR)	**Darryl Phillips** NOC Supervisor	Dphillips2@allophone.net	720-372-4663 x6001 (O) 303-507-2694 (M)
3rd LEVEL (3rd HOUR)	**Larry Lee, Jr.** Sr. Manager, Network Operations	lleejr@allophone.net	308-633-7997 (O) 720-232-5016 (M)
4th LEVEL (4th HOUR)	**Jason Wissman** Director, Network Operations	jwissman@allophone.net	308-633-7994 (O) 720-438-8648 (M)
5th LEVEL (5th HOUR)	**Jeff Kuenne** VP, Network Operations	jkuenne@allophone.net	308-633-7822 (O) 816-716-7224 (M)

Allo
A Nelnet COMPANY

ALLO NOC ESCALATION LIST

LEVEL	NAME/TITLE	EMAIL ADDRESS	CONTACT #'S
1ST LEVEL (1ST HOUR)	**On Duty Technician**	z-AllorepairCBC@allophone.net	888-760-2556
2nd LEVEL (2ND HOUR)	**Darryl Phillips** NOC Supervisor	Dphillips2@allophone.net	720-372-4663 x6001 (O) 303-507-2694 (M)
3rd LEVEL (3rd HOUR)	**Larry Lee, Jr.** Sr. Manager, Network Operations	lleejr@allophone.net	308-633-7997 (O) 720-232-5016 (M)
4th LEVEL (4th HOUR)	**Jason Wissman** Director, Network Operations	jwissman@allophone.net	308-633-7994 (O) 720-438-8648 (M)
5th LEVEL (5th HOUR)	**Jeff Kuenne** VP, Network Operations	jkuenne@allophone.net	308-633-7822 (O) 816-716-7224 (M)

Redundancy
& Business
Recovery

Redundancy and Business Recovery Plan (Summary)

Central Office – ALLO's central office is carrier grade with built in operational and geo redundancy. ALLO has 3 dual core voice processors including redundant power and battery/generator backups. The equipment is monitored 24/7. In the event of device failure, redundant cards begin operating immediately. ALLO maintains on-site spare components which are hot swappable.

Should an extreme disaster occur damaging the switch room and related equipment, ALLO's 3 core sites are connected via a 100G ring and will immediately move voice processing to a redundant processor in Omaha, Scottsbluff or Denver.

Fiber Plant – ALLO's fiber plant has redundancy built into the distribution fiber including connections to the State of Nebraska's network in Omaha, Lincoln, and Scottsbluff. A fiber cut will be re-routed with minimal, or no, customer impact. ALLO's fiber assets include 100G ring between Omaha, Lincoln, North Platte, Bridgeport, Ogallala, Alliance, Scottsbluff and Denver. ALLO has fiber splicers on staff available 24/7.

Customer Premise Equipment – ALLO maintains an inventory of spare electronics that can quickly be deployed to a customer site. In the event of a failure, the network operations center will notice the communication degradation between the central office and the customer premise equipment and begin corrective action immediately. If the degradation is customer impacting, an on-site technician is immediately dispatched with the spare equipment.

Network Operations – One of the biggest improvements offered by the packet switch and fiber optic network versus the old copper circuit switch networks is the ability for the network operations center to view signaling to the NID and, in the case of IP telephone, to the telephone set at a packet level. Response times are vastly improved and in many cases, ahead of the customer noticing degradation of service.

Business Continuity Plan

Team member Responsibilities:

Each team member will designate an alternate backup.

Members keep an updated calling list of their team members' work, home and cell phone numbers both at home and at work.

Each member will have a binder for reference at home in case the disaster happens during afterhours. All team members will familiarize themselves with the contents of this plan.

Instructions for using the plan:

1. **Invoking the plan**
   This plan becomes effective when a disaster occurs. Normal problem management procedures will initiate the plan, and remain in effect until operations are resumed at the original location (or a replacement location) and control is returned to the appropriate functional management.

2. **Disaster declaration**

   The Emergency Management Team and Location Response Coordinator are responsible for declaring a disaster for Technical Services and activating the various recovery teams as outlined in this plan.

   In a major disaster situation affecting multiple business units, the decision to declare a disaster will be determined by ALLO Corporate. The Emergency Management Team/Location Response Coordinator will respond based on the directives specified by Corporate.

3. **Notification**

   Regardless of the disaster circumstances, or the identity of the person(s) first made aware of the disaster, the Emergency Management Team (EMT) must be activated immediately in the following cases:

   - Two (2) or more systems and/or sites are down concurrently for three (3) or more hours
   - Five (5) or more systems and/or sites are down concurrently for two (2) or more hours
   - Any problem at any system or network facility that would cause either of the above conditions to be present or there is certain indication that either of the conditions are about to occur

4. **Emergency management procedures**

The following procedures are to be followed by system operations personnel and other designated ALLO personnel in the event of an emergency. Where uncertainty exists, the more reactive action should be followed to provide maximum protection and personnel safety.

Note: Anyone not recognized by the Technical Services staff as normally having business in the area must be challenged by the staff who should then notify security personnel.

These procedures are furnished to ALLO management personnel to take home for reference. Several pages have been included to supply emergency contacts.

In the event of any situation where access to a building housing a system is denied, personnel should report to alternate locations. Primary and secondary locations are listed below.

Alternate locations — Workplace: Scottsbluff Alternate

Workplace: Denver, Colorado (NOC)

Workplace: Omaha

- Attempt to contact your immediate supervisor or management via telephone. Home and cell phone numbers are included in this document

In the event of a major catastrophe affecting an ALLO facility, immediately notify the Network Operations Center.

Procedures STEP ACTION

1. Notify Network Operations Manager of pending event, if time permits.
2. If impending natural disaster can be tracked, begin preparation of site.

5. In the event of a fire

In the event of a fire or smoke in any of the facilities, the guidelines and procedures in this section are to be followed.

If fire or smoke is present in the facility, evaluate the situation and determine the severity, categorize the fire as Major or Minor and take the appropriate action as defined in this section. Call 911 as soon as possible if the situation warrants it.

Personnel are to attempt to extinguish minor fires (e.g., single hardware component or paper fires) using hand-held fire extinguishers located throughout the facility. Any other fire or smoke situation will be handled by qualified building personnel until the local fire department arrives.

In the event of a major fire, call 911 and immediately evacuate the area.

In the event of any emergency situation, system site security and personal safety are the major concern. If possible, the operations supervisor should remain present at the facility until the fire department has arrived.

In the event of a major catastrophe affecting the facility, immediately notify the Network Operations Manager.

Procedure	STEP	ACTION
	1	Dial 9-1-1 to contact the fire department
	2	Immediately notify all other personnel in the facility of the situation and evacuate the area.
	3	Alert emergency personnel on: **PHONE NUMBERS** Provide them with your name, extension where you can be reached, building and room number, and the nature of the emergency. Follow all instructions given.
	4	Alert the Director of Network Operations. He/she will notify the Emergency Management Team Coordinator. *Note:* During non-staffed hours, security personnel will notify the Regional Technical Manager responsible for the location directly.
	5	Contact appropriate vendor personnel to aid in the decision regarding the protection of equipment if time and circumstance permit
	6	All personnel evacuating the facilities will meet at their assigned outside location (assembly point) and follow instructions given by the designed authority. **Under no circumstances may any personnel leave without the consent of supervision.**

The plan will be stored in a common location where it can be viewed by system site personnel and the Emergency Management Team. Each recovery team will have its own directory with change management limited to the recovery plan coordinator.

The Recovery Plan Coordinator will be responsible for the plan. A recovery plan coordinator will be assigned for each company location. Their specific responsibilities are as follows:

Frequency of plan update: Quarterly or when there is a change in personnel

1. Provide hard copy of plan to all team members. Team members must store copy at home, in a personal car, or electronically via a hand-held device or laptop computer.
2. Regularly review and update information in the disaster recovery plan (e.g., contact lists, equipment inventories). Communicate with the Emergency Management Coordinator to get up-to-date information periodically.
3. Hold initial team meeting to get team members acquainted with the plan and hold annual/semi-annual meetings to review the plan on an ongoing basis
4. Maintain an accurate record of the locations of alternate sites, equipment suppliers, data storage locations, portable power generators and implementation plans.

Alert/Verification/ Declaration phase (1 - 5 hours)

1. *Notification of incident affecting the site*
   On-duty personnel responsibilities
   If in-hours:
      Upon observation or notification of a potentially serious situation during working hours at a system/facility, ensure that personnel on site have enacted standard emergency and evacuation procedures if appropriate and notify the Location Response Coordinator.
   If out of hours:
      Technical Services personnel should contact the Location Response Coordinator.
2. ***Provide status to EMT***
   1. The Location Response Coordinator (LRC) will contact the Emergency Management Team (EMT) and provide the following information when any of the following conditions exist:
      - One or more facilities are down for any length of time.

3. **Disaster declared:** *mobilize incident response team/Report to command center*
Once a disaster is declared, the Incident Response Team (IRT) is mobilized. This recovery team will initiate and coordinate the appropriate recovery actions. IRT members assemble at the Command Center as quickly as possible. See Appendix E for Regional Command Center Locations.

The LRT remains at the affected site to perform a preliminary damage assessment (if permitted} and gather information until the IRT arrives.

1. ***Conduct detailed damage assessment*** *(This may also be performed prior to declaring a disaster)*
    i. Under the direction of local authorities and/or LRC/IRT assess the damage to the affected location and/or assets. Include vendors/providers if installed equipment to ensure that their expert opinion regarding the condition of the equipment is determined ASAP.
    ii. Participate in a briefing on assessment requirements, reviewing:
        1. Assessment procedures
        2. Gather requirements
        3. Safety and security issues

NOTE: Access to the facility following a fire or potential chemical contamination will likely be denied for 24 hours or longer.

    a. Document assessment results using Assessment and Evaluation Forms
        i. Building access permitting:
            1. Conduct an on-site inspection of affected areas to assess damage to essential hardcopy records (files, manuals, contracts, documentation, etc.) and electronic data
            2. Obtain information regarding damage to the facility (s) (e.g., environmental conditions, physical structure integrity, furniture, and fixtures) from the LRC/LRT.

2. **Develop a Restoration Priority List**, identifying facilities, vital records and equipment needed for resumption activities that could be operationally restored and retrieved quickly
3. **Develop a Salvage Priority List** identifying sites and records which could eventually be salvaged
4. **Recommendations for required resources** suppliers, food suppliers and others for emergency support. Depending on the incident, its severity and alternate location option selected, contact the appropriate alternate site organization, the local bank office and other relevant firms.
5. **Notify EMT** and corporate business units of recovery startup

Using the call list in Appendix B, notify the appropriate company personnel. Inform them of any changes to processes or procedures, contact information, hours of operation, etc. (may be used for media information)

6. **Operations recovered** - Assuming all relevant operations have been recovered to an alternate site, and employees are in place to support operations, the company can declare that it is functioning in a normal manner at the recovery location.

7. **Coordinate the development of site specific recovery plans** and ensure they are updated semi-annually.

8. **Location Response Team (LRT)**

   Note: See Appendix B for contact list. Recommend that technicians and other suitably trained staff located at the affected location assume this role.

Charter:

The Location Response Team (LRT) is responsible for the initial alerting/ notification of the problem to the LRC during normal business hours. During off hours, the LRT will be notified along with the LRC. In the event of a disaster declaration, this team will become a part of the Incident Response Team.

Support activities:

1. Provide the following information to the LRC in the event of an outage:

   a. Type of event

   b. Location of occurrence

   c. Time of occurrence

2. Coordinate resumption of voice and data communications:
   a. Work with management to re-route voice and data lines, especially when alternate site (s) or alternate work locations are predefined
   b. Recover voice mail and electronic mail systems when requested by EMT.
   c. Verify voice mail and electronic mail are operational at the alternate site.

d. Review the ALLO Minimum Acceptable Operational Requirements checklist to determine if sufficient resources are in place to support operations

3. Coordinate resumption of information system operations:
   a. Work with management to recover critical systems, applications and infrastructure at recovery site (s) or alternate work locations
   b. Recover critical data files and related information when requested by EMT
   c. Ensure that network and perimeter security is re-established at alternate location
   d. Verify normal, secure operation of systems and servers at alternate site
   e. Review the ALLO Minimum Acceptable Operational Requirements checklist to determine if sufficient resources are in place to support operations

6. ***Appendix G: Forms***

1. **Incident/Disaster form**

Upon notification of an incident/disaster situation the On-Duty Personnel will make the initial entries into this form. It will then be forwarded to the ECC, where it will be continually updated. This document will be the running log until the incident/disaster has ended and "normal business" has resumed.

TIME AND DATE

____

TYPE OF EVENT

____

____

____

____

____

____

LOCATION

____

____

BUILDING ACCESS ISSUES

____

____

2.**Critical equipment status form**

CRITICAL EQUIPMENT STATUS ASSESSMENT AND EVALUATION FORM

Recovery Team: ______________________________

Equipment	[----------STATUS---------] Condition	Salvage	Comments
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			

Legend

Condition:
- OK - Undamaged
- DBU - Damaged, but usable
- DS - Damaged, requires salvage before use
- D - Destroyed, requires reconstruction

5. **Mechanical Engineering (HVAC, Facilities, etc.)**

Company Name	Contact	Work	Mobile/Cell Phone
Cozad Services	Roger Keim	308-784-3477	308-325-4317

6. **Additional Suppliers / Contractors**

Company Name	Contact	Work	Mobile/Cell Phone

2.**Critical equipment status form**

CRITICAL EQUIPMENT STATUS
ASSESSMENT AND EVALUATION FORM

Recovery Team: ______________________________

Equipment	[----------STATUS---------] **Condition**	**Salvage**	**Comments**
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			

Legend

Condition:
OK - Undamaged
DBU - Damaged, but usable
DS - Damaged, requires salvage before use
D - Destroyed, requires reconstruction

5. Mechanical Engineering (HVAC, Facilities, etc.)

Company Name	Contact	Work	Mobile/Cell Phone
Cozad Services	Roger Keim	308-784-3477	308-325-4317

6. Additional Suppliers / Contractors

Company Name	Contact	Work	Mobile/Cell Phone

Finacial

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _to_.

COMMISSION FILE NUMBER 001-31924

NELNET, INC.
(Exact name of registrant as specified in its charter)

NEBRASKA (State or other jurisdiction of incorporation or organization)	**84-0748903** (I.R.S. Employer Identification No.)
121 SOUTH 13TH STREET, SUITE 100 **LINCOLN, NEBRASKA** (Address of principal executive offices)	**68508** (Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
TITLE OF EACH CLASS: Class A Common Stock, Par Value $0.01 per Share
NAME OF EACH EXCHANGE ON WHICH REGISTERED: New York Stock Exchange
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer [X] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ] Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant on June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the closing sale price of the registrant's Class A Common Stock on that date of $47.01 per share, was $1,027,524,695. For purposes of this calculation, the registrant's directors, executive officers, and greater than 10 percent shareholders are deemed to be affiliates.

As of January 31, 2018, there were 29,343,603 and 11,468,587 shares of Class A Common Stock and Class B Common Stock, par value $0.01 per share, outstanding, respectively (excluding 11,317,364 shares of Class A Common Stock held by wholly owned subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed for its 2018 Annual Meeting of Shareholders, scheduled to be held May 24, 2018, are incorporated by reference into Part III of this Form 10-K.

NELNET, INC.
FORM 10-K
TABLE OF CONTENTS
December 31, 2017

PART I

PART II

PART III

PART IV

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This report contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Statements that are not historical facts, including statements about the Company's plans and expectations for future financial condition, results of operations or economic performance, or that address management's plans and objectives for future operations, and statements that assume or are dependent upon future events, are forward-looking statements. The words "may," "should," "could," "would," "predict," "potential," "continue," "expect," "anticipate," "future," "intend," "scheduled," "plan," "believe," "estimate," "assume," "forecast," "will," and similar expressions, as well as statements in future tense, are intended to identify forward-looking statements.

The forward-looking statements are based on assumptions and analyses made by management in light of management's experience and its perception of historical trends, current conditions, expected future developments, and other factors that management believes are appropriate under the circumstances. These statements are subject to known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results and performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in "Risk Factors" and elsewhere in this report, and include such risks and uncertainties as:

- loan portfolio risks such as interest rate basis and repricing risk resulting from the fact that the interest rate characteristics of the student loan assets do not match the interest rate characteristics of the funding for those assets, the risk of loss of floor income on certain student loans originated under the Federal Family Education Loan Program (the "FFEL Program" or "FFELP"), risks related to the use of derivatives to manage exposure to interest rate fluctuations, uncertainties regarding the expected benefits from purchased securitized and unsecuritized FFELP, private education, and consumer loans and initiatives to purchase additional FFELP, private education, and consumer loans, and risks from changes in levels of loan prepayment or default rates;

- financing and liquidity risks, including risks of changes in the general interest rate environment and in the securitization and other financing markets for loans, including adverse changes resulting from slower than expected payments on student loans in FFELP securitization trusts, which may increase the costs or limit the availability of financings necessary to purchase, refinance, or continue to hold student loans;

- risks from changes in the educational credit and services markets resulting from changes in applicable laws, regulations, and government programs and budgets, such as the expected decline over time in FFELP loan interest income and fee-based revenues due to the discontinuation of new FFELP loan originations in 2010 and potential government initiatives or legislative proposals to consolidate existing FFELP loans to the Federal Direct Loan Program or otherwise allow FFELP loans to be refinanced with Federal Direct Loan Program loans;

- the uncertain nature of the expected benefits from the acquisition of Great Lakes Educational Loan Services, Inc. ("Great Lakes") on February 7, 2018 and the ability to successfully integrate technology, shared services, and other activities and successfully maintain and increase allocated volumes of student loans serviced under existing and any future servicing contracts with the U.S. Department of Education (the "Department"), which current contract between the Company and the Department accounted for 21 percent of the Company's revenue in 2017, risks to the Company related to the Department's initiative to procure new contracts for federal student loan servicing, including the risk that the Company on a post-Great Lakes acquisition basis may not be awarded a contract, risks related to the development by the Company and Great Lakes of a new student loan servicing platform, including risks as to whether the expected benefits from the new platform will be realized, and risks related to the Company's ability to comply with agreements with third-party customers for the servicing of FFELP, Federal Direct Loan Program, and private education and consumer loans;

- risks related to a breach of or failure in the Company's operational or information systems or infrastructure, or those of third-party vendors, including cybersecurity risks related to the potential disclosure of confidential student loan borrower and other customer information;

- uncertainties inherent in forecasting future cash flows from student loan assets and related asset-backed securitizations;

- the uncertain nature of the expected benefits from the acquisition of ALLO Communications LLC on December 31, 2015 and the ability to integrate its communications operations and successfully expand its fiber network in existing service areas and additional communities and manage related construction risks;

- risks and uncertainties related to initiatives to pursue additional strategic investments and acquisitions, including investments and acquisitions that are intended to diversify the Company both within and outside of its historical core education-related businesses; and

- risks and uncertainties associated with litigation matters and with maintaining compliance with the extensive regulatory requirements applicable to the Company's businesses, reputational and other risks, including the risk of increased regulatory costs, resulting from the recent politicization of student loan servicing, and uncertainties inherent in the estimates and assumptions about future events that management is required to make in the preparation of the Company's consolidated financial statements.

All forward-looking statements contained in this report are qualified by these cautionary statements and are made only as of the date of this document. Although the Company may from time to time voluntarily update or revise its prior forward-looking statements to reflect actual results or changes in the Company's expectations, the Company disclaims any commitment to do so except as required by securities laws.

PART I.

ITEM 1. BUSINESS

Overview

Nelnet, Inc. (the "Company") is a diverse company with a focus on delivering education-related products and services and loan asset management. The largest operating businesses engage in student loan servicing, tuition payment processing and school information systems, and communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including, but not limited to, investments in real estate and start-up ventures. Substantially all revenue from external customers is earned, and all long-lived assets are located, in the United States.

The Company was formed as a Nebraska corporation in 1978 to service federal student loans for two local banks. The Company built on this initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans, principally consisting of loans originated under the Federal Family Education Loan Program. A detailed description of the FFEL Program is included in Appendix A to this report.

The Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act of 2010") discontinued new loan originations under the FFEL Program, effective July 1, 2010, and requires that all new federal student loan originations be made directly by the Department through the Federal Direct Loan Program. This law does not alter or affect the terms and conditions of existing FFELP loans.

As a result of the Reconciliation Act of 2010, the Company no longer originates new FFELP loans. However, a significant portion of the Company's income continues to be derived from its existing FFELP student loan portfolio. As of December 31, 2017, the Company had a $21.8 billion loan portfolio, consisting primarily of FFELP loans, that management anticipates will amortize over the next approximately 20 years and has a weighted average remaining life of 7.5 years. Interest income on the Company's existing FFELP loan portfolio will decline over time as the portfolio is paid down. However, since July 1, 2010, which is the effective date on and after which no new loans can be originated under the FFEL Program, the Company has purchased $21.4 billion of FFELP loans from other FFELP loan holders looking to adjust their FFELP businesses. The Company believes there may be additional opportunities to purchase FFELP portfolios to generate incremental earnings and cash flow. However, since all FFELP loans will eventually run off, a key objective of the Company is to reposition the Company for the post-FFELP environment.

To reduce its reliance on interest income on student loans, the Company has expanded its services and products. This expansion has been accomplished through internal growth and innovation as well as business acquisitions. In addition, in 2009, the Company began servicing federally owned student loans for the Department. As of December 31, 2017, the Company was servicing $172.7 billion of student loans for 5.9 million borrowers on behalf of the Department.

Recent Developments

On February 7, 2018, the Company acquired 100 percent of the outstanding stock of Great Lakes for a purchase price of $150.0 million in cash. Nelnet Servicing, LLC ("Nelnet Servicing"), a subsidiary of the Company, and Great Lakes are two of the four large private sector companies (referred to as Title IV Additional Servicers, or "TIVAS") that have student loan servicing contracts awarded by the Department in June 2009 to provide servicing for loans owned by the Department.

Going forward, Great Lakes and the Company will continue to service their respective government-owned portfolios on behalf of the Department, while maintaining their distinct brands, independent servicing operations, and teams. Likewise, each entity will continue to compete for new student loan volume under its respective existing contract with the Department. Nelnet will integrate technology, as well as shared services and other activities, to become more efficient and effective in meeting borrower needs.

Headquartered in Madison, Wisconsin, Great Lakes has approximately 1,800 employees and as of December 31, 2017, Great Lakes was servicing $224.4 billion in government-owned student loans for 7.5 million borrowers, $10.7 billion in FFELP loans for almost 479,000 borrowers, and $8.5 billion in private education and consumer loans for over 415,000 borrowers.

The operating results of Great Lakes will be included in the Company's Loan Systems and Servicing operating segment beginning February 7, 2018.

Operating Segments

The Company has four reportable operating segments summarized below.

Loan Systems and Servicing

- Referred to as Nelnet Diversified Solutions ("NDS")
- Focuses on student loan servicing, consumer loan origination and servicing, student loan servicing-related technology solutions, and outsourcing services for lenders and other entities
- Includes the brands Nelnet Loan Servicing, Firstmark Services, GreatNet Solutions, and Proxi

Tuition Payment Processing and Campus Commerce

- Referred to as Nelnet Business Solutions ("NBS")
- Focuses on tuition payment plans and billings, financial needs assessment services, online payment and refund processing, school information system software, payment technologies, and professional development and educational instruction services
- Includes the brands FACTS Management, Nelnet Campus Commerce, RenWeb, PaymentSpring, and FACTS Education Solutions

Communications

- Includes the operations of ALLO Communications LLC ("ALLO")
- Focuses on providing fiber optic service directly to homes and businesses for internet, broadband, telephone, and television services

Asset Generation and Management

- Includes the acquisition and management of the Company's student and other loan assets

Segment Operating Results

The Company's reportable operating segments are defined by the products and services they offer or the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. The Company includes separate financial information about its reportable segments, including revenues, net income or loss, and total assets for each of the Company's reportable segments, for the last three fiscal years in note 15 of the notes to consolidated financial statements included in this report. For segment reporting purposes, business activities and operating segments that are not reportable are combined and included in "Corporate and Other Activities."

Loan Systems and Servicing

The primary service offerings of this operating segment include:

- Servicing federally-owned student loans for the Department
- Servicing FFELP loans
- Originating and servicing private education and consumer loans
- Providing student loan servicing software and other information technology products and services
- Providing outsourced services including call center, processing, and marketing services

In addition, this segment provided servicing, outsourcing services, and collection services to two FFELP guaranty agencies. The contract with one agency expired on October 31, 2015, and was not renewed. The remaining guaranty agency customer exited the FFELP guaranty business at the end of its contract term on June 30, 2016. After the expiration of this contract, the Company has no remaining guaranty revenue.

As of December 31, 2017, the Company serviced $211.4 billion of student loans for 7.8 million borrowers. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Loan Systems and Servicing Operating Segment - Results of Operations - Student Loan Servicing Volumes" for additional information related to the Company's servicing volume.

Servicing federally-owned student loans for the Department

As previously discussed, the Company is one of four large private sector companies, or TIVAS, awarded a student loan servicing contract by the Department in June 2009 to provide additional servicing capacity for loans owned by the Department. These loans include Federal Direct Loan Program loans originated directly by the Department and FFEL Program loans purchased by the Department. Under the servicing contract, the Company earns a monthly fee from the Department for each unique borrower who has loans owned by the Department and serviced by the Company. The amount paid per each unique borrower is dependent on the status of the borrower (e.g., in school or in repayment). As of December 31, 2017, the Company was servicing $172.7 billion of student loans for 5.9 million borrowers under its contract with the Department. The Department is the Company's largest customer, representing 21 percent of the Company's revenue in 2017.

The servicing contract with the Department is currently scheduled to expire on June 16, 2019. In April 2016, the Department announced a new contract procurement process to acquire a single servicing platform to manage all student loans owned by the Department. In May 2016, Nelnet Servicing and Great Lakes submitted a joint response to the procurement as part of their GreatNet Solutions, LLC ("GreatNet") joint venture created to respond to the contract solicitation process and to provide services under a new contract in the event that the Department selects it for a contract award.

On August 1, 2017, the Department canceled the prior procurement process. On February 20, 2018, the Department's Office of Federal Student Aid ("FSA") released information regarding a new contract procurement process. The contract solicitation process is divided into two phases. Responses for Phase One are due on April 6, 2018. The contract solicitation requests responses from interested vendors for nine components, including:

- Component A: Enterprise-wide digital platform and related middleware
- Component B: Enterprise-wide contact center platform, customer relationship management (CRM), and related middleware
- Component C: Solution 3.0 (core processing, related middleware, and rules engine)
- Component D: Solution 2.0 (core processing, related middleware, and rules engine)
- Component E: Solution 3.0 business process operations
- Component F: Solution 2.0 business process operations
- Component G: Enterprise-wide data management platform
- Component H: Enterprise-wide identity and access management (IAM)
- Component I: Cybersecurity and data protection

The solicitation indicates Component C (Solution 3.0) is anticipated to be tailored for new customers and Component D (Solution 2.0) is anticipated to serve as the primary environment for FSA's existing customers. After Solution 3.0 is deployed, FSA will determine the best distribution of loans between Solution 2.0 and Solution 3.0. In addition, more than one business process solution may be selected for Components E and F.

Vendors may provide a response for an individual, multiple, or all components. The Company intends to respond to Phase One of the solicitation.

The Department also has contracts with 31 not-for-profit ("NFP") entities to service student loans, although five NFP servicers currently service the volume allocated to these 31 entities. One NFP servicer exited the Federal Direct Loan Program servicing business in August 2016. The Company licenses its remote-hosted servicing software to three of the five NFP servicers.

New loan volume was historically allocated by the Department among the four TIVAS based on certain performance metrics established by the Department beginning in 2010. The Department currently allocates new loan volume among the TIVAS and NFP servicers based on the following performance metrics:

- Two metrics measure the satisfaction among separate customer groups, including borrowers (35 percent) and Federal Student Aid personnel who work with the servicers (5 percent).

- Three metrics measure the success of keeping borrowers in an on-time repayment status and helping borrowers avoid default as reflected by the percentage of borrowers in current repayment status (30 percent), percentage of borrowers more than 90 days but fewer than 271 days delinquent (15 percent), and percentage of borrowers over 270 days and fewer than 361 days delinquent (15 percent). The loans are evaluated in 15 different loan portfolio stratifications to account for differences in portfolios.

The allocation of ongoing volume is determined twice each year based on the performance of each servicer in relation to the other servicers. Quarterly results are compiled for each servicer. The average of the September and December quarter-end results are used to allocate volume for the period from March 1 to August 31, and the average of the March and June quarter-end results are used to allocate volume for the period from September 1 to February month end, of each year.

The following table shows the Company's rankings and percent of new volume allocated to the Company since the inception of the Department's allocations of new loan volume based on performance metrics methodologies under this contract:

	Initial Metrics (a)						Revised Metrics, NFPs received 25% of volume (b)		Current Metrics (Common Metrics for TIVAS and NFPs)			
Performance Evaluation Period	1	2	3	4	5		6	7	8	9	10	11
Defaulted borrower #	4	4	1	1	2	Borrower survey	2	2	1	4	2	2
Defaulted borrower $	4	4	1	1	2	FSA survey	2	2	2	4	4	3
Borrower survey	4	4	3	2	2	Current repay %	4	4	10	3	7	6
School survey	2	2	2	3	2	91-270 Repay %	4	4	10	6	7	7
FSA survey	3	3	3	3	4	271-360 Repay %	4	4	10	9	7	8
Overall ranking	4	4	1	1	2		4	4	8	5	5	4
Allocation	16%	16%	30%	30%	26%		14%	13%	8%	12%	11%	11%
Allocation period	August 15, 2010 - August 14, 2011	August 15, 2011 - August 14, 2012	August 15, 2012 - August 14, 2013	August 15, 2013 - August 14, 2014	August 15, 2014 - February 28, 2015		March 1, 2015 - August 31, 2015	September 1, 2015 - February 29, 2016	March 1, 2016 - June 30, 2016	July 1, 2016 - February 28, 2017	March 1, 2017 - August 31, 2017	September 1, 2017 - February 28, 2018

(a) During the first five years of the servicing contract, the Department allocated 100 percent of new loan volume among the four TIVAS based on the following performance metrics:

- Two performance metrics measured the success of default prevention efforts as reflected by the percentage of borrowers (20 percent) and percentage of dollars (20 percent) in each servicer's portfolio that went into default.
- Three metrics measured the satisfaction among separate borrower groups, including borrowers (20 percent), financial aid personnel at postsecondary schools participating in federal student loan programs (20 percent), and Federal Student Aid and other federal agency personnel or contractors who worked with the servicers (20 percent).

(b) For these performance evaluation periods (6 and 7 in the above table), the numerical rankings are among the four TIVAS, since the NFPs received a fixed 25 percent of the overall new loan volume. Prior to these evaluation periods, the NFPs serviced loans for up to 100,000 borrower accounts and were not subject to allocations based on performance.

Incremental revenue components earned by the Company from the Department (in addition to loan servicing revenues) include:

- *Administration of the Total and Permanent Disability (TPD) Discharge program.* The Company processes applications for the TPD discharge program and is responsible for discharge, monitoring, and servicing TPD loans. Individuals who are totally and permanently disabled may qualify for a discharge of their federal student loans, and the Company processes applications under the program and receives a fee from the Department on a per application basis, as well as a monthly servicing fee during the monitoring period. The Company is the exclusive provider of this service to the Department.

- *Origination of consolidation loans.* Beginning in 2014, the Department implemented a process to outsource the origination of consolidation loans whereby each of the four TIVAS, and beginning in December 2017, each of the NFP servicers, receives Federal Direct Loan consolidation origination volume based on borrower choice. The Department pays the Company a fee for each completed consolidation loan application it processes. The Company services the consolidation volume it originates.

Servicing FFELP loans

The Loan Systems and Servicing operating segment provides for the servicing of the Company's student loan portfolio and the portfolios of third parties. The loan servicing activities include loan conversion activities, application processing, borrower updates, customer service, payment processing, due diligence procedures, funds management reconciliations, and claim processing. These activities are performed internally for the Company's portfolio, in addition to generating external fee revenue when performed for third-party clients.

The Company's student loan servicing division uses proprietary systems to manage the servicing process. These systems provide for automated compliance with most of the federal student loan regulations adopted under Title IV of the Higher Education Act of 1965, as amended (the "Higher Education Act").

The Company serviced FFELP loans on behalf of 29 third-party servicing customers as of December 31, 2017. The Company's FFELP servicing customers include national and regional banks, credit unions, and various state and nonprofit secondary markets. The majority of the Company's external FFELP loan servicing activities are performed under "life of loan" contracts. Life of loan contract servicing essentially provides that as long as the loan exists, the Company shall be the sole servicer of that loan; however, the agreement may contain "deconversion" provisions where, for a fee, the lender may move the loan to another servicer.

The discontinuation of new FFELP loan originations in July 2010 has caused and will continue to cause FFELP servicing revenue to decline as these loan portfolios are paid down. However, the Company believes there may be opportunities to service additional FFELP loan portfolios from current FFELP participants as the program winds down.

Originating and servicing private education and consumer loans

The Loan Systems and Servicing operating segment conducts origination and servicing activities for private education and consumer loans.

Private education loans are non-federal loans made to students or their families; as such, the loans are not issued or guaranteed by the federal government. These loans are used primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or the borrowers' personal resources. Although similar in terms of activities and functions as FFELP loan servicing (i.e., application processing, disbursement processing, payment processing, customer service, statement distribution, and reporting), private education loan servicing activities are not required to comply with provisions of the Higher Education Act and may be more customized to individual client requirements.

The Company has invested in modernizing key technologies and services to position its consumer loan servicing business for the long-term, expanding services to include personal loan products and other consumer installment assets. Improvements allow for diversified products to be both originated and serviced with state-of-the-art application and servicing platforms to drive growth for the Company's client partners. Presenting a very wide market opportunity of new entrants and existing players, consumer lending is a key growth area. In both back-up servicing and full servicing partnerships, the Company is a valuable resource for consumer lenders and asset holders as it allows for leveraged economies of scale, high compliance, and secure service to client partners.

The Company serviced private education and consumer loans on behalf of 27 third-party servicing customers as of December 31, 2017. In addition, the Company provides back-up servicing arrangements to assist nine entities for more than 800,000 borrowers. For a monthly fee, these arrangements require a 30 to 90 day notice from a triggering event to transfer the customer's servicing volume to the Company's platform and becoming a full servicing customer.

Providing student loan servicing software and other information technology products and services

The Loan Systems and Servicing operating segment provides data center services and student loan servicing software for servicing private education and federal loans. These proprietary software systems are used internally by the Company and licensed to third-party student loan holders and servicers. These software systems have been adapted so they can be offered as hosted servicing software solutions that can be used by third parties to service various types of student loans, including Federal Direct Loan Program and FFEL Program loans. The Company earns a monthly fee from its remote hosting customers for each unique borrower on the Company's platform, with a minimum monthly charge for most contracts. As of December 31, 2017, 2.8 million borrowers were hosted on the Company's hosted servicing software solution platforms.

Providing outsourced services including call center, processing, and marketing services

The Company provides business process outsourcing specializing in contact center management. The contact center solutions and services include taking inbound calls, helping with outreach campaigns and sales, and interacting with customers through multi-channels.

Competition

The Company's scalable servicing platform allows it to provide compliant, efficient, and reliable service at a low cost, giving the Company a competitive advantage over others in the industry. The principal competitor for existing and prospective FFELP and private education loan servicing business is Navient Corporation ("Navient"). Navient is the largest for-profit provider of servicing functions. In contrast to its competitors, the Company has segmented its private education loan servicing on a distinct platform, created specifically to meet the needs of private education student loan borrowers, their families, the schools they attend, and the lenders who serve them. This ensures access to specialized teams with a dedicated focus on servicing these borrowers.

With the elimination of new loan originations under the FFEL Program, four servicers, including the Company, were named by the Department in 2009 as servicers of federally-owned loans. The three other servicers are Great Lakes (now owned by the Company), FedLoan Servicing (Pennsylvania Higher Education Assistance Agency ("PHEAA")), and Navient. In addition, the Department has contracts with 31 NFP entities to service student loans that are serviced by five prime NFP servicers. These NFP entities were authorized in 2012 to begin servicing loans for existing borrower accounts. While previously these entities have only serviced existing loans, beginning in the first quarter of 2015, they began to receive a portion of new borrower loan activity. The Company currently licenses its hosted servicing software to 3 prime NFP servicers that represent 13 NFP organizations. PHEAA is the only other TIVAS servicer offering a hosted Federal Direct Loan Program servicing solution to the NFP servicers.

The Company is one of the leaders in the development of servicing software for guaranty agencies, consumer loan programs, the Federal Direct Loan Program, and FFELP student loans. Many student loan lenders and servicers utilize the Company's software either directly or indirectly. The Company believes the investments it has made to scale its systems and to create a secure infrastructure to support the Department's servicing volume and requirements increase its competitive advantage as a long-term partner in the loan servicing market.

Tuition Payment Processing and Campus Commerce

The Company's Tuition Payment Processing and Campus Commerce operating segment provides products and services to help students and families manage the payment of education costs at all levels (K-12 and higher education). It also provides innovative education-focused technologies, services, and support solutions to help schools automate administrative processes and collect and process commerce data. The Company also provides to K-12 schools professional development and educational instruction services and provides payment technology and services for software platforms, businesses, and nonprofits beyond the K-12 and higher education space.

The majority of this segment's customers are located in the United States; however, the Company has begun providing its products and services in Australia, New Zealand, and Southeast Asia, and currently believes there are opportunities to increase its customer base and revenues internationally.

See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Tuition Payment Processing and Campus Commerce Operating Segment - Results of Operations" for a discussion of the seasonality of the business in this operating segment.

K-12

In the K-12 market, the Company offers tuition management services, assistance with financial needs assessment and donor management, school information systems, and professional development and education instruction services. The Company provides services for nearly 11,500 K-12 schools and serves 2.2 million families representing 3.2 million students.

The Company is the market leader in actively managed tuition payment plans and financial needs assessment services. Tuition management services include payment plan administration, incidental billing, accounts receivable management, and record keeping. K-12 educational institutions contract with the Company to administer deferred payment plans that allow families to make monthly payments generally over 6 to 12 months. The Company collects a fee from either the institution or the payer as an administration fee.

The Company's financial needs assessment service helps K-12 schools evaluate and determine the amount of financial aid to disburse to the families it serves. The Company's donor services allow schools to assess and deliver strategic fundraising solutions using the latest technology.

RenWeb provides school information systems to help schools automate administrative processes such as admissions, enrollment, scheduling, student billing, attendance, and grade book management. RenWeb's information systems software is sold as a subscription service to schools. RenWeb also offers a streamlined, social, and fully integrated learning management system to enhance classroom instruction for both teachers and students. The combination of RenWeb's school administration software, learning management system, and the Company's tuition management and financial needs assessment services has significantly increased the value of the Company's offerings in this area, allowing the Company to deliver a comprehensive suite of solutions to schools.

Under the brand FACTS Education Solutions, the Company provides customized professional development services for teachers and school leaders as well as instructional services for students experiencing academic challenges. These services provide continuous advance learning and professional development while helping private schools identify and attain equitable participation in federal education programs.

Higher Education

The Company offers two principal products to the higher education market: actively managed tuition payment plans, and campus commerce technologies and payment processing. The Company provides service for 970 colleges and universities worldwide and serves 7 million students and families.

Higher education institutions contract with the Company to administer actively managed payment plans that allow the student and family to make monthly payments on either a semester or annual basis. The Company collects a fee from the student or family as an administration fee.

The Company's suite of campus commerce solutions provides services that allow for families' electronic billing and payment of campus charges. Campus commerce includes cashiering for face-to-face transactions, campus-wide commerce management, and refunds management, among other activities. The Company earns revenue for e-billing, hosting and maintenance, credit card processing fees, and e-payment transaction fees, which are powered by the Company's secure payment processing systems.

The Company's campus commerce products are sold as a subscription service to colleges and universities. The systems process payments through the appropriate channels in the banking or credit card networks to make deposits into the client's bank account. The systems can be further deployed to other departments around campus as requested (e.g., application fees, alumni giving, parking, events, etc.).

Non-education services

Under the brand PaymentSpring, the Company has expanded its customer base to include both education and non-education customers. PaymentSpring offers payment services including electronic transfer and credit card processing, reporting, billing and invoicing, mobile and virtual terminal solutions, and specialized integrations to business software.

Competition

The Company is the largest provider of tuition management and financial needs assessment services to the private and faith-based K-12 market in the United States. Competitors include financial institutions, tuition management providers, financial needs assessment providers, accounting firms, and a myriad of software companies.

In the higher education market, the Company targets business offices at colleges and universities. In this market, the primary competition is limited to only a few campus commerce and tuition payment providers, as well as solutions developed in-house by colleges and universities.

The Company's principal competitive advantages are (i) the customer service it provides to institutions and consumers, (ii) the technology provided with the Company's service, and (iii) the Company's ability to integrate its technology with the institution clients and their third party service providers. The Company believes its clients select products primarily based on technology features, functionality, and the ability to integrate with other systems, but price and service also impact the selection process.

Communications

On December 31, 2015, the Company acquired the majority of the membership interests of ALLO. ALLO derives its revenue primarily from the sale of telecommunication services, including internet, broadband, telephone, and television services, to business and residential customers in Nebraska, and specializes in high-speed internet and broadband services available through its all-fiber network. ALLO currently serves the Scottsbluff, Gering, Bridgeport, North Platte, Ogallala, Alliance, and Lincoln communities in Nebraska. ALLO began providing services in Lincoln, Nebraska in September 2016, as part of a multi-year project to pass substantially all commercial and residential properties in the community. In the fourth quarter of 2017, ALLO announced plans to expand its network to make services available in Hastings, Nebraska and Fort Morgan, Colorado. This will expand total households in ALLO's current markets from 137,500 to over 152,000. In December 2017, the Fort Morgan city council approved a 40-year agreement with ALLO for ALLO to provide broadband service over a fiber network that the city will build and own, and ALLO will lease and operate to provide services to subscribers. ALLO plans to continue expansion to additional communities in Nebraska and Colorado over the next several years.

Internet, broadband, and television services

Internet, broadband, and television services include data and video products and services to residential and business subscribers. ALLO data services provide high-speed internet access over ALLO's all-fiber network at various symmetrical speeds up to 1 gigabit per second for residential customers, depending on the nature of the network facilities that are available, the level of service selected, and the geographic market availability. ALLO also offers a variety of data connectivity services for businesses, including Ethernet services capable of multiple connections over ALLO's fiber-based networks. ALLO's Internet Protocol Television Video ("IPTV") services range from limited basic service to advanced television, which includes several plans, each with hundreds of local, national, and music channels, including premium and pay-per-view channels, as well as video on demand service. Subscribers may also subscribe to ALLO's advanced video services, which consist of high definition television, digital video recorders ("DVR"), and/or a whole home DVR. ALLO's whole home DVR gives customers the ability to watch recorded shows on any television in the house, record multiple shows at one time, and utilize an intuitive on-screen guide and user interface.

ALLO expects that internet and broadband services will continue to increase as a more significant component of its overall services, and offset the anticipated decline in traditional residential telephone and television services.

Telephone services

Local calling services include a full suite of telephone services, including basic services, primary rate interface ("PRI"), and session initiation protocol ("SIP"). ALLO's service plans include options for voicemail and other enhanced custom calling features including hunting, caller ID, call forwarding, and call waiting, among others. Services are charged at a fixed monthly rate or can be bundled with selected services at a discounted rate. ALLO provides a hosted private branch exchange ("PBX") package, which utilizes a soft switch and allows the customer the flexibility of utilizing new telephone technology and features without investing in a new telephone system. The package bundles local service, calling features, and internet protocol ("IP") business telephones.

Long-distance services include traditional domestic and international long distance, which enables customers to make calls that terminate outside their local calling area. These services also include toll-free calls and conference calling. ALLO offers a variety of long distance plans, including unlimited flat-rate calling plans, and offers a combination of subscription and usage fees.

Sales and marketing

The key components of ALLO's overall marketing strategy include:

- Promoting the advantages of an all-fiber network connected directly to homes and businesses capable of delivering synchronous internet speeds of over one gigabit per second
- Building complete fiber communities by passing all homes and businesses within its network
- Organizing sales and marketing activities around consumer, enterprise, and carrier customers
- Positioning ALLO as a single point of contact for customers' communications needs
- Providing customers with a broad array of internet, broadband, television, and telephone services and bundling these services whenever possible
- Providing excellent local customer service, including 24/7/365 customer support to coordinate installation of new services, repair, and maintenance functions
- Developing and delivering new services to meet evolving customer needs and market demands
- Utilizing proven modern technology to deliver services

ALLO currently offers services through direct marketing, call centers, its website, communication centers, and commissioned sales representatives. ALLO markets its services both individually and as bundled services, including its triple-play offering of internet, television, and telephone services. By bundling service offerings, ALLO is able to offer and sell a more complete and competitive package of services, which simultaneously increases its margin per customer and adds value for the consumer. ALLO also believes that bundling leads to increased customer loyalty and retention.

Network architecture and technology

ALLO has made significant investments in its technologically advanced telecommunications networks. As a result, ALLO is able to deliver high-quality, reliable internet, broadband, telephone, and television services through fiber optics. ALLO's wide-ranging network and extensive use of fiber provide an easy reach into existing and new areas. By bringing the fiber network to the customer premises, ALLO can increase its service offerings, quality, and bandwidth services. ALLO's existing fiber network enables it to efficiently respond and adapt to changes in technology and is capable of supporting the rising customer demand for bandwidth in order to support the growing number of internet devices in the home. ALLO's all-fiber network enhances its operating efficiencies by facilitating new network and technology choices that provide for lower costs to operate. ALLO's networks are supported by an advanced digital telephone switch and IPTV service platform. The digital switch provides all local telephone customers with access to a full suite of telecommunication products, custom calling features, and value-added services. ALLO's fiber network utilizes fiber-to-the-premise ("FTTP") networks to offer bundled residential and commercial services. ALLO leverages its high definition IPTV headend equipment to distribute content across its network, allowing it to provide a sharp video picture and to better manage costs of future channel additions and upgrades. ALLO's network provides substantially all of its marketable homes and businesses with bandwidth of 1 gigabit per second or more.

Growth strategy

As discussed previously, ALLO plans to increase its customer base with its superior all-fiber network by increasing its share in existing markets and entering additional markets currently served by carriers using traditional copper and coaxial cable in their telecommunications networks. Although the initial capital expenditures for most of these expansion efforts are expected to be significant, ALLO believes that its service delivery model will continue to generate customer demand sufficient to provide attractive returns on the capital investment. In addition, ALLO is focused on increasing revenues per customer by capitalizing on increased demand for bandwidth by commercial and residential customers.

Competition

Telecommunications businesses are highly competitive and continue to face increased competition as a result of technology changes and industry legislative and regulatory developments. ALLO faces actual or potential competition from many existing and emerging companies, including incumbent and competitive local telephone companies, long distance carriers and resellers, wireless companies, internet service providers ("ISPs"), satellite companies, cable television companies, and in some cases by new forms of providers who are able to offer competitive services through software applications, requiring a comparatively small initial investment. Due to consolidation and strategic alliances within the industry, ALLO cannot predict the number of competitors it will face at any given time. The wireless business has expanded significantly, causing many residential subscribers of traditional telephone services to discontinue those services and rely exclusively on wireless service. Consumers are finding individual television shows of interest to them through the internet and are watching content that is downloaded to their computers. Some providers, including television and cable television content owners, have initiated what are referred to as "over-the-top" services that deliver video content to televisions and computers over the internet. Over-the-top services can include episodes of highly-rated television series in their current broadcast seasons. They also can include content that is related to broadcast or sports content that ALLO carries, but that is distinct and may be available only through the alternative source. Finally, the transition to digital broadcast television has allowed many consumers to obtain high definition local broadcast television signals (including many network affiliates) over-the-air, using a simple antenna. Consumers can pursue each of these options without foregoing any of the other options. The incumbent telephone carriers in the markets ALLO serves enjoy certain business advantages, including size, financial resources, favorable regulatory position, a more diverse product mix, brand recognition, and connection to virtually all of ALLO's customers and potential customers. The largest cable operators also enjoy certain business advantages, including size, financial resources, ownership of or superior access to desirable programming and other content, a more diverse product mix, brand recognition, and first-in-the-field advantages with a customer base that generates positive cash flow for its operations. ALLO's competitors continue to add features and adopt aggressive pricing and packaging for services comparable to the services ALLO offers. Their success in selling some services competitive with ALLO's can lead to revenue erosion in other related areas. ALLO faces intense competition in its markets for long distance, internet access, and other ancillary services that are important to ALLO's business and to its growth strategy.

Asset Generation and Management

The Asset Generation and Management operating segment includes the acquisition, management, and ownership of the Company's loan assets, primarily its federally insured student loan portfolio. As of December 31, 2017, the Company's loan portfolio was $21.8 billion. The Company generates a substantial portion of its earnings from the spread, referred to as the Company's loan spread, between the yield it receives on its loan portfolio and the associated costs to finance such portfolio. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset Generation and Management Operating Segment - Results of Operations - Loan Spread Analysis," for further details related to the loan spread. The student loan assets are held in a series of education lending subsidiaries and associated securitization trusts designed specifically for this purpose. In addition to the loan spread earned on its portfolio, all costs and activity associated with managing the portfolio, such as servicing of the assets and debt maintenance, are included in this segment.

Loans consist of federally insured student loans, private education loans, and consumer loans. Federally insured student loans were originated under the FFEL Program. The Company's portfolio of federally insured student loans is subject to minimal credit risk, as these loans are guaranteed by the Department at levels ranging from 97 percent to 100 percent. Substantially all of the Company's loan portfolio (98.8 percent as of December 31, 2017) is federally insured. The Company's portfolio of private education loans is subject to credit risk similar to other consumer loan assets. In 2017, the Company began to purchase consumer loans.

The Higher Education Act regulates every aspect of the federally insured student loan program, including certain communications with borrowers, loan originations, and default aversion. Failure to service a student loan properly could jeopardize the guarantee on federal student loans. In the case of death, disability, or bankruptcy of the borrower, the guarantee covers 100 percent of the loan's principal and accrued interest.

FFELP loans are guaranteed by state agencies or nonprofit companies designated as guarantors, with the Department providing reinsurance to the guarantor. Guarantors are responsible for performing certain functions necessary to ensure the program's soundness and accountability. Generally, the guarantor is responsible for ensuring that loans are serviced in compliance with the requirements of the Higher Education Act. When a borrower defaults on a FFELP loan, the Company submits a claim to the guarantor, who provides reimbursements of principal and accrued interest, subject to the applicable risk share percentage.

Origination and acquisition

The Reconciliation Act of 2010 discontinued originations of new FFELP loans, effective July 1, 2010. However, the Company believes there will be ongoing opportunities to continue to purchase FFELP loan portfolios from current FFELP participants looking to adjust their FFELP businesses. For example, from July 1, 2010 through December 31, 2017, the Company purchased a total of $21.4 billion of FFELP student loans from various third parties. However, since all FFELP loans will eventually run off, a key objective of the Company is to reposition the Company for the post-FFELP environment. As such, the Company is actively expanding its private education and consumer loan portfolios. The Company's competition for the purchase of loan portfolios and residuals includes large banks, hedge funds, and other student loan finance companies.

Interest rate risk management

Since the Company generates a significant portion of its earnings from its loan spread, the interest rate sensitivity of the Company's balance sheet is very important to its operations. The current and future interest rate environment can and will affect the Company's interest income and net income. The effects on the Company's results of operations as a result of the changing interest rate environments are further outlined in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset Generation and Management Operating Segment - Results of Operations - Loan Spread Analysis" and Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk."

Corporate and Other Activities

Whitetail Rock Capital Management, LLC ("WRCM")

As of December 31, 2017, WRCM, the Company's SEC-registered investment advisor subsidiary, had $874.3 million in asset-backed security assets, consisting primarily of student loan asset-backed securities, under management for third-party customers. WRCM earns annual management fees of 25 basis points for assets under management and up to 50 percent of the gains from the sale of securities or securities being called prior to the full contractual maturity for which it provides advisory services. During 2017, WRCM traded almost $1.3 billion for their customers, generating $10.1 million in performance fees. Assuming assets under management remain at their current levels, management fees should be relatively stable in future years. However, the Company currently anticipates that opportunities for WRCM to earn performance fees could be limited in future years.

Real estate and other investments

The Company makes investments to further diversify itself both within and outside of its historical core education-related businesses, including investments in real estate and start-up ventures. Recent real estate investments have been focused on the development of commercial properties in the Midwest, and particularly in Lincoln, Nebraska, where the Company is headquartered. These investments include projects for the development of properties in Lincoln's east downtown Telegraph District, where a new facility for the Company's student loan servicing operations is located, and a building in Lincoln's Haymarket District that is the new headquarters of Hudl, an online video analysis and coaching tools software company for athletes of all levels. The Company is also a tenant at Hudl's headquarters. As of December 31, 2017, the total amount of real estate investments by the Company was $49.5 million. In addition, the Company has a total equity investment in Hudl of $51.8 million. David S. Graff, a member of the Company's board of directors, is a co-founder, the chief executive officer, and a director of Hudl.

Regulation and Supervision

The Company's operating segments and industry partners are heavily regulated by federal and state government regulatory agencies. The following provides a summary of the more significant existing and proposed legislation and regulations affecting the Company. A failure to comply with these laws and regulations could subject the Company to substantial fines, penalties, and remedial and other costs, restrictions on business, and the loss of business. Regulations and supervision can change rapidly, and changes could alter the manner in which the Company operates and increase the Company's operating expenses as new or additional regulatory compliance requirements are addressed.

Loan Systems and Servicing

The Company's Loan Systems and Servicing operating segment, which services Federal Direct Loan Program, FFELP, and private education and consumer loans, is subject to federal and state consumer protection, privacy, and related laws and regulations. Some of the more significant federal laws and regulations include:

- The Higher Education Act, which establishes financial responsibility and administrative capability that govern all third-party servicers of federally insured student loans
- The Telephone Consumer Protection Act ("TCPA"), which governs communication methods that may be used to contact customers
- The Truth-In-Lending Act and Regulation Z, which governs disclosures of credit terms to consumer borrowers
- The Fair Credit Reporting Act and Regulation V, which governs the use and provision of information to consumer reporting agencies
- The Equal Credit Opportunity Act and Regulation B, which prohibits discrimination on the basis of race, creed, or other prohibited factors in extending credit
- The Servicemembers Civil Relief Act ("SCRA"), which applies to all debts incurred prior to commencement of active military service and limits the amount of interest, including certain fees or charges that are related to the obligation or liability
- The Electronic Funds Transfer Act ("EFTA") and Regulation E, which protects individual consumers engaged in electronic fund transfers ("EFTs")
- The Gramm-Leach-Bliley Act ("GLBA") and Regulation P, which governs a financial institution's treatment of nonpublic personal information about consumers and requires that an institution, under certain circumstances, notify consumers about its privacy policies and practices
- Laws prohibiting unfair, deceptive, or abusive acts or practices
- Various laws, regulations, and standards that govern government contractors

As a student loan servicer for the federal government and for financial institutions, including the Company's FFELP student loan portfolio, the Company is subject to the Higher Education Act and related laws, rules, regulations, and policies. The Higher Education Act regulates every aspect of the federally insured student loan program. The Company has designed its servicing operations to comply with the Higher Education Act, and it regularly monitors the Company's operations to maintain compliance.

Under the TCPA, plaintiffs may seek actual monetary loss or damages of $500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. In addition, TCPA lawsuits have asserted putative class action claims.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") established the Consumer Financial Protection Bureau ("CFPB"), which has broad authority to regulate a wide range of consumer financial products and services. The Company's student loan servicing business is subject to CFPB oversight authority.

In 2015, the CFPB conducted a public inquiry into student loan servicing practices throughout the industry and issued a report discussing public comments submitted in response to the inquiry, and suggesting a framework to improve borrower outcomes and reduce defaults, including the creation of consistent, industry-wide standards for the entire servicing market.

The CFPB has authority to draft new regulations implementing federal consumer financial protection laws, to enforce those laws and regulations, and to conduct examinations of the Company's operations to determine compliance. The CFPB's authority includes the ability to assess financial penalties and fines and provide for restitution to consumers if it determines there have been violations of consumer financial protection laws. The CFPB also provides consumer financial education, tracks consumer complaints, requests data from industry participants, and promotes the availability of financial services to underserved consumers and communities. The CFPB has authority to prevent unfair, deceptive, or abusive acts or practices and to ensure that all consumers have access to fair, transparent, and competitive markets for consumer financial products and services. The CFPB's scrutiny of financial services has impacted participants' approach to their services, including how the Company interacts with consumers.

In addition, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. Most states also have statutes that prohibit unfair and deceptive practices. To the extent states enact requirements that differ from federal standards or state officials and courts adopt interpretations of federal consumer laws that differ from those adopted by the CFPB under the Dodd-Frank Act, the Company's ability to offer the same products and services to consumers nationwide may be limited.

As a third-party service provider to financial institutions, the Company is subject to periodic examination by the Federal Financial Institutions Examination Council ("FFIEC"). FFIEC is a formal interagency body of the U.S. government empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Federal Reserve Banks, the Federal Deposit Insurance Corporation ("FDIC"), and the CFPB, and to make recommendations to promote uniformity in the supervision of financial institutions.

Tuition Payment Processing and Campus Commerce

The Tuition Payment Processing and Campus Commerce operating segment provides tuition management services and school information software for K-12 schools and tuition management services and campus commerce solutions for higher education institutions. The Company also provides payments technologies and payment services for software platforms, businesses, and nonprofits beyond the K-12 and higher education space. As a service provider that takes payment instructions from institutions and their constituents and sends them to bank partners, the Company is directly or indirectly subject to a variety of federal and state laws and regulations. The Company's contracts with clients and bank partners require the Company to comply with these laws and regulations.

The Company's payment processing services are subject to the EFTA and Regulation E, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of debit cards and certain other electronic banking services. The Company assists bank partners with fulfilling their compliance obligations pursuant to these requirements.

The Company's payment processing services are also subject to the National Automated Clearing House Association ("NACHA") requirements, which include operating rules and sound risk management procedures to govern the use of the Automated Clearing House ("ACH") Network. These rules are used to ensure that the ACH Network is efficient, reliable, and secure for its members. Because the ACH Network uses a batch process, the importance of proper submissions by NACHA members is magnified.

The Company is also impacted by laws and regulations that affect the bankcard industry. The Company is registered with Visa, Mastercard, American Express, and the Discover Network as a service provider and is subject to their respective rules.

The Company's higher education institution clients are subject to the Family Educational Rights and Privacy Act ("FERPA"), which protects the privacy of student education records. The Company's higher education institution clients disclose certain non-directory information concerning their students to the Company, including contact information, student identification numbers, and the amount of students' credit balances pursuant to one or more exceptions under FERPA. Additionally, as the Company is indirectly subject to FERPA, it may not permit the transfer of any personally identifiable information to another party other than in a manner in which an educational institution may properly disclose it. While the Company believes that it has adequate policies and procedures in place to safeguard the privacy of such information, a breach of this prohibition could result in a five-year suspension of the Company's access to the related client's records. The Company may also be subject to similar state laws and regulations that restrict higher education institutions from disclosing certain personally identifiable student information.

Some of the Company's K-12 and higher education institution clients choose to charge convenience fees to students, parents, or other payers who make online payments using a credit or debit card. Laws and regulations related to such fees vary from state to state and certain states have laws that to varying degrees prohibit the imposition of a surcharge on a cardholder who elects to use a credit or debit card in lieu of cash, check, or other means.

The Company's contracts with higher education institution clients also require the Company to comply with regulations promulgated by the Department regarding the handling of student financial aid funds received by institutions on behalf of their students under Title IV of the Higher Education Act. On October 30, 2015, the Department amended cash management and other regulations to ensure students have convenient access to their Title IV funds, do not incur unreasonable fees, and are not led to believe they must open a financial account to receive such funds.

Communications

The telecommunications business is subject to extensive federal, state, and local regulation. Under the Telecommunications Act of 1996 ("Telecommunications Act"), federal and state regulators share responsibility for implementing and enforcing statutes and regulations designed to encourage competition and to preserve and advance widely available, quality telephone service at affordable prices.

At the federal level, the Federal Communications Commission ("FCC") generally exercises jurisdiction over facilities and services of local exchange carriers to the extent they are used to provide, originate, or terminate interstate or international communications. The FCC has the authority to condition, modify, cancel, terminate, or revoke operating authority for failure to comply with applicable federal laws or FCC rules, regulations, and policies.

State regulatory commissions generally exercise jurisdiction over carriers' facilities and services to the extent they are used to provide, originate, or terminate intrastate communications. In addition, municipalities and other local government agencies regulate the public rights-of-way necessary to install and operate networks.

The Communications Act of 1934 ("Communications Act") requires, among other things, that telecommunications carriers offer services at just and reasonable rates and on non-discriminatory terms and conditions. The 1996 amendments to the Communications Act, contained in the Telecommunications Act, dramatically changed, and likely will continue to change, the landscape of the telecommunications industry. The central aim of the Telecommunications Act is to open local telecommunications markets to competition while enhancing universal service. The Telecommunications Act imposes a number of interconnection and other requirements on all local communications providers. All telecommunications carriers have a duty to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers.

The State of Nebraska Public Services Commission dictates service requirements and fees that have required ALLO to obtain franchises from each incorporated municipality in which it operates. ALLO is also required to obtain permits for street opening and construction, or for operating franchises to install and expand fiber optic facilities. These permits or other licenses or agreements typically require the payment of fees.

ALLO's aerial and underground construction operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace. ALLO could also be subject to potential liabilities in the event it causes a release of hazardous substances or other environmental damage resulting from underground objects it encounters.

Internet services

The provision of internet access services is not significantly regulated by either the FCC or the state commissions. However, the FCC has in recent years taken some steps toward the imposition of some controls on the provision of internet access, and has asserted that it has jurisdictional authority in some areas related to the promotion of an open internet. The extent of the FCC's jurisdiction with respect to the internet has not been resolved, and the outcome could lead to increased costs for ALLO in connection with its provision of internet services, and could affect ALLO's ability to effectively compete.

As the internet has matured, it has become the subject of increasing regulatory interest. Congress and federal regulators have adopted a wide range of measures directly or potentially affecting internet use, including, for example, consumer privacy, copyright protections, defamation liability, taxation, obscenity, and unsolicited commercial email. ALLO's internet services are subject to the Communications Assistance for Law Enforcement Act ("CALEA") requirements regarding law enforcement surveillance. Content owners are now seeking additional legal mechanisms to combat copyright infringement over the internet. Pending and future legislation in this area could adversely affect ALLO's operations as an ISP and relationship with internet customers. Additionally, the FCC and Congress are considering subjecting internet access services to the Universal Service funding requirements. These funding requirements could impose significant new costs on ALLO's high-speed internet service. Also, the FCC and some state regulatory commissions direct certain subsidies to telephone companies deploying broadband to areas deemed to be "unserved" or "underserved." State and local governmental organizations have also adopted internet-related regulations. These various governmental jurisdictions are also considering additional regulations in these and other areas, such as privacy, pricing, service and product quality, and taxation. The adoption of new internet regulations or the adaptation of existing laws to the internet could adversely affect ALLO's business.

On June 12, 2015, the FCC Net Neutrality Order became effective. On December 14, 2017, the FCC voted to repeal the Open Internet Order and effectively the net neutrality rules. The previous rules prohibited ISPs from engaging in blocking, throttling, and paid prioritization, and transparency rules compelling the disclosure of network management policies were enhanced. The FCC was also granted the authority under the rules to hear complaints and take enforcement action if it determined that the interconnection activities of ISPs were not just and reasonable, or if ISPs failed to meet general obligations not to harm consumers or what are referred to as edge providers. The final version of the net neutrality repeal order restores the Federal Trade Commission's jurisdiction over broadband internet access services. The uncertainty around how the Federal Trade Commission will respond and challenges to the FCC repeal could limit ALLO's ability to efficiently manage internet service and respond to operational and competitive challenges.

Although the FCC approved the repeal of Net Neutrality regulations, ALLO's views on the consumer protection aspect of Net Neutrality remain intact. ALLO will continue to treat internet speeds and access as they were under Net Neutrality regulations.

Television services

Federal regulations currently restrict the prices that cable systems charge for the minimum level of television programming service, referred to as "basic service," and associated equipment. All other television service offerings are now universally exempt from rate regulation. Although basic service rate regulation operates pursuant to a federal formula, local governments, commonly referred to as local franchising authorities, are primarily responsible for administering this regulation. The majority of ALLO's local franchising authorities have never been certified to regulate basic service cable rates (and order rate reductions and refunds), but they generally retain the right to do so (subject to potential regulatory limitations under state franchising laws), except in those specific communities facing "effective competition," as defined under federal law. There have been frequent calls to impose expanded rate regulation on the cable industry. As a result of rapidly increasing cable programming costs, it is possible that Congress may adopt new constraints on the retail pricing or packaging of cable programming. Federal rate regulations currently include certain marketing restrictions that could affect ALLO's pricing and packaging of service tiers and equipment. As ALLO attempts to respond to a changing marketplace with competitive pricing practices, it may face regulations that impede its ability to compete.

IPTV operations require state or local franchise or other authorization in order to provide cable service to customers. ALLO is subject to regulation under a Communications Act framework that addresses such issues as the use of local streets and rights of way; the carriage of public, educational, and governmental channels; the provision of channel space for leased commercial access; the amount and payment of franchise fees; consumer protection; and similar issues. In addition, federal laws and FCC regulations place limits on the common ownership of cable systems and competing multichannel television distribution systems, and on the common ownership of cable systems and local telephone systems in the same geographic area. The FCC has recently expanded its oversight and regulation of cable television-related matters. Federal law and regulations also affect numerous issues related to television programming and other content. Under federal law, certain local television broadcast stations (both commercial and non-commercial) can elect, every three years, to take advantage of rules that require a cable operator to distribute the station's content to the cable system's customers without charge, or to forego this "must-carry" obligation and to negotiate for carriage on an arm's length contractual basis, which typically involves the payment of a fee by the cable operator, and sometimes involves other consideration as well. The current three-year cycle began on January 1, 2018. ALLO has negotiated agreements with the local television broadcast stations that would have been eligible for "must carry" treatment in each of its current markets. The contractual relationships between cable operators and most providers of content who are not television broadcast stations generally are not subject to FCC oversight or other regulation.

The Communications Act requires most utilities owning utility poles to provide access to poles and conduits, and subjects the rates charged for this access to either federal or state regulation. In 2011, the FCC amended its existing pole attachment rules to promote broadband deployment. The 2011 order allows for new penalties in certain cases involving unauthorized attachments, but generally strengthens the ability to access investor-owned utility poles on reasonable rates, terms, and conditions.

ALLO's IPTV systems are subject to a federal copyright compulsory license covering carriage of television and radio broadcast signals. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative proposals and administrative review and could adversely affect ALLO's ability to obtain desired broadcast programming. Copyright clearances for non-broadcast programming services are arranged through private negotiations. IPTV operators also must obtain music rights for locally originated programming and advertising from the major music performing rights organizations. These licensing fees have been the source of litigation in the past, and license fee disputes may arise in the future.

Telephone services

ALLO offers voice communications services over a broadband network. The FCC has ruled that competitive telephone companies are entitled to interconnect with incumbent providers of traditional telecommunications services, which ensures that services can compete in the market. The FCC has also declared that certain services are not subject to traditional state public utility regulation. The full extent of the FCC preemption of state and local regulation of services is not yet clear.

Asset Generation and Management

The Dodd-Frank Act provides the Commodity Futures Trading Commission (the "CFTC") and the Securities and Exchange Commission (the "SEC") with substantial authority to regulate over-the-counter derivative transactions, and includes provisions that require derivative transactions to be executed through an exchange or central clearinghouse. On December 24, 2016, new risk retention rules went into effect that require issuers of asset-backed securities or persons who organize and initiate asset-backed securities transactions to retain a percentage of the underlying assets' credit risk. The higher retention requirements could decrease the leverage the Company obtains in a securitization and therefore potentially decrease the Company's return on equity from securitization transactions. These rules also expand disclosure and reporting requirements for each tranche of asset-backed securities, including new loan-level data requirements, and expand disclosure requirements relating to the representations, warranties, and enforcement mechanisms available to investors.

Corporate

Governmental bodies in the United States and abroad have adopted, or are considering the adoption of, laws and regulations restricting the transfer and requiring the safeguarding of nonpublic personal information. For example, in the United States, the Company and its financial institution clients are, respectively, subject to the Federal Trade Commission's and the federal banking regulators' privacy and information safeguarding requirements under the GLBA. The GLBA and Regulation P govern a financial institution's treatment of nonpublic personal information about consumers and require that an institution, under certain circumstances, notify consumers about its privacy policies and practices. With certain exceptions, the GLBA prohibits a financial institution from disclosing a consumer's nonpublic personal information to a nonaffiliated third party unless the institution satisfies various notice requirements and the consumer does not elect to prevent, or "opt out of," the disclosure. The GLBA also imposes specific requirements regarding the disclosure of customer account numbers and the reuse and redisclosure of information a financial institution provides to a third party. Additionally, the European Union ("EU") has adopted a General Data Protection Regulation ("GDPR"), which comes into effect in May 2018. The GDPR imposes significant new requirements on businesses that collect and process personal data of individuals residing in the EU, and provides for significant fines and other penalties for non-compliance. While the Company's operations are subject to certain provisions of these privacy laws, the Company has limited use of consumer information solely to providing services to other businesses and financial institutions. The Company limits sharing of nonpublic personal information to that necessary to complete transactions on behalf of the consumer and to that permitted by federal and state laws.

Intellectual Property

The Company owns numerous trademarks and service marks ("Marks") to identify its various products and services. As of December 31, 2017, the Company had 52 registered Marks. The Company actively asserts its rights to these Marks when it believes infringement may exist. The Company believes its Marks have developed and continue to develop strong brand-name recognition in the industry and the consumer marketplace. Each of the Marks has, upon registration, an indefinite duration so long as the Company continues to use the Mark on or in connection with such goods or services as the Mark identifies. In order to protect the indefinite duration, the Company makes filings to continue registration of the Marks. The Company owns one patent application that has been published, but has not yet been issued, and has also actively asserted its rights thereunder in situations where the Company believes its claims may be infringed upon. The Company owns many copyright protected works, including its various computer system codes and displays, websites, and marketing materials. The Company also has trade secret rights to many of its processes and strategies and its software product designs. The Company's software products are protected by both registered and common law copyrights, as well as strict confidentiality and ownership provisions placed in license agreements, which restrict the ability to copy, distribute, or improperly disclose the software products. The Company also has adopted internal procedures designed to protect the Company's intellectual property.

The Company seeks federal and/or state protection of intellectual property when deemed appropriate, including patent, trademark/ service mark, and copyright. The decision whether to seek such protection may depend on the perceived value of the intellectual property, the likelihood of securing protection, the cost of securing and maintaining that protection, and the potential for infringement. The Company's employees are trained in the fundamentals of intellectual property, intellectual property protection, and infringement issues. The Company's employees are also required to sign agreements requiring, among other things, confidentiality of trade secrets, assignment of inventions, and non-solicitation of other employees post-termination. Consultants, suppliers, and other business partners are also required to sign nondisclosure agreements to protect the Company's proprietary rights.

Employees

As of December 31, 2017, the Company had approximately 4,300 employees. On February 7, 2018, the Company acquired Great Lakes, which has approximately 1,800 employees. None of the Company's employees are covered by collective bargaining agreements. The Company is not involved in any material disputes with any of its employees, and the Company believes that relations with its employees are good.

Available Information

Copies of the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports are available on the Company's website free of charge as soon as reasonably practicable after such reports are filed with or furnished to the SEC. Investors and other interested parties can access these reports and the Company's proxy statements at http://www.nelnetinvestors.com. The Company routinely posts important information for investors on its website.

The Company has adopted a Code of Ethics and Conduct that applies to directors, officers, and employees, including the Company's principal executive officer and its principal financial and accounting officer, and has posted such Code of Ethics and Conduct on its website. Amendments to and waivers granted with respect to the Company's Code of Ethics and Conduct relating to its executive officers and directors, which are required to be disclosed pursuant to applicable securities laws and stock exchange rules and regulations, will also be posted on its website. The Company's Corporate Governance Guidelines, Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Risk and Finance Committee Charter, and Compliance Committee Charter are also posted on its website.

Information on the Company's website is not incorporated by reference into this report and should not be considered part of this report.

ITEM 1A. RISK FACTORS

We operate our businesses in a highly competitive and regulated environment. We are subject to risks including, but not limited to, strategic, market, liquidity, credit, regulatory, technology, operational, security, and other business risks such as reputation damage related to negative publicity and dependencies on key personnel, customers, vendors, and systems. This section highlights specific risks that could affect us. Although this section attempts to highlight key risk factors, other risks may emerge at any time and we cannot predict all risks or estimate the extent to which they may affect our financial performance. These risk factors should be read in conjunction with the other information included in this report.

Loan Portfolio

Our loan portfolio is subject to certain risks related to interest rates, our ability to manage the risks related to interest rates, prepayment, and credit risk, each of which could reduce the expected cash flows and earnings on our portfolio.

Interest rate risk - basis and repricing risk

We are exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of our loan assets do not always match the interest rate characteristics of the funding for those assets.

We fund the majority of our FFELP student loan assets with one-month or three-month LIBOR indexed floating rate securities. In addition, the interest rates on some of our debt are set via a "dutch auction." Meanwhile, the interest earned on our FFELP student loan assets is indexed to one-month LIBOR, three-month commercial paper, and Treasury bill rates. The different interest rate characteristics of our loan assets and our liabilities funding these assets result in basis risk. We also face repricing risk due to the timing of the interest rate resets on our liabilities, which may occur as infrequently as once a quarter, in contrast to the timing of the interest rate resets on our assets, which generally occur daily. In a declining interest rate environment, this may cause our student loan spread to compress, while in a rising interest rate environment, it may cause the spread to increase.

As of December 31, 2017, we had \$20.0 billion, \$1.1 billion, and \$0.6 billion of FFELP loans indexed to the one-month LIBOR, three-month commercial paper, and three-month Treasury bill rate, respectively, all of which reset daily, and \$11.7 billion of debt indexed to three-month LIBOR, which resets quarterly, and \$8.6 billion of debt indexed to one-month LIBOR, which resets monthly. While these indices are all short term in nature with rate movements that are highly correlated over a longer period of time, there have been points in recent history related to the U.S. and European debt crisis that have caused volatility to be high and correlation to be reduced. There can be no assurance that the indices' historically high level of correlation will not be disrupted in the future due to capital market dislocations or other factors not within our control. In such circumstances, our earnings could be adversely affected, possibly to a material extent.

We have entered into basis swaps to hedge our basis and repricing risk. For these derivatives, we receive three-month LIBOR set discretely in advance and pay one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps").

Interest rate risk - loss of floor income

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the Special Allowance Payments ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. We generally finance our student loan portfolio with variable rate debt. In low and/or certain declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, these student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, we may earn additional spread income that we refer to as floor income.

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn floor income for an extended period of time, which we refer to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, we may earn floor income to the next reset date, which we refer to as variable rate floor income.

For the year ended December 31, 2017, we earned \$117.3 million of fixed rate floor income, which includes \$10.8 million of net settlement proceeds received related to derivatives used to hedge loans earning fixed rate floor income. Absent the use of derivative instruments, a rise in interest rates will reduce the amount of floor income received and this will have an impact on earnings due to interest margin compression caused by increased financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively convert to variable rate loans, the impact of the rate fluctuations is reduced.

Interest rate risk - use of derivatives

We utilize derivative instruments to manage interest rate sensitivity. Our derivative instruments are intended as economic hedges but do not qualify for hedge accounting; consequently, the change in fair value, called the "mark-to-market," of these derivative instruments is included in our operating results. Changes or shifts in the forward yield curve can and have significantly impacted the valuation of our derivatives. Accordingly, changes or shifts in the forward yield curve will impact our results of operations.

Although we believe our derivative instruments are highly effective, developing an effective strategy for dealing with movements in interest rates is complex, and no strategy can completely insulate us from risks associated with such fluctuations. Because many of our derivatives are not balance guaranteed to a particular pool of student loans and we may not elect to fully hedge our risk on a notional and/or duration basis, we are subject to the risk of being under or over hedged, which could result in material losses. In addition, our interest rate risk management activities could expose us to substantial mark-to-market losses if interest rates move in a materially different way than was expected based on the environment when the derivatives were entered into. As a result, we cannot offer any assurance that our economic hedging activities will effectively manage our interest rate sensitivity or have the desired beneficial impact on our results of operations or financial condition.

The Dodd-Frank Act provides the CFTC with substantial authority to regulate over-the-counter derivative transactions. Since June 10, 2013, the CFTC has required over-the-counter derivative transactions to be executed through an exchange or central clearinghouse. Accordingly, all over-the-counter derivative contracts executed by us since that date are cleared post-execution at a regulated clearinghouse. Clearing is a process by which a third-party, the clearinghouse, steps in between the original counterparties and guarantees the performance of both, by requiring that each post substantial amounts of liquid collateral on an initial (initial margin) and mark-to-market (variation margin) basis to cover the clearinghouse's potential future exposure in the event of default. The CFTC's clearing requirements do not alter or affect the terms and conditions of our over-the-counter derivative instruments executed prior to June 10, 2013. The clearing requirements require us to post substantial amounts of liquid collateral when executing new derivative instruments, which could negatively impact our liquidity and capital resources and may prevent or limit us from utilizing derivative instruments to manage interest rate sensitivity and risks. However, the clearing requirements reduce counterparty risk associated with over-the-counter derivative instruments executed by us after June 10, 2013.

For derivatives executed on and prior to June 10, 2013 or not executed through an exchange or central clearinghouse ("non-centrally cleared derivatives"), we are exposed to credit risk. We attempt to manage credit risk by entering into transactions with high-quality counterparties that are reviewed periodically by our internal risk committee and our board of directors' Risk and Finance Committee. As of December 31, 2017, all of our derivative counterparties had investment grade credit ratings. We also have a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association, Inc. Master Agreement. When the fair value of a non-centrally cleared derivative is positive (an asset on our balance sheet), this generally indicates that the counterparty owes us if the derivative was settled. If the counterparty fails to perform, credit risk with such counterparty is equal to the extent of the fair value gain in the derivative less any collateral held by us. If we were unable to collect from a counterparty, we would have a loss equal to the amount at which the derivative is recorded on the consolidated balance sheet.

When the fair value of a non-centrally cleared derivative is negative (a liability on our balance sheet), we would owe the counterparty if the derivative was settled and, therefore, have no immediate credit risk. If the negative fair value of derivatives with a counterparty exceeds a specified threshold, we may have to make a collateral deposit with the counterparty. The threshold at which we may be required to post collateral is dependent upon our unsecured credit rating. We believe any downgrades from our current unsecured credit ratings (Standard & Poor's: BBB- (stable outlook), Moody's: Ba1 (stable outlook), and DBRS: BBB (low) (stable outlook)), would not result in additional collateral requirements of a material nature. In addition, no counterparty has the right to terminate our contracts in the event of downgrades from the current ratings.

Interest rate movements have an impact on the amount of collateral we are required to deposit with our derivative instrument counterparties and variation margin payments with our clearinghouse. We attempt to manage market risk associated with interest rates by establishing and monitoring limits as to the types and degree of risk that may be undertaken. Our derivative portfolio and hedging strategy is reviewed periodically by our internal risk committee and our board of directors' Risk and Finance Committee. Based on the interest rate swaps outstanding as of December 31, 2017 (for both the floor income and hybrid debt hedges), if the forward interest rate curve was one basis point lower for the remaining duration of these derivatives, we would have been required to pay $1.5 million in additional collateral and/or variation margin. In addition, if the forward basis curve between 1-month and 3-month LIBOR experienced a one basis point reduction in spread for the remaining duration of our 1:3 Basis Swaps (in which we pay 1-month LIBOR and receive 3-month LIBOR), we would have been required to post $3.2 million in additional collateral and/or variation margin.

With our current derivative portfolio, we do not currently anticipate a near term movement in interest rates having a material impact on our liquidity or capital resources, nor expect future movements in interest rates to have a material impact on our ability to meet potential collateral deposit requirements with our counterparties or variation margin payments to our clearinghouse. Due to the existing low interest rate environment, our exposure to downward movements in interest rates on our interest rate swaps is limited. In addition, we believe the historical high correlation between 1-month and 3-month LIBOR limits our exposure to interest rate movements on the 1:3 Basis Swaps.

However, if interest rates move materially and negatively impact the fair value of our derivative portfolio or if we enter into additional derivatives in which the fair value of such derivatives becomes negative, we could be required to pay a significant amount of collateral to our derivative instrument counterparties and/or variation margin to our clearinghouse. These payments, if significant, could negatively impact our liquidity and capital resources.

Prepayment risk

Higher rates of prepayments of student loans, including consolidations by the Department through the Federal Direct Loan Program or private refinancing programs, would reduce our interest income.

Pursuant to the Higher Education Act, borrowers may prepay loans made under the FFEL Program at any time without penalty. Prepayments may result from consolidations of student loans by the Department through the Federal Direct Loan Program or by a lending institution through a private education or unsecured consumer loan, which historically tend to occur more frequently in low interest rate environments; from borrower defaults, which will result in the receipt of a guaranty payment; and from voluntary full or partial prepayments; among other things.

Legislative risk exists as Congress evaluates proposals to reauthorize the Higher Education Act. If the federal government and the Department initiate additional loan forgiveness, other repayment options or plans, or consolidation loan programs, such initiatives could further increase prepayments and reduce interest income, and could also reduce servicing fees.

The rate of prepayments of student loans may be influenced by a variety of economic, social, political, and other factors affecting borrowers, including interest rates, federal budgetary pressures, and the availability of alternative financing. Our profits could be adversely affected by higher prepayments, which reduce the balance of loans outstanding and, therefore, the amount of interest income we receive.

Credit risk

Future losses due to defaults on loans held by us present credit risk which could adversely affect our earnings.

The vast majority (98.8 percent) of our student loan portfolio is federally guaranteed. The allowance for loan losses from the federally insured loan portfolio is based on periodic evaluations of our loan portfolios, considering loans in repayment versus those in nonpaying status, delinquency status, trends in defaults in the portfolio based on Company and industry data, past experience, trends in student loan claims rejected for payment by guarantors, changes to federal student loan programs, current economic conditions, and other relevant factors. The federal government currently guarantees 97 percent of the principal and interest on federally insured student loans disbursed on and after July 1, 2006 (and 98 percent for those loans disbursed on and after October 1, 1993 and prior to July 1, 2006), which limits our loss exposure on the outstanding balance of our federally insured portfolio. Student loans disbursed prior to October 1, 1993 are fully insured for both principal and interest.

Our private education and consumer loans are unsecured, with neither a government nor a private insurance guarantee. Accordingly, we bear the full risk of loss on these loans if the borrower and co-borrower, if applicable, default. In determining the adequacy of the allowance for loan losses on the private education and consumer loans, we consider several factors, including: loans in repayment versus those in a nonpaying status, delinquency status, type of program, trends in defaults in the portfolio based on Company and industry data, past experience, current economic conditions, and other relevant factors. We place our private education and consumer loans on nonaccrual status when the collection of principal and interest is 90 days past due, and charge off the loan when the collection of principal and interest is 120 days past due.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be subject to significant changes. As of December 31, 2017, our allowance for loan losses was \$54.6 million. During the year ended December 31, 2017, we recognized a provision for loan losses of \$14.5 million. The provision for loan losses reflects the activity for the applicable period and provides an allowance at a level that management believes is appropriate to cover probable losses inherent in the loan portfolio. However, future defaults can be higher than anticipated due to a variety of factors, such as downturns in the economy, regulatory or operational changes, and other unforeseen future trends. If actual performance is significantly worse than currently estimated, it would materially affect our estimate of the allowance for loan losses and the related provision for loan losses in our statements of income.

In June 2016, the Financial Accounting Standards Board issued accounting guidance regarding the measurement of credit losses on financial instruments, which will change the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. We currently use an incurred loss model when calculating our allowance for loan losses. As a result, we expect the new guidance will increase our allowance for loan losses. This guidance will be effective for us beginning January 1, 2020. This standard represents a significant departure from existing accounting standards, and may result in significant changes to our accounting for the allowance for loan losses and could negatively impact our financial position and results of operations.

Liquidity and Funding

The current maturities of our student loan warehouse financing facilities do not match the maturities of the related funded student loans, and we may not be able to modify and/or find alternative funding related to the student loan collateral in these facilities prior to their expiration.

The majority of our portfolio of student loans is funded through asset-backed securitizations that are structured to substantially match the maturities of the funded assets, and there are minimal liquidity issues related to these facilities. We also have student loans funded in shorter term warehouse facilities. The current maturities of these facilities do not match the maturity of the related funded assets. Therefore, we will need to modify and/or find alternative funding related to the student loan collateral in these facilities prior to their expiration.

As of December 31, 2017, we maintained two FFELP warehouse facilities as described in note 5 of the notes to consolidated financial statements included in this report. The FFELP warehouse facilities have revolving financing structures supported by 364-day liquidity provisions, which expire in May 2018 and September 2019. In the event we are unable to renew the liquidity provisions for a facility, the facility would become a term facility at a stepped-up cost, with no additional student loans being eligible for financing, and we would be required to refinance the existing loans in the facility by the final maturity dates in May 2020 and November 2019, respectively. The FFELP warehouse facilities also contain financial covenants relating to levels of our consolidated net worth, ratio of adjusted EBITDA to corporate debt interest, and unencumbered cash. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facilities. As of December 31, 2017, $336.0 million was outstanding under the FFELP warehouse facilities and $22.4 million was advanced as equity support.

If we are unable to obtain cost-effective funding alternatives for the loans in the warehouse facilities prior to the facilities' maturities, our cost of funds could increase, adversely affecting our results of operations. If we cannot find any funding alternatives, we would lose our collateral, including the student loan assets and cash advances, related to these facilities.

We are exposed to mark-to-formula collateral support risk on one of our FFELP warehouse facilities.

One of our FFELP warehouse facilities provides formula based advance rates based on market conditions, which requires equity support to be posted to the facility. As of December 31, 2017, $189.5 million was outstanding under this warehouse facility and $9.5 million was advanced as equity support. In the event that a significant change in the valuation of loans results in additional required equity funding support for this warehouse facility greater than what we can provide, the warehouse facility could be subject to an event of default resulting in termination of the facility and an acceleration of the repayment provisions. If we cannot find any funding alternatives, we would lose our collateral, including the student loan assets and cash advances, related to this facility. A default on the FFELP warehouse facility would result in an event of default on our $350.0 million unsecured line of credit that would result in the outstanding balance on the line of credit becoming immediately due and payable.

We are subject to economic and market fluctuations related to our investments.

We currently invest a substantial portion of our excess cash in student loan asset-backed securities and other investments that are subject to market fluctuations. The fair value of these investments was $80.9 million as of December 31, 2017, including $76.9 million in student loan and other asset-backed securities. The student loan asset-backed securities earn a floating interest rate and carry expected returns of approximately LIBOR + 200-400 basis points to maturity. While the vast majority of these securities are backed by FFELP government guaranteed student loan collateral, most are in subordinate tranches and have a greater risk of loss with respect to the applicable student loan collateral pool. While we expect these securities to have few credit issues if held to maturity, they do have limited liquidity, and we could incur a significant loss if the investments were sold prior to maturity at an amount less than the original purchase price.

Changes in ratings on asset-backed securitization transactions, including those we sponsor, can have a material adverse impact on our ability to access the asset-backed securities market.

After securitizations are initially issued, if their performance does not align with rating agencies' expectations at the time of issuance, or if the rating agencies modify their assumptions and methodologies used for rating student loan securitizations, it is possible that initial high quality ratings on our subsidiaries' securitizations, or those of other asset-backed securities issuers, could be materially lowered. Such actions could adversely affect our ability to access the asset-backed securities market, or make new securitization transactions more expensive by requiring us to pay a higher spread over LIBOR when pricing new bonds.

Operations

Risks associated with our operations, as further discussed below, include those related to our information technology systems and potential security and privacy breaches, our ability to manage performance related to regulatory requirements, and the importance of maintaining scale by retaining existing customers and attracting new business opportunities.

Various events could disrupt our networks, information systems, or properties which could impair our operating activities and negatively impact our reputation.

As a loan servicer, software provider, payment provider, and telecommunications company for the federal government, financial institutions, education industry, and local communities that serve millions of customers through the internet and other distribution channels across the U.S., we depend on our ability to process, secure, record, and monitor a large number of customer transactions and confidential information on a continuous basis. Additionally, we depend on the efficient and uninterrupted operation of our computer network systems, software, datacenters, and telecommunications systems, as well as the systems of third parties.

Information security risks continue to increase in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to support and process customer transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. Our business segments rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our customers may use personal smartphones, tablet PCs, and other mobile devices that are beyond our control systems.

Although we believe we have robust information security procedures, controls, and business continuity plans, we may be subject to information technology system failures and network disruptions. Malicious and abusive activities, such as the dissemination of computer viruses, worms, and other destructive or disruptive software, computer hackings, social engineering, process breakdowns, denial of service attacks, and other malicious activities have become more common. If directed at us or technologies upon which we depend, these activities could have adverse consequences on our network and our customers, including degradation of service, excessive call volume to call centers, and damage to our or our customers' equipment and data. Further, these activities could result in security breaches, such as misappropriation, misuse, leakage, falsification or accidental release or loss of information maintained in our information technology systems and networks, and in our vendors' systems and networks, including customer, personnel, and vendor data. System failures and network disruptions may also be caused by natural disasters, accidents, power disruptions, or telecommunications failures. If a significant incident were to occur, it could damage our reputation and credibility, lead to customer dissatisfaction and, ultimately, loss of customers or revenue, in addition to increased costs to service our customers and protect our network. These events also could result in large expenditures to repair or replace the damaged properties, networks, or information systems or to protect them from similar events in the future. System redundancy may be ineffective or inadequate, and our business continuity plans may not be sufficient for all eventualities. Any significant loss of customers or revenue, or significant increase in costs of serving those customers, could adversely affect our growth, financial condition, and results of operations.

Although to date we have not experienced a material loss relating to cyber-attacks, information security breaches, or system outage, there can be no assurance that we will not suffer such losses in the future or that there is not a current threat that remains undetected at this time. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, and the size and scale of our services.

In addition, the personal consumer data that we receive and maintain in our operations is subject to privacy laws and regulations, and we expect regulatory oversight will continue to increase and consumer privacy protection regulations, standards, supervision, examinations, and enforcement practices will continue to evolve in both detail and scope. This evolution may significantly add to our privacy compliance and operating costs.

As a result of these matters, the continued development and enhancement of our training, controls, processes, and practices designed to protect, monitor, and restore our systems, computers, software, data, and networks from attack, damage, or unauthorized access remain a priority for the Company and each of our business segments. Even though we maintain technology and telecommunication, professional services, media, network security, privacy, injury, and liability insurance coverage to offset costs that may be incurred as a result of a cyber-attack, information security breach, or extended system outage, this insurance coverage may not cover all costs of such incidents.

We must adapt to rapid technological change. If we are unable to take advantage of technological developments, or if we adopt and implement them more slowly than our competitors, we may experience a decline in the demand for our products and services.

Our long-term operating results depend substantially upon our ability to continually enhance, develop, introduce, and market new products and services. We must continually and cost-effectively maintain and improve our information technology systems and infrastructure in order to successfully deliver competitive and cost effective products and services to our customers. The widespread adoption of new technologies and market demands could require substantial expenditures to enhance system infrastructure and existing products and services. If we fail to enhance and scale our systems and operational infrastructure or products and services, our operating segments may lose their competitive advantage and this could adversely affect financial and operating results.

Our software products may experience quality problems and development delays, which could damage client relations, our potential profitability, and expose us to liability.

Our Loan Systems and Servicing and Tuition Payment Processing and Campus Commerce products are based on sophisticated software and computing systems that often encounter development delays, and the underlying software may contain undetected bugs or other defects that interfere with its intended operation. Quality problems with our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential clients, harm to our reputation, or exposure to liability claims. In addition, we rely on technologies supplied to us by third parties that may also contain undetected errors or defects that could have a material adverse effect on our business, financial condition, and results of operations.

We outsource critical operations, which exposes us to risks related to our third-party vendors.

We have entered into contracts with third-party service providers that provide critical services, technology, and software to our business segments. Some of our third-party vendors are primary service providers for which there are few substitutes. If any of these vendors should experience financial difficulties, system interruptions, regulatory violations, security threats, or they cannot otherwise meet our specifications, our ability to provide some services may be materially adversely affected, in which case our business, results of operations, and financial condition may be adversely affected.

We must satisfy certain requirements necessary to maintain the federal guarantees of our federally insured loans and the federally insured loans that we service for third parties, and we may incur penalties or lose our guarantees if we fail to meet these requirements.

As of December 31, 2017, we serviced $27.3 billion of FFELP loans that maintained a federal guarantee, of which $17.8 billion and $9.5 billion were owned by the Company and third-party entities, respectively.

We must meet various requirements in order to maintain the federal guarantee on federally insured loans. The federal guarantee on federally insured loans is conditional based on compliance with origination, servicing, and collection policies set by the Department and guaranty agencies. If the Company misinterprets Department guidance, or incorrectly applies the Higher Education Act, the Department could determine that the Company is not in compliance. Federally insured loans that are not originated, disbursed, or serviced in accordance with the Department's and guaranty agency regulations may risk partial or complete loss of the guarantee. If we experience a high rate of servicing deficiencies (including any deficiencies resulting from the conversion of loans from one servicing platform to another, errors in the loan origination process, establishment of the borrower's repayment status, and due diligence or claim filing processes), it could result in the loan guarantee being revoked or denied. In most cases we have the opportunity to cure these deficiencies by following a prescribed cure process which usually involves obtaining the borrower's reaffirmation of the debt. However, not all deficiencies can be cured.

We are allowed three years from the date of the loan rejection to cure most loan rejections. If a cure cannot be achieved during this three-year period, insurance is permanently revoked, although we maintain our right to collect the loan proceeds from the borrower. In cases where we purchase loans that were previously serviced by another servicing institution and we identify a serving deficiency by the prior servicer, we may, based on the terms of the purchase agreement, have the ability to require the previous lender to repurchase the rejected loans.

A guaranty agency may also assess an interest penalty upon claim payment if the deficiency does not result in a loan rejection. These interest penalties are not subject to cure provisions and are typically related to isolated instances of due diligence deficiencies. Additionally, we may become ineligible for special allowance payment benefits from the time of the first deficiency leading to the loan rejection through the date that the loan is cured.

Failure to comply with federal and guarantor regulations may result in fines, penalties, the loss of the insurance and related federal guarantees on affected FFELP loans, the loss of special allowance payment benefits, expenses required to cure servicing deficiencies, suspension or termination of the right to participate as a FFELP servicer, negative publicity, and potential legal claims, including potential claims by our servicing customers if they lose the federal guarantee on loans that we service for them. If the Company is subjected to significant fines, or loss of insurance or guarantees on a material number of FFELP loans, or if the Company loses its ability to service FFELP loans, it could have a material, negative impact on the Company's business, financial condition, or results of operations.

Our largest fee-based customer, the Department of Education, represented 21 percent of our revenue in 2017. Failure to extend the Department contract or obtain a new Department contract, unfavorable contract modifications or interpretations, or our inability to consistently surpass competitor performance metrics, could significantly lower loan servicing revenue and hinder future servicing opportunities.

We are one of four TIVAS awarded a student loan servicing contract by the Department to provide additional servicing capacity for loans owned by the Department. The Department also has contracts with 31 NFP entities to service student loans, although currently 5 NFP servicers service the volume allocated to these 31 entities. New loan volume is allocated among the four TIVAS and 5 NFP servicers based on certain performance metrics established by the Department and compared among all loan servicers in this group. As of December 31, 2017, we were servicing $172.7 billion of student loans for 5.9 million borrowers under this contract. For the year ended December 31, 2017, we recognized $155.8 million in revenue from the Department, which represented 21 percent of our revenue.

The amount of future allocations of new loan volume could be negatively impacted if we are unable to consistently surpass comparable competitor performance metrics. In addition, in the event the existing Department servicing contract becomes subject to unfavorable modifications or interpretations by the Department, loan servicing revenue could decrease significantly.

Our contract with the Department is currently scheduled to expire on June 16, 2019. On February 20, 2018, the Department's Office of Federal Student Aid released information regarding a new procurement process. The contract solicitation process is divided into two phases. Responses for Phase One are due on April 6, 2018. The contract solicitation requests responses from interested vendors for nine components. Vendors may provide a response for an individual, multiple, or all components. We intend to respond to Phase One of the solicitation.

In the event that our servicing contract is not extended beyond the expiration date or we are not chosen as a subsequent servicer, loan servicing revenue would decrease significantly. There are significant risks and uncertainties regarding the current Department contract and potential future Department contracts, including potential delays, cancellation, or material changes to the structure of the contract procurement process.

Additionally, we are partially dependent on the existing Department contract to broaden servicing operations with the Department, other federal and state agencies, and commercial clients. The size and importance of this contract provides us the scale and infrastructure needed to profitably expand into new business opportunities. Failure to extend the Department contract beyond the current expiration date, or obtain a new Department contract, could significantly hinder future opportunities.

Our contract with the Department of Education exposes us to additional risks inherent in government contracts.

The Federal government could engage in a prolonged debate linking the federal deficit, debt ceiling and other budget issues. If U.S. lawmakers in the future fail to reach agreement on these issues, the federal government could stop or delay payment on its obligations. Further, legislation to address the federal deficit and spending could impose proposals that would adversely affect the FFEL and Federal Direct Loan Programs' servicing businesses.

We contract with Federal Student Aid (FSA) to administer loans held by FSA in both the FFEL and Federal Direct Loan Programs, we own a portfolio of FFELP loans, and we service our FFELP loans and loans for third parties. These loan programs are authorized by the Higher Education Act and subject to periodic reauthorization and changes to the programs by the Administration and U.S. Congress. The latest round of reauthorization is taking place currently. We cannot predict what will or will not be in the final law. However, any changes, including the potential for borrowers to refinance loans via Direct Consolidation Loans, both federal and private, could have a material impact to our cash flows from servicing, interest income, and operating margins.

Government entities in the United States often reserve the right to audit contract costs and conduct inquiries and investigations of business practices. These entities also conduct reviews and investigations and make inquiries regarding systems, including systems of third parties, used in connection with the performance of the contracts. Negative findings from audits, investigations, or inquiries could affect the contractor's future revenues and profitability. If improper or illegal activities are found in the course of government audits or investigations, we could become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act. Additionally, we may be subject to administrative sanctions, which may include termination or non-renewal of contracts, forfeiture of profits, suspension of payments, fines and suspensions, or debarment from doing business with other agencies of that government. Due to the inherent limitations of internal controls, it may not be possible to detect or prevent all improper or illegal activities.

The Government could change governmental policies, regulatory environments, spending sentiment, and many other factors and conditions, some of which could adversely impact our business, financial condition, and results of operations. We cannot predict how or what programs or policies will be impacted by the federal government. The conditions described above could impact not only our contract with the Department, but also other existing or future contracts with government or commercial entities.

Our ability to continue to grow and maintain our contracts with commercial businesses and government agencies is partly dependent on our ability to maintain compliance with various laws, regulations, and industry standards applicable to those contracts.

We are subject to various laws, regulations, and industry standards related to our commercial and government contracts. In most cases, these contracts are subject to termination rights, audits, and investigations. The laws and regulations that impact our operating segments are outlined in Part I, Item 1, "Regulation and Supervision." Additionally, our contracts with the federal government require that we maintain internal controls in accordance with the National Institute of Standards and Technologies ("NIST") and our operating segments that utilize payment cards are subject to the Payment Card Industry Data Security Standards ("PCI-DSS"). If we are found to be in noncompliance with the contract provisions or applicable laws, regulations, or standards, or the contracted party exercises its termination or other rights for that or other reasons, our reputation could be negatively affected, and our ability to compete for new contracts or maintain existing contracts could diminish. If this were to occur, our results of operations from existing contracts and future opportunities for new contracts could be negatively affected.

Our failure to successfully manage business and certain asset acquisitions and other investments could have a material adverse effect on our business, financial condition, and/or results of operations.

The success of our acquisition of ALLO in December 2015 and continued investment in the communications business depends in large part on the ability of ALLO to successfully develop and expand fiber networks in existing service areas and additional communities within acceptable cost parameters, gain market share in communities in existing service areas, and obtain acceptable market share levels in additional communities that we do not yet serve. ALLO may not be able to achieve those objectives and we may not realize the expected benefits from ALLO. In addition, the expected benefits are subject to risks related to the uncertain nature of our ability to successfully integrate operations; the ability to successfully maintain technological competitive advantages with respect to the offered telecommunications, internet, television, telephone, and other related services and minimize potential system disruptions to the availability, speed, and quality of such services; potential changes in the marketplace, including potential decreases in market pricing for telecommunications and related services; potential changes in the demand for fiber optic internet, television, and telephone services; and increases in transport and content costs as discussed below.

We acquired Great Lakes on February 7, 2018. Great Lakes and our subsidiary, Nelnet Servicing, will continue to service their respective government-owned portfolios on behalf of the Department, while maintaining distinct brands, independent servicing operations, and teams. Likewise, each entity will continue to compete for new student loan volume under its respective existing contract with the Department. However, these entities will integrate technology, as well as shared services and other activities, to become more efficient and effective in meeting borrower needs. The success of our acquisition of Great Lakes depends on our ability to successfully integrate technology, shared services, and other operating activities and successfully maintain and increase allocated volumes of student loans serviced under existing and any future servicing contracts with the Department. Great Lakes and Nelnet Servicing have also been working for almost two years to develop a new, state-of-the-art servicing system for government-owned student loans. The servicing platform under development will utilize modern technology to effectively scale for additional volume, protect customer information, and support enhanced borrower experience initiatives. The expected benefits from the servicing platform under development may not be realized.

We may acquire other new businesses, products, and services, or enhance existing businesses, products, and services, or make other investments to further diversify our businesses both within and outside of our historical education-related businesses, through acquisitions of other companies, product lines, technologies, and personnel, or through investments in new asset classes, real estate, or other companies. Any acquisition or investment is subject to a number of risks. Such risks may include diversion of management time and resources, disruption of our ongoing businesses, difficulties in integrating acquisitions, loss of key employees, degradation of services, difficulty expanding information technology systems and other business processes to incorporate the acquired businesses, extensive regulatory requirements, dilution to existing shareholders if our common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition, unexpected declines in real estate values or the failure to realize expected benefits from real estate development projects, lack of familiarity with new markets, and difficulties in supporting new product lines. Our failure to successfully manage acquisitions or investments, or successfully integrate acquisitions, could have a material adverse effect on our business, financial condition, and/or results of operations. Correspondingly, our expectations as to the accretive nature of the acquisitions or investments could be inaccurate.

Transport and content costs related to ALLO's video products and services are substantial and continue to increase.

The cost of video transport and content costs is expected to continue to be one of ALLO's largest operating costs associated with providing television service. Television programming content includes cable-oriented programming, as well as the programming of local over-the-air television stations that ALLO retransmits. In addition, on-demand programming is being made available in response to customer demand. In recent years, the cable industry has experienced rapid increases in the cost of programming, especially the costs for sports programming and for local broadcast station retransmission consent. Programming costs are generally assessed on a per-subscriber basis, and therefore are related directly to the number of subscribers to which the programming is provided. ALLO's relatively small base of subscribers limits our ability to negotiate lower per-subscriber programming costs, whereas larger providers can often obtain discounts based on the number of their subscribers. This cost difference can cause ALLO to experience reduced operating margins relative to our competitors with a larger subscriber base. In addition, escalators in existing content agreements cause cost increases that are out of line with general inflation. While ALLO expects these increases to continue, it may not be able to pass programming cost increases on to customers, particularly as an increasing amount of programming content becomes available via the internet at little or no cost. Also, some competitors (or their affiliates) own programming in their own right and ALLO may be unable to secure license rights to that programming. As ALLO's programming contracts with content providers expire, there can be no assurance that they will be renewed on acceptable terms or at all, in which case ALLO may be unable to provide such television programming causing business results to be adversely affected.

If ALLO cannot obtain and maintain necessary rights-of-way for its communications network, ALLO's operations may be interrupted and it would likely face increased costs.

ALLO is dependent on easements, franchises, and licenses from various private parties such as established telephone companies and other utilities, railroads, long-distance companies and from state highway authorities, local governments and transit authorities for access to aerial pole space, underground conduits, and other rights-of-way in order to construct and operate its networks. Some agreements relating to rights-of-way may be short-term or revocable at will, and ALLO cannot be certain that it will continue to have access to existing rights-of-way after the governing agreements are terminated or expire. If any of ALLO's right-of-way agreements were terminated or could not be renewed, it may be forced to remove network facilities from the affected areas, relocate, or abandon networks, which would interrupt operations and force ALLO to find alternative rights-of-way, and make unexpected capital expenditures.

If ALLO cannot successfully manage construction risks and uncertainties, the expansion of its communications networks may not be achieved within acceptable cost parameters or result in desired levels of market share.

The success of our investment in ALLO depends on the ability of ALLO to successfully execute its current efforts and plans to construct expanded fiber communications networks to make its services available to additional homes and businesses. The construction of communications networks is subject to various risks and uncertainties, including risks and uncertainties related to the determination of the precise locations of easements and other rights-of-way necessary to construct and operate the networks, and the management of such construction in a manner that reasonably minimizes the disruption to other private property owners, including minimizing any unintended damage to property or equipment owned or utilized by private parties. If ALLO is not successful in managing these and similar construction risks, it could experience higher than expected costs and reputational damage that adversely impacts market share and future revenues, and the currently expected benefits from its expansion efforts and plans may not be realized.

ALLO may incur liabilities or suffer negative financial impact relating to occupational, health, and safety matters or failure to comply with safety or environmental laws.

Aerial and underground construction of new networks and service requires employees and contractors to work in the proximity of gas, electric, water, sewer, and other competitors' utility services, and ALLO's operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace. While ALLO has invested, and will continue to invest, substantial resources in its robust occupational, health, and safety programs, ALLO's business involves a high degree of operational risk, and there can be no assurance that it will avoid significant exposure. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment, and other consequential damages and could lead to suspension of operations, large damage claims and, in extreme cases, criminal liability. ALLO could also be subject to potential liabilities in the event it causes a release of hazardous substances or other environmental damage resulting from underground objects they encounter. Environmental laws and regulations can impose significant fines and criminal sanctions for violations. Costs associated with the discharge of hazardous substances may include clean-up costs and related damages or liabilities. These costs could be significant and could adversely affect ALLO's results of operations and cash flows.

Industry changes and competitive pressures may harm revenues and profit margins, including future revenues and profit margins of our communications business through ALLO.

We face aggressive price competition for our products and services and, as a result, we may have to lower our product and service prices to stay competitive, while at the same time, expand market share and maintain profit margins. Even if we are able to maintain or increase market share for a product or service, revenue or profit margins could decline because the product or service is in a maturing market or market conditions have changed due to economic, political, or regulatory pressures.

The internet, television, and telecommunications businesses are highly competitive. For a discussion of the competitive factors faced by ALLO, see Part I, Item I, "Communications - Competition." ALLO may not be able to successfully anticipate and respond to many of these various competitive factors affecting the industry, including regulatory changes that may affect competitors and ALLO differently, new technologies, services and applications that may be introduced, and changes in consumer preferences, demographic trends, and discount or bundled pricing strategies by competitors which are larger and have more resources than ALLO. If ALLO does not compete effectively, it could lose customers, revenue, and market share; customers may reduce their usage of ALLO's services or switch to a less profitable service; and ALLO may need to lower prices or increase marketing efforts to remain competitive.

Our enterprise risk management framework may not be effective in mitigating all risks.

Our enterprise risk management framework includes policies, processes, personnel, and control systems to identify, measure, monitor, control, and report risks. This framework is designed to mitigate and appropriately balance risk exposure with the company's strategic objectives and desired returns. However, there may be risks that exist, or that develop in the future, that we have not anticipated, identified, or mitigated. If our enterprise risk management framework does not effectively identify and manage these risks, we could suffer unexpected losses, and our results of operations, cash flow, or financial condition could be materially adversely affected.

Regulatory and Legal

Federal and state laws and regulations can restrict our businesses and result in increased compliance expenses, and noncompliance with these laws and regulations could result in penalties, litigation, reputation damage, and a loss of customers.

Our operating segments and customers are heavily regulated by federal and state government regulatory agencies. See Part I, Item 1, "Regulation and Supervision." The laws and regulations enforced by these agencies are proposed or enacted to protect consumers and the financial industry as a whole, not necessarily the Company, our operating segments, or our shareholders. We have procedures and controls in place to monitor compliance with numerous federal and state laws and regulations. However, because these laws and regulations are complex, differ between jurisdictions, and are often subject to interpretation, or as a result of unintended errors, we may, from time to time, inadvertently violate these laws and regulations. Compliance with these laws and regulations is expensive and requires the time and attention of management. These costs divert capital and focus away from efforts intended to grow our business. If we do not successfully comply with laws, regulations, or policies, we could incur fines or penalties, lose existing or new customer contracts or other business, and suffer damage to our reputation. Changes in these laws and regulations can significantly alter our business environment, limit business operations, and increase costs of doing business, and we cannot predict the impact such changes would have on our profitability.

The CFPB has the authority to supervise and examine large nonbank student loan servicers, including us. If in the course of such an examination the CFPB were to determine that we were not in compliance with applicable laws, regulations, and CFPB positions, it is possible that this could result in material adverse consequences, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in our business practices, or other actions. In 2015, the CFPB conducted a public inquiry into student loan servicing practices and issued a report recommending the creation of consistent, industry-wide standards for the entire servicing market. The CFPB has also announced that it may issue student loan servicing rules in the future. This area is expected to be a continuing focus of the CFPB.

There is significant uncertainty regarding how the CFPB's recommendations, strategies, and priorities will impact our businesses and our results of operations going forward. Actions by the CFPB could result in requirements to alter our services, causing them to be less attractive or effective and impair our ability to offer them profitably. In the event that the CFPB changes regulations adopted in the past by other regulators, or modifies past regulatory guidance, our compliance costs and litigation exposure could increase.

As a result of the Reconciliation Act of 2010, interest income on our existing FFELP loan portfolio, as well as revenue from FFELP servicing and FFELP loan servicing software licensing and consulting fees, will continue to decline over time as our and our third-party lender clients' FFELP loan portfolios are paid down and FFELP clients exit the market.

The Reconciliation Act of 2010 discontinued new loan originations under the FFEL Program effective July 1, 2010, and requires that all new federal loan originations be made through the Federal Direct Loan Program. Although the law did not alter or affect the terms and conditions of existing FFELP loans, interest income and revenue streams related to existing FFELP loans will continue to decline over time as existing FFELP loans are paid down, refinanced, or repaid by guaranty agencies after default.

During the years ended December 31, 2017, 2016, and 2015, we recognized approximately $290 million, $360 million, and $425 million, respectively, of net interest income on our FFELP loan portfolio, approximately $16 million, $26 million, and $71 million, respectively, in guaranty and third-party FFELP servicing revenue, and approximately $5 million, $6 million, and $5 million, respectively, in FFELP loan servicing software licensing and consulting fees related to the FFEL Program. These amounts will continue to decline over time as our and our third-party lender clients' FFELP loan portfolios are paid down and FFELP clients exit the market.

If we are unable to grow or develop new revenue streams, our consolidated revenue and operating margin will decrease as a result of the decline in FFELP loan volume outstanding.

Exposure related to certain tax issues could decrease our net income.

Federal and state income tax laws and regulations are often complex and require interpretation. The nexus standards and the sourcing of receipts from intangible personal property and services have been the subject of state audits and litigation with state taxing authorities and tax policy debates by various state legislatures. As the U.S. Congress and U.S. Supreme Court have not provided clear guidance in this regard, conflicting state laws and court decisions create significant uncertainty and expense for taxpayers conducting interstate commerce. Changes in income tax regulations could negatively impact our results of operations. If states enact legislation, alter apportionment methodologies, or aggressively apply the income tax nexus standards, we may become subject to additional state taxes.

From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. Examples of such transactions include asset and business acquisitions and dispositions, financing transactions, apportionment, nexus standards, and income recognition. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We prepare and file tax returns based on the interpretation of tax laws and regulations. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities. In accordance with authoritative accounting guidance, we establish reserves for tax contingencies related to deductions and credits that we may be unable to sustain. Differences between the reserves for tax contingencies and the amounts ultimately owed are recorded in the period they become known. Adjustments to our reserves could have a material effect on our financial statements.

The Tax Cuts and Jobs Act, signed into law on December 22, 2017, included a comprehensive tax overhaul that had significant impacts on our operating results in 2017 and will impact our operating results in future periods. This legislation reduced the corporate statutory federal tax rate from 35 percent to 21 percent, imposed new limits on business interest deductions, altered tax depreciation rules, changed the taxation of foreign earnings, and includes many other changes to U.S. corporate taxation. Given the timing of enactment and extensive changes associated with the tax reform, our risk associated with federal tax laws has increased due to the absence of guidance on various uncertainties and ambiguities in the application of certain provisions of the legislation, and the possibility that taxing authorities could issue subsequent guidance or take positions on audit that differ from our prior interpretations and assumptions. Although the reduction in the statutory tax rate is effective January 1, 2018, it had an impact on our 2017 results of operations due to accounting guidance requiring us to adjust (or re-measure) our deferred tax assets and liabilities on the enactment date, which is the date the tax rate changes were signed into law. Accordingly, a taxing authority may take a different position as to the appropriate timing of an item in our tax return, which could negatively impact our results of operations as the tax rates differ between periods.

In addition to corporate tax matters, as both a lender and servicer of student loans, we are required to report student loan interest received and cancellation of indebtedness to individuals and the Internal Revenue Service on an annual basis. These informational forms assist individuals in complying with their federal and state income tax obligations. The statutory and regulatory guidance regarding the calculations, recipients, and timing are complex and we know that interpretations of these rules vary across the industry. The complexity and volume associated with these informational forms creates a risk of error which could result in penalties or damage to our reputation.

Principal Shareholder and Related Party Transactions

Our Executive Chairman beneficially owns 77.7 percent of the voting rights of our shareholders and effectively has control over all matters at our Company.

Michael S. Dunlap, our Executive Chairman and a principal shareholder, beneficially owns 77.7 percent of the voting rights of our shareholders. Accordingly, each member of the Board of Directors and each member of management has been elected or effectively appointed by Mr. Dunlap and can be removed by Mr. Dunlap. As a result, Mr. Dunlap, as Executive Chairman and controlling shareholder, has control over all matters at our Company and has the ability to take actions that benefit him, but may not benefit other minority shareholders, and may otherwise exercise his control in a manner with which other minority shareholders may not agree or which they may not consider to be in their best interests.

Our contractual arrangements and transactions with Union Bank and Trust Company ("Union Bank"), which is under common control with us, present conflicts of interest and pose risks to our shareholders that the terms may not be as favorable to us as we could receive from unrelated third parties.

Union Bank is controlled by Farmers & Merchants Investment Inc. ("F&M"), which owns 81.4 percent of Union Bank's common stock and 15.4 percent of Union Bank's non-voting non-convertible preferred stock. Mr. Dunlap, a significant shareholder, as well as Executive Chairman, and a member of our Board of Directors, along with his spouse and children, owns or controls a total of 33.0 percent of the stock of F&M, including a total of 48.6 percent of the outstanding voting common stock of F&M, and Mr. Dunlap's sister, Angela L. Muhleisen, along with her spouse and children, owns or controls a total of 31.7 percent of F&M stock, including a total of 47.5 percent of the outstanding voting common stock of F&M. Mr. Dunlap serves as a Director and Chairman of F&M. Ms. Muhleisen serves as a Director and Chief Executive Officer 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 a significant number of shares of Nelnet because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of Nelnet, and may share voting and/or investment power with respect to such shares. As of December 31, 2017, Union Bank was deemed to beneficially own 11.3 percent of the voting rights of our outstanding common stock. As of December 31, 2017, Mr. Dunlap and Ms. Muhleisen beneficially owned 77.7 percent and 12.4 percent, respectively, of the voting rights of our outstanding common stock.

We have entered into certain contractual arrangements with Union Bank, including loan purchases, loan servicing, loan participations, banking services, 529 Plan administration services, lease arrangements, and various other investment and advisory services. The net aggregate impact on our consolidated statements of income for the years ended December 31, 2017, 2016, and 2015 related to the transactions with Union Bank was income (before income taxes) of $12.5 million, $7.0 million, and $6.6 million, respectively. See note 20 of the notes to consolidated financial statements included in this report for additional information related to the transactions between us and Union Bank.

Transactions between Union Bank and us are generally based on available market information for comparable assets, products, and services and are extensively negotiated. In addition, all related party transactions between Union Bank and us are approved by both the Union Bank Board of Directors and our Board of Directors. Furthermore, Union Bank is subject to regulatory oversight and review by the FDIC, the Federal Reserve, and the State of Nebraska Department of Banking and Finance. The FDIC and the State of Nebraska Department of Banking and Finance regularly review Union Bank's transactions with affiliates. The regulatory standard applied to the bank falls under Regulation W, which places restrictions on certain "covered" transactions with affiliates.

We intend to maintain our relationship with Union Bank, which our management believes provides certain benefits to us. 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 our 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 our shareholders that the terms of such transactions and arrangements may not be as favorable to us as we could receive from unrelated third parties. Moreover, we 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 us and/or our minority shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved comments from the staff of the Securities and Exchange Commission regarding its periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

The following table lists the principal facilities for office space owned or leased by the Company as of December 31, 2017. The Company owns the building in Lincoln, Nebraska where its principal office is located.

Location	Primary function or segment	Approximate square feet	Lease expiration date
Lincoln, NE	Corporate Headquarters, Loan Systems and Servicing, Tuition Payment Processing and Campus Commerce	192,000 (a)	—
Highlands Ranch, CO	Loan Systems and Servicing	67,000	October 2020
Lincoln, NE	Loan Systems and Servicing	65,000	—
Omaha, NE	Loan Systems and Servicing, Tuition Payment Processing and Campus Commerce	56,000	December 2020 and December 2025
Lincoln, NE	Loan Systems and Servicing, Asset Generation and Management	51,000	November 2023 and March 2024
Aurora, CO	Loan Systems and Servicing	37,000	September 2019
Lincoln, NE	Communications	29,000	Month-to-month
Lincoln, NE	Communications	28,000	—
Lincoln, NE	Loan Systems and Servicing, Asset Generation and Management, Tuition Payment Processing and Campus Commerce	22,000	Month-to-month and October 2018
Lincoln, NE	Corporate Activities	21,000	October 2027
Burleson, TX	Tuition Payment Processing and Campus Commerce	17,000	October 2021
Scottsbluff, NE	Communications	15,000	April 2019
North Platte, NE	Communications	11,000	August 2026
Alliance, NE	Communications	6,000	May 2022
Imperial, NE	Communications	6,000	—

(a) Excludes a total of approximately 22,000 square feet of owned office space that the Company leases to third parties.

ALLO's physical assets consist of network plant and fiber, including signal receiving, encoding and decoding devices, headend reception facilities, distribution systems, and customer-located property. The network plant and fiber assets are generally attached to utility poles under pole rental agreements with local public utilities and telephone companies, or are buried in underground ducts or trenches, generally in utility easements. ALLO owns or leases real property for signal reception sites, and owns its own vehicles. ALLO's headend reception facilities and most offices are located on leased property. Additionally, ALLO leases office and warehouse facilities in most communities where it operates.

The Company leases other office facilities located throughout the United States. These properties are leased on terms and for durations that are reflective of commercial standards in the communities where these properties are located. The Company believes that its respective properties are generally suitable and adequate to meet its long term business goals. The Company's principal office is located at 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508.

On February 7, 2018, the Company acquired Great Lakes, which will be included in the Company's Loan Systems and Servicing operating segment. Great Lakes is headquartered in Madison, Wisconsin, and owns two buildings at that location with approximately 181,000 square feet of office space. Great Lakes owns and leases several other offices around the United States with approximately 203,000 square feet of office space.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various claims, lawsuits, and proceedings that arise in the normal course of business. These matters frequently involve claims by student loan borrowers disputing the manner in which their student loans have been serviced or the accuracy of reports to credit bureaus, claims by student loan borrowers or other consumers alleging that state or Federal consumer protection laws have been violated in the process of collecting loans or conducting other business activities, and disputes with other business entities. In addition, from time to time the Company receives information and document requests from state or federal regulators concerning its business practices. The Company cooperates with these inquiries and responds to the requests. While the Company cannot predict the ultimate outcome of any regulatory examination, inquiry, or investigation, the Company believes its activities have materially complied with applicable law, including the Higher Education Act, the rules and regulations adopted by the Department thereunder, and the Department's guidance regarding those rules and regulations. On the basis of present information, anticipated insurance coverage, and advice received from counsel, it is the opinion of the Company's management that the disposition or ultimate determination of these claims, lawsuits, and proceedings will not have a material adverse effect on the Company's business, financial position, or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Class A common stock is listed and traded on the New York Stock Exchange under the symbol "NNI," while its Class B common stock is not publicly traded. As of January 31, 2018, there were 29,343,603 and 11,468,587 shares of Class A common stock and Class B common stock outstanding, respectively. The number of holders of record of the Company's Class A common stock and Class B common stock as of January 31, 2018 was 929 and 45, respectively. The record holders of the Class B common stock are Michael S. Dunlap and Stephen F. Butterfield, an entity controlled by them, various members of their families, and various estate planning trusts established by them. Because many shares of the Company's Class A common stock are held by brokers and other institutions on behalf of shareholders, the Company is unable to estimate the total number of beneficial owners represented by these record holders. The following table sets forth the high and low intraday sales prices for the Company's Class A common stock for each full quarterly period in 2016 and 2017.

	2016				2017			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	$ 37.28	$ 38.19	$ 44.92	$ 44.08	$ 52.24	$ 47.60	$ 52.26	$ 59.68
Low	26.15	35.05	37.06	38.24	41.19	38.72	43.92	49.60

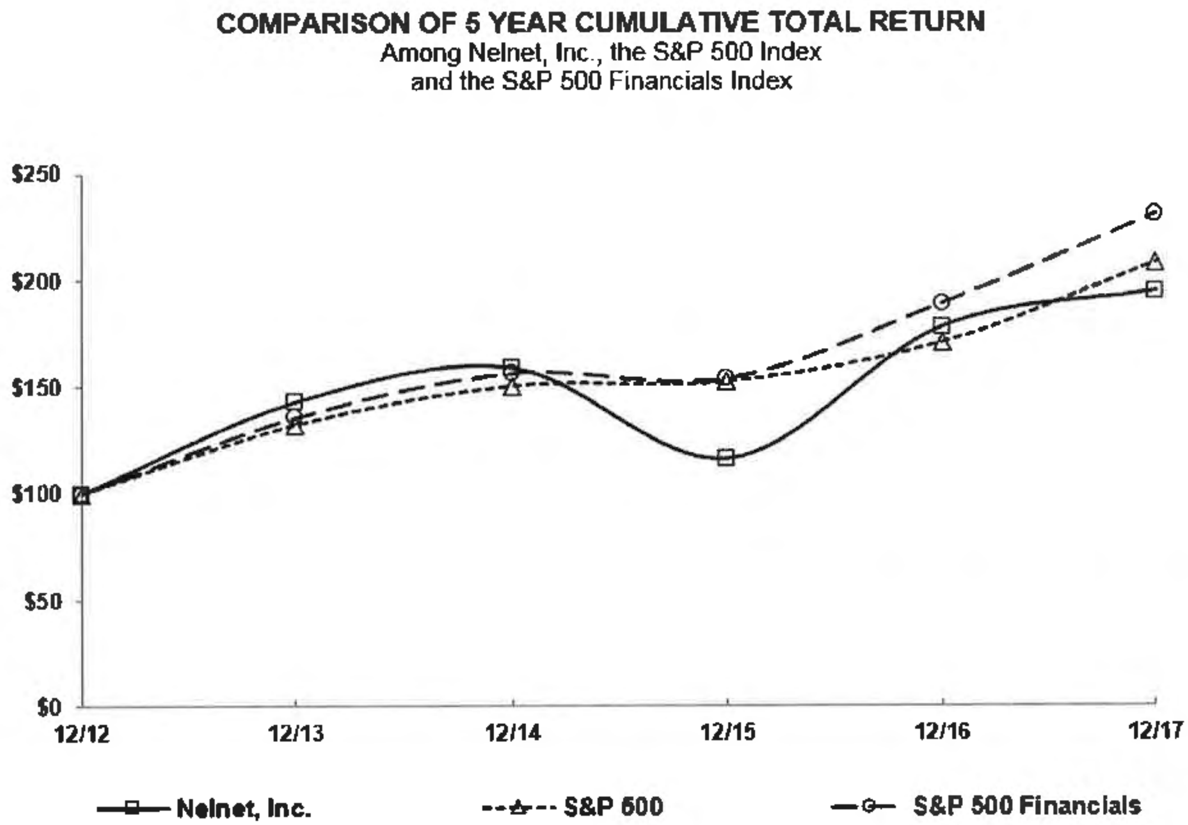
Dividends on the Company's Class A and Class B common stock were paid as follows during the years ended December 31, 2016 and 2017.

	2016				2017			
Record date	3/1/16	6/1/16	9/1/16	12/1/16	3/1/17	6/1/17	9/1/17	12/1/17
Payment date	3/15/16	6/15/16	9/15/16	12/15/16	3/15/17	6/15/17	9/15/17	12/15/17
Dividend amount per share	$ 0.12	0.12	0.12	0.14	0.14	0.14	0.14	0.16

The Company currently plans to continue making regular quarterly dividend payments, subject to future earnings, capital requirements, financial condition, and other factors. The Company's $350.0 million unsecured line of credit, which is available through December 21, 2021, imposes restrictions on the payment of dividends through covenants requiring a minimum consolidated net worth and a minimum level of unencumbered cash, cash equivalent investments, and available borrowing capacity under the line of credit. In addition, trust indentures and other financing agreements governing debt issued by the Company's education lending subsidiaries generally have limitations on the amounts of funds that can be transferred to the Company by its subsidiaries through cash dividends at certain times. Further, the payment of dividends by the Company is subject to the terms of the Company's outstanding junior subordinated hybrid securities, which generally provide that if the Company defers interest payments on those securities it cannot pay dividends on its capital stock. These provisions do not currently materially limit the Company's ability to pay dividends, and, based on the Company's current financial condition and recent results of operations, the Company does not currently anticipate that these provisions will materially limit the future payment of dividends.

Performance Graph

The following graph compares the change in the cumulative total shareholder return on the Company's Class A common stock to that of the cumulative return of the S&P 500 Index and the S&P 500 Financials Index. The graph assumes that the value of an investment in the Company's Class A common stock and each index was $100 on December 31, 2012 and that all dividends, if applicable, were reinvested. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



Company/Index	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Nelnet, Inc.	$ 100.00	$ 142.94	$ 158.68	$ 116.23	$ 177.96	$ 194.45
S&P 500	100.00	132.39	150.51	152.59	170.84	208.14
S&P 500 Financials	100.00	135.63	156.25	153.86	188.94	230.85

The preceding information under the caption "Performance Graph" shall be deemed to be "furnished" but not "filed" with the Securities and Exchange Commission.

Stock Repurchases

The following table summarizes the repurchases of Class A common stock during the fourth quarter of 2017 by the Company or any "affiliated purchaser" of the Company, as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934. Certain share repurchases included in the table below were made pursuant to a trading plan adopted by the Company in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934.

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Maximum number of shares that may yet be purchased under the plans or programs (b)
October 1 - October 31, 2017	69,981	$ 50.45	69,541	3,179,339
November 1 - November 30, 2017	37,239	51.26	36,932	3,142,407
December 1 - December 31, 2017	2,263	55.61	—	3,142,407
Total	109,483	$ 50.83	106,473	

(a) The total number of shares includes: (i) shares repurchased pursuant to the stock repurchase program discussed in footnote (b) below; and (ii) shares owned and tendered by employees to satisfy tax withholding obligations upon the vesting of restricted shares. Shares of Class A common stock tendered by employees to satisfy tax withholding obligations included 440 shares, 307 shares, and 2,263 shares in October, November, and December, respectively. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax withholding obligations were purchased at the closing price of the Company's shares on the date of vesting.

(b) On August 4, 2016, the Company announced that its Board of Directors authorized a new stock repurchase program in May 2016 to repurchase up to a total of five million shares of the Company's Class A common stock during the three-year period ending May 25, 2019.

Equity Compensation Plans

For information regarding the securities authorized for issuance under the Company's equity compensation plans, see Part III, Item 12 of this report.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and other operating information of the Company. The selected financial data in the table is derived from the consolidated financial statements of the Company. The following selected financial data should be read in conjunction with the consolidated financial statements, the related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report.

	Year ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in thousands, except share data)				
Operating Data:					
Net interest income	$ 305,238	372,563	431,899	436,563	413,875
Loan systems and servicing revenue	223,000	214,846	239,858	240,414	243,428
Tuition payment processing, school information, and campus commerce revenue	145,751	132,730	120,365	98,156	80,682
Communications revenue	25,700	17,659	—	—	—
Enrollment services revenue	—	4,326	51,073	62,949	79,275
Other income	52,826	53,929	47,262	73,936	65,101
Gain on sale of loans and debt repurchases, net	2,902	7,981	5,153	3,651	11,699
Net income attributable to Nelnet, Inc.	173,166	256,751	267,979	307,610	302,672
Earnings per common share attributable to Nelnet, Inc. shareholders - basic and diluted:	4.14	6.02	5.89	6.62	6.50
Dividends per common share	0.58	0.50	0.42	0.40	0.40
Other Data:					
Fixed rate floor income, net of derivative settlements	$ 117,272	152,336	184,746	179,870	148,431
Core loan spread	1.23%	1.28%	1.43%	1.48%	1.54%
Acquisition of loans (par value)	$ 330,251	356,110	4,036,333	6,099,249	4,058,997
Loans serviced (at end of period)	211,413,959	194,821,646	176,436,497	161,642,254	138,208,897

	As of December 31,				
	2017	2016	2015	2014	2013
Balance Sheet Data:	(Dollars in thousands, except share data)				
Cash and cash equivalents	$ 66,752	69,654	63,529	130,481	63,267
Loans receivable, net	21,814,507	24,903,724	28,324,552	28,005,195	25,907,589
Goodwill and intangible assets, net	177,186	195,125	197,062	168,782	123,250
Total assets	23,964,435	27,193,095	30,419,144	30,027,739	27,704,028
Bonds and notes payable	21,356,573	24,668,490	28,105,921	27,956,946	25,888,468
Nelnet, Inc. shareholders' equity	2,149,529	2,061,655	1,884,432	1,725,448	1,443,662
Tangible Nelnet, Inc. shareholders' equity (a)	1,972,343	1,866,530	1,687,370	1,556,666	1,320,412
Outstanding common shares	40,810,104	42,105,044	43,953,460	46,243,316	46,376,715
Book value per common share	52.67	48.96	42.87	37.31	31.13
Tangible book value per common share (a)	48.33	44.33	38.39	33.66	28.47
Ratios:					
Shareholders' equity to total assets	8.97%	7.58%	6.19%	5.75%	5.21%

(a) Tangible Nelnet, Inc. shareholders' equity, a non-GAAP measure, equals "Nelnet, Inc. shareholders' equity" less "Goodwill and intangible assets, net." Management believes tangible shareholders' equity and the corresponding tangible book value per common share are useful supplemental non-GAAP measures to evaluate the strength of the Company's capital position and facilitate comparisons with other companies in the financial services industry. However, there is no comprehensive authoritative guidance for the presentation of these measures, and similarly titled measures may be calculated differently by other companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Management's Discussion and Analysis of Financial Condition and Results of Operations is for the years ended December 31, 2017, 2016, and 2015. All dollars are in thousands, except share data, unless otherwise noted.)

The following discussion and analysis provides information that the Company's management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company. The discussion and analysis should be read in conjunction with the Company's consolidated financial statements and related notes included in this report. This discussion and analysis contains forward-looking statements and should be read in conjunction with the disclosures and information contained in "Forward-Looking and Cautionary Statements" and Item 1A "Risk Factors" included in this report.

OVERVIEW

The Company is a diverse company with a focus on delivering education-related products and services and loan asset management. The largest operating businesses engage in student loan servicing, tuition payment processing and school information systems, and communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including, but not limited to, investments in real estate and start-up ventures.

GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments

The Company prepares its financial statements and presents its financial results in accordance with GAAP. However, it also provides additional non-GAAP financial information related to specific items management believes to be important in the evaluation of its operating results and performance. A reconciliation of the Company's GAAP net income to net income, excluding derivative market value and foreign currency transaction adjustments, and a discussion of why the Company believes providing this additional information is useful to investors, is provided below.

		Year ended December 31,		
		2017	2016	2015
GAAP net income attributable to Nelnet, Inc.	$	173,166	256,751	267,979
Realized and unrealized derivative market value adjustments		(26,379)	(59,895)	15,150
Unrealized foreign currency transaction adjustments		45,600	(11,849)	(43,801)
Net tax effect (a)		(7,304)	27,263	10,887
Net income, excluding derivative market value and foreign currency transaction adjustments (b)	$	185,083	212,270	250,215
Earnings per share:				
GAAP net income attributable to Nelnet, Inc.	$	4.14	6.02	5.89
Realized and unrealized derivative market value adjustments		(0.63)	(1.40)	0.33
Unrealized foreign currency transaction adjustments		1.09	(0.28)	(0.96)
Net tax effect (a)		(0.17)	0.63	0.24
Net income, excluding derivative market value and foreign currency transaction adjustments (b)	$	4.43	4.97	5.50

(a) The tax effects are calculated by multiplying the realized and unrealized derivative market value adjustments and unrealized foreign currency transaction adjustments by the applicable statutory income tax rate.

(b) "Derivative market value and foreign currency transaction adjustments" include (i) both the realized portion of gains and losses (corresponding to variation margin received or paid on derivative instruments that are settled daily at a central clearinghouse under new rules effective January 3, 2017) and the unrealized portion of gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP; and (ii) the unrealized foreign currency transaction gains or losses caused by the re-measurement of the Company's Euro-denominated bonds to U.S. dollars. "Derivative market value and foreign currency transaction adjustments" does not include "derivative settlements" that represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms.

The accounting for derivatives requires that changes in the fair value of derivative instruments be recognized currently in earnings, with no fair value adjustment of the hedged item, unless specific hedge accounting criteria is met. Management has structured all of the Company's derivative transactions with the intent that each is economically effective; however, the Company's derivative instruments do not qualify for hedge accounting. As a result, the change in fair value of derivative instruments is reported in current period earnings with no consideration for the corresponding change in fair value of the hedged item. Under GAAP, the cumulative net realized and unrealized gain or loss caused by changes in fair values of derivatives in which the Company plans to hold to maturity will equal zero over the life of the contract. However, the net realized and unrealized gain or loss during any given reporting period fluctuates significantly from period to period. In addition, the Company has incurred unrealized foreign currency transaction adjustments for periodic fluctuations in currency exchange rates between the U.S. dollar and Euro in connection with its student loan asset-backed Euro-denominated bonds with an interest rate based on a spread to the EURIBOR index. The principal and accrued interest on these bonds were remeasured at each reporting period and recorded in the Company's consolidated balance sheet in U.S. dollars based on the foreign currency exchange rate on that date.

The Company believes these point-in-time estimates of asset and liability values related to its derivative instruments and Euro-denominated bonds that are or were subject to interest and currency rate fluctuations are or were subject to volatility mostly due to timing and market factors beyond the control of management, and affect the period-to-period comparability of the results of operations. Accordingly, the Company's management utilizes operating results excluding these items for comparability purposes when making decisions regarding the Company's performance and in presentations with credit rating agencies, lenders, and investors. Consequently, the Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance.

On October 25, 2017, the Company completed a remarketing of the Company's bonds that were prior to that date denominated in Euros, to denominate those bonds in U.S. dollars and reset the interest rate to be based on the 3-month LIBOR index. The Company also terminated a cross-currency interest rate swap associated with those bonds. As a result, foreign currency transaction adjustments will not be incurred with respect to those bonds after October 25, 2017.

The decrease in net income, excluding derivative market value and foreign currency adjustments, for 2017 as compared to 2016, was expected due to the runoff of the Company's student loan portfolio and lower student loan spread, which decreased net interest income. In addition, ALLO's dilutive impact to the Company's consolidated earnings continues to increase as it builds its network in Lincoln, Nebraska.

Operating Results

The Company earns net interest income on its loan portfolio, consisting primarily of FFELP loans, in its Asset Generation and Management ("AGM") operating segment. This segment is expected to generate a stable net interest margin and significant amounts of cash as the FFELP portfolio amortizes. As of December 31, 2017, the Company had a $21.8 billion loan portfolio that management anticipates will amortize over the next approximately 20 years and has a weighted average remaining life of 7.5 years. The Company actively works to maximize the amount and timing of cash flows generated by its FFELP portfolio and seeks to acquire additional loan assets to leverage its servicing scale and expertise to generate incremental earnings and cash flow. However, due to the continued amortization of the Company's FFELP loan portfolio and anticipated increases in interest rates, the Company's net income generated by the AGM segment will continue to decrease. The Company currently believes that in the short-term it will most likely not be able to invest the excess cash generated from the FFELP loan portfolio into assets that immediately generate the rates of return historically realized from that portfolio.

In addition, the Company earns fee-based revenue through the following reportable operating segments:

- Loan Systems and Servicing ("LSS") - referred to as Nelnet Diversified Solutions ("NDS")
- Tuition Payment Processing and Campus Commerce ("TPP&CC") - referred to as Nelnet Business Solutions ("NBS")
- Communications - referred to as ALLO Communications ("ALLO")

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities ("Corporate"). Corporate and Other Activities also includes income earned on certain investments and interest expense incurred on unsecured debt transactions.

The information below provides the operating results for each reportable operating segment and Corporate and Other Activities for the years ended December 31, 2017, 2016, and 2015 (dollars in millions). See "Results of Operations" for each reportable operating segment under this Item 7 for additional detail.

(a) Revenue includes intersegment revenue earned by LSS as a result of servicing loans for AGM.

(b) Total revenue includes "net interest income after provision for loan losses" and "total other income" from the Company's segment statements of income, excluding the impact from changes in fair values of derivatives and foreign currency transaction adjustments. Net income excludes changes in fair values of derivatives and foreign currency transaction adjustments, net of tax. For information regarding the exclusion of the impact from changes in fair values of derivatives and foreign currency transaction adjustments, see "GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above.

Certain events and transactions from 2017, which have impacted or will impact the operating results of the Company and its operating segments, are discussed below.

Loan Systems and Servicing

- The Company and Great Lakes continue to develop a new, state-of-the-art servicing system for government-owned student loans through their GreatNet joint venture. The servicing platform under development will utilize modern technology to effectively scale for additional volume, protect customer information, and support enhanced borrower experience initiatives. The Company's share of costs incurred in 2017 to develop this platform was $12.6 million (pre-tax), which decreased the operating margin of this business from historical periods.

Tuition Payment Processing and Campus Commerce

- The Company continues to make investments in new payment products and services, primarily under the PaymentSpring brand name, that will create additional card processing solutions for the Company's customers. The Company currently offers payment services including electronic transfer and credit card processing, reporting, billing and invoicing, mobile and virtual terminal solutions, and specialized integrations to business software. The Company incurred $5.7 million in net operating costs related to providing and developing these products and services in 2017. The Company currently anticipates making additional investments in payment products and services which will impact this segment's operating results over the next several years.

Communications

- In the fourth quarter of 2017, ALLO announced plans to expand its network to make services available in Hastings, Nebraska and Fort Morgan, Colorado. This will expand total households in ALLO's current markets from 137,500 to over 152,000. In December 2017, the Fort Morgan city council approved a 40-year agreement with ALLO for ALLO to provide broadband service over a fiber network that the city will build and own, and ALLO will lease and operate to provide services to subscribers. ALLO plans to continue expansion to additional communities in Nebraska and Colorado over the next several years.

- The Company currently anticipates ALLO's operating results will be dilutive to the Company's consolidated earnings as it continues to build its network in Lincoln, Nebraska, and other communities, due to large upfront capital expenditures and associated depreciation and upfront customer acquisition costs.

Asset Generation and Management

- During 2017, the Company began to purchase consumer loans. As the Company's FFELP loans continue to amortize, the Company is actively expanding its private education and consumer loan portfolios.

Other Corporate Activities

- As of December 31, 2017, Whitetail Rock Capital Management, LLC ("WRCM"), the Company's SEC-registered investment advisor subsidiary, had $874.3 million in asset-backed security assets, consisting primarily of student loan asset-backed securities, under management for third-party customers. WRCM earns annual management fees of 25 basis points for assets under management and up to 50 percent of the gains from the sale of securities or securities being called prior to the full contractual maturity for which it provides advisory services. During 2017, WRCM traded almost $1.3 billion for their customers, generating $10.1 million in performance fees. Assuming assets under management remain at their current levels, management fees should be relatively stable in future years. However, the Company currently anticipates that opportunities for WRCM to earn performance fees could be limited in future years.

- On December 31, 2017, the Company sold Peterson's, its college planning, digital marketing, and content solutions subsidiary. Peterson's revenue in 2017 was $12.6 million, a decrease from $14.3 million in 2016 and $19.6 million in 2015. During the fourth quarter of 2017, the Company recognized an impairment charge of $3.6 million (pre-tax) related to goodwill initially recorded upon the acquisition of Peterson's in 2006.

- The Tax Cuts and Jobs Act (the "Act"), signed into law on December 22, 2017, reduced the corporate statutory federal tax rate from 35 percent to 21 percent. As a result of the Act, in December 2017, the Company re-measured its net deferred tax liabilities to reflect the new statutory rate, resulting in a decrease to income tax expense of $19.3 million, resulting in a 2017 effective tax rate of 27.25 percent. The Company currently anticipates its effective tax rate will range between 23 to 24 percent in 2018 and future periods, as compared to its historical effective tax rate that ranged between 35 to 38 percent.

Liquidity and Capital Resources

- The Company has historically generated positive cash flow from operations. For the year ended December 31, 2017, the Company's net cash provided by operating activities was $227.5 million.

- The majority of the Company's portfolio of student loans is funded in asset-backed securitizations that will generate significant earnings and cash flow over the life of these transactions. As of December 31, 2017, the Company currently expects future undiscounted cash flows from its securitization portfolio to be approximately $1.92 billion, of which approximately $1.34 billion will be generated over the next five years.

- The Company intends to use its liquidity position to capitalize on market opportunities, including FFELP, private education, and consumer loan acquisitions; strategic acquisitions and investments; expansion of ALLO's telecommunications network; and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions. The timing and size of these opportunities will vary and will have a direct impact on the Company's cash and investment balances.

Recent Events

Acquisition of Great Lakes

- On February 7, 2018, the Company acquired 100 percent of the outstanding stock of Great Lakes for a purchase price of $150.0 million in cash. The Company and Great Lakes are two of the four large private sector companies (referred to as Title IV Additional Servicers, or "TIVAS") that have student loan servicing contracts awarded by the Department in June 2009 to provide servicing for loans owned by the Department. These contracts are currently scheduled to expire on June 16, 2019.

Going forward, Great Lakes and the Company will continue to service their respective government-owned portfolios on behalf of the Department, while maintaining their distinct brands, independent servicing operations, and teams. Likewise, each entity will continue to compete for new student loan volume under its respective existing contract with the Department. Nelnet will integrate technology, as well as shared services and other activities, to become more efficient and effective in meeting borrower needs.

The Company and Great Lakes have also been working together for almost two years to develop a new, state-of-the-art servicing system for government-owned student loans through their GreatNet joint venture. The efficiencies gained by leveraging a single platform for government-owned loans supporting millions more borrowers will give the Company and Great Lakes opportunities to invest in strategies to further enhance borrower experiences.

Headquartered in Madison, Wisconsin, Great Lakes has approximately 1,800 employees. As of December 31, 2017, Great Lakes was servicing $224.4 billion in government-owned student loans for 7.5 million borrowers, $10.7 billion in FFEL Program loans for almost 479,000 borrowers, and $8.5 billion in private or consumer loans for over 415,000 borrowers. During 2017, Great Lakes recognized approximately $230 million in servicing revenue.

As of December 31, 2017 (on a pro-forma basis), the combined companies serviced $455 billion of loans for 16.2 million borrowers, including $397 billion in government-owned student loans for 13.4 million borrowers, $38 billion in FFEL Program loans for 1.9 million borrowers, and $20 billion in private or consumer loans for almost 918,000 borrowers.

Department of Education Servicing Contract

- On February 20, 2018, the Department's Office of Federal Student Aid ("FSA") released information regarding a new contract procurement process to service all student loans owned by the Department. The contract solicitation process is divided into two phases. Responses for Phase One are due on April 6, 2018. The contract solicitation requests responses from interested vendors for nine components, including:

  - Component A: Enterprise-wide digital platform and related middleware
  - Component B: Enterprise-wide contact center platform, customer relationship management (CRM), and related middleware
  - Component C: Solution 3.0 (core processing, related middleware, and rules engine)
  - Component D: Solution 2.0 (core processing, related middleware, and rules engine)
  - Component E: Solution 3.0 business process operations
  - Component F: Solution 2.0 business process operations
  - Component G: Enterprise-wide data management platform
  - Component H: Enterprise-wide identity and access management (IAM)
  - Component I: Cybersecurity and data protection

  The solicitation indicates Component C (Solution 3.0) is anticipated to be tailored for new customers and Component D (Solution 2.0) is anticipated to serve as the primary environment for FSA's existing customers. After Solution 3.0 is deployed, FSA will determine the best distribution of loans between Solution 2.0 and Solution 3.0. In addition, more than one business process solution may be selected for Components E and F.

  Vendors may provide a response for an individual, multiple, or all components. The Company intends to respond to Phase One of the solicitation.

CONSOLIDATED RESULTS OF OPERATIONS

An analysis of the Company's operating results for the years ended December 31, 2017, 2016, and 2015 is provided below.

The Company's operating results are primarily driven by the performance of its existing portfolio and the revenues generated by its fee-based businesses and the costs to provide such services. The performance of the Company's portfolio is driven by net interest income (which includes financing costs) and losses related to credit quality of the assets, along with the cost to administer and service the assets and related debt.

The Company operates as distinct reportable operating segments as described above. For a reconciliation of the reportable segment operating results to the consolidated results of operations, see note 15 of the notes to consolidated financial statements included in this report. Since the Company monitors and assesses its operations and results based on these segments, the discussion following the consolidated results of operations is presented on a reportable segment basis.

	Year ended December 31,			
	2017	2016	2015	Additional information
Loan interest	$ 757,731	751,280	726,258	Year over year increases were due to increases in the gross yield earned on the loan portfolio, partially offset by decreases in the average balance of student loans and gross fixed rate floor income.
Investment interest	12,695	9,466	7,851	Includes income from unrestricted interest-earning deposits and investments and funds in asset-backed securitizations. Year over year increases were due to increases in interest-earning investments and interest rates.
Total interest income	770,426	760,746	734,109	
Interest expense	465,188	388,183	302,210	Year over year increases were due to increases in cost of funds, partially offset by decreases in the average balance of debt outstanding.
Net interest income	305,238	372,563	431,899	See table below for additional analysis.
Less provision for loan losses	14,450	13,500	10,150	Represents the periodic expense of maintaining an allowance appropriate to absorb losses inherent in the portfolio of loans. See AGM operating segment - results of operations.
Net interest income after provision for loan losses	290,788	359,063	421,749	
Other income:				
LSS revenue	223,000	214,846	239,858	See LSS operating segment - results of operations.
TPP&CC revenue	145,751	132,730	120,365	See TPP&CC operating segment - results of operations.
Communications revenue	25,700	17,659	—	See Communications operating segment - results of operations.
Enrollment services revenue	—	4,326	51,073	On February 1, 2016, the Company sold Sparkroom LLC. After this sale, the Company no longer earns enrollment services revenue.
Other income	52,826	53,929	47,262	See table below for the components of "other income."
Gain on sale of loans and debt repurchases, net	2,902	7,981	5,153	Gains are from the Company repurchasing its own debt. See note 5 of the notes to consolidated financial statements included in this report for additional details on these debt repurchases.
Derivative settlements, net	667	(21,949)	(24,250)	The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative settlements for each applicable period should be evaluated with the Company's net interest income. See table below for additional analysis.
Derivative market value and foreign currency transaction adjustments, net	(19,221)	71,744	28,651	Includes (i) the realized and unrealized gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP; and (ii) the foreign currency transaction gains or losses caused by the re-measurement of the Company's Euro-denominated bonds to U.S. dollars.
Total other income	431,625	481,266	468,112	
Operating expenses:				
Salaries and benefits	301,885	255,924	247,914	Year over year increases were due to (i) increases in contract programming related to the GreatNet joint venture and an increase in personnel to support the increase in volume of loans serviced for the government entering repayment status and the increase in private education and consumer loan servicing volume in the LSS operating segment; (ii) increases in personnel to support the growth in revenue in the TPP&CC operating segment; and (iii) increases in personnel at ALLO to support the Lincoln, Nebraska network expansion. See each individual operating segment results of operations discussion for additional information. In addition, in December 2017, the Company paid all front-line associates an additional bonus of up to $1,000, resulting in expense of $4.0 million.
Depreciation and amortization	39,541	33,933	26,343	Year over year increases were due to additional depreciation expense at ALLO. Since the acquisition of ALLO on December 31, 2015, there has been a significant amount of property and equipment purchases to support the Lincoln, Nebraska network expansion.
Loan servicing fees	22,734	25,750	30,213	Loan servicing fees decreased year over year due to runoff of the Company's student loan portfolio and decreases in delinquent loans. The Company pays higher third-party servicing fees on delinquent loans.
Cost to provide communications services	9,950	6,866	—	Represents costs of services and products primarily associated with television programming costs in the Communications operating segment.
Cost to provide enrollment services	—	3,623	41,733	On February 1, 2016, the Company sold Sparkroom LLC. After this sale, the Company no longer provides enrollment services.
Other expenses	121,619	115,419	123,014	Included in other expenses were guaranty collection costs directly related to providing guaranty collection services. Effective June 30, 2016, in conjunction with the expiration of the Company's remaining guaranty customer's contract, the Company stopped providing these services. When excluding the guaranty collection costs, other expenses were $121.6 million, $111.9 million, and $103.8 million in 2017, 2016, and 2015, respectively. Year over year increases were the result of increases in operating expenses due to GreatNet, additional costs to support the increase in payment plans and campus commerce activity, and increases in operating expenses at ALLO to support the Lincoln, Nebraska network expansion. In addition, during 2017 the Company recognized a $3.6 million goodwill impairment charge related to Peterson's, the Company's college planning, digital marketing, and content solutions subsidiary that was sold in December 2017.
Total operating expenses	495,729	441,515	469,217	
Income before income taxes	226,684	398,814	420,644	
Income tax expense	64,863	141,313	152,380	Effective tax rate: 2017 - 27.25%, 2016 - 35.50%, 2015 - 36.25%. Due to the Tax Cuts and Jobs Act, signed into law on December 22, 2017, the Company re-measured its net deferred tax liabilities resulting in a decrease to income tax expense of $19.3 million. The Company expects its future effective tax rate, beginning in 2018, will range between 23 to 24 percent versus a historical effective tax rate that ranged between 35 to 38 percent.
Net income	161,821	257,501	268,264	
Net loss (income) attributable to noncontrolling interests	11,345	(750)	(285)	In 2017, represents primarily the net loss of GreatNet attributable to Great Lakes.
Net income attributable to Nelnet, Inc.	$ 173,166	256,751	267,979	

Additional information:

		2017	2016	2015	Additional information
Net income attributable to Nelnet, Inc.	$	173,166	256,751	267,979	See "Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above for additional information about non-GAAP net income, excluding derivative market value and foreign currency adjustments.
Derivative market value and foreign currency transaction adjustments, net		19,221	(71,744)	(28,651)	
Net tax effect		(7,304)	27,263	10,887	
Net income attributable to Nelnet, Inc., excluding derivative market value and foreign currency transaction adjustments	$	185,083	212,270	250,215	

The following table summarizes the components of "net interest income" and "derivative settlements, net."

Derivative settlements represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms. Derivative accounting requires that net settlements with respect to derivatives that do not qualify for "hedge treatment" under GAAP be recorded in a separate income statement line item below net interest income. The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. As such, management believes derivative settlements for each applicable period should be evaluated with the Company's net interest income as presented in the table below. Net interest income (net of settlements on derivatives) is a non-GAAP financial measure, and the Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative for the periods presented in the table under the caption "Income Statement" in note 6 and in the table below.

	Year ended December 31,			
	2017	2016	2015	Additional information
Variable loan interest margin	$ 189,594	199,215	222,676	Represents the yield the Company receives on its loan portfolio less the cost of funding these loans. Variable loan spread is also impacted by the amortization/accretion of loan premiums and discounts and the 1.05% per year consolidation loan rebate fee paid to the Department. See AGM operating segment - results of operations.
Settlements on associated derivatives	(9,390)	(3,392)	(197)	Includes the net settlements paid/received related to the Company's 1:3 basis swaps and cross-currency interest rate swap.
Variable loan interest margin, net of settlements on derivatives	180,204	195,823	222,479	
Fixed rate floor income	106,434	169,979	207,787	The Company has a portfolio of student loans that are earning interest at a fixed borrower rate which exceeds the statutorily defined variable lender rates, generating fixed rate floor income. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk" for additional information.
Settlements on associated derivatives	10,838	(17,643)	(23,041)	Includes the net settlements paid/received related to the Company's floor income interest rate swaps.
Fixed rate floor income, net of settlements on derivatives	117,272	152,336	184,746	
Investment interest	12,695	9,466	7,851	
Corporate debt interest expense	(3,485)	(6,096)	(6,415)	Includes interest expense on the Junior Subordinated Hybrid Securities and unsecured line of credit. During the first quarter of 2017, the Company repurchased $29.7 million of its Hybrid Securities. In addition, the weighted average balance outstanding under the Company's unsecured line of credit was lower during 2017 as compared to 2016. These factors resulted in less corporate debt interest expense in 2017 as compared to 2016.
Non-portfolio related derivative settlements	(781)	(915)	(1,012)	Includes the net settlements paid/received related to the Company's hybrid debt hedges.
Net interest income (net of settlements on derivatives)	$ 305,905	350,614	407,649	

The following table summarizes the components of "other income."

	Year ended December 31,		
	2017	2016	2015
Investment advisory fees (a)	$ 12,723	6,129	4,302
Peterson's revenue (b)	12,572	14,254	19,632
Borrower late fee income	11,604	12,838	14,693
Realized and unrealized gains on investments classified as available-for-sale and trading, net	2,514	2,773	143
Other (c)	13,413	17,935	8,492
Other income	$ 52,826	53,929	47,262

(a) The Company provides investment advisory services through WRCM under various arrangements and earns annual fees of 25 basis points on the outstanding balance of investments and up to 50 percent of the gains from the sale of securities or securities being called prior to the full contractual maturity for which it provides advisory services. As of December 31, 2017, the outstanding balance of investments subject to these arrangements was $874.3 million.

(b) The year over year decrease in revenue was due to the loss of rights to a certain publication. On December 31, 2017, the Company sold Peterson's.

(c) The operating results for the year ended December 31, 2016 include a gain of approximately $3.0 million related to the Company's sale of Sparkroom, LLC in February 2016.

LOAN SYSTEMS AND SERVICING OPERATING SEGMENT – RESULTS OF OPERATIONS

Student Loan Servicing Volumes (dollars in millions)

Company owned	$21,397	$19,742	$18,886	$18,433	$18,079	$17,429	$16,962	$16,352	$15,789	$18,403	$17,827
% of total	15.5%	12.2%	10.7%	10.1%	9.8%	9.0%	8.7%	8.2%	7.9%	8.9%	8.4%
Number of servicing borrowers:											
Government servicing	5,305,498	5,915,449	5,842,163	5,786,545	5,726,828	6,009,433	5,972,619	5,924,099	5,849,283	5,906,404	5,877,414
FFELP servicing	1,462,122	1,397,295	1,335,538	1,298,407	1,296,198	1,357,412	1,312,192	1,263,785	1,218,706	1,317,552	1,420,311
Private education and consumer loan servicing	195,580	202,529	245,737	250,666	267,073	292,989	355,096	389,010	454,182	478,150	502,114
Total:	6,963,200	7,515,273	7,423,438	7,335,618	7,290,099	7,659,834	7,639,907	7,576,894	7,522,171	7,702,106	7,799,839
Number of remote hosted borrowers	1,915,203	1,611,654	1,755,341	1,796,783	1,842,961	2,103,989	2,230,019	2,305,991	2,317,151	2,714,588	2,812,713

Summary and Comparison of Operating Results

	Year ended December 31, 2017	2016	2015	Additional information
Net interest income	$ 510	111	49	
Loan systems and servicing revenue	223,000	214,846	239,858	See table below for additional analysis.
Intersegment servicing revenue	41,674	45,381	50,354	Represents revenue earned by the LSS operating segment as a result of servicing loans for the AGM operating segment. Decrease was due to a decrease in loans serviced for the AGM segment during the comparable periods due to portfolio run-off. In August 2017, the AGM operating segment converted $3.1 billion of loans from a third-party servicer to the LSS operating segment's servicing platform, which partially offset the decrease in revenue in 2017 compared to 2016.
Total other income	264,674	260,227	290,212	
Salaries and benefits	156,256	132,072	134,635	Increase in 2017 compared to 2016 due to contract programming related to GreatNet and an increase in personnel to support the increase in volume of loans serviced for the government entering repayment status and the increase in private education and consumer loan servicing volume. Decrease in 2016 compared to 2015 due primarily to a decrease in personnel as a result of the loss of guaranty servicing and collection clients discussed below and improved operational efficiencies, partially offset by additional personnel to support the increase in volume of loans serviced for the government entering repayment status and the increase in private education and consumer loan servicing volume.
Depreciation and amortization	2,864	1,980	1,931	Increase in 2017 compared to 2016 due to infrastructure spend for GreatNet.
Other expenses	39,126	40,715	57,799	Year over year decreases were due primarily to the elimination of FFELP guaranty collection costs directly related to the loss of FFELP guaranty collection revenue. There were no collection costs in 2017, and $3.5 million and $19.2 million in 2016 and 2015, respectively. Excluding collection costs, other expenses were $39.1 million, $37.2 million, and $38.6 million in 2017, 2016, and 2015, respectively. Increase in these amounts from 2016 to 2017 due to an increase in operating expenses related to GreatNet. See additional information below regarding the decrease in FFELP guaranty collection revenue.
Intersegment expenses, net	31,871	24,204	29,706	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	230,117	198,971	224,071	
Income before income taxes	35,067	61,367	66,190	
Income tax expense	(18,128)	(23,319)	(25,153)	Reflects income tax expense based on 38% of income before taxes and the net loss attributable to noncontrolling interest.
Net income	16,939	38,048	41,037	
Net loss attributable to noncontrolling interest	12,640	—	20	Represents 50 percent of the net loss of GreatNet that is attributable to Great Lakes. See note 3 ("Summary of Significant Accounting Policies and Practices - Noncontrolling Interests") of the notes to consolidated financial statements included in this report.
Net income attributable to Nelnet, Inc.	$ 29,579	38,048	41,057	
Before tax operating margin	13.2%	23.6%	22.8%	Decrease in margin in 2017 compared to 2016 due to increases in salaries and benefits and other operating expenses as described above (including costs incurred related to GreatNet) and the loss of the guaranty business which had higher margin than the remaining segment services.

Loan systems and servicing revenue

	Year ended December 31,			
	2017	2016	2015	Additional information
Government servicing	$ 155,829	151,728	133,189	Year over year increases were due to an increase in application volume for the TPD program, which the Company exclusively administers for the Department, the transfer of borrowers from a NFP servicer who exited the loan servicing business in August 2016, and the shift in the portfolio of loans serviced to a greater portion of loans in higher paying repayment statuses.
FFELP servicing	15,542	15,948	14,248	Decrease in 2017 compared to 2016 due to conversion revenue recognized during the third quarter of 2016. Increase in 2016 compared to 2015 due to an increase in third-party servicing volume as a result of conversions to the Company's servicing platform. Over time, FFELP servicing revenue will decrease as third-party customers' FFELP portfolios run off.
Private education and consumer loan servicing	28,060	15,600	12,040	Increase due to growth in private loan servicing volume from existing and new clients.
FFELP guaranty servicing	—	2,349	9,318	The Company's guaranty servicing revenue was earned from two guaranty servicing clients. A contract with one client expired on October 31, 2015, and was not renewed. Guaranty servicing revenue from this customer was $4.9 million in 2015. The remaining guaranty servicing client exited the FFELP guaranty business at the end of their contract term on June 30, 2016. Guaranty servicing revenue from this customer was $2.3 million and $4.4 million in 2016 and 2015, respectively. Effective June 30, 2016, the Company has no remaining guaranty servicing revenue.
FFELP guaranty collection	—	7,211	47,597	The Company's guaranty collection revenue was earned from two guaranty collection clients. A contract with one client expired on October 31, 2015, and was not renewed. Guaranty collection revenue from this customer was $32.5 million in 2015. The remaining guaranty collection client exited the FFELP guaranty business at the end of their contract term on June 30, 2016. Guaranty collection revenue from this customer was $7.2 million and $15.1 million in 2016 and 2015, respectively. The Company incurred collection costs that were directly related to guaranty collection revenue. Effective June 30, 2016, the Company has no remaining guaranty collection revenue.
Software services	17,782	18,132	19,492	The majority of software services revenue relates to providing hosted student loan servicing. The year over year decreases were due to a decrease in revenue from other software service products, partially offset by an increase in the number of remote hosted borrowers.
Other	5,787	3,878	3,974	The majority of this revenue relates to providing contact center outsourcing activities.
Loan systems and servicing revenue	$ 223,000	214,846	239,858	

TUITION PAYMENT PROCESSING AND CAMPUS COMMERCE OPERATING SEGMENT – RESULTS OF OPERATIONS

This segment of the Company's business is subject to seasonal fluctuations which correspond, or are related to, the traditional school year. Tuition management revenue is recognized over the course of the academic term, but the peak operational activities take place in summer and early fall. Higher amounts of revenue are typically recognized during the first quarter due to fees related to grant and aid applications as well as online applications and enrollment services. The Company's operating expenses do not follow the seasonality of the revenues. This is primarily due to generally fixed year-round personnel costs and seasonal marketing costs. Based on the timing of revenue recognition and when expenses are incurred, revenue and pre-tax operating margin are higher in the first quarter as compared to the remainder of the year.

Summary and Comparison of Operating Results

	Year ended December 31,			
	2017	2016	2015	Additional information
Net interest income	$ 17	9	3	
Tuition payment processing, school information, and campus commerce revenue	145,751	132,730	120,365	Year over year increases were due to an increase in the number of managed tuition payment plans, campus commerce customer transactions and payments volume, and new school customers.
Other income (expense)	—	—	(925)	Amount represents the remeasurement of contingent consideration to fair value related to the acquisition of RenWeb.
Total other income	145,751	132,730	119,440	
Salaries and benefits	69,500	62,329	55,523	Year over year increases were due to additional personnel to support the increase in payment plans and campus commerce activity and continued investments in and enhancements of existing payment plan and campus commerce systems and products and new payment products and services.
Depreciation and amortization	9,424	10,595	8,992	Amortization of intangible assets for 2017, 2016, and 2015 related to business acquisitions was $8.5 million, $9.2 million, and $8.9 million, respectively.
Other expenses	19,138	18,486	15,161	Year over year increases were due to additional costs to support the increase in payment plans and campus commerce activity and continued investments in and enhancements of existing payment plan and campus commerce systems and products and new payment products and services.
Intersegment expenses, net	9,079	6,615	8,617	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	107,141	98,025	88,293	
Income before income taxes	38,627	34,714	31,150	
Income tax expense	(14,678)	(13,191)	(11,838)	
Net income	$ 23,949	21,523	19,312	
Before tax operating margin	26.5%	26.2%	26.1%	

COMMUNICATIONS OPERATING SEGMENT - RESULTS OF OPERATIONS

The Company acquired ALLO on December 31, 2015, and began operations in the Communications segment effective January 1, 2016. The fair value of ALLO's assets acquired and liabilities assumed are included in the Company's consolidated balance sheet as of December 31, 2015. However, no operating results of ALLO are included in the Company's consolidated income statement for the year ended December 31, 2015. See note 8 of the notes to consolidated financial statements included in this report for additional information related to the acquisition of ALLO.

Summary and Comparison of Operating Results

	Year ended December 31, 2017	Year ended December 31, 2016	Additional information
Net interest income (expense)	$ (5,424)	(1,270)	ALLO had a line of credit with Nelnet, Inc. (parent company). The interest expense incurred by ALLO and related interest income earned by Nelnet, Inc. was eliminated for the Company's consolidated financial statements. The average outstanding balance on this line of credit during 2017 and 2016 was $116.4 million and $30.1 million, respectively. The proceeds from debt were used by ALLO for network capital expenditures and related expenses.
Communications revenue	25,700	17,659	Communications revenue is derived primarily from the sale of pure fiber optic services to residential and business customers in Nebraska, including internet, television, and telephone services. Year over year increases were primarily due to additional residential households served. See additional financial and operating data for ALLO in the tables below.
Salaries and benefits	14,947	7,649	Since the acquisition of ALLO on December 31, 2015, there has been a significant increase in personnel to support the Lincoln, Nebraska network expansion. As of December 31, 2015, 2016, and 2017, ALLO had 97, 318, and 508 employees, respectively, including part-time employees. ALLO also uses temporary employees in the normal course of business. Certain costs qualify for capitalization as ALLO builds its network.
Depreciation and amortization	11,835	6,060	Depreciation reflects the allocation of the costs of ALLO's property and equipment over the period in which such assets are used. Since the acquisition of ALLO on December 31, 2015, there has been a significant amount of property and equipment purchases to support the Lincoln, Nebraska network expansion. The gross property and equipment balances related to this segment as of December 31, 2015, 2016, and 2017 were $32.5 million $71.3 million and $186.4 million, respectively. Amortization reflects the allocation of costs related to intangible assets recorded at fair value as of the date the Company acquired ALLO over their estimated useful lives.
Cost to provide communications services	9,950	6,866	Cost of services and products primarily associated with television programming costs.
Other expenses	8,074	4,370	Other operating expenses include selling, general, and administrative expenses necessary for operations, such as advertising, occupancy, professional services, construction materials, personal property taxes, and provision for losses on accounts receivable. Year over year increases were due to expansion of the Lincoln, Nebraska network and number of households served.
Intersegment expenses, net	2,101	958	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	46,907	25,903	
Loss before income taxes	(26,631)	(9,514)	
Income tax benefit	10,120	3,615	
Net loss	$ (16,511)	(5,899)	The Company anticipates this operating segment will be dilutive to consolidated earnings as it continues to build its network in Lincoln, Nebraska and other communities, due to large upfront capital expenditures and associated depreciation and upfront customer acquisition costs.
Additional Information:			
Net loss	$ (16,511)	(5,899)	
Net interest expense	5,424	1,270	
Income tax benefit	(10,120)	(3,615)	
Depreciation and amortization	11,835	6,060	
Earnings (loss) before interest, income taxes, depreciation, and amortization (EBITDA)	$ (9,372)	(2,184)	For additional information regarding this non-GAAP measure, see the table below.

Certain financial and operating data for ALLO is summarized in the tables below.

		Year ended December 31,	
		2017	2016
Residential revenue	$	17,705	10,480
Business revenue		7,735	6,362
Other revenue		260	817
Total revenue	$	25,700	17,659
Net (loss) income	$	(16,511)	(5,899)
EBITDA (a)		(9,372)	(2,184)
Capital expenditures		115,102	38,817
Revenue contribution:			
Internet		45.8%	38.8%
Television		30.7	32.1
Telephone		21.5	26.5
Other		2.0	2.6
		100.0%	100.0%

	As of December 31, 2017	As of September 30, 2017	As of June 30, 2017	As of March 31, 2017	As of December 31, 2016	As of September 30, 2016	As of June 30, 2016	As of March 31, 2016	As of December 31, 2015
Residential customer information:									
Households served	20,428	16,394	12,460	10,524	9,814	8,745	8,314	7,909	7,600
Households passed (b)	71,426	54,815	45,880	34,925	30,962	22,977	22,977	21,274	21,274
Total households in current markets	137,500	137,500	137,500	137,500	137,500	137,500	137,500	137,500	28,874
Total households in current markets and new markets announced (c)	152,626	137,500	137,500	137,500	137,500	137,500	137,500	137,500	137,500

(a) Earnings (loss) before interest, income taxes, depreciation, and amortization ("EBITDA") is a supplemental non-GAAP performance measure that is frequently used in capital-intensive industries such as telecommunications. ALLO's management uses EBITDA to compare ALLO's performance to that of its competitors and to eliminate certain non-cash and non-operating items in order to consistently measure performance from period to period. EBITDA excludes interest and income taxes because these items are associated with a company's particular capitalization and tax structures. EBITDA also excludes depreciation and amortization expense because these non-cash expenses primarily reflect the impact of historical capital investments, as opposed to the cash impacts of capital expenditures made in recent periods, which may be evaluated through cash flow measures. The Company reports EBITDA for ALLO because the Company believes that it provides useful additional information for investors regarding a key metric used by management to assess ALLO's performance. There are limitations to using EBITDA as a performance measure, including the difficulty associated with comparing companies that use similar performance measures whose calculations may differ from ALLO's calculations. In addition, EBITDA should not be considered a substitute for other measures of financial performance, such as net income or any other performance measures derived in accordance with GAAP. A reconciliation of EBITDA from net income (loss) under GAAP is presented under "Summary and Comparison of Operating Results" in the table above.

(b) Represents the number of single residence homes, apartments, and condominiums that ALLO already serves and those in which ALLO has the capacity to connect to its network distribution system without further material extensions to the transmission lines, but have not been connected.

(c) In November 2015, ALLO announced plans to expand its network to make services available to substantially all commercial and residential premises in Lincoln, Nebraska. During the fourth quarter of 2017, ALLO announced plans to expand its network to make services available in Hastings, Nebraska and Fort Morgan, Colorado. ALLO plans to expand to additional communities in Nebraska and Colorado over the next several years.

ASSET GENERATION AND MANAGEMENT OPERATING SEGMENT – RESULTS OF OPERATIONS

Loan Portfolio

As of December 31, 2017, the Company had a $21.8 billion loan portfolio, consisting primarily of federally insured loans, that management anticipates will amortize over the next approximately 20 years and has a weighted average remaining life of 7.5 years. For a summary of the Company's loan portfolio as of December 31, 2017 and 2016, see note 4 of the notes to consolidated financial statements included in this report.

Loan Activity

The following table sets forth the activity of loans:

	Year ended December 31,		
	2017	2016	2015
Beginning balance	$ 25,103,643	28,555,749	28,223,908
Loan acquisitions:			
Federally insured student loans	254,740	295,443	3,862,388
Private education loans	3,785	60,667	173,945
Consumer loans	71,726	—	—
Total loan acquisitions	330,251	356,110	4,036,333
Repayments, claims, capitalized interest, and other	(2,257,450)	(2,520,835)	(2,466,378)
Consolidation loans lost to external parties	(1,127,364)	(1,242,621)	(1,234,118)
Loans sold	(53,203)	(44,760)	(3,996)
Ending balance	$ 21,995,877	25,103,643	28,555,749

Allowance for Loan Losses and Loan Delinquencies

The Company maintains an allowance that management believes is appropriate to absorb losses, net of recoveries, inherent in the portfolio of loans, which results in periodic expense provisions for loan losses. Delinquencies have the potential to adversely impact the Company's earnings through increased servicing and collection costs and account charge-offs.

For a summary of the activity in the allowance for loan losses for 2017, 2016, and 2015, and a summary of the Company's loan delinquency amounts as of December 31, 2017, 2016, and 2015, see note 4 of the notes to consolidated financial statements included in this report.

Provision for loan losses for federally insured loans was $13.0 million, $14.0 million, and $8.0 million in 2017, 2016, and 2015, respectively. During the third quarter of 2017, the Company determined an additional allowance was necessary related to a $1.6 billion (principal balance as of September 30, 2017) portfolio of federally insured loans that were purchased in 2014 and 2015, and recognized $5.0 million (pre-tax) in provision expense related to these loans.

During the third quarter of 2016, the Company determined an additional allowance was necessary related to a $1.2 billion (principal balance as of September 30, 2016) portfolio of federally insured rehabilitation loans that were purchased in 2012 and 2013, and recognized $5.0 million (pre-tax) in provision expense related to these loans.

For loans purchased where there is evidence of credit deterioration since the origination of the loan, the Company records a credit discount, separate from the allowance for loan losses, which is non-accretable to interest income. Remaining discounts and premiums for purchased loans are recognized in interest income over the remaining estimated lives of the loans. The Company continues to evaluate credit losses associated with purchased loans based on current information and changes in expectations to determine the need for any additional allowance for loan losses.

The Company recorded a negative provision for private education loan losses in 2017 and 2016 due to better than expected credit performance. In 2015, the Company recorded a provision for loan losses for private education loans of $2.2 million as a result of purchasing $173.9 million of loans during the period.

In 2017, the Company began to purchase consumer loans and recorded a provision for loan losses related to these loans of $3.5 million.

Loan Spread Analysis

The following table analyzes the loan spread on the Company's portfolio of loans, which represents the spread between the yield earned on loan assets and the costs of the liabilities and derivative instruments used to fund the assets. The spread amounts included in the following table are calculated by using the notional dollar values found in the table under the caption "Net interest income, net of settlements on derivatives" below, divided by the average balance of student loans or debt outstanding.

	Year ended December 31,		
	2017	2016	2015
Variable loan yield, gross	3.53%	2.90%	2.59%
Consolidation rebate fees	(0.84)	(0.83)	(0.83)
Discount accretion, net of premium and deferred origination costs amortization (a)	0.07	0.06	0.05
Variable loan yield, net	2.76	2.13	1.81
Loan cost of funds - interest expense (b)	(1.99)	(1.41)	(1.02)
Loan cost of funds - derivative settlements (c) (d)	(0.04)	(0.01)	—
Variable loan spread	0.73	0.71	0.79
Fixed rate floor income, gross	0.45	0.63	0.72
Fixed rate floor income - derivative settlements (c) (e)	0.05	(0.06)	(0.08)
Fixed rate floor income, net of settlements on derivatives	0.50	0.57	0.64
Core loan spread	1.23%	1.28%	1.43%
Average balance of loans	$ 23,560,412	26,863,526	28,647,108
Average balance of debt outstanding	23,250,268	26,729,196	28,687,086

(a) In the third quarter of 2016, the Company revised its policy to correct for an error in its method of applying the interest method used to amortize premiums and accrete discounts on its student loan portfolio. Under the Company's revised policy, as of September 30, 2016, the constant prepayment rate used by the Company to amortize/accrete student loan premiums/discounts was decreased. During the third quarter of 2016, the Company recorded an adjustment to reflect the net impact on prior periods for the correction of this error that resulted in an $8.2 million reduction to the Company's net loan discount balance and a corresponding increase in interest income. The impact of this adjustment was excluded from the above table.

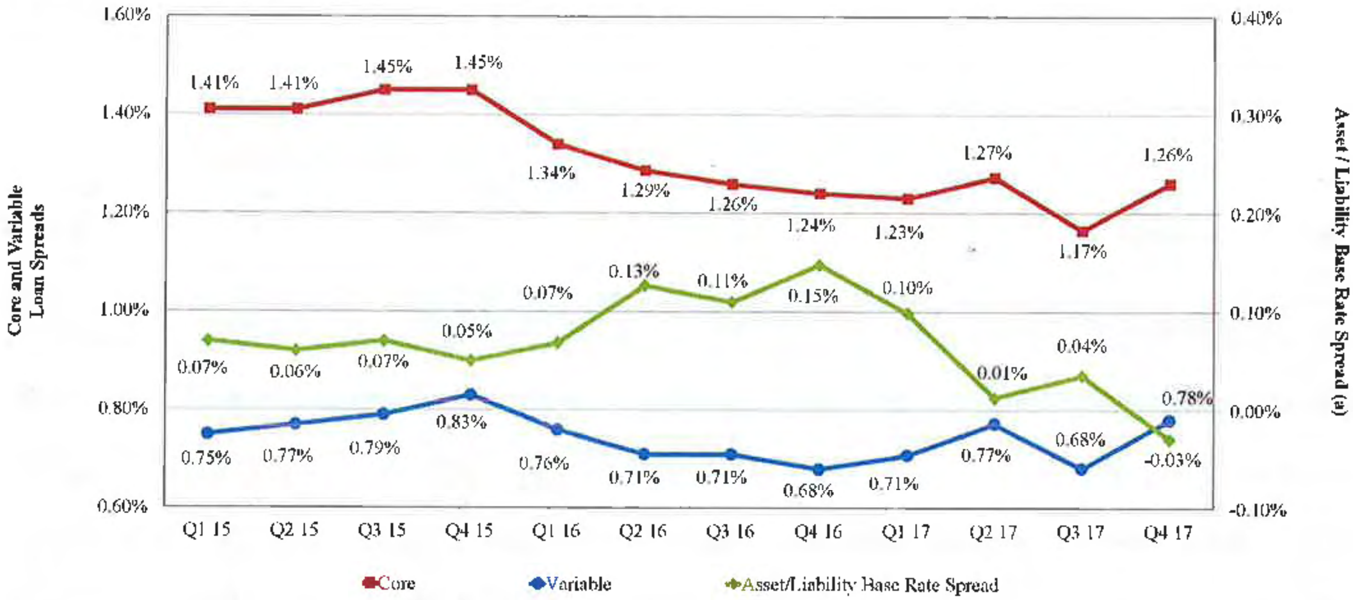
(b) In the fourth quarter of 2016, the Company redeemed certain debt securities prior to their legal maturity and recognized $7.4 million in interest expense to write off the remaining debt discount associated with these bonds. The impact of this expense was excluded from the above table.

(c) Derivative settlements represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms. Derivative accounting requires that net settlements with respect to derivatives that do not qualify for "hedge treatment" under GAAP be recorded in a separate income statement line item below net interest income. The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. As such, management believes derivative settlements for each applicable period should be evaluated with the Company's net interest income (loan spread) as presented in this table. The Company reports this non-GAAP information because it believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative for the periods presented in the table under the caption "Income Statement" in note 6 and in this table.

(d) Derivative settlements include the net settlements paid/received related to the Company's 1:3 basis swaps and cross-currency interest rate swap.

(e) Derivative settlements include the net settlements paid/received related to the Company's floor income interest rate swaps.

A trend analysis of the Company's core and variable loan spreads is summarized below.



(a) The interest earned on a large portion of the Company's FFELP student loan assets is indexed to the one-month LIBOR rate. The Company funds the majority of its assets with three-month LIBOR indexed floating rate securities. The relationship between the indices in which the Company earns interest on its loans and funds such loans has a significant impact on loan spread. This table (the right axis) shows the difference between the Company's liability base rate and the one-month LIBOR rate by quarter. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk," which provides additional detail on the Company's FFELP student loan assets and related funding for those assets.

Variable loan spread increased in 2017 compared to 2016 due to a tightening in the basis between the asset and debt indices in which the Company earns interest on its loans and funds such loans (as reflected in the table above), partially offset by an increase in derivative settlements paid related to the Company's 1:3 basis swaps, and decreased in 2016 as compared to 2015 due to a widening in the basis between the asset and debt indices in which the Company earns interest on its loans and funds such loans (as reflected in the table above).

The primary difference between variable loan spread and core loan spread is fixed rate floor income. A summary of fixed rate floor income and its contribution to core loan spread follows:

	Year ended December 31,		
	2017	2016	2015
Fixed rate floor income, gross	$ 106,434	169,979	207,787
Derivative settlements (a)	10,838	(17,643)	(23,041)
Fixed rate floor income, net	$ 117,272	152,336	184,746
Fixed rate floor income contribution to spread, net	0.50%	0.57%	0.64%

(a) Includes settlement payments on derivatives used to hedge student loans earning fixed rate floor income.

The high levels of fixed rate floor income earned during 2017, 2016, and 2015 were due to historically low interest rates. If interest rates remain low, the Company anticipates continuing to earn significant fixed rate floor income in future periods. The year over year decrease in fixed rate floor income was due to an increase in interest rates. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk," which provides additional detail on the Company's portfolio earning fixed rate floor income and the derivatives used by the Company to hedge these loans.

Summary and Comparison of Operating Results

	Year ended December 31, 2017	2016	2015	Additional information
Net interest income after provision for loan losses	$ 285,519	355,375	420,424	See table below for additional analysis.
Other income	13,424	15,709	15,939	The primary component of other income is borrower late fees, which were $11.6 million, $12.8 million, and $14.7 million in 2017, 2016, and 2015, respectively.
(Loss) gain on sale of loans and debt repurchases, net	(1,567)	5,846	2,034	Historically, the Company has recorded gains from repurchasing its own asset-backed debt securities at less than par. In 2017, the Company paid a $2.7 million premium, and recorded a loss, to repurchase certain asset-backed debt securities that had above market interest rates. The underlying collateral was refinanced with a significantly lower cost of funds.
Derivative settlements, net	1,448	(21,034)	(23,238)	The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative settlements for each applicable period should be evaluated with the Company's net interest income as reflected in the table below.
Derivative market value and foreign currency transaction adjustments, net	(19,357)	70,368	27,216	Includes (i) the realized and unrealized gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP; and (ii) the unrealized foreign currency transaction gains or losses caused by the re-measurement of the Company's Euro-denominated bonds to U.S. dollars.
Total other income	(6,052)	70,889	21,951	
Salaries and benefits	1,548	1,985	2,172	
Loan servicing fees	22,734	25,750	30,213	Third party loan servicing fees decreased year over year due to runoff of the Company's student loan portfolio and a decrease in delinquent loans. The Company pays higher servicing fees on delinquent loans. In addition, third party loan servicing fees decreased in 2017 compared to 2016 due to transfers of loans in August 2017 and June 2016 from third-party servicers to the LSS operating segment's servicing platform, partially offset by a payment of $2.8 million in conversion fees related to the August 2017 transfer of loans.
Other expenses	3,900	6,005	5,083	
Intersegment expenses, net	42,830	46,494	50,899	Amount includes fees paid to the LSS operating segment for the servicing of the Company's loan portfolio. These amounts exceed the actual cost of servicing the loans. Decrease due to a decrease in loans serviced by the LSS operating segment during the comparable periods due to portfolio runoff. In addition, intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	71,012	80,234	88,367	Total operating expenses were 30, 30, and 31 basis points of the average balance of student loans for 2017, 2016, and 2015, respectively.
Income before income taxes	208,455	346,030	354,008	
Income tax expense	(79,213)	(131,492)	(134,522)	
Net income	$ 129,242	214,538	219,486	
Additional information:				
Net income	$ 129,242	214,538	219,486	
Derivative market value and foreign currency transaction adjustments, net	19,357	(70,368)	(27,216)	
Net tax effect	(7,356)	26,740	10,342	
Net income, excluding derivative market value and foreign currency transaction adjustments	$ 141,243	170,910	202,612	See "Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above for additional information about non-GAAP net income, excluding derivative market value and foreign currency adjustments. Net income, excluding derivative market value and foreign currency adjustments, decreased year over year primarily due to a decrease in the Company's loan portfolio and a decrease in core loan spread.

Net interest income, net of settlements on derivatives

The following table summarizes the components of "net interest income after provision for loan losses" and "derivative settlements, net."

	Year ended December 31,			
	2017	2016	2015	Additional Information
Variable interest income, gross	$ 833,318	780,314	740,975	Increase due to an increase in the gross yield earned on student loans, partially offset by a decrease in the average balance of student loans.
Consolidation rebate fees	(199,108)	(223,911)	(237,233)	Decrease due to a decrease in the average consolidation loan balance.
Discount accretion, net of premium and deferred origination costs amortization	17,087	24,900	14,731	Net discount accretion is due to the Company's purchases of loans at a net discount over the last several years. In the third quarter of 2016, the Company revised its policy to correct for an error in its method of applying the interest method used to amortize premiums and accrete discounts on its loan portfolio. Under the Company's revised policy, as of September 30, 2016, the constant prepayment rate used by the Company to amortize/accrete loan premiums/discounts was decreased. During the third quarter of 2016, the Company recorded an adjustment to reflect the net impact on prior periods for the correction of this error that resulted in an $8.2 million reduction to the Company's net loan discount balance and a corresponding increase in interest income.
Variable interest income, net	651,297	581,303	518,473	
Interest on bonds and notes payable	(461,703)	(382,088)	(295,797)	Increase due to an increase in cost of funds, partially offset by a decrease in the average balance of debt outstanding.
Derivative settlements, net (a)	(9,390)	(3,392)	(197)	Derivative settlements include the net settlements paid/received related to the Company's 1:3 basis swaps and cross-currency interest rate swap.
Variable loan interest margin, net of settlements on derivatives (a)	180,204	195,823	222,479	
Fixed rate floor income, gross	106,434	169,979	207,787	The high levels of fixed rate floor income earned are due to historically low interest rates. Fixed rate floor income has decreased due to the rising interest rate environment.
Derivative settlements, net (a)	10,838	(17,643)	(23,041)	Derivative settlements include the net settlements paid/received related to the Company's floor income interest rate swaps.
Fixed rate floor income, net of settlements on derivatives	117,272	152,336	184,746	
Core loan interest income (a)	297,476	348,159	407,225	
Investment interest	6,494	3,507	1,939	Increase due to a higher balance of interest-earning investments and an increase in interest rates.
Intercompany interest	(2,553)	(3,825)	(1,828)	
Provision for loan losses - federally insured loans	(13,000)	(14,000)	(8,000)	See "Allowance for Loan Losses and Loan Delinquencies" included above under "Asset Generation and Management Operating Segment - Results of Operations."
Negative provision (provision) for loan losses - private education loans	2,000	500	(2,150)	
Provision for loan losses - consumer loans	(3,450)	—	—	
Net interest income after provision for loan losses (net of settlements on derivatives) (a)	$ 286,967	334,341	397,186	

(a) Derivative settlements represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms. Derivative accounting requires that net settlements on derivatives that do not qualify for "hedge treatment" under GAAP be recorded in a separate income statement line item below net interest income. The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. As such, management believes derivative settlements for each applicable period should be evaluated with the Company's net interest income as presented in this table. Core loan interest income and net interest income after provision for loan losses (net of settlements on derivatives) are non-GAAP financial measures, and the Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative referred to in the "Additional information" column of this table, for the periods presented in the table under the caption "Income Statement" in note 6 and in this table.

LIQUIDITY AND CAPITAL RESOURCES

The Company's Loan Systems and Servicing and Tuition Payment Processing and Campus Commerce operating segments are non-capital intensive and both produce positive operating cash flows. As such, a minimal amount of debt and equity capital is allocated to these segments and any liquidity or capital needs are satisfied using cash flow from operations. Therefore, the Liquidity and Capital Resources discussion is concentrated on the Company's liquidity and capital needs to meet existing debt obligations in the Asset Generation and Management operating segment and capital needs to expand ALLO's communications network in the Company's Communications operating segment.

The Company may issue equity and debt securities in the future in order to improve capital, increase liquidity, refinance upcoming maturities, or provide for general corporate purposes. Moreover, the Company may from time-to-time repurchase certain amounts of its outstanding secured and unsecured debt securities, including debt securities which the Company may issue in the future, for cash and/or through exchanges for other securities. Such repurchases or exchanges may be made in open market transactions, privately negotiated transactions, or otherwise. Any such repurchases or exchanges will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions, compliance with securities laws, and other factors. The amounts involved in any such transactions may be material.

The Company has historically utilized operating cash flow, secured financing transactions (which include warehouse facilities, asset-backed securitizations, and liquidity programs offered by the Department), operating lines of credit, and other borrowing arrangements to fund its Asset Generation and Management operations and loan acquisitions. In addition, the Company has used operating cash flow, borrowings on its unsecured line of credit, and unsecured debt offerings to fund corporate activities, business acquisitions, repurchases of common stock, repurchases of its own debt, and expansion of ALLO's fiber network. The Company has also used its common stock to partially fund certain business acquisitions.

Sources of Liquidity

The Company has historically generated positive cash flow from operations. For the years ended December 31, 2017 and 2016, the Company's net cash provided by operating activities was $227.5 million and $325.3 million, respectively.

As of December 31, 2017, the Company had cash and cash equivalents of $66.8 million. The Company also had a portfolio of available-for-sale investments, consisting primarily of student loan asset-backed securities, with a fair value of $80.9 million as of December 31, 2017.

The Company also has a $350.0 million unsecured line of credit that matures on December 12, 2021. As of December 31, 2017, there was $10.0 million outstanding on the unsecured line of credit and $340.0 million was available for future use.

In addition, the Company has repurchased certain of its own asset-backed securities (bonds and notes payable) in the secondary market. For accounting purposes, these notes are eliminated in consolidation and are not included in the Company's consolidated financial statements. However, these securities remain legally outstanding at the trust level and the Company could sell these notes to third parties or redeem the notes at par as cash is generated by the trust estate. Upon a sale of these notes to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. As of December 31, 2017, the Company holds $76.1 million (par value) of its own asset-backed securities.

The Company intends to use its liquidity position to capitalize on market opportunities, including FFELP, private education, and consumer loan acquisitions; strategic acquisitions and investments; expansion of ALLO's telecommunications network; and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions. The timing and size of these opportunities will vary and will have a direct impact on the Company's cash and investment balances.

On February 7, 2018, the Company acquired 100 percent of the outstanding stock of Great Lakes for a purchase price of $150.0 million in cash. The Company financed the acquisition with existing cash and by using its $350.0 million unsecured line of credit.

Cash Flows

During the year ended December 31, 2017, the Company generated $227.5 million from operating activities, compared to $325.3 million for the same period in 2016. The decrease in cash provided by operating activities reflects the decrease in net income, changes in the adjustments to net income from deferred income taxes and payments from termination of derivative instruments and the impact of changes in accrued interest receivable, accounts receivable, other assets, and accrued interest payable during the year ended December 31, 2017 as compared to the same period in 2016. These factors were partially offset by an increase in the adjustments to net income for depreciation and amortization, derivative market value adjustments, unrealized foreign currency transaction adjustments, and net proceeds received in 2017 from the Company's clearinghouse to settle variation margin.

The primary items included in the statement of cash flows for investing activities are the purchase and repayment of loans. The primary items included in financing activities are the proceeds from the issuance of and payments on bonds and notes payable used to fund loans. Cash provided by investing activities and cash used in financing activities for the year ended December 31, 2017 was $3.3 billion and $3.5 billion, respectively, and for the year ended December 31, 2016 was $3.3 billion and $3.6 billion, respectively. Investing and financing activities are further addressed in the discussion that follows.

Liquidity Needs and Sources of Liquidity Available to Satisfy Debt Obligations Secured by Loan Assets and Related Collateral

The following table shows the Company's debt obligations outstanding that are secured by loan assets and related collateral:

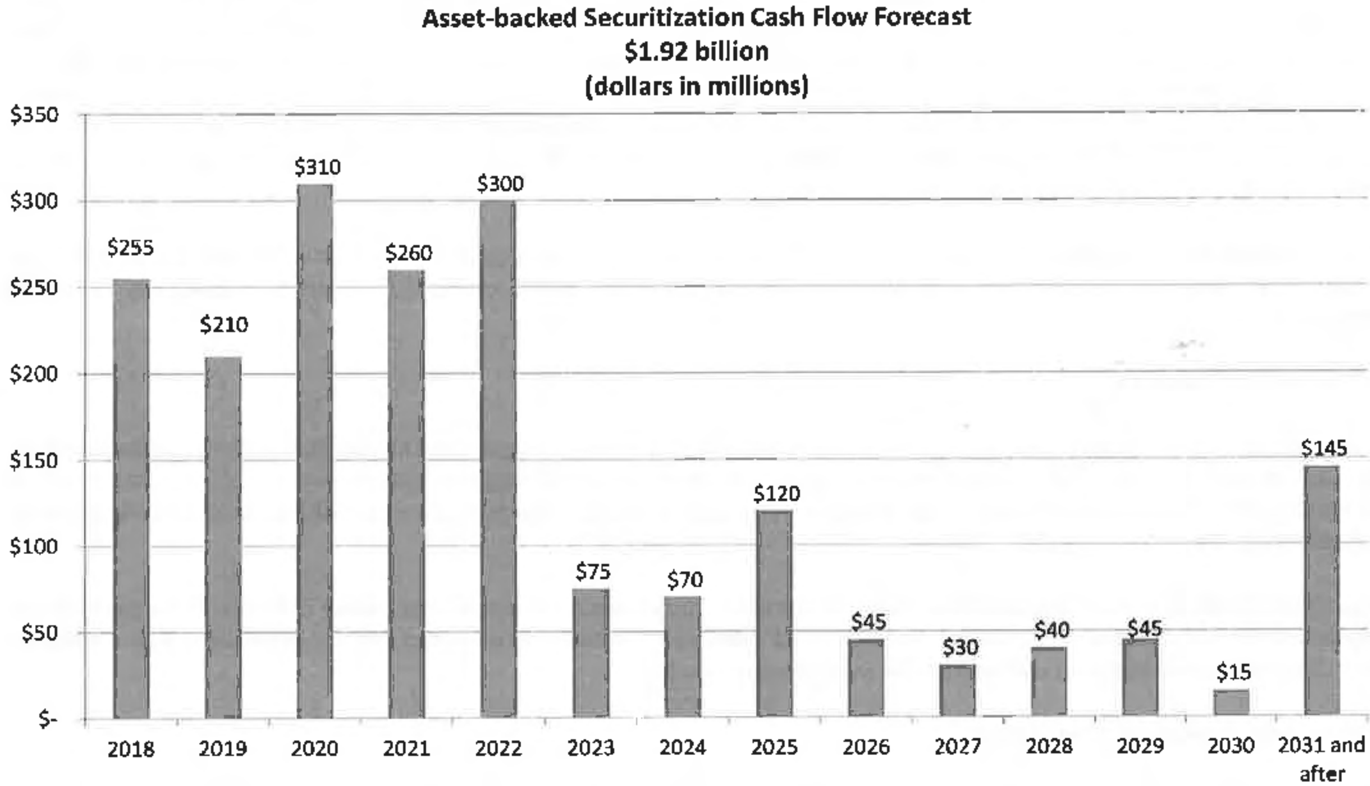
	As of December 31, 2017	
	Carrying amount	Final maturity
Bonds and notes issued in asset-backed securitizations	$ 21,290,238	8/25/21 - 2/25/66
FFELP warehouse facilities	335,992	11/19/19 / 5/31/20
	$ 21,626,230	

Bonds and Notes Issued in Asset-backed Securitizations

The majority of the Company's portfolio of student loans is funded in asset-backed securitizations that are structured to substantially match the maturity of the funded assets, thereby minimizing liquidity risk. Cash generated from student loans funded in asset-backed securitizations provide the sources of liquidity to satisfy all obligations related to the outstanding bonds and notes issued in such securitizations. In addition, due to (i) the difference between the yield the Company receives on the loans and cost of financing within these transactions, and (ii) the servicing and administration fees the Company earns from these transactions, the Company has created a portfolio that will generate earnings and significant cash flow over the life of these transactions.

As of December 31, 2017, based on cash flow models developed to reflect management's current estimate of, among other factors, prepayments, defaults, deferment, forbearance, and interest rates, the Company currently expects future undiscounted cash flows from its portfolio to be approximately $1.92 billion as detailed below. The $1.92 billion includes approximately $848.5 million (as of December 31, 2017) of overcollateralization included in the asset-backed securitizations. These excess net asset positions are reflected variously in the following balances on the consolidated balance sheet: "loans receivable," "restricted cash," and "accrued interest receivable."

The forecasted cash flow presented below includes all loans funded in asset-backed securitizations as of December 31, 2017. As of December 31, 2017, the Company had $21.6 billion of loans included in asset-backed securitizations, which represented 98.1 percent of its total loan portfolio. The forecasted cash flow does not include cash flows that the Company expects to receive related to loans funded in its warehouse facilities as of December 31, 2017, private education and consumer loans funded with cash on the balance sheet, or loans acquired subsequent to December 31, 2017.



The Company uses various assumptions, including prepayments and future interest rates, when preparing its cash flow forecast. These assumptions are further discussed below.

Prepayments: The primary variable in establishing a life of loan estimate is the level and timing of prepayments. Prepayment rates equal the amount of loans that prepay annually as a percentage of the beginning of period balance, net of scheduled principal payments. A number of factors can affect estimated prepayment rates, including the level of consolidation activity, borrower default rates, and utilization of debt management options such as income-based repayment, deferments, and forbearance. Should any of these factors change, management may revise its assumptions, which in turn would impact the projected future cash flow. The Company's cash flow forecast above assumes prepayment rates that are generally consistent with those utilized in the Company's recent asset-backed securitization transactions. If management used a prepayment rate assumption two times greater than what was used to forecast the cash flow, the cash flow forecast would be reduced by approximately $225 million to $250 million.

Interest rates: The Company funds a majority of its student loans with three-month LIBOR indexed floating rate securities. Meanwhile, the interest earned on the Company's student loan assets is indexed primarily to a one-month LIBOR rate. The different interest rate characteristics of the Company's loan assets and liabilities funding these assets result in basis risk. The Company's cash flow forecast assumes three-month LIBOR will exceed one-month LIBOR by 12 basis points for the life of the portfolio, which approximates the historical relationship between these indices. If the forecast is computed assuming a spread of 24 basis points between three-month and one-month LIBOR for the life of the portfolio, the cash flow forecast would be reduced by approximately $95 million to $115 million.

The Company uses the current forward interest rate yield curve to forecast cash flows. A change in the forward interest rate curve would impact the future cash flows generated from the portfolio. The Company attempts to mitigate the impact of a rise in short-term rates and the different interest rate characteristics of the Company's student loan assets and liabilities funding these assets (basis risk) by using derivative instruments. The hedging impact of the Company's current derivative portfolio is not reflected in the forecasted cash flows presented above. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk."

FFELP Warehouse Facilities

The Company funds a portion of its FFELP loan acquisitions using its FFELP warehouse facilities. Student loan warehousing allows the Company to buy and manage student loans prior to transferring them into more permanent financing arrangements. As of December 31, 2017, the Company had two FFELP warehouse facilities with an aggregate maximum financing amount available of $1.0 billion, of which $0.3 billion was outstanding and $0.7 billion was available for additional funding. One warehouse facility provides for formula-based advance rates, depending on FFELP loan type, up to a maximum of the principal and interest of loans financed. The advance rates for collateral may increase or decrease based on market conditions. The other warehouse facility has static advance rates that requires initial equity for loan funding, but does not require increased equity based on market movements. As of December 31, 2017, the Company had $22.4 million advanced as equity support on these facilities. For further discussion of the Company's FFELP warehouse facilities outstanding at December 31, 2017, see note 5 of the notes to consolidated financial statements included in this report.

Upon termination or expiration of the warehouse facilities, the Company would expect to access the securitization market, obtain replacement warehouse facilities, use operating cash, consider the sale of assets, or transfer collateral to satisfy any remaining obligations.

Other Uses of Liquidity

Effective July 1, 2010, no new loan originations can be made under the FFEL Program and all new federal loan originations must be made through the Federal Direct Loan Program. As a result, the Company no longer originates new FFELP loans, but continues to acquire FFELP loan portfolios from third parties and believes additional loan purchase opportunities exist, including private education and consumer loans.

The Company plans to fund additional loan acquisitions using current cash and investments; using its Union Bank participation agreement (as described below); using its existing FFELP warehouse facilities (as described above); establishing new warehouse facilities; and continuing to access the asset-backed securities market.

Union Bank Participation Agreement

The Company maintains an agreement with Union Bank, a related party, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans. As of December 31, 2017, $552.6 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. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to $750.0 million or an amount in excess of $750.0 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.

Asset-backed Securities Transactions

During 2017, the Company completed three asset-backed securitizations totaling $1.5 billion (par value). The proceeds from these transactions were used primarily to refinance student loans included in the Company's FFELP warehouse facilities.

Depending on future market conditions, the Company currently anticipates continuing to access the asset-backed securitization market. Such asset-backed securitization transactions would be used to refinance student loans included in its warehouse facilities, loans purchased from third parties, and/or student loans in its existing asset-backed securitizations.

Liquidity Impact Related to Hedging Activities

The Company utilizes derivative instruments to manage interest rate sensitivity. By using derivative instruments, the Company is exposed to market risk which could impact its liquidity. Based on the derivative portfolio outstanding as of December 31, 2017, the Company does not currently anticipate any movement in interest rates having a material impact on its capital or liquidity profile, nor does the Company expect that any movement in interest rates would have a material impact on its ability to meet potential collateral deposits with its counterparties and/or variation margin payments with its third-party clearinghouse. However, if interest rates move materially and negatively impact the fair value of the Company's derivative portfolio or if the Company enters into additional derivatives for which the fair value becomes negative, the Company could be required to deposit additional collateral with its derivative instrument counterparties and/or pay additional variation margin to a third-party clearinghouse. Derivative contracts executed through a clearinghouse require daily movement of variation margin to be exchanged based on the net fair value of the contracts. The collateral deposits or variation margin, if significant, could negatively impact the Company's liquidity and capital resources. In addition, clearing requirements require the Company to post amounts of liquid collateral when executing new derivative instruments, which could prevent or limit the Company from utilizing additional derivative instruments to manage interest rate sensitivity and risks.

Liquidity Impact Related to the Communications Operating Segment

ALLO has made significant investments in its communications network and currently provides fiber directly to homes and businesses in seven Nebraska communities. In 2016, ALLO began to expand its network to make its services available to substantially all commercial and residential premises in Lincoln, Nebraska, and currently plans to expand to additional communities in Nebraska and Colorado over the next several years. For the year ended December 31, 2017, ALLO's capital expenditures were $115.1 million. The Company anticipates total ALLO network capital expenditures of approximately $75.0 million in 2018. However, this amount could change based on customer demand for ALLO's services. As of December 31, 2017, ALLO had a $270.0 million line of credit with Nelnet, Inc. (parent company) that ALLO used for its operating activities and capital expenditures. The outstanding amount owed by ALLO to Nelnet, Inc. and the related interest expense incurred by ALLO and the interest income recognized by Nelnet, Inc. under this line of credit was eliminated in the Company's consolidated financial statements. On January 1, 2018, ALLO received funds contributed by Nelnet, Inc. for a non-participating capital interest in ALLO that has a preferred return. ALLO used the proceeds from this capital contribution to pay off all of the outstanding balance on its line of credit with Nelnet, Inc, including all accrued and unpaid interest on such line of credit. For financial reporting purposes, the capital interest recorded by ALLO will be classified as debt and such debt and the preferred return paid to Nelnet, Inc. on the capital interest (reflected as interest expense for ALLO) will be eliminated in the consolidated financial statements.

The Company currently plans to use cash from operating activities and its third-party unsecured line of credit primarily to fund ALLO's capital expenditures.

Other Debt Facilities

As discussed above, the Company has a $350.0 million unsecured line of credit with a maturity date of December 12, 2021. As of December 31, 2017, the unsecured line of credit had $10.0 million outstanding and $340.0 million was available for future use. Upon the maturity date in 2021, there can be no assurance that the Company will be able to maintain this line of credit, increase the amount outstanding under the line, or find alternative funding if necessary.

The Company has issued Junior Subordinated Hybrid Securities (the "Hybrid Securities") that have a final maturity of September 15, 2061. The Hybrid Securities are unsecured obligations of the Company. During the first quarter of 2017, the Company initiated a cash tender offer to purchase any and all of its outstanding Hybrid Securities, including a related consent solicitation to effect certain amendments to the indenture governing the notes to eliminate a provision requiring a minimum principal amount of the notes to remain outstanding after a partial redemption. The aggregate principal amount of notes tendered to the Company was $29.7 million. The Company paid $25.3 million to redeem these notes, and the amendments described above were made to the indenture. As of December 31, 2017, the Company had $20.4 million of Hybrid Securities that remain outstanding.

During 2017, the Company entered into a repurchase agreement, the proceeds of which are collateralized by FFELP asset-backed security investments. As of December 31, 2017, $50.4 million was subject to this repurchase agreement. Upon termination or expiration of the repurchase agreement, the Company would use cash proceeds or transfer collateral to satisfy any outstanding obligations subject to the repurchase agreement.

The Company also has three notes payable, which were each issued by TDP Phase Three, LLC ("TDP") in connection with the development of a commercial building in Lincoln, Nebraska that is the new corporate headquarters for Hudl, a related party. TDP is an entity established during 2015 for the sole purpose of developing and operating this building. The Company owns 25 percent of TDP. However, because the Company was the developer of and a current tenant in this building, the operating results of TDP are included in the Company's consolidated financial statements. Recourse to the Company on the outstanding balance of these notes is equal to its ownership percentage of TDP. A summary of the TDP notes outstanding as of December 31, 2017 is summarized below:

Issue date	Debt outstanding		Maturity date	Interest rate
December 30, 2015	$	12,000	March 31, 2023	3.38% - fixed
December 30, 2015		6,355	December 15, 2045	3.38% - fixed
October 31, 2017		1,743	March 31, 2023	1-month LIBOR plus 2.00%

For further discussion of these debt facilities described above, see note 5 of the notes to consolidated financial statements included in this report.

Debt Repurchases

Due to the Company's positive liquidity position and opportunities in the capital markets, the Company has repurchased its own debt over the last several years, and may continue to do so in the future. See note 5 of the notes to consolidated financial statements included in this report for information on debt repurchased by the Company during the years ended December 31, 2017, 2016, and 2015.

Stock Repurchases

The Board of Directors has authorized a stock repurchase program to repurchase up to a total of five million shares of the Company's Class A common stock during the three-year period ending May 25, 2019. Shares may be repurchased from time to time depending on various factors, including share prices and other potential uses of liquidity. Shares repurchased by the Company during 2017, 2016, and 2015 are shown in the table below. Certain of these repurchases were made pursuant to a trading plan adopted by the Company in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934.

	Total shares repurchased	Purchase price (in thousands)		Average price of shares repurchased (per share)	
Year ended December 31, 2017	1,473,054	$	68,896	$	46.77
Year ended December 31, 2016	2,038,368		69,091		33.90
Year ended December 31, 2015	2,449,159		96,169		39.27

As of December 31, 2017, 3,142,407 shares remain authorized for purchase under the Company's repurchase program.

Dividends

Dividends of $0.14 per share on the Company's Class A and Class B common stock were paid on March 15, 2017, June 15, 2017, and September 15, 2017, respectively, and a dividend of $0.16 per share was paid on December 15, 2017.

The Company's Board of Directors declared a first quarter 2018 cash dividend on the Company's Class A and Class B common stock of $0.16 per share. The dividend will be paid on March 15, 2018, to shareholders of record at the close of business on March 1, 2018.

The Company currently plans to continue making regular quarterly dividend payments, subject to future earnings, capital requirements, financial condition, and other factors. In addition, the payment of dividends is subject to the terms of the Company's outstanding Hybrid Securities, which generally provide that if the Company defers interest payments on those securities it cannot pay dividends on its capital stock.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Contractual Obligations

The Company's contractual obligations were as follows:

	As of December 31, 2017					
		Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Bonds and notes payable (a)	$	21,727,127	50,418	335,992	33,410	21,307,307
Operating lease obligations		21,750	5,277	7,965	3,651	4,857
Total	$	21,748,877	55,695	343,957	37,061	21,312,164

(a) Amounts exclude interest as substantially all bonds and notes payable carry variable rates of interest.

As of December 31, 2017, the Company had a reserve of $22.4 million for uncertain income tax positions (including the federal benefit received from state positions). This obligation is not included in the above table as the timing and resolution of the income tax positions cannot be reasonably estimated at this time.

In 2016, ALLO began providing telecommunications services in Lincoln, Nebraska, as part of a commitment under franchise agreements with the city for ALLO to use commercially reasonable best efforts to pass substantially all commercial and residential properties in the community within the first four years of the agreements. During 2017, ALLO's capital expenditures were $115.1 million, and ALLO anticipates network capital expenditures of approximately $75.0 million in 2018. The majority of these capital expenditures are for the network build-out in Lincoln. The currently anticipated capital expenditures for 2018 and beyond to build out the Lincoln network are not included in the above table, since there are no fixed and/or determinable minimum amounts which ALLO must incur, and the amounts and timing thereof could change based on customer demand for ALLO's services.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. The Company bases its estimates and judgments on historical experience and on various other factors that the Company believes are reasonable under the circumstances. Actual results may differ from these estimates under varying assumptions or conditions. Note 3 of the notes to consolidated financial statements included in this report includes a summary of the significant accounting policies and methods used in the preparation of the consolidated financial statements.

On an on-going basis, management evaluates its estimates and judgments, particularly as they relate to accounting policies that management believes are most "critical" — that is, they are most important to the portrayal of the Company's financial condition and results of operations and they require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management has identified the following critical accounting policies and estimates that are discussed in more detail below: allowance for loan losses, income taxes, and accounting for derivatives.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable losses on loans. This evaluation process is subject to numerous estimates and judgments. The Company evaluates the appropriateness of the allowance for loan losses separately on each of its federally insured, private education, and consumer loan portfolios.

The allowance for the federally insured student loan portfolio is based on periodic evaluations of the Company's loan portfolios considering loans in repayment versus those in a nonpaying status, delinquency status, trends in defaults in the portfolio based on Company and industry data, past experience, trends in student loan claims rejected for payment by guarantors, changes to federal student loan programs, current economic conditions, and other relevant factors. Should any of these factors change, the estimates made by management would also change, which in turn would impact the level of the Company's future provision for loan losses.

In determining the appropriateness of the allowance for loan losses on the private education and consumer loans, the Company considers several factors including: loans in repayment versus those in a nonpaying status, delinquency status, type of program, trends in defaults in the portfolio based on Company and industry data, past experience, current economic conditions, and other relevant factors. Should any of these factors change, the estimates made by management would also change, which in turn would impact the level of the Company's future provision for loan losses. The Company places a private education or consumer loan on nonaccrual status when the collection of principal and interest is 90 days past due and charges off the loan and accrued interest when the collection of principal and interest is 120 days past due.

The allowance for loan losses is maintained at a level management believes is appropriate to provide for estimated probable credit losses inherent in the loan portfolios. This evaluation is inherently subjective because it requires estimates that may be susceptible to significant changes.

Income Taxes

The Company is subject to the income tax laws of the U.S., Canada, Australia, and the states and municipalities in which the Company operates. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, the Company must make judgments and interpretations about the application of these inherently complex tax laws. The Company must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit. The Company reviews these balances quarterly and as new information becomes available, the balances are adjusted, as appropriate.

Derivative Accounting

The Company determines the fair value for its derivative contracts using either (i) pricing models that consider current market conditions and the contractual terms of the derivative instrument or (ii) counterparty valuations. The factors that impact the fair value include interest rates, time value, forward interest rate curve, and volatility factors, as well as foreign exchange rates. Pricing models and their underlying assumptions impact the amount and timing of realized and unrealized gains and losses recognized, and the use of different pricing models or assumptions could produce different financial results. Management has structured the majority of the Company's derivative transactions with the intent that each is economically effective. However, the Company's derivative instruments do not qualify for hedge accounting. Accordingly, changes in the fair value of derivative instruments are reported in current period earnings.

RECENT ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued accounting guidance regarding the recognition of revenue from contracts with customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance effective January 1, 2018 and the standard allows the use of either the retrospective or cumulative effect transition method. Due to identifying its Tuition Payment Processing and Campus Commerce operating segment as the principal in its payment services transactions, the Company now plans to use the retrospective transition method rather than the cumulative effect transition method, as previously disclosed. As a result of this change, the Company will recast its prior year financial statements to present this activity gross rather than net. The costs to provide payment services transactions of $47.4 million and $43.0 million for the years ended December 31, 2017 and 2016, respectively, is currently included in the Company's "tuition payment processing, school information, and campus commerce revenue" in the consolidated statements of income. These costs will be presented separately in the consolidated statements of income as "costs to provide tuition payment processing, school information, and campus commerce services."

The majority of the Company's revenue earned in its Asset Generation and Management segment, including loan interest and derivative activity, is explicitly excluded from the scope of the new guidance. Other than the payment services transactions discussed previously, the Company's other fee-based operating segments will recognize revenue materially consistent with historical revenue recognition patterns.

Classification and Measurement

In January 2016, the FASB issued accounting guidance regarding the recognition and measurement of financial assets and financial liabilities, which will change the income statement impact of equity investments. The new guidance requires all equity investments to be measured at fair value, with changes in the fair value recognized through net income (other than those equity investments accounted for under the equity method of accounting or those that result in consolidation of the investee). However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The impairment assessment of equity investments without readily determinable fair values will be simplified by requiring a qualitative assessment to identify impairment.

On January 1, 2018, the effective date of this guidance, the Company recorded a cumulative effect adjustment to retained earnings of $1.7 million, net of taxes, related to equity securities with readily determinable fair values. The guidance is effective for equity securities without readily determinable fair values prospectively. The Company will continue to measure equity investments that do not have readily determinable fair values at cost and monitor such values for impairment and observable price changes. Upon adoption, this pronouncement will not have a material impact on the Company's consolidated financial statements.

Leases

In February 2016, the FASB issued accounting guidance regarding the accounting for leases. The new standard will require the identification of arrangements that should be accounted for as leases by lessees and the disclosure of key information about leasing arrangements. In general, lease arrangements exceeding a twelve-month term will be recognized as assets and liabilities on the balance sheet of the lessee. A right-of-use (ROU) asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption must be calculated using the applicable incremental borrowing rate at the date of adoption. The standard requires the use of the modified retrospective transition method, which will require adjustment to all comparative periods presented with certain practical expedients available. It will be effective for the Company beginning January 1, 2019 with early adoption permitted. The Company currently expects to adopt the new standard on its effective date and to elect all of the standard's available practical expedients on adoption. While the Company is evaluating the impact this pronouncement will have on its ongoing financial reporting, it currently believes the most significant changes relate to the recognition of new ROU assets and lease liabilities on its balance sheet primarily for office operating leases and the derecognition of existing assets and liabilities for certain sale-leaseback transactions arising from build-to-suit lease arrangements for which construction is complete and the Company is leasing the constructed assets that currently do not qualify for sale accounting.

Allowance for Loan Losses

In June 2016, the FASB issued accounting guidance regarding the measurement of credit losses on financial instruments, which will change the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. The Company currently uses an incurred loss model when calculating its allowance for loan losses. As a result, the Company expects the new guidance will increase the allowance for loan losses. This guidance will be effective for the Company beginning January 1, 2020. Early application is permitted beginning January 1, 2019. This standard represents a significant departure from existing GAAP, and may result in significant changes to the Company's accounting for the allowance for loan losses. The Company is evaluating the impact this pronouncement will have on its ongoing financial reporting.

Statement of Cash Flows

In August 2016, the FASB issued accounting guidance regarding the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. Among the cash flow matters addressed in the update are payments for costs related to debt prepayments or extinguishments, payments related to settlement of certain types of debt instruments, payments of contingent consideration made after a business combination, and distributions received from equity method investees, among others. This guidance is effective for the Company beginning January 1, 2018. The guidance will be applied using a retrospective transition method to each period presented, unless impracticable for specific cash flow matters, in which case the update would be applied prospectively as of the earliest date practicable. This pronouncement will not have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued accounting guidance which provides amendments to current guidance to address the classifications and presentation of changes in restricted cash in the statement of cash flows. This guidance is effective for the Company beginning January 1, 2018. The amendments will be applied using a retrospective transition method to each period presented. This pronouncement will not have a material impact on the Company's consolidated financial statements.

Goodwill

In January 2017, the FASB issued accounting guidance which eliminates the two-step process that requires identification of potential impairment and a separate measure of the actual impairment. Under the new guidance, the annual assessment of goodwill impairment is determined by using the difference between the carrying amount and the fair value of the reporting unit. The effective date of this standard is January 1, 2020, however, early adoption is permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company elected to early adopt this pronouncement on its 2017 measurement date of November 30. This pronouncement will not have a material impact on the Company's financial position or results of operations.

Hedging Activities

In August 2017, the FASB issued accounting guidance which better aligns risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationship and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and in some situations better align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This guidance will be effective for the Company beginning January 1, 2019 with early adoption permitted. The Company is evaluating the impact this pronouncement will have on its ongoing financial reporting.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
(All dollars are in thousands, except share amounts, unless otherwise noted)

Interest Rate Risk

The Company's primary market risk exposure arises from fluctuations in its borrowing and lending rates, the spread between which could impact the Company due to shifts in market interest rates.

The following table sets forth the Company's loan assets and debt instruments by rate characteristics:

	As of December 31, 2017		As of December 31, 2016	
	Dollars	Percent	Dollars	Percent
Fixed-rate loan assets	$ 4,966,125	22.6%	$ 8,585,283	34.2%
Variable-rate loan assets	17,029,752	77.4	16,518,360	65.8
Total	$ 21,995,877	100.0%	$ 25,103,643	100.0%
Fixed-rate debt instruments	$ 101,002	0.5%	$ 131,733	0.5%
Variable-rate debt instruments	21,626,125	99.5	24,968,687	99.5
Total	$ 21,727,127	100.0%	$ 25,100,420	100.0%

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the special allowance payment ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. The Company generally finances its student loan portfolio with variable rate debt. In low and/or declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, the Company's student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, the Company may earn additional spread income that it refers to as floor income.

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, the Company may earn floor income for an extended period of time, which the Company refers to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, the Company may earn floor income to the next reset date, which the Company refers to as variable rate floor income. All FFELP loans first originated on or after April 1, 2006 effectively earn at the SAP rate, since lenders are required to rebate fixed rate floor income and variable rate floor income for those loans to the Department.

No variable-rate floor income was earned by the Company during the years ended December 31, 2017, 2016, and 2015. A summary of fixed rate floor income earned by the Company during these years follows.

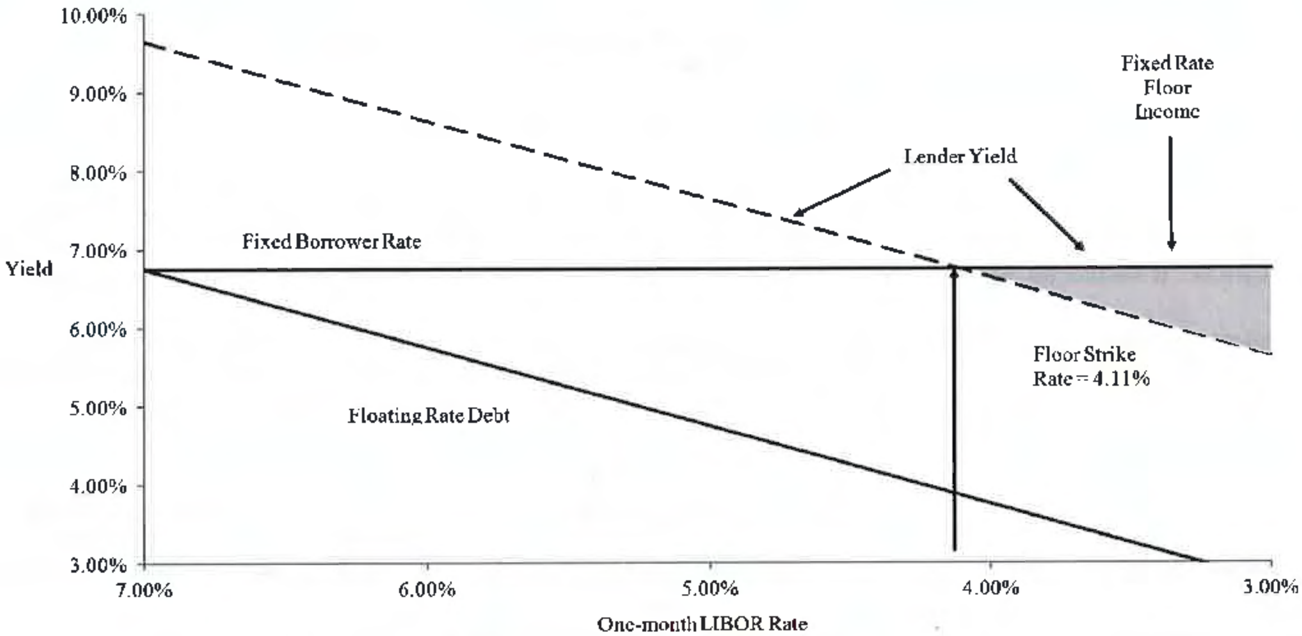
	Year ended December 31,		
	2017	2016	2015
Fixed rate floor income, gross	$ 106,434	169,979	207,787
Derivative settlements (a)	10,838	(17,643)	(23,041)
Fixed rate floor income, net	$ 117,272	152,336	184,746

(a) Includes settlement payments on derivatives used to hedge student loans earning fixed rate floor income.

The high levels of gross fixed rate floor income earned during 2017, 2016, and 2015 are due to historically low interest rates. If interest rates remain low, the Company anticipates continuing to earn significant fixed rate floor income in future periods. The year over year decrease in gross fixed rate floor income was due to an increase in interest rates.

Absent the use of derivative instruments, a rise in interest rates may reduce the amount of floor income received and this may have an impact on earnings due to interest margin compression caused by increasing financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their special allowance payment formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively become variable rate loans, the impact of the rate fluctuations is reduced.

The following graph depicts fixed rate floor income for a borrower with a fixed rate of 6.75% and a SAP rate of 2.64%:



The following table shows the Company's federally insured student loan assets that were earning fixed rate floor income as of December 31, 2017:

Fixed interest rate range	Borrower/lender weighted average yield	Estimated variable conversion rate (a)	Loan balance
4.0 - 4.49%	4.24%	1.60%	$ 1,122,268
4.5 - 4.99%	4.71%	2.07%	844,518
5.0 - 5.49%	5.22%	2.58%	525,738
5.5 - 5.99%	5.67%	3.03%	369,930
6.0 - 6.49%	6.19%	3.55%	424,652
6.5 - 6.99%	6.70%	4.06%	407,146
7.0 - 7.49%	7.17%	4.53%	146,457
7.5 - 7.99%	7.71%	5.07%	243,926
8.0 - 8.99%	8.18%	5.54%	542,818
> 9.0%	9.05%	6.41%	184,513
			$ 4,811,966

(a) The estimated variable conversion rate is the estimated short-term interest rate at which loans would convert to a variable rate. As of December 31, 2017, the weighted average estimated variable conversion rate was 3.17% and the short-term interest rate was 136 basis points.

The following table summarizes the outstanding derivative instruments as of December 31, 2017 used by the Company to economically hedge loans earning fixed rate floor income.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2018	$ 1,350,000	1.07%
2019	3,250,000	0.97
2020	1,500,000	1.01
2023	750,000	2.28
2024	300,000	2.28
2025	100,000	2.32
2027	50,000	2.32
	$ 7,300,000	1.21%

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

In addition, on August 20, 2014, the Company paid $9.1 million for an interest rate swap option to economically hedge loans earning fixed rate floor income. The interest rate swap option gives the Company the right, but not the obligation, to enter into a $250.0 million notional interest rate swap in which the Company would pay a fixed amount of 3.30% and receive discrete one-month LIBOR. If the interest rate swap option is exercised, the swap would become effective in 2019 and mature in 2024.

The Company is also exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of the Company's assets do not match the interest rate characteristics of the funding for those assets. The following table presents the Company's FFELP student loan assets and related funding for those assets arranged by underlying indices as of December 31, 2017:

Index	Frequency of variable resets	Assets	Funding of student loan assets
1 month LIBOR (a)	Daily	$ 20,007,358	—
3 month H15 financial commercial paper	Daily	1,109,621	—
3 month Treasury bill	Daily	604,627	—
3 month LIBOR (a)	Quarterly	—	11,727,486
1 month LIBOR	Monthly	—	8,624,559
Auction-rate (b)	Varies	—	780,829
Asset-backed commercial paper (c)	Varies	—	335,992
Other (d)		1,064,530	1,317,270
		$ 22,786,136	22,786,136

(a) The Company has certain basis swaps outstanding in which the Company receives three-month LIBOR and pays one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps"). The Company entered into these derivative instruments to better match the interest rate characteristics on its student loan assets and the debt funding such assets. The following table summarizes the 1:3 Basis Swaps outstanding as of December 31, 2017.

Maturity	Notional amount
2018	$ 4,250,000
2019	3,500,000
2022	1,000,000
2024	250,000
2026	1,150,000
2027	375,000
2028	325,000
2029	100,000
2031	300,000
	$ 11,250,000

The weighted average rate paid by the Company on the 1:3 Basis Swaps as of December 31, 2017 was one-month LIBOR plus 12.5 basis points.

(b) As of December 31, 2017, the Company was sponsor for $780.8 million of asset-backed securities that are set and periodically reset via a "dutch auction" ("Auction Rate Securities"). The Auction Rate Securities generally pay interest to the holder at a maximum rate as defined by the indenture. While these rates will vary, they will generally be based on a spread to LIBOR or Treasury Securities, or the Net Loan Rate as defined in the financing documents.

(c) The interest rates on certain of the Company's warehouse facilities are indexed to asset-backed commercial paper rates.

(d) Assets include accrued interest receivable and restricted cash. Funding represents overcollateralization (equity) and other liabilities included in FFELP asset-backed securitizations and warehouse facilities.

Sensitivity Analysis

The following tables summarize the effect on the Company's earnings, based upon a sensitivity analysis performed by the Company assuming hypothetical increases in interest rates of 100 basis points and 300 basis points while funding spreads remain constant. In addition, a sensitivity analysis was performed assuming the funding index increases 10 basis points and 30 basis points while holding the asset index constant, if the funding index is different than the asset index. The sensitivity analysis was performed on the Company's variable rate assets (including loans earning fixed rate floor income) and liabilities. The analysis includes the effects of the Company's interest rate and basis swaps in existence during these periods.

	Interest rates				Asset and funding index mismatches			
	Change from increase of 100 basis points		Change from increase of 300 basis points		Increase of 10 basis points		Increase of 30 basis points	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
	Year ended December 31, 2017							
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (39,894)	(17.6)%	$ (73,999)	(32.5)%	$ (13,423)	(5.9)%	$ (40,271)	(17.8)%
Impact of derivative settlements	59,639	26.3	178,911	79.0	6,408	2.8	19,226	8.5
Increase (decrease) in net income before taxes	$ 19,745	8.7 %	$ 104,912	46.5 %	$ (7,015)	(3.1)%	$ (21,045)	(9.3)%
Increase (decrease) in basic and diluted earnings per share	$ 0.29		$ 1.55		$ (0.09)		$ (0.30)	
	Year ended December 31, 2016							
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (67,877)	(17.0)%	$ (124,818)	(31.3)%	$ (16,033)	(4.1)%	$ (48,098)	(12.1)%
Impact of derivative settlements	59,847	15.0	179,541	45.0	3,052	0.8	9,155	2.3
Increase (decrease) in net income before taxes	$ (8,030)	(2.0)%	$ 54,723	13.7 %	$ (12,981)	(3.3)%	$ (38,943)	(9.8)%
Increase (decrease) in basic and diluted earnings per share	$ (0.12)		$ 0.80		$ (0.19)		$ (0.57)	
	Year ended December 31, 2015							
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (83,412)	(19.8)%	$ (151,492)	(36.0)%	$ (17,079)	(4.1)%	$ (51,238)	(12.2)%
Impact of derivative settlements	38,439	9.1	115,315	27.4	6,161	1.5	18,484	4.4
Increase (decrease) in net income before taxes	$ (44,973)	(10.7)%	$ (36,177)	(8.6)%	$ (10,918)	(2.6)%	$ (32,754)	(7.8)%
Increase (decrease) in basic and diluted earnings per share	$ (0.61)		$ (0.49)		$ (0.16)		$ (0.46)	

Foreign Currency Exchange Risk

In 2006, the Company issued €352.7 million of student loan asset-backed Euro Notes (the "Euro Notes") with an interest rate based on a spread to the EURIBOR index. As a result, the Company was exposed to market risk related to fluctuations in foreign currency exchange rates between the U.S. dollar and Euro. The Company entered into a cross-currency interest rate swap in connection with the issuance of the Euro Notes. See note 6 of the notes to consolidated financial statements included in this report for additional information, including a summary of the terms of the cross-currency interest rate swap associated with the Euro Notes and the related financial statement impact.

On October 25, 2017, the Company completed a remarketing of the Euro Notes which reset the principal amount outstanding on the Euro Notes to $450.0 million U.S. dollars, with an interest rate based on the 3-month LIBOR index. In conjunction with the remarketing of the Euro Notes, the Company terminated the cross-currency interest rate swap.

Financial Statement Impact – Derivatives and Foreign Currency Transaction Adjustments

For a table summarizing the effect of derivative instruments in the consolidated statements of income, including the components of "derivative market value and foreign currency transaction adjustments and derivative settlements, net" included in the consolidated statements of income, see note 6 of the notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the consolidated financial statements listed under the heading "(a) 1. Consolidated Financial Statements" of Item 15 of this report, which consolidated financial statements are incorporated into this report by reference in response to this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under supervision and with the participation of certain members of the Company's management, including the chief executive and chief financial officers, the Company completed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in SEC Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the Company's principal executive and principal financial officers concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information required to be disclosed in reports the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to the Company's management, including the chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) for the Company. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to ensure that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 based on the criteria for effective internal control described in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2017, the Company's internal control over financial reporting is effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in their report included herein, which expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017.

Inherent Limitations on Effectiveness of Internal Controls

The Company's management, including the chief executive and chief financial officers, understands that the disclosure controls and procedures and internal control over financial reporting are subject to certain limitations, including the exercise of judgment in designing, implementing, and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. The design of a control system must reflect the fact that there are resource constraints, and the benefits of a control system must be considered relative to their costs. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

As a result, there can be no assurance that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors or fraud or ensure that all material information will be made known to management in a timely fashion. By their nature, the Company's or any system of disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable assurance regarding management's control objectives.

Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors
Nelnet, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Nelnet, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 27, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Lincoln, Nebraska
February 27, 2018

ITEM 9B. OTHER INFORMATION

During the fourth quarter of 2017, no information was required to be disclosed in a report on Form 8-K, but not reported.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information as to the directors, executive officers, corporate governance, and Section 16(a) beneficial ownership reporting compliance of the Company set forth under the captions "PROPOSAL 1 - ELECTION OF DIRECTORS," "EXECUTIVE OFFICERS," "CORPORATE GOVERNANCE," and "SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS - Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement to be filed on Schedule 14A with the SEC, no later than 120 days after the end of the Company's fiscal year, relating to the Company's 2018 Annual Meeting of Shareholders scheduled to be held on May 24, 2018 (the "Proxy Statement"), is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "CORPORATE GOVERNANCE" and "EXECUTIVE COMPENSATION" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the caption "SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS - Stock Ownership" in the Proxy Statement is incorporated herein by reference. There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in the control of the Company.

The following table summarizes information about compensation plans under which equity securities are authorized for issuance.

Equity Compensation Plan Information

	As of December 31, 2017		
Plan category	**Number of shares to be issued upon exercise of outstanding options, warrants, and rights (a)**	**Weighted-average exercise price of outstanding options, warrants, and rights (b)**	**Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by shareholders	—	—	2,329,017 (1)
Equity compensation plans not approved by shareholders	—	—	—
Total	—	—	2,329,017

(1) Includes 1,800,188, 37,207, and 491,622 shares of Class A Common Stock remaining available for future issuance under the Nelnet, Inc. Restricted Stock Plan, Nelnet, Inc. Directors Stock Compensation Plan, and Nelnet, Inc. Employee Share Purchase Plan, respectively.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the captions "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS," "CORPORATE GOVERNANCE - Board Composition and Director Independence," and "CORPORATE GOVERNANCE - Board Committees" in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information set forth under the caption "PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM - Independent Accountant Fees and Services" in the Proxy Statement is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements

The following consolidated financial statements of Nelnet, Inc. and its subsidiaries and the Report of Independent Registered Public Accounting Firm thereon are included in Item 8 above:

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this report.

(b) Exhibits

Exhibit Index

Exhibit No.	Description
2.1* ++	Stock Purchase Agreement dated as of October 18, 2017, among Nelnet Diversified Solutions, LLC, as Purchaser, Nelnet, Inc., as Purchaser Parent, and Great Lakes Higher Education Corporation, as Seller.
2.2*	First Amendment to Stock Purchase Agreement dated as of February 1, 2018, among Nelnet Diversified Solutions, LLC, as Purchaser, Nelnet, Inc., as Purchaser Parent, and Great Lakes Higher Education Corporation, as Seller.
2.3*	Second Amendment to Stock Purchase Agreement dated as of February 1, 2018, among Nelnet Diversified Solutions, LLC, as Purchaser, Nelnet, Inc., as Purchaser Parent, and Great Lakes Higher Education Corporation, as Seller.
3.1	Composite Second Amended and Restated Articles of Incorporation of Nelnet, Inc., as amended through May 25, 2017, filed as Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and incorporated by reference herein.
3.2	Eighth Amended and Restated Bylaws of Nelnet, Inc., as amended as of May 25, 2017, filed as Exhibit 3.2 to the registrant's Current Report on Form 8-K filed on May 25, 2017 and incorporated by reference herein.
4.1	Form of Class A Common Stock Certificate of Nelnet, Inc., filed on November 24, 2003 as Exhibit 4.1 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated by reference herein.
4.2	Certain instruments, including indentures of trust, defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries, none of which instruments authorizes a total amount of indebtedness thereunder in excess of 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis, are omitted from this Exhibit Index pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. Many of such instruments have been previously filed with the Securities and Exchange Commission, and the registrant hereby agrees to furnish a copy of any such instrument to the Commission upon request.
4.3	Registration Rights Agreement, dated as of December 16, 2003, by and among Nelnet, Inc. and the shareholders of Nelnet, Inc. signatory thereto, filed on November 24, 2003 as Exhibit 4.11 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated by reference herein.
10.1	Composite Form of Amended and Restated Participation Agreement, dated as of June 1, 2001, between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, as amended by the First Amendment thereto dated as of December 19, 2001 through the Cancellation of the Fifteenth Amendment thereto dated as of March 16, 2011 (such Participation Agreement and each amendment through the Cancellation of the Fifteenth Amendment thereto have been previously filed as set forth in the Exhibit Index for the registrant's Annual Report on Form 10-K for the year ended December 31, 2012, and are incorporated by reference herein), filed as Exhibit 10.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein.
10.2	Sixteenth Amendment of Amended and Restated Participation Agreement, dated as of March 23, 2012, by and between Union Bank and Trust Company and National Education Loan Network, Inc., filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated by reference herein.
10.3	Guaranteed Purchase Agreement, dated as of March 19, 2001, by and between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.36 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated by reference herein.
10.4	First Amendment of Guaranteed Purchase Agreement, dated as of February 1, 2002, by and between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.37 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated by reference herein.

Exhibit Index

10.5	Second Amendment of Guaranteed Purchase Agreement, dated as of December 1, 2002, by and between Nelnet, Inc. (f/k/a/ NELnet, Inc.) (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.38 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated by reference herein.
10.6	Guaranteed Purchase Agreement, dated as of September 1, 2010, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and incorporated by reference herein.
10.7	First Amendment of Guaranteed Purchase Agreement, dated as of March 22, 2011, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated by reference herein.
10.8	Amendment of Agreements dated as of February 4, 2005, by and between National Education Loan Network, Inc. and Union Bank and Trust Company, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 10, 2005 and incorporated by reference herein.
10.9+	Nelnet, Inc. Employee Share Purchase Plan, as amended through March 17, 2011, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated by reference herein.
10.10	Office Building Lease dated June 21, 1996 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated by reference herein.
10.11	Amendment to Office Building Lease dated June 11, 1997 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.4 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated by reference herein.
10.12	Lease Amendment Number Two dated February 8, 2001 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.5 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated by reference herein.
10.13	Lease Amendment Number Three dated May 23, 2005 between Miller & Paine, LLC and Union Bank and Trust Company, filed as Exhibit 10.6 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated by reference herein.
10.14*+++	Lease Amendment Number Four dated November 13, 2007 between M & P Building, LLC and Union Bank and Trust Company.
10.15*+++	Lease Amendment Number Five entered into in September 2008 between M & P Building, LLC and Union Bank and Trust Company.
10.16*	Lease Amendment Number Six dated December 15, 2017 between Nelnet Real Estate Ventures, Inc. and Union Bank and Trust Company.
10.17	Lease Agreement dated May 20, 2005 between Miller & Paine, LLC and Union Bank and Trust Company, filed as Exhibit 10.7 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated by reference herein.
10.18	Office Sublease dated April 30, 2001 between Union Bank and Trust Company and Nelnet, Inc., filed as Exhibit 10.8 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated by reference herein.
10.19+	Nelnet, Inc. Restricted Stock Plan, as amended through May 22, 2014, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 28, 2014 and incorporated by reference herein.
10.20+	Nelnet, Inc. Directors Stock Compensation Plan, as amended through April 18, 2008, filed on June 27, 2008 as Exhibit 99.1 to the registrant's Registration Statement on Form S-8 (Registration No. 333-151911) and incorporated herein by reference.
10.21+	Nelnet, Inc. Executive Officers Incentive Compensation Plan, filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on May 28, 2014 and incorporated by reference herein.
10.22+	Nelnet, Inc. Executive Officers Incentive Compensation Plan, as amended effective March 9, 2017, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated by reference herein.

Exhibit Index

10.23	Loan Purchase Agreement, dated as of November 25, 2008, by and between Nelnet Education Loan Funding, Inc., f/k/a NEBHELP, INC., acting, where applicable, by and through Wells Fargo Bank, National Association, not individually but as Eligible Lender Trustee for the Seller under the Warehouse Agreement or Eligible Lender Trust Agreement, and Union Bank and Trust Company, acting in its individual capacity and as trustee, filed as Exhibit 10.71 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference.
10.24	Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 and incorporated herein by reference.
10.25	Modification of Contract dated effective as of June 17, 2014 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 18, 2014 and incorporated by reference herein.
10.26	Modification of Contract dated effective as of September 1, 2014 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on September 2, 2014 and incorporated herein by reference.
10.27	Management Agreement, dated effective as of May 1, 2011, by Whitetail Rock Capital Management, LLC and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated herein by reference.
10.28	Management Agreement, dated effective as of January 20, 2012, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.58 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference.
10.29	Management Agreement, dated effective as of October 27, 2015, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.
10.30	Management Agreement, dated effective as of January 4, 2016, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and incorporated herein by reference.
10.31	Management Agreement, dated effective as of March 23, 2017, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated by reference herein.
10.32	Investment Management Agreement, dated effective as of February 10, 2012, by and among Whitetail Rock SLAB Fund I, LLC, Whitetail Rock Fund Management, LLC, and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated herein by reference.
10.33	Investment Management Agreement, dated effective as of February 14, 2013, by and among Whitetail Rock SLAB Fund III, LLC, Whitetail Rock Fund Management, LLC, and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.31 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference.
10.34	Form of Custodian Agreement for Whitetail Rock SLAB Funds by and among the Fund, Whitetail Rock Fund Management, LLC, and Union Bank and Trust Company, filed as Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.35	Form of Administrative Services Agreement for Whitetail Rock SLAB Funds by and among the Fund, Whitetail Rock Fund Management, LLC, Adminisystems, Inc., and Union Bank and Trust Company, filed as Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.36	Amended and Restated Credit Agreement dated as of October 30, 2015, among Nelnet, Inc., U.S. Bank National Association, as Administrative Agent, Lead Arranger and Book Runner, Wells Fargo Bank, National Association, as Syndication Agent, and Citibank, N.A. and Royal Bank of Canada, as Co-Documentation Agents, and various lender parties thereto, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference.
10.37	Amendment No. 1 dated as of December 12, 2016 to the Amended and Restated Credit Agreement dated as of October 30, 2015, by and among Nelnet, Inc., U.S. Bank National Association, as Administrative Agent, and various lender parties thereto, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 14, 2016 and incorporated herein by reference.

Exhibit Index

10.38	Amended and Restated Guaranty dated as of October 30, 2015, by each of the subsidiaries of Nelnet, Inc. signatories thereto, in favor of U.S. Bank National Association, as Administrative Agent, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference.
10.39	Annex I to Guaranty dated as of December 12, 2016 to the Amended and Restated Guaranty dated as of October 30, 2015 by ALLO Communications LLC, a subsidiary of Nelnet, Inc., in favor of U.S. Bank National Association, as Administrative Agent, filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on December 14, 2016 and incorporated herein by reference.
10.40	Aircraft Purchase Agreement dated as of May 20, 2013, by and between Galena Air Services Company and National Education Loan Network, Inc., filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated by reference herein.
10.41	First Amendment of Aircraft Purchase Agreement dated as of June 11, 2013, by and between Galena Air Services Company and National Education Loan Network, Inc., filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated by reference herein.
10.42	Agreement for Purchase and Sale of Interest in Aircraft dated as of June 25, 2013, by and between National Education Loan Network, Inc. and Union Financial Services, Inc., filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated by reference herein.
10.43	Aircraft Joint Ownership Agreement dated as of June 25, 2013, by and between National Education Loan Network, Inc. and Union Financial Services, Inc., filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated by reference herein.
10.44	Aircraft Management Agreement, dated as of June 25, 2013, by and between Duncan Aviation, Inc. and National Education Loan Network, Inc. and Union Financial Services, Inc., filed as Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated by reference herein.
10.45	Consulting and Services Agreement made and entered into as of May 1, 2013, by and between Nelnet, Inc., and Union Bank and Trust Company, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated by reference herein.
10.46	Amended and Restated Consulting and Services Agreement made and entered into as of October 1, 2013, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated by reference herein.
10.47±	Master Private Loan Program Agreement dated as of December 22, 2014, by and between Union Bank and Trust Company and Nelnet, Inc., filed as Exhibit 10.43 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.48±	Education Loan Marketing and Referral Agreement dated as of December 22, 2014, by and between Nelnet Consumer Finance, Inc. and Union Bank and Trust Company, filed as Exhibit 10.44 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.49±	Private Student Loan Origination and Servicing Agreement dated as of December 22, 2014, by and between Nelnet Servicing, LLC and Union bank and Trust Company, filed as Exhibit 10.45 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.50±	Guaranteed Purchase Agreement dated as of December 22, 2014, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.46 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.51	Private Loan Sale Agreement dated as of October 9, 2014, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.47 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.52	Private Student Loan Servicing Agreement dated as of October 9, 2014, by and between Nelnet Servicing, LLC and Union Bank and Trust Company, filed as Exhibit 10.48 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.53	First Amendment of Loan Servicing Agreement dated as of September 27, 2013, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.49 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.54*	Private Loan Servicing Letter Agreement dated as of February 27, 2017, by and between Nelnet Servicing, LLC and Union Bank and Trust Company.

Exhibit Index

10.55*	Form of Trust/Custodial/Safekeeping Agreement by and between National Education Loan Network, Inc., as Principal, and Union Bank and Trust Company, as Trustee.
10.56*	Form of Special Investment Directions by National Education Loan Network, Inc. and its affiliates, as Principal under the Form of Trust/Custodial/Safekeeping Agreement between Principal and Union Bank and Trust Company, as Trustee.
21.1*	Subsidiaries of Nelnet, Inc.
23.1*	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer Jeffrey R. Noordhoek.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer James D. Kruger.
32**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith

\+ Indicates a management contract or compensatory plan or arrangement contemplated by Item 15(a)(3) on Form 10-K.

++ Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules and similar attachments to the exhibit have been omitted. The registrant hereby agrees to furnish supplementally a copy of any omitted schedule or attachment to the U.S. Securities and Exchange Commission upon request. The exhibit is not intended to be, and should not be relied upon as, including disclosures regarding any facts and circumstances relating to the registrant or any of its subsidiaries or affiliates. The exhibit contains representations and warranties by the registrant and the other parties that were made only for purposes of the agreement set forth in the exhibit and as of specified dates. The representations, warranties, and covenants in the agreement were made solely for the benefit of the parties to the agreement, may be subject to limitations agreed upon by the contracting parties (including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing these matters as facts), and may apply contractual standards of materiality or material adverse effect that generally differ from those applicable to investors. In addition, information concerning the subject matter of the representations, warranties, and covenants may change after the date of the agreement, which subsequent information may or may not be fully reflected in the registrant's public disclosures.

+++ Filed herewith for purposes of providing a complete set of all amendment documents to the Office Building Lease by and among M & P Building, LLC and Union Bank and Trust Company. The Office Building Lease and all prior amendment documents thereto have been previously filed.

± Certain portions of this exhibit have been redacted and are subject to a confidential treatment order granted by the U.S. Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

ITEM 16. FORM 10-K SUMMARY

The Company has elected not to include an optional summary of information required by Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 27, 2018

NELNET, INC

By: /s/ JEFFREY R. NOORDHOEK

Name: Jeffrey R. Noordhoek

Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY R. NOORDHOEK Jeffrey R. Noordhoek	Chief Executive Officer (Principal Executive Officer)	February 27, 2018
/s/ JAMES D. KRUGER James D. Kruger	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 27, 2018
/s/ MICHAEL S. DUNLAP Michael S. Dunlap	Executive Chairman	February 27, 2018
/s/ STEPHEN F. BUTTERFIELD Stephen F. Butterfield	Vice Chairman	February 27, 2018
/s/ JAMES P. ABEL James P. Abel	Director	February 27, 2018
/s/ WILLIAM R. CINTANI William R. Cintani	Director	February 27, 2018
/s/ KATHLEEN A. FARRELL Kathleen A. Farrell	Director	February 27, 2018
/s/ DAVID S. GRAFF David S. Graff	Director	February 27, 2018
/s/ THOMAS E. HENNING Thomas E. Henning	Director	February 27, 2018
/s/ KIMBERLY K. RATH Kimberly K. Rath	Director	February 27, 2018
/s/ MICHAEL D. REARDON Michael D. Reardon	Director	February 27, 2018

NELNET, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors

Nelnet, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Nelnet, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1998.

Lincoln, Nebraska
February 27, 2018

NELNET, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2017 and 2016

		2017	2016
		(Dollars in thousands, except share data)	
Assets:			
Loans receivable (net of allowance for loan losses of $54,590 and $51,842, respectively)	$	21,814,507	24,903,724
Cash and cash equivalents:			
Cash and cash equivalents - not held at a related party		6,982	7,841
Cash and cash equivalents - held at a related party		59,770	61,813
Total cash and cash equivalents		66,752	69,654
Investments and notes receivable		240,538	254,144
Restricted cash		688,193	980,961
Restricted cash - due to customers		187,121	119,702
Loan accrued interest receivable		430,385	391,264
Accounts receivable (net of allowance for doubtful accounts of $1,436 and $1,549, respectively)		54,410	43,972
Goodwill		138,759	147,312
Intangible assets, net		38,427	47,813
Property and equipment, net		248,051	123,786
Other assets		56,474	23,232
Fair value of derivative instruments		818	87,531
Total assets	$	23,964,435	27,193,095
Liabilities:			
Bonds and notes payable	$	21,356,573	24,668,490
Accrued interest payable		50,039	45,677
Other liabilities		198,252	210,475
Due to customers		187,121	119,702
Fair value of derivative instruments		7,063	77,826
Total liabilities		21,799,048	25,122,170
Commitments and contingencies			
Equity:			
Nelnet, Inc. shareholders' equity:			
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no shares issued or outstanding		—	—
Common stock:			
Class A, $0.01 par value. Authorized 600,000,000 shares; issued and outstanding 29,341,517 shares and 30,628,112 shares, respectively		293	306
Class B, convertible, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 11,468,587 shares and 11,476,932 shares, respectively		115	115
Additional paid-in capital		521	420
Retained earnings		2,143,983	2,056,084
Accumulated other comprehensive earnings		4,617	4,730
Total Nelnet, Inc. shareholders' equity		2,149,529	2,061,655
Noncontrolling interests		15,858	9,270
Total equity		2,165,387	2,070,925
Total liabilities and equity	$	23,964,435	27,193,095
Supplemental information - assets and liabilities of consolidated education lending variable interest entities:			
Student loans receivable	$	21,909,476	25,090,530
Restricted cash		641,994	970,306
Accrued interest receivable and other assets		431,934	390,504
Bonds and notes payable		(21,702,298)	(25,105,704)
Accrued interest payable and other liabilities		(168,637)	(290,996)
Fair value of derivative instruments, net		—	(66,453)
Net assets of consolidated education lending variable interest entities	$	1,112,469	988,187

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
	(Dollars in thousands, except share data)		
Interest income:			
Loan interest	$ 757,731	751,280	726,258
Investment interest	12,695	9,466	7,851
Total interest income	770,426	760,746	734,109
Interest expense:			
Interest on bonds and notes payable	465,188	388,183	302,210
Net interest income	305,238	372,563	431,899
Less provision for loan losses	14,450	13,500	10,150
Net interest income after provision for loan losses	290,788	359,063	421,749
Other income:			
Loan systems and servicing revenue	223,000	214,846	239,858
Tuition payment processing, school information, and campus commerce revenue	145,751	132,730	120,365
Communications revenue	25,700	17,659	—
Enrollment services revenue	—	4,326	51,073
Other income	52,826	53,929	47,262
Gain on sale of loans and debt repurchases, net	2,902	7,981	5,153
Derivative market value and foreign currency transaction adjustments and derivative settlements, net	(18,554)	49,795	4,401
Total other income	431,625	481,266	468,112
Operating expenses:			
Salaries and benefits	301,885	255,924	247,914
Depreciation and amortization	39,541	33,933	26,343
Loan servicing fees	22,734	25,750	30,213
Cost to provide communications services	9,950	6,866	—
Cost to provide enrollment services	—	3,623	41,733
Other expenses	121,619	115,419	123,014
Total operating expenses	495,729	441,515	469,217
Income before income taxes	226,684	398,814	420,644
Income tax expense	64,863	141,313	152,380
Net income	161,821	257,501	268,264
Net loss (income) attributable to noncontrolling interests	11,345	(750)	(285)
Net income attributable to Nelnet, Inc.	$ 173,166	256,751	267,979
Earnings per common share:			
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$ 4.14	6.02	5.89
Weighted average common shares outstanding - basic and diluted	41,791,941	42,669,070	45,529,340

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
	(Dollars in thousands)		
Net income	$ 161,821	257,501	268,264
Other comprehensive (loss) income:			
Available-for-sale securities:			
Unrealized holding gains (losses) arising during period, net	2,349	5,789	(1,570)
Reclassification adjustment for gains recognized in net income, net of losses	(2,528)	(1,907)	(2,955)
Income tax effect	66	(1,436)	1,674
Total other comprehensive (loss) income	(113)	2,446	(2,851)
Comprehensive income	161,708	259,947	265,413
Comprehensive loss (income) attributable to noncontrolling interests	11,345	(750)	(285)
Comprehensive income attributable to Nelnet, Inc.	$ 173,053	259,197	265,128

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

Years ended December 31, 2017, 2016, and 2015

	Nelnet, Inc. Shareholders										
	Preferred stock shares	Common stock shares: Class A	Common stock shares: Class B	Preferred stock	Class A common stock	Class B common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Noncontrolling interests	Total equity
	(Dollars in thousands, except share data)										
Balance as of December 31, 2014	—	34,756,384	11,486,932	$ —	348	115	17,290	1,702,560	5,135	230	1,725,678
Issuance of noncontrolling interest	—	—	—	—	—	—	—	—	—	7,443	7,443
Net income	—	—	—	—	—	—	—	267,979	—	285	268,264
Other comprehensive loss	—	—	—	—	—	—	—	—	(2,851)	—	(2,851)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(232)	(232)
Cash dividends on Class A and Class B common stock - $0.42 per share	—	—	—	—	—	—	—	(19,025)	—	—	(19,025)
Issuance of common stock, net of forfeitures	—	159,303	—	—	2	—	3,860	—	—	—	3,862
Compensation expense for stock based awards	—	—	—	—	—	—	5,188	—	—	—	5,188
Repurchase of common stock	—	(2,449,159)	—	—	(25)	—	(26,338)	(69,806)	—	—	(96,169)
Conversion of common stock	—	10,000	(10,000)	—	—	—	—	—	—	—	—
Balance as of December 31, 2015	—	32,476,528	11,476,932	—	325	115	—	1,881,708	2,284	7,726	1,892,158
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	1,366	1,366
Net income	—	—	—	—	—	—	—	256,751	—	750	257,501
Other comprehensive income	—	—	—	—	—	—	—	—	2,446	—	2,446
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(572)	(572)
Cash dividends on Class A and Class B common stock - $0.50 per share	—	—	—	—	—	—	—	(21,188)	—	—	(21,188)
Issuance of common stock, net of forfeitures	—	189,952	—	—	1	—	4,218	—	—	—	4,219
Compensation expense for stock based awards	—	—	—	—	—	—	4,086	—	—	—	4,086
Repurchase of common stock	—	(2,038,368)	—	—	(20)	—	(7,884)	(61,187)	—	—	(69,091)
Balance as of December 31, 2016	—	30,628,112	11,476,932	—	306	115	420	2,056,084	4,730	9,270	2,070,925
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	19,578	19,578
Net income (loss)	—	—	—	—	—	—	—	173,166	—	(11,345)	161,821
Other comprehensive loss	—	—	—	—	—	—	—	—	(113)	—	(113)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(1,645)	(1,645)
Cash dividends on Class A and Class B common stock - $0.58 per share	—	—	—	—	—	—	—	(24,097)	—	—	(24,097)
Issuance of common stock, net of forfeitures	—	178,114	—	—	2	—	3,619	—	—	—	3,621
Compensation expense for stock based awards	—	—	—	—	—	—	4,193	—	—	—	4,193
Repurchase of common stock	—	(1,473,054)	—	—	(15)	—	(7,711)	(61,170)	—	—	(68,896)
Conversion of common stock	—	8,345	(8,345)	—	—	—	—	—	—	—	—
Balance as of December 31, 2017	—	29,341,517	11,468,587	$ —	293	115	521	2,143,983	4,617	15,858	2,165,387

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
		(Dollars in thousands)	
Net income attributable to Nelnet, Inc.	$ 173,166	256,751	267,979
Net (loss) income attributable to noncontrolling interests	(11,345)	750	285
Net income	161,821	257,501	268,264
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisitions:			
Depreciation and amortization, including debt discounts and loan premiums and deferred origination costs	137,823	122,547	123,736
Loan discount accretion	(44,812)	(40,617)	(43,766)
Provision for loan losses	14,450	13,500	10,150
Derivative market value adjustment	(26,379)	(59,895)	15,150
Unrealized foreign currency transaction adjustment	45,600	(11,849)	(43,801)
(Payments) proceeds from termination of derivative instruments, net	(30,382)	3,999	65,527
Payments to enter into derivative instruments	(929)	—	(2,936)
Proceeds from clearinghouse to settle variation margin, net	48,985	—	—
Gain on sale of loans, net	—	—	(351)
Gain from debt repurchases, net	(2,902)	(7,981)	(4,802)
Gain from sales of available-for-sale securities, net of losses	(2,528)	(1,907)	(2,955)
Deferred income tax (benefit) expense	(1,544)	27,005	7,049
Non-cash compensation expense	4,416	4,348	5,347
Impairment expense	3,626	—	—
Other	3,948	4,215	755
Increase in loan accrued interest receivable	(39,203)	(7,439)	(3,819)
(Increase) decrease in accounts receivable	(12,046)	7,454	1,061
(Increase) decrease in other assets	(34,457)	(2,203)	375
Increase in accrued interest payable	4,362	14,170	5,117
(Decrease) increase in other liabilities	(2,341)	2,409	(8,736)
Net cash provided by operating activities	227,508	325,257	391,365
Cash flows from investing activities, net of acquisitions:			
Purchases of loans	(325,476)	(349,144)	(2,189,450)
Net proceeds from loan repayments, claims, capitalized interest, and other	3,363,526	3,735,772	3,668,302
Proceeds from sale of loans	53,203	44,760	3,996
Purchases of available-for-sale securities	(128,523)	(94,673)	(100,476)
Proceeds from sales of available-for-sale securities	156,540	144,252	95,758
Purchases of investments and issuance of notes receivable	(29,339)	(22,361)	(93,948)
Proceeds from investments and notes receivable	11,545	15,898	29,799
Purchases of property and equipment	(156,005)	(67,602)	(16,761)
Decrease (increase) in restricted cash, net	320,108	(147,487)	67,108
Business and asset acquisitions, net of cash acquired	—	—	(46,966)
Proceeds from sale of business, net	4,511	—	—
Net cash provided by investing activities	3,270,090	3,259,415	1,417,362
Cash flows from financing activities, net of borrowings assumed:			
Payments on bonds and notes payable	(5,403,224)	(4,134,890)	(4,368,180)
Proceeds from issuance of bonds and notes payable	1,984,558	650,909	2,614,595
Payments of debt issuance costs	(6,497)	(5,845)	(11,162)
Payment of contingent consideration	(850)	—	—
Dividends paid	(24,097)	(21,188)	(19,025)
Repurchases of common stock	(68,896)	(69,091)	(96,169)
Proceeds from issuance of common stock	678	889	801
Issuance of noncontrolling interests	19,473	1,241	3,693
Distribution to noncontrolling interests	(1,645)	(572)	(232)
Net cash used in financing activities	(3,500,500)	(3,578,547)	(1,875,679)
Net (decrease) increase in cash and cash equivalents	(2,902)	6,125	(66,952)
Cash and cash equivalents, beginning of year	69,654	63,529	130,481
Cash and cash equivalents, end of year	$ 66,752	69,654	63,529
Cash disbursements made for:			
Interest	$ 390,278	301,118	228,248
Income taxes, net of refunds	$ 96,721	115,415	147,235
Noncash investing and financing activities:			
Loans and other assets acquired	$ —	—	2,025,453
Borrowings and other liabilities assumed in acquisition of loans	$ —	—	1,885,453
Issuance of noncontrolling interest	$ —	20	3,750

Supplemental disclosures of noncash operating and investing activities regarding the Company's business acquisition is contained in note 8.

See accompanying notes to consolidated financial statements.

1. Description of Business

Nelnet, Inc. and its subsidiaries ("Nelnet" or the "Company") is a diverse company with a focus on delivering education-related products and services and loan asset management. The largest operating businesses engage in loan servicing, tuition payment processing and school information systems, and communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including, but not limited to, investments in real estate and start-up ventures. Substantially all revenue from external customers is earned, and all long-lived assets are located, in the United States.

The Company was formed as a Nebraska corporation in 1978 to service federal student loans for two local banks. The Company built on this initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans, principally consisting of loans originated under the Federal Family Education Loan Program ("FFELP" or "FFEL Program") of the U.S. Department of Education (the "Department").

The Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act of 2010") discontinued new loan originations under the FFEL Program, effective July 1, 2010, and requires that all new federal student loan originations be made directly by the Department through the Federal Direct Loan Program. This law does not alter or affect the terms and conditions of existing FFELP loans. As a result of this law, the Company no longer originates new FFELP loans. To reduce its reliance on interest income on student loans, the Company has expanded its services and products. This expansion has been accomplished through internal growth and innovation as well as business acquisitions.

The Company has four reportable operating segments. The Company's reportable operating segments include:

- Loan Systems and Servicing
- Tuition Payment Processing and Campus Commerce
- Communications
- Asset Generation and Management

A description of each reportable operating segment is included below. See note 15 for additional information on the Company's segment reporting.

Loan Systems and Servicing

The primary service offerings of the Loan Systems and Servicing operating segment include:

- Servicing federally-owned student loans for the Department of Education
- Servicing FFELP loans
- Originating and servicing private education and consumer loans
- Providing student loan servicing software and other information technology products and services
- Providing outsourced services including call center, processing, and marketing services

In addition, this segment provided servicing and outsourcing services for FFELP guaranty agencies, including FFELP guaranty collection services, through June 30, 2016.

The Loan Systems and Servicing operating segment provides for the servicing of the Company's student loan portfolio and the portfolios of third parties. The loan servicing activities include loan conversion activities, application processing, borrower updates, customer service, payment processing, due diligence procedures, funds management reconciliations, and claim processing. These activities are performed internally for the Company's portfolio in addition to generating external fee revenue when performed for third-party clients.

The Company is one of four private sector companies (referred to as Title IV Additional Servicers, or "TIVAS") awarded a student loan servicing contract by the Department to provide additional servicing capacity for loans owned by the Department.

This operating segment also provides student loan servicing software, which is used internally by the Company and licensed to third-party student loan holders and servicers. These software systems have been adapted so that they can be offered as hosted servicing software solutions usable by third parties to service various types of student loans, including Federal Direct Loan Program and FFEL Program loans.

This segment also provides business process outsourcing specializing in contact center management. The contact center solutions and services include taking inbound calls, helping with outreach campaigns and sales, and interacting with customers through multi-channels.

In addition, this operating segment provided servicing activities for guaranty agencies, which serve as intermediaries between the Department and FFELP lenders, and are responsible for paying the claims made on defaulted loans. The services provided by the Company included providing software and data center services, borrower and loan updates, default aversion tracking services, claim processing services, and post-default collection services. The Company's guaranty servicing and collection revenue was earned from two guaranty servicing clients. A contract with one client expired on October 31, 2015, and was not renewed. The remaining guaranty servicing client exited the FFELP guaranty business at the end of their contract term on June 30, 2016, and after this date the Company has no remaining guaranty servicing and collection revenue.

Tuition Payment Processing and Campus Commerce

The Company's Tuition Payment Processing and Campus Commerce operating segment provides products and services to help students and families manage the payment of education costs at all levels (K-12 and higher education). In addition, this operating segment provides K-12 private and faith-based schools (i) school information system software that help schools automate administrative processes such as admissions, scheduling, student billing, attendance, and grade book management and (ii) professional development and educational instruction services. This segment also provides innovative education-focused technologies, services, and support solutions to help schools with the everyday challenges of collecting and processing commerce data.

In the K-12 market, the Company offers actively managed tuition payment plans and billing services, school information system and learning management software, professional development and educational instruction services, and assistance with financial needs assessment and donor management. In the higher education market, the Company primarily offers actively managed tuition payment plans and campus commerce technologies and payment processing.

Outside of the education market, the Company also offers payment services including electronic transfer and credit card processing, reporting, billing and invoicing, mobile and virtual terminal solutions, and specialized integrations to business software.

Communications

On December 31, 2015, the Company purchased the majority of the ownership interests of ALLO Communications LLC ("ALLO"). ALLO provides pure fiber optic service to homes and businesses for internet, broadband, television, and telephone services. The acquisition of ALLO provides additional diversification of the Company's revenues and cash flows outside of education. In addition, the acquisition leverages the Company's existing infrastructure, customer service capabilities and call centers, and financial strength and liquidity for continued growth. For financial reporting purposes, the Company provides the operating results of ALLO as a separate reportable operating segment. The ALLO assets acquired and liabilities assumed were recorded by the Company at their respective estimated fair values at the date of acquisition. As such, ALLO's assets and liabilities as of December 31, 2015 are included in the Company's consolidated balance sheet. However, ALLO had no impact on the consolidated statement of income for 2015. Beginning January 1, 2016, the Company began to reflect the operations of ALLO in the consolidated statements of income.

ALLO derives its revenue primarily from the sale of communication services to residential and business customers in Nebraska. Internet, broadband, and television services include revenue from residential and business customers for subscriptions to ALLO's video and data products. ALLO data services provide high-speed internet access over ALLO's all-fiber network at various symmetrical speeds of up to 1 gigabit per second for residential customers and is capable of providing symmetrical speeds of over 1 gigabit per second for business customers. Local calling services include fiber telephone service and other basic services. Long-distance services include traditional domestic and international long distance which enables customers to make calls that terminate outside their local calling area.

Asset Generation and Management

The Company's Asset Generation and Management operating segment includes the acquisition, management, and ownership of the Company's loan assets. Substantially all loan assets included in this segment are student loans originated under the FFEL Program, including the Stafford Loan Program, the PLUS Loan program, and loans that reflect the consolidation into a single loan of certain previously separate borrower obligations ("Consolidation" loans). The Company also acquires private education and consumer loans. The Company generates a substantial portion of its earnings from the spread, referred to as the Company's loan spread, between the yield it receives on its loan portfolio and the associated costs to finance such portfolio. The student loan assets are held in a series of education lending subsidiaries and associated securitization trusts designed specifically for this purpose. In addition to the loan spread earned on its portfolio, all costs and activity associated with managing the portfolio, such as servicing of the assets and debt maintenance, are included in this segment.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities include the following items:

- The operating results of Whitetail Rock Capital Management, LLC ("WRCM"), the Company's SEC-registered investment advisor subsidiary
- Income earned on certain investment activities, including real estate and start-up ventures
- Interest expense incurred on unsecured debt transactions
- Other product and service offerings that are not considered reportable operating segments

Corporate and Other Activities also include certain corporate activities and overhead functions related to executive management, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

2. Recent Developments

On February 7, 2018, the Company acquired 100 percent of the outstanding stock of Great Lakes Educational Loan Services, Inc. ("Great Lakes") for a purchase price of $150.0 million in cash. The Company and Great Lakes are two of the four large private sector companies, or TIVAS, that have student loan servicing contracts with the Department of Education to provide servicing for loans owned by the Department. The operating results of Great Lakes will be included in the Company's Loan Systems and Servicing operating segment beginning February 7, 2018.

3. Summary of Significant Accounting Policies and Practices

Consolidation

The consolidated financial statements include the accounts of Nelnet, Inc. and its consolidated subsidiaries. In addition, the accounts of all variable interest entities ("VIEs") of which the Company has determined that it is the primary beneficiary are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Variable Interest Entities

The following entities are VIEs of which the Company has determined that it is the primary beneficiary. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

The Company's education lending subsidiaries are engaged in the securitization of education finance assets. These education lending subsidiaries hold beneficial interests in eligible loans, subject to creditors with specific interests. The liabilities of the Company's education lending subsidiaries are not the direct obligations of Nelnet, Inc. or any of its other subsidiaries. Each education lending subsidiary is structured to be bankruptcy remote, meaning that it should not be consolidated in the event of bankruptcy of the parent company or any other subsidiary. The Company is generally the administrator and master servicer of the securitized assets held in its education lending subsidiaries and owns the residual interest of the securitization trusts. As a result, for accounting purposes, the transfers of student loans to the securitization trusts do not qualify as sales. Accordingly, all the financial activities and related assets and liabilities, including debt, of the securitizations are reflected in the Company's consolidated financial statements and are summarized as supplemental information on the balance sheet.

The Company owns 91.5 percent of the economic rights of ALLO Communications LLC and has a disproportional 80 percent of the voting rights related to all operating decisions for ALLO's business. See note 1, "Description of Business," for a description of ALLO, including the primary services offered. ALLO's management, as current minority members, has the opportunity to earn an additional 11.5 percent of the total ownership interests based on the financial performance of ALLO. In addition to the Company's equity investment, Nelnet, Inc. (the parent) has issued a $270.0 million line of credit to ALLO. As of December 31, 2017 and 2016, the outstanding balance, including accrued interest, on the line of credit was $193.1 million and $58.0 million, respectively. Nelnet, Inc.'s maximum exposure to loss as a result of its involvement with ALLO is equal to its equity investment and the outstanding balance and accrued interest on the line of credit. The amounts owed by ALLO to Nelnet, Inc., including the interest costs incurred by ALLO and interest earnings recognized by Nelnet, Inc., are not reflected in the Company's consolidated balance sheet as they were eliminated in consolidation. All of ALLO's financial activities and related assets and liabilities, excluding the line of credit, are reflected in the Company's consolidated financial statements. See note 15, "Segment Reporting," for disclosure of ALLO's total assets and results of operations (included in the "Communications" operating segment), note 10, "Goodwill," for disclosure of ALLO's goodwill, and note 11, "Property and Equipment," for disclosure of ALLO's fixed assets. ALLO's goodwill and property and equipment comprise the majority of its assets. The assets recognized as a result of consolidating ALLO are the property of ALLO and are not available for any other purpose, other than to Nelnet, Inc. as a secured lender under ALLO's line of credit.

Noncontrolling Interests

Amounts for noncontrolling interests reflect the proportionate share of membership interest (equity) and net income attributable to the holders of minority membership interests in the following entities:

- Whitetail Rock Capital Management, LLC - WRCM is the Company's SEC-registered investment advisor subsidiary. WRCM issued 10 percent minority membership interests on January 1, 2012.

- ALLO Communications LLC - On December 31, 2015, the Company purchased 92.5 percent of the ownership interests of ALLO. On January 1, 2016, the Company sold a 1.0 percent ownership interest in ALLO to a non-related third-party. The remaining 7.5 percent of the ownership interests of ALLO is owned by ALLO management, who has the opportunity to earn an additional 11.5 percent (up to 19 percent) of the total ownership interests based on the financial performance of ALLO.

- 401 Building, LLC ("401 Building") - 401 Building is an entity established on October 19, 2015 for the sole purpose of acquiring, developing, and operating a commercial building. The Company owns 50 percent of 401 Building.

- TDP Phase Three, LLC ("TDP") and TDP Phase Three-NMTC ("TDP-NMTC") - TDP and TDP-NMTC are entities that were established in October 2015 for the sole purpose of developing and operating the new headquarters of Hudl. The Company owns 25 percent of each TDP and TDP-NMTC.

- 330-333 Building, LLC ("330-333 Building") - 330-333 Building is an entity established on January 14, 2016 for the sole purpose of acquiring, developing, and operating a commercial building. The Company owns 50 percent of 330-333 Building.

  The Company is a tenant in the 401 Building, the headquarters of Hudl, and the 330-333 Building. Because the Company, as lessee, was involved in the asset construction, 401 Building, TDP, TDP-NMTC, and 330-333 Building are included in the Company's consolidated financial statements.

- GreatNet Solutions, LLC ("GreatNet") - GreatNet is a joint venture created to respond to an initiative by the Department for the procurement of a contract for federal student loan servicing. As of December 31, 2017, Nelnet Servicing, LLC ("Nelnet Servicing"), a subsidiary of the Company, and Great Lakes each owned 50 percent of the ownership interests in GreatNet. For financial reporting purposes, the balance sheet and operating results of GreatNet are included in the Company's consolidated financial statements and presented in the Company's Loan Systems and Servicing operating segment. On February 7, 2018, the Company purchased 100 percent of the outstanding stock of Great Lakes. See note 2, "Recent Developments" for additional information on this business acquisition.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, reported amounts of revenues and expenses, and other disclosures. Actual results may differ from those estimates.

Loans Receivable

Loans consist of federally insured student loans, private education loans, and consumer loans. If the Company has the ability and intent to hold loans for the foreseeable future, such loans are held for investment and carried at amortized cost. Amortized cost includes the unamortized premium or discount and capitalized origination costs and fees, all of which are amortized to interest income. Loans which are held-for-investment also have an allowance for loan loss as needed. Any loans the Company has the ability and intent to sell are classified as held for sale and are carried at the lower of cost or fair value. Loans which are held for sale do not have the associated premium or discount and origination costs and fees amortized into interest income and there is also no related allowance for loan losses. There were no loans classified as held for sale as of December 31, 2017 and 2016.

Federally insured loans were originated under the FFEL Program by certain eligible lenders as defined by the Higher Education Act of 1965, as amended (the "Higher Education Act"). These loans, including related accrued interest, are guaranteed at their maximum level permitted under the Higher Education Act by an authorized guaranty agency, which has a contract of reinsurance with the Department. The terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest. Generally, Stafford and PLUS loans have repayment periods between five and ten years. Consolidation loans have repayment periods of twelve to thirty years. FFELP loans do not require repayment while the borrower is in-school, and during the grace period immediately upon leaving school. The borrower may also be granted a deferment or forbearance for a period of time based on need, during which time the borrower is not considered to be in repayment. Interest continues to accrue on loans in the in-school, deferment, and forbearance program periods. In addition, eligible borrowers may qualify for income-driven repayment plans offered by the Department. These plans determine the borrower's payment amount based on their discretionary income and may extend their repayment period. Interest rates on federally insured student loans may be fixed or variable, dependent upon the type of loan, terms of the loan agreements, and date of origination.

Substantially all FFELP loan principal and related accrued interest is guaranteed as provided by the Higher Education Act. These guarantees are subject to the performance of certain loan servicing due diligence procedures stipulated by applicable Department regulations. If these due diligence requirements are not met, affected student loans may not be covered by the guarantees in the event of borrower default. Such student loans are subject to "cure" procedures and reinstatement of the guarantee under certain circumstances.

Loans also include private education and consumer loans. Private education loans are loans to students or their families that are non-federal loans and loans not insured or guaranteed under the FFEL Program. These loans are used primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or borrowers' personal resources. The terms of the private education loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over a period of up to 30 years. The private education loans are not covered by a guarantee or collateral in the event of borrower default. Consumer loans are unsecured loans to an individual for personal, family, or household purposes. The terms of the consumer loans, which vary on an individual basis, generally provide for repayment in weekly or monthly installments of principal and interest over a period of up to 6 years.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable losses on loans. The provision for loan losses reflects the activity for the applicable period and provides an allowance at a level that the Company's management believes is appropriate to cover probable losses inherent in the loan portfolio. The Company evaluates the adequacy of the allowance for loan losses on its federally insured loan portfolio separately from its private education and consumer loan portfolios. These evaluation processes are subject to numerous judgments and uncertainties.

The allowance for the federally insured loan portfolio is based on periodic evaluations of the Company's loan portfolios considering loans in repayment versus those in a nonpaying status, delinquency status, trends in defaults in the portfolio based on Company and industry data, past experience, trends in student loan claims rejected for payment by guarantors, changes to federal student loan programs, current economic conditions, and other relevant factors. The federal government guarantees 97 percent of the principal of and the interest on federally insured student loans disbursed on and after July 1, 2006 (and 98 percent for those loans disbursed on and after October 1, 1993 and prior to July 1, 2006), which limits the Company's loss exposure on the outstanding balance of the Company's federally insured portfolio. Student loans disbursed prior to October 1, 1993 are fully insured.

In determining the appropriate allowance for loan losses on the private education and consumer loans, the Company considers several factors, including: loans in repayment versus those in a nonpaying status, delinquency status, type of program, trends in defaults in the portfolio based on Company and industry data, past experience, current economic conditions, and other relevant factors. The Company places private education and consumer loans on nonaccrual status when the collection of principal and interest is 90 days past due, and charges off the loan when the collection of principal and interest is 120 days past due. Collections, if any, are reflected as a recovery through the allowance for loan losses.

Management has determined that each of the federally insured loan portfolio, private education loan portfolio, and consumer loan portfolio meets the definition of a portfolio segment, which is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Accordingly, the portfolio segment disclosures are presented on this basis in note 4 for each of these portfolios. The Company does not disaggregate its portfolio segment loan portfolios into classes of financing receivables. The Company collectively evaluates loans for impairment and as of December 31, 2017 and 2016, the Company did not have any impaired loans as defined in the Receivables Topic of the FASB Accounting Standards Codification.

For loans purchased where there is evidence of credit deterioration since the origination of the loan, the Company records a credit discount, separate from the allowance for loan losses, which is non-accretable to interest income. Remaining discounts and premiums for purchased loans are recognized in interest income over the remaining estimated lives of the loans. The Company continues to evaluate credit losses associated with purchased loans based on current information and changes in expectations to determine the need for any additional allowance for loan losses.

Cash and Cash Equivalents and Statement of Cash Flows

For purposes of the consolidated statements of cash flows, the Company considers all investments with original maturities of three months or less to be cash equivalents.

Accrued interest on loans purchased and sold is included in cash flows from operating activities in the respective period. Net purchased loan accrued interest was $71.4 million in 2015. Net purchased loan accrued interest in 2017 and 2016 was insignificant.

Investments

The Company's available-for-sale investment portfolio consists of student loan and other asset-backed securities and equity and debt securities. These securities are carried at fair value, with the temporary changes in fair value, net of taxes, carried as a separate component of shareholders' equity. The amortized cost of debt securities in this category (including the student loan and other asset-backed securities) is adjusted for amortization of premiums and accretion of discounts, which are amortized using the effective interest rate method. Other-than-temporary impairment is evaluated by considering several factors, including the length of time and extent to which the fair value has been less than the amortized cost basis, the financial condition and near-term prospects of the issuer of the security (considering factors such as adverse conditions specific to the security and ratings agency actions), and the intent and ability of the Company to retain the investment to allow for any anticipated recovery in fair value. The entire fair value loss on a security that has experienced an other-than-temporary impairment is recorded in earnings if the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the security before the expected recovery of the loss. However, if the impairment is other-than-temporary, and either of those two conditions does not exist, the portion of the impairment related to credit losses is recorded in earnings and the impairment related to other factors is recorded in other comprehensive income.

Securities classified as trading are accounted for at fair value, with unrealized gains and losses included in "other income" in the consolidated statements of income.

When an investment is sold, the cost basis is determined through specific identification of the security sold.

The Company accounts for investments in which it does not have significant influence or a controlling financial interest using the cost method of accounting. Cost method investments are recorded at cost. Cost method investments are evaluated for other-than-temporary impairment in the same manner as described above for available-for-sale investments.

The Company accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting. Equity method investments are recorded at cost and subsequently increased or decreased by the amount of the Company's proportionate share of the net earnings or losses and other comprehensive income of the investee. Equity method investments are evaluated for other-than-temporary impairment using certain impairment indicators such as a series of operating losses of an investee or other factors. These factors may indicate that a decrease in value of the investment has occurred that is other-than-temporary and shall be recognized.

Restricted Cash

Restricted cash primarily includes amounts for student loan securitizations and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the student loans held as trust assets and when principal and interest is paid on the trust's asset-backed debt securities. Restricted cash also includes collateral deposits with derivative counterparties and third-party clearinghouses.

Restricted Cash - Due to Customers

As a servicer of student loans, the Company collects student loan remittances and subsequently disburses these remittances to the appropriate lending entities. In addition, as part of the Company's Tuition Payment Processing and Campus Commerce operating segment, the Company collects tuition payments and subsequently remits these payments to the appropriate schools. Cash collected for customers and the related liability are included in the accompanying consolidated balance sheets.

Accounts Receivable

Accounts receivable are presented at their net realizable values, which include allowances for doubtful accounts. Allowance estimates are based upon individual customer experience, as well as the age of receivables and likelihood of collection.

Business Combinations

The Company uses the acquisition method in accounting for acquired businesses. Under the acquisition method, the financial statements reflect the operations of an acquired business starting from the completion of the acquisition. The assets acquired and liabilities assumed are recorded at their respective estimated fair values at the date of acquisition. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. All contingent consideration is measured at fair value on the acquisition date and included in the consideration transferred in the acquisition. Contingent consideration classified as a liability is remeasured to fair value at each reporting date until the contingency is resolved, and changes in fair value are recognized in earnings.

Goodwill

The Company reviews goodwill for impairment annually (in the fourth quarter) and whenever triggering events or changes in circumstances indicate its carrying value may not be recoverable. Goodwill is tested for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics.

The Company tests goodwill for impairment in accordance with applicable accounting guidance. The guidance provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform a quantitative impairment test (described below), otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

If the Company elects to not perform a qualitative assessment or if the Company determines it is more likely than not that the fair value of a reporting unit is less than the carrying amount, then the Company performs a quantitative impairment test on goodwill. In the quantitative test, the Company compares the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired and the

Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company would record an impairment loss equal to the difference.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. Actual future results may differ from those estimates.

See note 10 for information regarding the Company's annual goodwill impairment review.

Intangible Assets

Intangible assets with finite lives are amortized over their estimated lives. Such assets are amortized using a method of amortization that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, the Company uses a straight-line amortization method.

The Company evaluates the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation. Maintenance and repairs are charged to expense as incurred, and major improvements, including leasehold improvements, are capitalized. Gains and losses from the sale of property and equipment are included in determining net income. The Company uses the straight-line method for recording depreciation and amortization. Leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, such as property and equipment and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company uses estimates to determine the fair value of long-lived assets. Such estimates are generally based on estimated future cash flows or cost savings associated with particular assets and are discounted to present value using an appropriate discount rate. The estimates of future cash flows associated with assets are generally prepared using a cost savings method, a lost income method, or an excess return method, as appropriate. In utilizing such methods, management must make certain assumptions about the amount and timing of estimated future cash flows and other economic benefits from the assets, the remaining economic useful life of the assets, and general economic factors concerning the selection of an appropriate discount rate. The Company may also use replacement cost or market comparison approaches to estimating fair value if such methods are determined to be more appropriate.

Assumptions and estimates about future values and remaining useful lives of the Company's intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy and internal forecasts. Although the Company believes the historical assumptions and estimates used are reasonable and appropriate, different assumptions and estimates could materially impact the reported financial results.

Fair Value Measurements

The Company uses estimates of fair value in applying various accounting standards for its financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value, such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates, and credit spreads, relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity, credit, and bid/offer spreads. In some cases fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Transaction costs are not included in the determination of fair value. When possible, the Company seeks to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the estimates of current or future values.

The Company categorizes its fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring assets and liabilities at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels include:

- Level 1: Quoted prices for *identical* instruments in active markets. The types of financial instruments included in Level 1 are highly liquid instruments with quoted prices.
- Level 2: Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose primary value drivers are observable.
- Level 3: Instruments whose primary value drivers are *unobservable.* Inputs are developed based on the best information available; however, significant judgment is required by management in developing the inputs.

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy at the end of the reporting period.

Revenue Recognition

The Company recognizes revenue when (i) persuasive evidence of an arrangement exists between the Company and the customer, (ii) delivery of the product to the customer has occurred or service has been provided to the customer, (iii) the price to the customer is fixed or determinable, and (iv) collectability of the sales price is reasonably assured. Additional information related to the Company's revenue recognition of specific items is further provided below.

Loan interest income - Loan interest on federally insured student loans is paid by the Department or the borrower, depending on the status of the loan at the time of the accrual. In addition, the Department makes quarterly interest subsidy payments on certain qualified FFELP loans until the student is required under the provisions of the Higher Education Act to begin repayment. Borrower repayment of FFELP loans normally begins within six months after completion of the borrower's course of study, leaving school, or ceasing to carry at least one-half the normal full-time academic load, as determined by the educational institution. Borrower repayment of PLUS and Consolidation loans normally begins within 60 days from the date of loan disbursement. Borrower repayment of private education loans typically begins six months following the borrower's graduation from a qualified institution, and the interest is either paid by the borrower or capitalized annually or at repayment. Repayment of consumer loans typically starts upon origination of the loan.

The Department provides a special allowance to lenders participating in the FFEL Program. The special allowance is accrued based upon the fiscal quarter average rate of 13-week Treasury Bill auctions (for loans originated prior to January 1, 2000), the fiscal quarter average rate of the daily three-month financial commercial paper rates (for loans originated on and after January 1, 2000) or the fiscal quarter average rate of daily one-month LIBOR rates (for loans originated on and after January 1, 2000, and for lenders which elected to change the special allowance index to one-month LIBOR effective April 1, 2012) relative to the yield of the student loan.

The Company recognizes loan interest income as earned, net of amortization of loan premiums and deferred origination costs and the accretion of loan discounts. Loan interest income is recognized based upon the expected yield of the loan after giving effect to interest rate reductions resulting from borrower utilization of incentives such as timely payments ("borrower benefits") and other yield adjustments. Loan premiums or discounts, deferred origination costs, and borrower benefits are amortized/accreted over the estimated life of the loans, which includes an estimate of forecasted payments in excess of contractually required payments. The Company periodically evaluates the assumptions used to estimate the life of the loans and prepayment rates. In instances where there are changes to the assumptions, amortization/accretion is adjusted on a cumulative basis to reflect the change since the acquisition of the loan.

In the third quarter of 2016, the Company revised its policy to correct for an error in its method of applying the interest method used to amortize premiums and deferred origination costs and accrete discounts on its loan portfolio. Previously, the Company amortized premiums and deferred origination costs and accreted discounts by including in its prepayment assumption forecasted payments in excess of contractually required payments as well as forecasted defaults. The Company has determined that only payments in excess of contractually required payments (excluding forecasted defaults) should be included in the prepayment assumption. Under the Company's revised policy, as of September 30, 2016, the constant prepayment rate used by the Company to amortize/accrete loan premiums/discounts was decreased. The constant prepayment rates under the Company's revised policy are 5 percent for Stafford loans and 3 percent for Consolidation loans. The constant prepayment rates under the Company's prior policy in effect before this correction were 6 percent and 4 percent, respectively. During the third quarter of 2016, the Company recorded an adjustment to reflect the cumulative net impact on prior periods for the correction of this error that resulted in an $8.2 million reduction to the Company's net loan discount balance and a corresponding pre-tax increase to interest income. The Company concluded this error had an immaterial impact on 2016 results as well as the results for prior periods.

The Company also pays the Department an annual 105 basis point rebate fee on Consolidation loans. These rebate fees are netted against loan interest income.

Loan systems and servicing revenue – Loan systems and servicing revenue consists of the following items:

- *Loan and guaranty servicing fees* – Loan servicing fees are determined according to individual agreements with customers and are calculated based on the dollar value of loans, number of loans, or number of borrowers serviced for each customer. Guaranty servicing fees were generally calculated based on the number of loans serviced, volume of loans serviced, or amounts collected. Revenue is recognized over the period in which services are provided to customers, and when ultimate collection is assured.

- *Software services revenue* – Software services revenue is determined from individual agreements with customers and includes license and maintenance fees associated with student loan software products. Computer and software consulting and remote hosting revenues are recognized over the period in which services are provided to customers.

- *Outsourced services revenue* - Outsourced services revenue is determined from individual agreements with customers and generally recognized over the period in which services are provided to customers.

- *Guaranty collections revenue* – Guaranty collections revenue was earned when collected. Collection costs paid to third parties associated with this revenue was expensed upon successful collection.

Tuition payment processing, school information, and campus commerce revenue - Tuition payment processing, school information, and campus commerce revenue includes actively managed tuition payment solutions, remote hosted school information systems and learning management software, professional development and educational instruction services, assistance with financial needs assessment and donor management, and payment processing services. Fees for these services are recognized over the period in which services are provided to customers. Cash received in advance of the delivery of services is included in deferred revenue.

Communications revenue - Communications revenue based on a flat fee, derived principally from internet, television, and telephone services are billed in advance and recognized in subsequent periods when the services are provided. Revenues for usage-based services, such as access charges billed to other telephone carriers for originating and terminating long-distance calls on the Company's network, are billed in arrears. The Company recognizes revenue from these services in the period the services are rendered rather than billed. Earned but unbilled usage-based services are recorded in accounts receivable.

Costs to provide communication services is primarily associated with television programming costs. The Company has various contracts to obtain video programming from programming vendors whose compensation is typically based on a flat fee per customer. The cost of the right to exhibit network programming under such arrangements is recorded in the month the programming is available for exhibition. Programming costs are paid each month based on calculations performed by the Company and are subject to periodic audits performed by the programmers. Other costs included in costs to provide communication services include connectivity, franchise, and other regulatory costs directly related to providing internet and voice services.

Enrollment services revenue - Enrollment services revenue was derived from fees which were earned through the delivery of qualified inquiries or clicks. Delivery was deemed to have occurred at the time a qualified inquiry or click was delivered to the customer, provided that no significant obligations remained.

For a portion of this revenue, the Company had agreements with providers of online media or traffic ("inquiry generation vendors") used in the generation of inquiries or clicks. The Company received a fee from its customers and paid a fee to the inquiry generation vendors either on a cost per inquiry, cost per click, or cost per number of impressions basis. The Company was the primary obligor in the transaction. As a result, the fees paid by the Company's customers were recognized as revenue and the fees paid to its inquiry generation vendors are included in "cost to provide enrollment services" in the Company's consolidated statements of income.

On February 1, 2016, the Company sold 100 percent of the membership interests in Sparkroom LLC, which included the Company's inquiry management products and services. After this sale, the Company no longer earns enrollment services revenue.

Other income - Other income consists primarily of the following items:

- *Realized and unrealized gains and losses on investments*

- *Borrower late fee income* - Late fee income is earned by the education lending subsidiaries and is recognized when payments are collected from the borrower.

- *Investment advisory income* - Investment advisory services are provided by the Company through an SEC-registered investment advisor subsidiary under various arrangements. The Company earns annual fees based on the outstanding balance of investments and certain performance measures, which are recognized monthly as earned.

- *Digital marketing and content solutions* - The Company earned revenue related to digital marketing and content solution products and services under the brand name Peterson's. These products and services included test preparation study guides, school directories and databases, career exploration guides, on-line courses and test preparation, scholarship search and selection data, career planning information and guides, and on-line information about colleges and universities. Several content solutions services included services to connect students to colleges and universities, and were sold based on subscriptions. Revenue from sales of subscription services was recognized ratably over the term of the contract as it was earned. Subscription revenue received or receivable in advance of the delivery of services was included in deferred revenue. Revenue from the sale of print products was generally earned and recognized, net of estimated returns, upon shipment or delivery. All other digital marketing and content solutions revenue was recognized over the period in which services were provided to customers. On December 31, 2017, the Company sold Peterson's. See note 10 for additional information regarding this sale.

Interest Expense

Interest expense is based upon contractual interest rates, adjusted for the amortization of debt issuance costs and the accretion of discounts. The amortization of debt issuance costs and accretion of discounts are recognized using the effective interest method.

Transfer of Financial Assets and Extinguishments of Liabilities

The Company accounts for loan sales and debt repurchases in accordance with applicable accounting guidance. If a transfer of loans qualifies as a sale, the Company derecognizes the loan and recognizes a gain or loss as the difference between the carrying basis of the loan sold and the consideration received. The Company from time to time repurchases its outstanding debt and records a gain or loss on the early extinguishment of debt based upon the difference between the carrying amount of the debt and the amount paid to the third party. The Company recognizes the results of a transfer of loans and the extinguishment of debt based upon the settlement date of the transaction.

Derivative Accounting

Effective June 10, 2013, all over-the-counter derivative contracts executed by the Company are cleared post-execution at the Chicago Mercantile Exchange ("CME"), a regulated clearinghouse. Clearing is a process by which a third-party, the clearinghouse, steps in between the original counterparties and guarantees the performance of both, by requiring that each post liquid collateral on an initial (initial margin) and mark-to-market (variation margin) basis to cover the clearinghouse's potential future exposure in the event of default.

Prior to January 3, 2017, the Company accounted for variation margin payments to the CME as collateral against its derivative position. As such, these payments were treated as a separate unit of account from the derivative instrument and reported as a liability for cash collateral received and an asset (restricted cash) for cash collateral paid. Effective January 3, 2017, the CME amended its rulebooks to legally characterize variation margin payments for over-the-counter derivatives they clear as settlements of the derivatives' exposure rather than collateral against the exposure. Based on these rulebook changes, for accounting and presentation purposes, the Company considers variation margin and the corresponding derivative instrument as a single unit of account. As such, effective January 3, 2017, the variation margin received or paid is no longer accounted for separately as a liability or asset ("collateralized-to-market"). Instead, these payments are considered in determining the fair value of the centrally cleared derivative portfolio ("settled-to-market"). The principal difference for accounting and presentation purposes is that prior to January 3, 2017, the Company recorded the fair value of collateralized-to-market derivative contracts on its balance sheet as "fair value of derivative instruments" with an equal amount of variation margin collateral accounted for separately as an asset or liability. Subsequent to January 3, 2017, the Company records settled-to-market derivative contracts on its balance sheet with a fair value of zero and no collateral posted due to the payment or receipt of variation margin between the Company and the CME settling the outstanding mark-to-market exposure on such derivatives to a balance of zero on a daily basis, and records the underlying daily changes in the market value of such derivative contracts that result in such receipts or payments on its income statement as realized derivative market value adjustments in "Derivative market value and foreign currency transaction adjustments and derivative settlements, net."

The new clearinghouse requirements did not alter or affect the accounting and presentation of the Company's derivative instruments executed prior to June 10, 2013 and those derivatives that are not required to be cleared at a clearinghouse (non-centrally cleared derivatives). The Company records these derivative instruments in the consolidated balance sheets on a gross basis as either an asset or liability measured at its fair value. Certain non-centrally cleared derivatives are subject to right of offset provisions with counterparties. For these derivatives, the Company does not offset fair value amounts executed with the same counterparty under a master netting arrangement. In addition, the Company does not offset fair value amounts recognized for derivative instruments with respect to the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable).

The Company determines the fair value for its derivative instruments using either (i) pricing models that consider current market conditions and the contractual terms of the derivative instrument or (ii) counterparty valuations. The factors that impact the fair value of the Company's derivatives include interest rates, time value, forward interest rate curve, and volatility factors, as well as foreign exchange rates. Pricing models and their underlying assumptions impact the amount and timing of realized and unrealized gains and losses recognized, and the use of different pricing models or assumptions could produce different financial results. Management has structured all of the Company's derivative transactions with the intent that each is economically effective; however, the Company's derivative instruments do not qualify for hedge accounting. As a result, the change in fair value of derivative instruments is reported in current period earnings. Changes or shifts in the forward yield curve and fluctuations in currency rates can significantly impact the valuation of the Company's derivatives, and therefore impact the financial position and results of operations of the Company. Any proceeds received or payments made by the Company to terminate a derivative in advance of its expiration date, or to amend the terms of an existing derivative, are included in the Company's consolidated statements of income and are accounted for as a change in fair value of such derivative. The changes in fair value of derivative instruments, as well as the settlement payments made on such derivatives, are included in "derivative market value and foreign currency adjustments and derivative settlements, net" on the consolidated statements of income.

Foreign Currency

During 2006, the Company issued Euro-denominated bonds, which were included in "bonds and notes payable" on the consolidated balance sheets. Transaction gains and losses resulting from exchange rate changes when re-measuring these bonds to U.S. dollars at the balance sheet date were included in "derivative market value and foreign currency adjustments and derivative settlements, net" on the consolidated statements of income. On October 25, 2017, the Company completed a remarketing of its Euro notes which reset the principal amount outstanding on the notes to U.S. dollars.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Income tax expense includes deferred tax expense, which represents the net change in the deferred tax asset or liability balance during the year, plus any change made in the valuation allowance, and current tax expense, which represents the amount of tax currently payable to or receivable from a tax authority plus amounts for expected tax deficiencies.

Compensation Expense for Stock Based Awards

The Company has a restricted stock plan that is intended to provide incentives to attract, retain, and motivate employees in order to achieve long term growth and profitability objectives. The restricted stock plan provides for the grant to eligible employees of awards of restricted shares of Class A common stock. The fair value of restricted stock awards is determined on the grant date based on the Company's stock price and is amortized to compensation cost over the related vesting periods, which range up to ten years. For those awards with only service conditions that have graded vesting schedules, the Company recognizes compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award, as if the award was, in substance, multiple awards. Holders of restricted stock are entitled to receive dividends from the date of grant whether or not vested.

The Company also has a directors stock compensation plan pursuant to which non-employee directors can elect to receive their annual retainer fees in the form of fully vested shares of Class A common stock, and also elect to defer receipt of such shares until the termination of their service on the board of directors. The fair value of grants under this plan is determined on the grant date based on the Company's stock price, and is expensed over the board member's annual service period.

Stock Repurchases

In accordance with the corporate laws of the state in which the Company is incorporated, all shares repurchased by the Company are legally retired upon acquisition by the Company.

(Dollars in thousands, except share amounts, unless otherwise noted)

4. Loans Receivable and Allowance for Loan Losses

Loans receivable consisted of the following:

	As of December 31,	
	2017	2016
Federally insured student loans:		
Stafford and other	$ 4,418,881	5,186,047
Consolidation	17,302,725	19,643,937
Total	21,721,606	24,829,984
Private education loans	212,160	273,659
Consumer loans	62,111	—
	21,995,877	25,103,643
Loan discount, net of unamortized loan premiums and deferred origination costs	(113,695)	(129,507)
Non-accretable discount (a)	(13,085)	(18,570)
Allowance for loan losses:		
Federally insured loans	(38,706)	(37,268)
Private education loans	(12,629)	(14,574)
Consumer loans	(3,255)	—
	$ 21,814,507	24,903,724

(a) At December 31, 2017 and 2016, the non-accretable discount related to purchased loan portfolios of $5.8 billion and $8.3 billion, respectively.

(Dollars in thousands, except share amounts, unless otherwise noted)

Activity in the Allowance for Loan Losses

The provision for loan losses represents the periodic expense of maintaining an allowance sufficient to absorb losses, net of recoveries, inherent in the portfolio of student loans. Activity in the allowance for loan losses is shown below.

	Year ended December 31,		
	2017	2016	2015
Balance at beginning of period	$ 51,842	50,498	48,900
Provision for loan losses:			
Federally insured loans	13,000	14,000	8,000
Private education loans	(2,000)	(500)	2,150
Consumer loans	3,450	—	—
Total provision for loan losses	14,450	13,500	10,150
Charge-offs:			
Federally insured loans	(11,562)	(12,292)	(11,730)
Private education loans	(1,313)	(1,728)	(2,414)
Consumer loans	(195)	—	—
Total charge-offs	(13,070)	(14,020)	(14,144)
Recoveries - private education loans	768	954	1,050
Purchase (sale) of loans, net:			
Federally insured loans	—	70	50
Private education loans	—	480	(140)
Transfer from repurchase obligation related to private education loans repurchased, net (a)	600	360	4,632
Balance at end of period	$ 54,590	51,842	50,498
Allocation of the allowance for loan losses:			
Federally insured loans	$ 38,706	37,268	35,490
Private education loans	12,629	14,574	15,008
Consumer loans	3,255	—	—
Total allowance for loan losses	$ 54,590	51,842	50,498

(a) The Company sold various portfolios of private education loans to third-parties. Per the terms of the servicing agreements, the Company's servicing operations were obligated to repurchase loans subject to the sale agreements in the event such loans became 60 or 90 days delinquent. As of December 31, 2016, the balance of loans subject to these repurchase obligations was \$39.5 million. The Company's estimate related to its obligation to repurchase these loans is included in "other liabilities" in the Company's consolidated balance sheet and was \$2.3 million as of December 31, 2016. On November 3, 2017, the loans subject to the repurchase obligations were sold by the owner of the loans to an unrelated third-party and the Company's repurchase obligation was terminated.

(Dollars in thousands, except share amounts, unless otherwise noted)

Student Loan Status and Delinquencies

Delinquencies have the potential to adversely impact the Company's earnings through increased servicing and collection costs and account charge-offs. The table below shows the Company's loan delinquency amounts for federally insured and private education loans.

	As of December 31,					
	2017		2016		2015	
Federally insured loans:						
Loans in-school/grace/deferment (a)	$ 1,260,394		$ 1,606,468		$ 2,292,941	
Loans in forbearance (b)	1,774,405		2,295,367		2,979,357	
Loans in repayment status:						
Loans current	16,477,004	88.2%	18,125,768	86.6%	19,447,541	84.4%
Loans delinquent 31-60 days (c)	682,586	3.7	818,976	3.9	1,028,396	4.5
Loans delinquent 61-90 days (c)	374,534	2.0	487,647	2.3	566,953	2.5
Loans delinquent 91-120 days (c)	287,922	1.5	335,291	1.6	415,747	1.8
Loans delinquent 121-270 days (c)	629,480	3.4	854,432	4.1	1,166,940	5.1
Loans delinquent 271 days or greater (c)(d)	235,281	1.2	306,035	1.5	390,232	1.7
Total loans in repayment	18,686,807	100.0%	20,928,149	100.0%	23,015,809	100.0%
Total federally insured loans	$ 21,721,606		$ 24,829,984		$ 28,288,107	
Private education loans:						
Loans in-school/grace/deferment (a)	$ 6,053		$ 35,146		$ 30,795	
Loans in forbearance (b)	2,237		3,448		350	
Loans in repayment status:						
Loans current	196,720	96.5%	228,612	97.2%	228,464	96.7%
Loans delinquent 31-60 days (c)	1,867	0.9	1,677	0.7	1,771	0.7
Loans delinquent 61-90 days (c)	1,052	0.5	1,110	0.5	1,283	0.5
Loans delinquent 91 days or greater (c)	4,231	2.1	3,666	1.6	4,979	2.1
Total loans in repayment	203,870	100.0%	235,065	100.0%	236,497	100.0%
Total private education loans	$ 212,160		$ 273,659		$ 267,642	

(a) Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, *e.g.*, residency periods for medical students or a grace period for bar exam preparation for law students.

(b) Loans for borrowers who have temporarily ceased making full payments due to hardship or other factors, according to a schedule approved by the servicer consistent with the established loan program servicing procedures and policies.

(c) The period of delinquency is based on the number of days scheduled payments are contractually past due and relate to repayment loans, that is, receivables not charged off, and not in school, grace, deferment, or forbearance.

(d) A portion of loans included in loans delinquent 271 days or greater includes loans in claim status, which are loans that have gone into default and have been submitted to the guaranty agency.

(Dollars in thousands, except share amounts, unless otherwise noted)

5. Bonds and Notes Payable

The following tables summarize the Company's outstanding debt obligations by type of instrument:

	As of December 31, 2017		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in FFELP loan asset-backed securitizations:			
Bonds and notes based on indices	$ 20,352,045	1.47% - 3.37%	8/25/21 - 2/25/66
Bonds and notes based on auction	780,829	2.09% - 2.69%	3/22/32 - 11/26/46
Total FFELP variable-rate bonds and notes	21,132,874		
FFELP warehouse facilities	335,992	1.55% / 1.56%	11/19/19 / 5/31/20
Variable-rate bonds and notes issued in private education loan asset-backed securitization	74,717	3.30%	12/26/40
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	82,647	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	10,000	2.98%	12/12/21
Unsecured debt - Junior Subordinated Hybrid Securities	20,381	5.07%	9/15/61
Other borrowings	70,516	2.44% - 3.38%	1/12/18 - 12/15/45
	21,727,127		
Discount on bonds and notes payable and debt issuance costs	(370,554)		
Total	$ 21,356,573		

	As of December 31, 2016		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in FFELP loan asset-backed securitizations:			
Bonds and notes based on indices	$ 22,130,063	0.24% - 6.90%	6/25/21 - 9/25/65
Bonds and notes based on auction	998,415	1.61% - 2.28%	3/22/32 - 11/26/46
Total FFELP variable-rate bonds and notes	23,128,478		
FFELP warehouse facilities	1,677,443	0.63% - 1.09%	9/7/18 - 12/13/19
Variable-rate bonds and notes issued in private education loan asset-backed securitization	112,582	2.60%	12/26/40
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	113,378	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	—	—	12/12/21
Unsecured debt - Junior Subordinated Hybrid Securities	50,184	4.37%	9/15/61
Other borrowings	18,355	3.38%	3/31/23 / 12/15/45
	25,100,420		
Discount on bonds and notes payable and debt issuance costs	(431,930)		
Total	$ 24,668,490		

(Dollars in thousands, except share amounts, unless otherwise noted)

Secured Financing Transactions

The Company has historically relied upon secured financing vehicles as its most significant source of funding for loans. The net cash flow the Company receives from the securitized loans generally represents the excess amounts, if any, generated by the underlying loans over the amounts required to be paid to the bondholders, after deducting servicing fees and any other expenses relating to the securitizations. The Company's rights to cash flow from securitized loans are subordinate to bondholder interests, and the securitized loans may fail to generate any cash flow beyond what is due to bondholders. The Company's secured financing vehicles during the periods presented include loan warehouse facilities and asset-backed securitizations.

The majority of the bonds and notes payable are primarily secured by the loans receivable, related accrued interest, and by the amounts on deposit in the accounts established under the respective bond resolutions or financing agreements.

FFELP warehouse facilities

The Company funds a portion of its FFELP loan acquisitions using its FFELP warehouse facilities. Student loan warehousing allows the Company to buy and manage student loans prior to transferring them into more permanent financing arrangements.

As of December 31, 2017, the Company had two FFELP warehouse facilities as summarized below.

	NFSLW-I	NHELP-II	Total
Maximum financing amount	$ 500,000	500,000	1,000,000
Amount outstanding	189,502	146,490	335,992
Amount available	$ 310,498	353,510	664,008
Expiration of liquidity provisions	September 20, 2019	May 31, 2018	
Final maturity date	November 19, 2019	May 31, 2020	
Maximum advance rates	92.0 - 98.0%	85.0 - 95.0%	
Minimum advance rates	84.0 - 90.0%	85.0 - 95.0%	
Advanced as equity support	$ 9,513	12,876	22,389

The FFELP warehouse facilities are supported by 364-day liquidity provisions, which are subject to the respective expiration date shown in the previous table. In the event the Company is unable to renew the liquidity provisions by such date, the facility would become a term facility at a stepped-up cost, with no additional student loans being eligible for financing, and the Company would be required to refinance the existing loans in the facility by the facility's final maturity date. The NFSLW-I warehouse facility provides for formula-based advance rates, depending on FFELP loan type, up to a maximum of the principal and interest of loans financed as shown in the table above. The advance rates for collateral may increase or decrease based on market conditions, but they are subject to minimums as disclosed above. The NHELP-II warehouse facility has a static advance rate that requires initial equity for loan funding, but does not require increased equity based on market movements.

The FFELP warehouse facilities contain financial covenants relating to levels of the Company's consolidated net worth, ratio of recourse indebtedness to adjusted EBITDA, and unencumbered cash. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facilities.

(Dollars in thousands, except share amounts, unless otherwise noted)

Asset-backed securitizations

The following tables summarize the asset-backed securitization transactions completed in 2017 and 2016.

	Securitizations completed during the year ended December 31, 2017			
	NSLT 2017-1	NSLT 2017-2	NSLT 2017-3	Total
Date securities issued	5/24/17	7/26/17	12/14/17	
Total original principal amount	$ 535,000	399,390	539,400	1,473,790
Bond discount	—	(2,002)	—	(2,002)
Issue price	$ 535,000	397,388	539,400	1,471,788
Cost of funds:	1-month LIBOR plus 0.78%	1-month LIBOR plus 0.77%	1-month LIBOR plus 0.85%	
Final maturity date	6/25/65	9/25/65	2/25/66	

	Securitizations completed during the year ended December 31, 2016				
	FFELP 2016-1	Private education loan 2016-A (a)			Total
		Class A-1A notes	Class A-1B notes	2016-A total	
Date securities issued	10/12/16	12/21/16	12/21/16	12/21/16	
Total original principal amount	$ 426,000	112,582	91,378	225,960	$ 651,960
Class A senior notes:					
Total original principal amount	$ 426,000	112,582	91,378	203,960	629,960
Bond discount	—	—	(609)	(609)	(609)
Issue price	$ 426,000	112,582	90,769	203,351	629,351
Cost of funds:	1-month LIBOR plus 0.80%	1-month LIBOR plus 1.75%	3.60%		
Final maturity date	9/25/65	12/26/40	12/26/40		
Class B subordinated notes:					
Total original principal amount				$ 22,000	22,000
Bond discount				(285)	(285)
Issue price				$ 21,715	21,715
Cost of funds:				5.35%	
Final maturity date				12/28/43	

(a) On June 26, 2015, the Company entered into a $275.0 million private education loan warehouse facility. The Company funded all loans that were included in this warehouse in the Private Education Loan 2016-A securitization and terminated the private education loan warehouse facility on December 21, 2016.

Auction Rate Securities

The interest rates on certain of the Company's FFELP asset-backed securities are set and periodically reset via a "dutch auction" ("Auction Rate Securities"). As of December 31, 2017, the Company is currently the sponsor on $780.8 million of Auction Rate Securities. The Auction Rate Securities generally pay interest to the holder at a maximum rate as defined by the indenture. While these rates will vary, they will generally be based on a spread to LIBOR or Treasury Securities, or the Net Loan Rate as defined in the financing documents. Based on the relative levels of these indices as of December 31, 2017, the rates expected to be paid by the Company range from LIBOR plus 100 basis points, on the low end, to LIBOR plus 250 basis points, on the high end. These maximum rates are subject to increase if the credit ratings on the bonds are downgraded.

Unsecured Line of Credit

The Company has a $350.0 million unsecured line of credit that has a maturity date of December 12, 2021. As of December 31, 2017, $10.0 million was outstanding on the line of credit and $340.0 million was available for future use. Interest on amounts borrowed under the line of credit is payable, at the Company's election, at an alternate base rate or a Eurodollar rate, plus a variable rate (LIBOR), in each case as defined in the credit agreement. The initial margin applicable to Eurodollar borrowings is 150 basis points and may vary from 100 to 200 basis points depending on the Company's credit rating.

The line of credit agreement contains certain financial covenants that, if not met, lead to an event of default under the agreement. The covenants include maintaining:

- A minimum consolidated net worth
- A minimum adjusted EBITDA to corporate debt interest (over the last four rolling quarters)
- A limitation on recourse indebtedness
- A limitation on the amount of unsecuritized private education and consumer loans in the Company's portfolio
- A limitation on permitted investments, including business acquisitions that are not in one of the Company's existing lines of business

As of December 31, 2017, the Company was in compliance with all of these requirements. Many of these covenants are duplicated in the Company's other lending facilities, including its warehouse facilities.

The Company's operating line of credit does not have any covenants related to unsecured debt ratings. However, changes in the Company's ratings (as well as the amounts the Company borrows) have modest implications on the pricing level at which the Company obtains funds

A default on the Company's warehouse facilities would result in an event of default on the Company's unsecured line of credit that would result in the outstanding balance on the line of credit becoming immediately due and payable.

Junior Subordinated Hybrid Securities

On September 27, 2006, the Company issued $200.0 million aggregate principal amount of Junior Subordinated Hybrid Securities ("Hybrid Securities"). The Hybrid Securities are unsecured obligations of the Company. The interest rate on the Hybrid Securities through September 29, 2036 ("the scheduled maturity date") is equal to three-month LIBOR plus 3.375%, payable quarterly, which was 5.07% at December 31, 2017. The principal amount of the Hybrid Securities will become due on the scheduled maturity date only to the extent that prior to such date the Company has received proceeds from the sale of certain qualifying capital securities (as defined in the Hybrid Securities' indenture). If any amount is not paid on the scheduled maturity date, it will remain outstanding and bear interest at a floating rate as defined in the indenture, payable monthly. On September 15, 2061, the Company must pay any remaining principal and interest on the Hybrid Securities in full whether or not the Company has sold qualifying capital securities. At the Company's option, the Hybrid Securities are redeemable in whole or in part at their principal amount plus accrued and unpaid interest.

During the first quarter of 2017, the Company initiated a cash tender offer to purchase any and all of its outstanding Hybrid Securities, including a related consent solicitation to effect certain amendments to the indenture governing the notes to eliminate a provision requiring a minimum principal amount of the notes to remain outstanding after a partial redemption. The aggregate principal amount of notes tendered to the Company was $29.7 million. The Company paid $25.3 million to redeem these notes, and the amendments described above were made to the indenture.

Other Borrowings

During 2017, the Company entered into a repurchase agreement, the proceeds of which are collateralized by FFELP asset-backed security investments. Included in "other borrowings" as of December 31, 2017 was $50.4 million subject to this repurchase agreement.

(Dollars in thousands, except share amounts, unless otherwise noted)

The Company also has three notes payable, which were each issued by TDP Phase Three, LLC ("TDP") in connection with the development of a commercial building in Lincoln, Nebraska that is the new corporate headquarters for Hudl, a related party. TDP is an entity established during 2015 for the sole purpose of developing and operating this building. The Company owns 25 percent of TDP. However, because the Company was the developer of and a current tenant in this building, the operating results of TDP are included in the Company's consolidated financial statements. Recourse to the Company on the outstanding balance of these notes is equal to its ownership percentage of TDP. A summary of the TDP notes outstanding as of December 31, 2017 is summarized below:

Issue date	Debt outstanding	Maturity date	Interest rate
December 30, 2015	$ 12,000	March 31, 2023	3.38% - fixed
December 30, 2015	6,355	December 15, 2045	3.38% - fixed
October 31, 2017	1,743	March 31, 2023	1-month LIBOR plus 2.00%

Debt Covenants

Certain bond resolutions and related credit agreements contain, among other requirements, covenants relating to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, and maintaining certain financial ratios. Management believes the Company is in compliance with all covenants of the bond indentures and related credit agreements as of December 31, 2017.

Maturity Schedule

Bonds and notes outstanding as of December 31, 2017 are due in varying amounts as shown below.

2018	$ 50,418
2019	189,502
2020	146,490
2021	33,410
2022	—
2023 and thereafter	21,307,307
	$ 21,727,127

Generally, the Company's secured financing instruments can be redeemed on any interest payment date at par plus accrued interest. Subject to certain provisions, all bonds and notes are subject to redemption prior to maturity at the option of certain education lending subsidiaries.

Debt Repurchases

The following table summarizes the Company's repurchases of its own debt. Gains (losses) recorded by the Company from the repurchase of debt are included in "gain on sale of loans and debt repurchases, net" on the Company's consolidated statements of income.

	Par value	Purchase price	Gain (loss)	Par value	Purchase price	Gain (loss)	Par value	Purchase price	Gain (loss)
	Year ended December 31,								
	2017			2016			2015		
Unsecured debt - Hybrid Securities	$ 29,803	25,357	4,446	7,000	4,865	2,135	14,504	11,374	3,130
Asset-backed securities	154,407	155,951	(1,544)	78,412	72,566	5,846	32,026	30,354	1,672
	$ 184,210	181,308	2,902	85,412	77,431	7,981	46,530	41,728	4,802

(Dollars in thousands, except share amounts, unless otherwise noted)

6. Derivative Financial Instruments

The Company uses derivative financial instruments primarily to manage interest rate risk and foreign currency exchange risk.

Interest Rate Risk

The Company is exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of the Company's assets do not match the interest rate characteristics of the funding for those assets. The Company has adopted a policy of periodically reviewing the mismatch related to the interest rate characteristics of its assets and liabilities together with the Company's outlook as to current and future market conditions. Based on those factors, the Company uses derivative instruments as part of its overall risk management strategy. Derivative instruments used as part of the Company's interest rate risk management strategy currently include basis swaps and interest rate swaps.

<u>Basis Swaps</u>

Interest earned on the majority of the Company's FFELP student loan assets is indexed to the one-month LIBOR rate. Meanwhile, the Company funds a majority of its FFELP loan assets with three-month LIBOR indexed floating rate securities. The different interest rate characteristics of the Company's loan assets and liabilities funding these assets results in basis risk.

The Company also faces repricing risk due to the timing of the interest rate resets on its liabilities, which may occur as infrequently as once a quarter, in contrast to the timing of the interest rate resets on its assets, which generally occur daily. As of December 31, 2017, the Company had $20.0 billion, $1.1 billion, and $0.6 billion of FFELP loans indexed to the one-month LIBOR rate, three-month commercial paper rate, and the three-month treasury bill rate, respectively, the indices for which reset daily, and $11.7 billion of debt indexed to three-month LIBOR, the indices for which reset quarterly, and $8.6 billion of debt indexed to one-month LIBOR, the indices for which reset monthly.

The Company has used derivative instruments to hedge its basis risk and repricing risk. The Company has entered into basis swaps in which the Company receives three-month LIBOR set discretely in advance and pays one-month LIBOR plus or minus a spread as defined in the agreements (the 1:3 Basis Swaps).

The following table summarizes the Company's 1:3 Basis Swaps outstanding:

	As of December 31,	
	2017	2016
Maturity	Notional amount	Notional amount
2018	$ 4,250,000	—
2019	3,500,000	—
2022	1,000,000	—
2024	250,000	—
2026	1,150,000	1,150,000
2027	375,000	—
2028	325,000	325,000
2029	100,000	—
2031	300,000	300,000
	$ 11,250,000	1,775,000

The weighted average rate paid by the Company on the 1:3 Basis Swaps as of December 31, 2017 and 2016, was one-month LIBOR plus 12.5 basis points and 10.1 basis points, respectively.

<u>*Interest rate swaps – floor income hedges*</u>

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the Special Allowance Payments ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. The Company generally finances its student loan portfolio with variable rate debt. In low and/or certain declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, these student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, the Company may earn additional spread income that it refers to as floor income.

(Dollars in thousands, except share amounts, unless otherwise noted)

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, the Company may earn floor income for an extended period of time, which the Company refers to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, the Company may earn floor income to the next reset date, which the Company refers to as variable rate floor income. All FFELP loans first originated on or after April 1, 2006 effectively earn at the SAP rate, since lenders are required to rebate fixed rate floor income and variable rate floor income for these loans to the Department.

Absent the use of derivative instruments, a rise in interest rates may reduce the amount of floor income received and this may have an impact on earnings due to interest margin compression caused by increasing financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively become variable rate loans, the impact of the rate fluctuations is reduced.

As of December 31, 2017 and 2016, the Company had $4.8 billion and $8.4 billion, respectively, of FFELP student loan assets that were earning fixed rate floor income, of which the weighted average estimated variable conversion rate for these loans, which is the estimated short-term interest rate at which loans would convert to a variable rate, was 3.17% and 2.42%, respectively.

The following tables summarize the outstanding derivative instruments used by the Company to economically hedge loans earning fixed rate floor income.

	As of December 31, 2017		As of December 31, 2016	
Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)	Notional amount	Weighted average fixed rate paid by the Company (a)
2017	$ —	—%	$ 750,000	0.99%
2018	1,350,000	1.07	1,350,000	1.07
2019	3,250,000	0.97	3,250,000	0.97
2020	1,500,000	1.01	1,500,000	1.01
2023	750,000	2.28	—	—
2024	300,000	2.28	—	—
2025	100,000	2.32	100,000	2.32
2027	50,000	2.32	—	—
	$ 7,300,000	1.21%	$ 6,950,000	1.02%

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

On August 20, 2014, the Company paid $9.1 million for an interest rate swap option to economically hedge loans earning fixed rate floor income. The interest rate swap option gives the Company the right, but not the obligation, to enter into a $250.0 million notional interest rate swap in which the Company would pay a fixed amount of 3.30% and receive discrete one-month LIBOR. If the interest rate swap option is exercised, the swap would become effective in 2019 and mature in 2024.

Interest Rate Caps

In June 2015, in conjunction with the entry into a $275.0 million private education loan warehouse facility, the Company paid $2.9 million for two interest rate cap contracts with a total notional amount of $275.0 million. The first interest rate cap has a notional amount of $125.0 million and a one-month LIBOR strike rate of 2.50%, and the second interest rate cap has a notional amount of $150.0 million and a one-month LIBOR strike rate of 4.99%. In the event that the one-month LIBOR rate rises above the applicable strike rate, the Company would receive monthly payments related to the spread difference. Both interest rate cap contracts have a maturity date of July 15, 2020. The private education loan warehouse facility was terminated by the Company on December 21, 2016. During the first quarter of 2017, the Company received $913,000 to terminate the interest rate cap contracts that were held in the private education loan warehouse legal entity and paid $929,000 to enter into new interest rate cap contracts with identical terms at Nelnet, Inc. (the parent company). The Company currently intends to keep these derivatives outstanding to partially mitigate a rise in interest rates and its impact on earnings related to its student loan portfolio earning a fixed rate.

(Dollars in thousands, except share amounts, unless otherwise noted)

Interest rate swaps – unsecured debt hedges

As of December 31, 2017 and 2016, the Company had $20.4 million and $50.2 million, respectively, of unsecured Hybrid Securities outstanding. The interest rate on the Hybrid Securities through September 29, 2036 is equal to three-month LIBOR plus 3.375%, payable quarterly. As of December 31, 2017 and 2016, the Company had the following derivatives outstanding that are used to effectively convert the variable interest rate on a portion of the Hybrid Securities to a fixed rate of 7.66%.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2036	$ 25,000	4.28%

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

Foreign Currency Exchange Risk

In 2006, the Company issued €352.7 million of student loan asset-backed Euro Notes (the "Euro Notes") with an interest rate based on a spread to the EURIBOR index. On October 25, 2017, the Company completed a remarketing of the Euro Notes which reset principal amount outstanding on the Euro Notes to $450.0 million U.S. dollars with an interest rate based on the 3-month LIBOR index. As a result of the Euro Notes, the Company was exposed to market risk related to fluctuations in foreign currency exchange rates between the U.S. dollar and Euro. The principal and accrued interest on these notes were re-measured at each reporting period and recorded in the Company's consolidated balance sheet in U.S. dollars based on the foreign currency exchange rate on that date. Changes in the principal and accrued interest amounts as a result of foreign currency exchange rate fluctuations were included in the Company's consolidated statements of income.

The Company entered into a cross-currency interest rate swap in connection with the issuance of the Euro Notes. On October 25, 2017, the Company terminated the cross-currency swap when the Euro Notes were remarketed. Under the terms of the cross-currency interest rate swap, the Company received from the counterparty a spread to the EURIBOR index based on a notional amount of €352.7 million and paid a spread to the LIBOR index based on a notional amount of $450.0 million.

The following table shows the income statement impact as a result of the re-measurement of the Euro Notes and the change in the fair value of the related derivative instruments.

	Year ended December 31,		
	2017	2016	2015
Re-measurement of Euro Notes	$ (45,600)	11,849	43,801
Change in fair value of cross currency interest rate swap	34,208	(1,954)	(45,195)
Total impact to consolidated statements of income - (expense) income (a)	$ (11,392)	9,895	(1,394)

(a) The financial statement impact of the above items is included in "Derivative market value and foreign currency adjustments and derivative settlements, net" in the Company's consolidated statements of income.

Management structured the cross-currency interest rate swap to economically hedge the Euro Notes to effectively convert the Euro Notes to U.S. dollars and pay a spread on these notes based on the LIBOR index. However, the cross-currency interest rate swap did not qualify for hedge accounting. The re-measurement of the Euro-denominated bonds generally correlated with the change in the fair value of the corresponding cross-currency interest rate swap. However, the Company experienced unrealized gains and losses between these financial instruments due to the principal and accrued interest on the Euro Notes being re-measured to U.S. dollars at each reporting date based on the foreign currency exchange rate on that date, while the cross-currency interest rate swap was measured at fair value at each reporting date with the change in fair value recognized in the current period earnings.

(Dollars in thousands, except share amounts, unless otherwise noted)

Consolidated Financial Statement Impact Related to Derivatives

Balance Sheet

The following table summarizes the fair value of the Company's derivatives as reflected on the consolidated balance sheets.

	Fair value of asset derivatives		Fair value of liability derivatives	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
1:3 basis swaps	$ —	—	—	2,624
Interest rate swaps - floor income hedges	—	81,159	—	256
Interest rate swap option - floor income hedge	543	2,977	—	—
Interest rate caps	275	1,152	—	—
Interest rate swaps - hybrid debt hedges	—	—	7,063	7,341
Cross-currency interest rate swap	—	—	—	67,605
Other	—	2,243	—	—
Total	$ 818	87,531	7,063	77,826

During the year ended December 31, 2017 the Company terminated certain derivatives for net payments of $30.4 million, including proceeds of $2.1 million and $0.9 million on the termination of 1:3 basis swaps and interest rate caps, respectively, and payments of $33.4 million on the termination of cross-currency interest rate swap. During the year ended December 31, 2016, the Company terminated certain derivatives for net proceeds of $4.0 million, including proceeds of $0.6 million and $3.4 million from the termination of 1:3 basis swaps and interest rate swaps used to hedge loans earning fixed rate floor income, respectively.

Offsetting of Derivative Assets/Liabilities

The following tables include the gross amounts related to the Company's derivative portfolio recognized in the consolidated balance sheets, reconciled to the net amount when excluding derivatives subject to enforceable master netting arrangements and cash collateral received/pledged:

		Gross amounts not offset in the consolidated balance sheets		
Derivative assets	Gross amounts of recognized assets presented in the consolidated balance sheets	Derivatives subject to enforceable master netting arrangement	Cash collateral pledged	Net asset (liability)
Balance as of December 31, 2017	$ 818	—	—	818
Balance as of December 31, 2016	87,531	(2,880)	475	85,126

		Gross amounts not offset in the consolidated balance sheets		
Derivative liabilities	Gross amounts of recognized liabilities presented in the consolidated balance sheets	Derivatives subject to enforceable master netting arrangement	Cash collateral pledged	Net asset (liability)
Balance as of December 31, 2017	$ (7,063)	—	8,520	1,457
Balance as of December 31, 2016	(77,826)	2,880	7,292	(67,654)

(Dollars in thousands, except share amounts, unless otherwise noted)

Income Statement

The following table summarizes the components of "derivative market value and foreign currency transaction adjustments and derivative settlements, net" included in the consolidated statements of income.

	Year ended December 31,		
	2017	**2016**	**2015**
Settlements:			
1:3 basis swaps	$ (3,069)	1,493	1,058
Interest rate swaps - floor income hedges	10,838	(17,643)	(23,041)
Interest rate swaps - hybrid debt hedges	(781)	(915)	(1,012)
Cross-currency interest rate swap	(6,321)	(4,884)	(1,255)
Total settlements - income (expense)	667	(21,949)	(24,250)
Change in fair value:			
1:3 basis swaps	(8,224)	(2,938)	12,292
Interest rate swaps - floor income hedges	3,585	64,111	20,103
Interest rate swap option - floor income hedge	(2,433)	(281)	(2,420)
Interest rate caps	(893)	(419)	(1,365)
Interest rate swaps - hybrid debt hedges	279	304	(295)
Cross-currency interest rate swap	34,208	(1,954)	(45,195)
Other	(143)	1,072	1,730
Total change in fair value - income (expense)	26,379	59,895	(15,150)
Re-measurement of Euro Notes (foreign currency transaction adjustment) - income (expense)	(45,600)	11,849	43,801
Derivative market value and foreign currency transaction adjustments and derivative settlements, net - income (expense)	$ (18,554)	49,795	4,401

Derivative Instruments - Credit and Market Risk

New clearing requirements reduce counterparty risk associated with over-the-counter derivatives executed by the Company after June 10, 2013. For non-centrally cleared derivatives, the Company is exposed to credit risk.

When the fair value of a non-centrally cleared derivative is positive (an asset in the Company's consolidated balance sheet), this generally indicates that the counterparty would owe the Company if the derivative was settled. If the counterparty fails to perform, credit risk with such counterparty is equal to the extent of the fair value gain in the derivative less any collateral held by the Company. If the Company was unable to collect from a counterparty, it would have a loss equal to the amount the derivative is recorded in the consolidated balance sheet.

The Company considers counterparties' credit risk when determining the fair value of derivative positions on its exposure net of collateral. However, the Company does not use the collateral to offset fair value amounts recognized for derivative instruments in the financial statements.

When the fair value of a non-centrally cleared derivative is negative (a liability in the Company's consolidated balance sheet), the Company would owe the counterparty if the derivative was settled and, therefore, has no immediate credit risk. If the negative fair value of derivatives with a counterparty exceeds a specified threshold, the Company may have to make a collateral deposit with the counterparty. The threshold at which the Company may be required to post collateral is dependent upon the Company's unsecured credit rating. The Company believes any downgrades from its current unsecured credit rating (Standard & Poor's: BBB- (stable outlook), Moody's: Ba1 (stable outlook), and DBRS: BBB (low) (stable outlook)), would not result in additional collateral requirements of a material nature. In addition, no counterparty has the right to terminate its contracts in the event of downgrades from the current ratings.

(Dollars in thousands, except share amounts, unless otherwise noted)

Interest rate movements have an impact on the amount of collateral the Company is required to deposit with its derivative instrument counterparties and variation margin payments to its third-party clearinghouse. The Company attempts to manage market risk associated with interest rates by establishing and monitoring limits as to the types and degree of risk that may be undertaken. The Company's derivative portfolio and hedging strategy is reviewed periodically by its internal risk committee and board of directors' Risk and Finance Committee. With the Company's current derivative portfolio, the Company does not currently anticipate any movement in interest rates having a material impact on its liquidity or capital resources, nor expects future movements in interest rates to have a material impact on its ability to meet potential collateral deposits with its counterparties and variation margin payments to its third-party clearinghouse. Due to the existing low interest rate environment, the Company's exposure to downward movements in interest rates on its interest rate swaps is limited. In addition, the historical high correlation between one-month and three-month LIBOR limits the Company's exposure to interest rate movements on the 1:3 Basis Swaps.

7. Investments and Notes Receivable

A summary of the Company's investments and notes receivable follows:

	As of December 31, 2017				As of December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses (a)	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investments (at fair value):								
Available-for-sale investments:								
Student loan asset-backed and other debt securities (b)	$ 71,943	5,056	(25)	76,974	98,260	6,280	(641)	103,899
Equity securities	1,630	2,298	—	3,928	720	1,930	(61)	2,589
Total available-for-sale investments	$ 73,573	7,354	(25)	80,902	98,980	8,210	(702)	106,488
Trading investments - equity securities				—				105
Total available-for-sale and trading investments				80,902				106,593
Other Investments and Notes Receivable (not measured at fair value):								
Venture capital and funds				84,752				69,789
Real estate				49,464				48,379
Notes receivable				16,393				17,031
Tax liens and affordable housing				9,027				12,352
Total investments and notes receivable				$ 240,538				254,144

(a) As of December 31, 2017, the aggregate fair value of available-for-sale investments with unrealized losses was $12.3 million of which none had been in a continuous unrealized loss position for greater than 12 months. Because the Company currently has the intent and ability to retain these investments for an anticipated recovery in fair value, as of December 31, 2017, the Company considered the decline in market value of its available-for-sale investments to be temporary in nature and did not consider any of its investments other-than-temporarily impaired.

(b) As of December 31, 2017, the stated maturities of substantially all of the Company's student loan asset-backed securities and other debt securities classified as available-for-sale were greater than 10 years.

(Dollars in thousands, except share amounts, unless otherwise noted)

The following table summarizes the amount included in "other income" in the consolidated statements of income related to the Company's investments classified as available-for-sale and trading.

	Year ended December 31,		
	2017	2016	2015
Available-for-sale securities:			
Gross realized gains	$ 3,767	3,099	3,402
Gross realized losses	(1,239)	(1,192)	(447)
Trading securities:			
Unrealized gains (losses), net	(14)	525	(715)
Realized gains (losses), net	—	341	(2,097)
	$ 2,514	2,773	143

8. Business Combination

ALLO

On December 31, 2015, the Company purchased 92.5 percent of the ownership interests of ALLO for total cash consideration of $46.25 million. On January 1, 2016, the Company sold a 1.0 percent ownership interest in ALLO to a non-related third-party for $0.5 million. The remaining 7.5 percent of the ownership interests of ALLO is owned by ALLO management, who has the opportunity to earn an additional 11.5 percent (up to 19 percent) of the total ownership interests based on the financial performance of ALLO. The additional ownership interests that ALLO management has the opportunity to earn are based on their continued employment with ALLO. Accordingly, the value associated with the ownership interests issued to these employees of $1.0 million will be recognized by ALLO as compensation expense over the performance period.

ALLO provides pure fiber optic service to homes and businesses for internet, television, and telephone services. The acquisition of ALLO provides additional diversification of the Company's revenues and cash flows outside of education. In addition, the acquisition leverages the Company's existing infrastructure, customer service capabilities and call centers, and financial strength and liquidity for continued growth.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. During the first quarter of 2016, the Company recognized certain adjustments to the provisional amounts recorded at December 31, 2015 that were needed to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The net impact of these adjustments was an increase to goodwill, and the adjustments had no impact on operating results.

Cash and cash equivalents	$ 334
Restricted cash	850
Accounts receivable	1,935
Property and equipment	32,479
Other assets	371
Intangible assets	11,410
Excess cost over fair value of net assets acquired (goodwill)	21,112
Other liabilities	(4,587)
Bonds and notes payable	(13,904)
Net assets acquired	50,000
Minority interest	(3,750)
Total consideration paid by the Company	$ 46,250

The $11.4 million of acquired intangible assets on the date of acquisition had a weighted-average useful life of approximately 12 years. The intangible assets that made up this amount included customer relationships of $6.3 million (10-year useful life) and a trade name of $5.1 million (15-year useful life).

(Dollars in thousands, except share amounts, unless otherwise noted)

The $21.1 million of goodwill was assigned to the Communications operating segment and is expected to be deductible for tax purposes. The amount allocated to goodwill was primarily attributable to future customers to be generated through the continued expansion of ALLO's services in rural markets.

The proforma impacts of the acquisition on the Company's historical results prior to the acquisition were not material.

9. Intangible Assets

Intangible assets consist of the following:

	Weighted average remaining useful life as of December 31, 2017 (months)	As of December 31, 2017	As of December 31, 2016
Amortizable intangible assets, net:			
Customer relationships (net of accumulated amortization of $12,715 and $8,548, respectively)	160	$ 24,168	28,335
Trade names (net of accumulated amortization of $2,498 and $1,653, respectively)	89	9,074	9,919
Computer software (net of accumulated amortization of $10,013 and $5,675, respectively)	14	4,958	9,296
Covenants not to compete (net of accumulated amortization of $127 and $91, respectively)	77	227	263
Total - amortizable intangible assets, net	124	$ 38,427	47,813

The Company recorded amortization expense on its intangible assets of $9.4 million, $11.6 million, and $9.8 million during the years ended December 31, 2017, 2016, and 2015, respectively. The Company will continue to amortize intangible assets over their remaining useful lives. As of December 31, 2017, the Company estimates it will record amortization expense as follows:

2018	$	10,428
2019		6,990
2020		3,789
2021		3,077
2022		2,474
2023 and thereafter		11,669
	$	38,427

10. Goodwill

The change in the carrying amount of goodwill by reportable operating segment was as follows:

	Loan Systems and Servicing	Tuition Payment Processing and Campus Commerce	Communications	Asset Generation and Management (a)	Corporate and Other Activities	Total
Balance as of December 31, 2015	$ 8,596	67,168	19,800	41,883	8,553	146,000
ALLO purchase price adjustment	—	—	1,312	—	—	1,312
Balance as of December 31, 2016	8,596	67,168	21,112	41,883	8,553	147,312
Impairment expense	—	—	—	—	(3,626)	(3,626)
Sale of Peterson's	—	—	—	—	(4,927)	(4,927)
Balance as of December 31, 2017	$ 8,596	67,168	21,112	41,883	—	138,759

(Dollars in thousands, except share amounts, unless otherwise noted)

(a) As a result of the Reconciliation Act of 2010, the Company no longer originates new FFELP loans, and net interest income from the Company's existing FFELP loan portfolio will decline over time as the Company's portfolio pays down. As a result, as this revenue stream winds down, goodwill impairment will be triggered for the Asset Generation and Management reporting unit due to the passage of time and depletion of projected cash flows stemming from its FFELP student loan portfolio. Management believes the elimination of new FFELP loan originations will not have an adverse impact on the fair value of the Company's other reporting units.

The Company reviews goodwill for impairment annually. This annual review is completed by the Company as of November 30 of each year and whenever triggering events or changes in circumstances indicate its carrying value may not be recoverable. On November 30, 2017, due to the anticipated sale of Peterson's, the Company recognized an impairment expense of $3.6 million related to goodwill initially recorded upon the acquisition of Peterson's. On December 31, 2017, the Company sold Peterson's for $5.0 million in cash. The impairment expense recognized by the Company is included in "other expenses" in the consolidated statement of income.

For the 2017 annual review of goodwill, with the exception of the sale of Peterson's as discussed previously, the Company assessed qualitative factors and concluded it was not more likely than not that the fair value of its reporting units were less than their carrying amount. As such, the Company was not required to perform further impairment testing and concluded there was no impairment of goodwill.

11. Property and Equipment

Property and equipment consisted of the following:

		As of December 31,	
	Useful life	2017	2016
Non-communications:			
Computer equipment and software	1-5 years	$ 124,708	97,317
Building and building improvements	5-39 years	24,003	13,363
Office furniture and equipment	3-7 years	15,210	12,344
Leasehold improvements	5-15 years	7,759	3,579
Transportation equipment	4-10 years	3,813	3,809
Land	—	2,628	1,682
Construction in progress	—	4,127	16,346
		182,248	148,440
Accumulated depreciation - non-communications		105,017	91,285
Non-communications, net property and equipment		77,231	57,155
Communications:			
Network plant and fiber	5-15 years	138,122	40,844
Customer located property	5-10 years	13,767	5,138
Central office	5-15 years	10,754	6,448
Transportation equipment	4-10 years	5,759	2,966
Computer equipment and software	1-5 years	3,790	2,026
Other	1-39 years	2,516	1,268
Land	—	70	70
Construction in progress	—	11,620	12,537
		186,398	71,297
Accumulated depreciation - communications		15,578	4,666
Communications, net property and equipment		170,820	66,631
Total property and equipment, net		$ 248,051	123,786

The Company recorded depreciation expense on its property and equipment of $30.2 million, $22.4 million, and $16.5 million during the years ended December 31, 2017, 2016, and 2015, respectively.

12. Shareholders' Equity

Classes of Common Stock

The Company's common stock is divided into two classes. The Class B common stock has ten votes per share and the Class A common stock has one vote per share on all matters to be voted on by the Company's shareholders. Each Class B share is convertible at any time at the holder's option into one Class A share. With the exception of the voting rights and the conversion feature, the Class A and Class B shares are identical in terms of other rights, including dividend and liquidation rights.

Stock Repurchases

The Company has a stock repurchase program that expires on May 25, 2019 in which it can repurchase up to five million shares of its Class A common stock on the open market, through private transactions, or otherwise. As of December 31, 2017, 3.1 million shares may still be purchased under the Company's stock repurchase program. Shares repurchased by the Company during 2017, 2016, and 2015 are shown in the table below.

	Total shares repurchased	Purchase price (in thousands)	Average price of shares repurchased (per share)
Year ended December 31, 2017	1,473,054	$ 68,896	$ 46.77
Year ended December 31, 2016	2,038,368	69,091	33.90
Year ended December 31, 2015	2,449,159	96,169	39.27

13. Earnings per Common Share

Presented below is a summary of the components used to calculate basic and diluted earnings per share. The Company applies the two-class method in computing both basic and diluted earnings per share, which requires the calculation of separate earnings per share amounts for common stock and unvested share-based awards. Unvested share-based awards that contain nonforfeitable rights to dividends are considered securities which participate in undistributed earnings with common stock.

	Year ended December 31,								
	2017			2016			2015		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:									
Net income attributable to Nelnet, Inc.	$ 171,442	1,724	173,166	254,063	2,688	256,751	265,129	2,850	267,979
Denominator:									
Weighted-average common shares outstanding - basic and diluted	41,375,964	415,977	41,791,941	42,222,335	446,735	42,669,070	45,045,199	484,141	45,529,340
Earnings per share - basic and diluted	$ 4.14	4.14	4.14	6.02	6.02	6.02	5.89	5.89	5.89

Unvested restricted stock awards are the Company's only potential common shares and, accordingly, there were no awards that were antidilutive and not included in average shares outstanding for the diluted earnings per share calculation.

(Dollars in thousands, except share amounts, unless otherwise noted)

As of December 31, 2017, a cumulative amount of 171,519 shares have been deferred by non-employee directors under the Directors Stock Compensation Plan and will become issuable upon the termination of service by the respective non-employee director on the board of directors. These shares are included in the Company's weighted average shares outstanding calculation.

14. Income Taxes

The Company is subject to income taxes in the United States, Canada, and Australia. Significant judgment is required in evaluating the Company's tax positions and determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain.

As required by the Income Taxes Topic of the FASB Accounting Standards Codification ("ASC Topic 740"), the Company recognizes in the consolidated financial statements only those tax positions determined to be more likely than not of being sustained upon examination, based on the technical merits of the positions. It further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the period of such change.

As of December 31, 2017, the total amount of gross unrecognized tax benefits (excluding the federal benefit received from state positions) was $28.4 million, which is included in "other liabilities" on the consolidated balance sheet. Of this total, $22.4 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods. The Company currently anticipates uncertain tax positions will decrease by $7.1 million prior to December 31, 2018 as a result of a lapse of applicable statutes of limitations, settlements, correspondence with examining authorities, and recognition or measurement considerations with federal and state jurisdictions; however, actual developments in this area could differ from those currently expected. Of the anticipated $7.1 million decrease, $5.6 million, if recognized, would favorably affect the Company's effective tax rate. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits follows:

	Year ended December 31,	
	2017	2016
Gross balance - beginning of year	$ 28,004	27,688
Additions based on tax positions of prior years	145	904
Additions based on tax positions related to the current year	2,903	4,347
Settlements with taxing authorities	—	—
Reductions for tax positions of prior years	(356)	(3,088)
Reductions based on tax positions related to the current year	—	—
Reductions due to lapse of applicable statutes of limitations	(2,275)	(1,847)
Gross balance - end of year	$ 28,421	28,004

All the reductions shown in the table above that are due to prior year tax positions and the lapse of statutes of limitations impacted the effective tax rate.

The Company's policy is to recognize interest and penalties accrued on uncertain tax positions as part of interest expense and other expense, respectively. As of December 31, 2017 and 2016, $4.5 million and $3.5 million in accrued interest and penalties, respectively, were included in "other liabilities" on the consolidated balance sheets. The Company recognized interest expense of $0.8 million, $0.3 million, and $1.2 million related to uncertain tax positions for the years ended December 31, 2017, 2016, and 2015, respectively. The impact to the consolidated statements of income related to penalties for uncertain tax positions was not significant for the years 2017, 2016, and 2015. The impact of timing differences and tax attributes are considered when calculating interest and penalty accruals associated with the unrecognized tax benefits.

(Dollars in thousands, except share amounts, unless otherwise noted)

The Company and its subsidiaries file a consolidated federal income tax return in the U.S. and the Company or one of its subsidiaries files income tax returns in various state, local, and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2014. The Company is no longer subject to U.S. state and local income tax examinations by tax authorities prior to 2007. As of December 31, 2017, the Company has tax uncertainties that remain unsettled in the following jurisdictions:

California	2010 through 2015
Maine	2011 through 2016
New York	2008 through 2014
Texas	2007 through 2009

The provision for income taxes consists of the following components:

	Year ended December 31,		
	2017	2016	2015
Current:			
Federal	$ 65,196	111,302	140,778
State	1,246	3,019	4,530
Foreign	(35)	(13)	23
Total current provision	66,407	114,308	145,331
Deferred:			
Federal	(8,270)	25,423	3,572
State	6,618	1,976	3,875
Foreign	108	(394)	(398)
Total deferred provision	(1,544)	27,005	7,049
Provision for income tax expense	$ 64,863	141,313	152,380

The differences between the income tax provision computed at the statutory federal corporate tax rate and the financial statement provision for income taxes are shown below:

	Year ended December 31,		
	2017	2016	2015
Tax expense at federal rate	35.0 %	35.0 %	35.0 %
Increase (decrease) resulting from:			
Reduction of statutory federal rate (a)	(8.0)	—	—
State tax, net of federal income tax benefit	1.6	1.1	1.0
Provision for uncertain federal and state tax matters	—	—	0.9
Tax credits	(1.3)	(0.6)	(0.5)
Other	—	—	(0.1)
Effective tax rate	27.3 %	35.5 %	36.3 %

(a) The Tax Cuts and Jobs Act (the "Tax Act"), signed into law on December 22, 2017, changes existing United States tax law and includes numerous provisions that affect businesses, including the Company. The Tax Act, for instance, introduces changes that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits.

The Company accounted for the change in tax laws in accordance with ASC Topic 740 that provides guidance that a change in tax law or rates be recognized in the financial reporting period that includes the enactment date, which is the date the changes were signed into law. The income tax accounting effect of a change in tax laws or tax rates includes, for example, adjusting (or re-measuring) deferred tax liabilities and deferred tax assets, as well as evaluating whether a valuation allowance is needed for deferred tax assets. The Company re-measured its deferred tax liabilities and deferred tax assets as of December 22, 2017 resulting in a decrease to income tax expense of $19.3 million. The Company determined no valuation allowance was needed for any deferred tax assets as a result of the Act.

(Dollars in thousands, except share amounts, unless otherwise noted)

In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 (SAB 118), which provides guidance regarding how a company is to reflect provisional amounts when necessary information is not yet available, prepared, or analyzed sufficiently to complete its accounting for the effect of the changes in the Tax Act. The income tax benefit of $19.3 million recorded during the year ended December 31, 2017 represents all known and estimable impacts of the Tax Act and is a provisional amount based on the Company's current best estimate. This provisional amount incorporates assumptions made based upon the Company's current interpretations of the Tax Act and may change as the Company receives additional clarification and implementation guidance, and as data becomes available allowing for a more accurate scheduling of the deferred tax assets and liabilities, including those related to items potentially impacted by the Tax Act such as accruals in 2017 related to payments not occurring until later in 2018, partnership basis, and tax implications of the Tax Act at state and local jurisdictions. Adjustments to this provisional amount through December 22, 2018 will be included in income from operations as an adjustment to tax expense in future periods.

The tax effect of temporary differences that give rise to deferred tax assets and liabilities include the following:

	As of December 31,	
	2017	2016
Deferred tax assets:		
Student loans	$ 13,532	20,980
Deferred revenue	3,246	2,699
Securitizations	2,970	5,675
Intangible assets	2,899	4,821
Accrued expenses	2,246	3,533
Stock compensation	1,744	2,948
Total gross deferred tax assets	26,637	40,656
Less valuation allowance	(254)	(264)
Net deferred tax assets	26,383	40,392
Deferred tax liabilities:		
Basis in certain derivative contracts	23,051	46,636
Partnership basis	21,474	4,976
Loan origination services	8,001	13,019
Depreciation	4,958	5,128
Debt repurchases	3,856	12,457
Debt and equity investments	1,767	3,246
Other	823	360
Total gross deferred tax liabilities	63,930	85,822
Net deferred tax liability	$ (37,547)	(45,430)

The Company has performed an evaluation of the recoverability of deferred tax assets. In assessing the realizability of the Company's deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected taxable income, carry back opportunities, and tax planning strategies in making the assessment of the amount of the valuation allowance. With the exception of a portion of the Company's state net operating loss, it is management's opinion that it is more likely than not that the deferred tax assets will be realized and should not be reduced by a valuation allowance. The amount of deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

As of December 31, 2017 and 2016, the Company had a current income tax receivable of $42.4 million and $13.0 million, respectively, that is included in "other assets" on the consolidated balance sheets.

15. Segment Reporting

The Company has four reportable operating segments. The Company's reportable operating segments include:

- Loan Systems and Servicing
- Tuition Payment Processing and Campus Commerce
- Communications
- Asset Generation and Management

The Company earns fee-based revenue through its Loan Systems and Servicing, Tuition Payment Processing, and Communications operating segments. In addition, the Company earns interest income on its loan portfolio in its Asset Generation and Management operating segment.

The Company's operating segments are defined by the products and services they offer and the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. See note 1, "Description of Business," for a description of each operating segment, including the primary products and services offered.

The management reporting process measures the performance of the Company's operating segments based on the management structure of the Company, as well as the methodology used by management to evaluate performance and allocate resources. Executive management (the "chief operating decision maker") evaluates the performance of the Company's operating segments based on their financial results prepared in conformity with U.S. GAAP.

The accounting policies of the Company's operating segments are the same as those described in the summary of significant accounting policies. Intersegment revenues are charged by a segment that provides a product or service to another segment. Intersegment revenues and expenses are included within each segment consistent with the income statement presentation provided to management. Income taxes are allocated based on 38% of income before taxes for each individual operating segment. The difference between the consolidated income tax expense and the sum of taxes calculated for each operating segment is included in income taxes in Corporate and Other Activities.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities includes the following items:

- Income earned on certain investment activities
- Interest expense incurred on unsecured debt transactions
- Other product and service offerings that are not considered reportable operating segments including, but not limited to, WRCM, the SEC-registered investment advisor subsidiary

Corporate and Other Activities also includes certain corporate activities and overhead functions related to executive management, internal audit, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

Segment Results

The following tables include the results of each of the Company's reportable operating segments reconciled to the consolidated financial statements.

(Dollars in thousands, except share amounts, unless otherwise noted)

	Year ended December 31, 2017						
	Loan Systems and Servicing	Tuition Payment Processing and Campus Commerce	Communications	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 513	17	3	764,225	13,643	(7,976)	770,426
Interest expense	3	—	5,427	464,256	3,477	(7,976)	465,188
Net interest income	510	17	(5,424)	299,969	10,166	—	305,238
Less provision for loan losses	—	—	—	14,450	—	—	14,450
Net interest income (loss) after provision for loan losses	510	17	(5,424)	285,519	10,166	—	290,788
Other income:							
Loan systems and servicing revenue	223,000	—	—	—	—	—	223,000
Intersegment servicing revenue	41,674	—	—	—	—	(41,674)	—
Tuition payment processing, school information, and campus commerce revenue	—	145,751	—	—	—	—	145,751
Communications revenue	—	—	25,700	—	—	—	25,700
Other income	—	—	—	13,424	39,402	—	52,826
Gain on sale of loans and debt repurchases, net	—	—	—	(1,567)	4,469	—	2,902
Derivative settlements, net	—	—	—	1,448	(781)	—	667
Derivative market value and foreign currency transaction adjustments, net	—	—	—	(19,357)	136	—	(19,221)
Total other income	264,674	145,751	25,700	(6,052)	43,226	(41,674)	431,625
Operating expenses:							
Salaries and benefits	156,256	69,500	14,947	1,548	59,633	—	301,885
Depreciation and amortization	2,864	9,424	11,835	—	15,418	—	39,541
Loan servicing fees	—	—	—	22,734	—	—	22,734
Cost to provide communications services	—	—	9,950	—	—	—	9,950
Other expenses	39,126	19,138	8,074	3,900	51,381	—	121,619
Intersegment expenses, net	31,871	9,079	2,101	42,830	(44,208)	(41,674)	—
Total operating expenses	230,117	107,141	46,907	71,012	82,224	(41,674)	495,729
Income (loss) before income taxes	35,067	38,627	(26,631)	208,455	(28,832)	—	226,684
Income tax (expense) benefit	(18,128)	(14,678)	10,120	(79,213)	37,036	—	(64,863)
Net income (loss)	16,939	23,949	(16,511)	129,242	8,204	—	161,821
Net loss (income) attributable to noncontrolling interests	12,640	—	—	—	(1,295)	—	11,345
Net income (loss) attributable to Nelnet, Inc.	$ 29,579	23,949	(16,511)	129,242	6,909	—	173,166
Total assets as of December 31, 2017	$ 122,330	250,351	214,336	22,910,974	877,859	(411,415)	23,964,435

(Dollars in thousands, except share amounts, unless otherwise noted)

	Year ended December 31, 2016						
	Loan Systems and Servicing	Tuition Payment Processing and Campus Commerce	Communications	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 111	9	1	754,788	10,913	(5,076)	760,746
Interest expense	—	—	1,271	385,913	6,076	(5,076)	388,183
Net interest income	111	9	(1,270)	368,875	4,837	—	372,563
Less provision for loan losses	—	—	—	13,500	—	—	13,500
Net interest income (loss) after provision for loan losses	111	9	(1,270)	355,375	4,837	—	359,063
Other income:							
Loan systems and servicing revenue	214,846	—	—	—	—	—	214,846
Intersegment servicing revenue	45,381	—	—	—	—	(45,381)	—
Tuition payment processing, school information, and campus commerce revenue	—	132,730	—	—	—	—	132,730
Communications revenue	—	—	17,659	—	—	—	17,659
Enrollment services revenue	—	—	—	—	4,326	—	4,326
Other income	—	—	—	15,709	38,221	—	53,929
Gain on sale of loans and debt repurchases, net	—	—	—	5,846	2,135	—	7,981
Derivative settlements, net	—	—	—	(21,034)	(915)	—	(21,949)
Derivative market value and foreign currency transaction adjustments, net	—	—	—	70,368	1,376	—	71,744
Total other income	260,227	132,730	17,659	70,889	45,143	(45,381)	481,266
Operating expenses:							
Salaries and benefits	132,072	62,329	7,649	1,985	51,889	—	255,924
Depreciation and amortization	1,980	10,595	6,060	—	15,298	—	33,933
Loan servicing fees	—	—	—	25,750	—	—	25,750
Cost to provide communications services	—	—	6,866	—	—	—	6,866
Cost to provide enrollment services	—	—	—	—	3,623	—	3,623
Other expenses	40,715	18,486	4,370	6,005	45,843	—	115,419
Intersegment expenses, net	24,204	6,615	958	46,494	(32,889)	(45,381)	—
Total operating expenses	198,971	98,025	25,903	80,234	83,764	(45,381)	441,515
Income (loss) before income taxes	61,367	34,714	(9,514)	346,030	(33,784)	—	398,814
Income tax (expense) benefit	(23,319)	(13,191)	3,615	(131,492)	23,074	—	(141,313)
Net income (loss)	38,048	21,523	(5,899)	214,538	(10,710)	—	257,501
Net loss (income) attributable to noncontrolling interests	—	—	—	—	(750)	—	(750)
Net income (loss) attributable to Nelnet, Inc.	$ 38,048	21,523	(5,899)	214,538	(11,460)	—	256,751
Total assets as of December 31, 2016	$ 55,469	230,283	103,104	26,378,467	682,459	(256,687)	27,193,095

(Dollars in thousands, except share amounts, unless otherwise noted)

	Year ended December 31, 2015 (a)						
	Loan Systems and Servicing	Tuition Payment Processing and Campus Commerce	Communications	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 49	3	—	728,199	7,686	(1,828)	734,109
Interest expense	—	—	—	297,625	6,413	(1,828)	302,210
Net interest income	49	3	—	430,574	1,273	—	431,899
Less provision for loan losses	—	—	—	10,150	—	—	10,150
Net interest income (loss) after provision for loan losses	49	3	—	420,424	1,273	—	421,749
Other income:							
Loan systems and servicing revenue	239,858	—	—	—	—	—	239,858
Intersegment servicing revenue	50,354	—	—	—	—	(50,354)	—
Tuition payment processing, school information, and campus commerce revenue	—	120,365	—	—	—	—	120,365
Enrollment services revenue	—	—	—	—	51,073	—	51,073
Other income	—	(925)	—	15,939	32,248	—	47,262
Gain on sale of loans and debt repurchases, net	—	—	—	2,034	3,119	—	5,153
Derivative settlements, net	—	—	—	(23,238)	(1,012)	—	(24,250)
Derivative market value and foreign currency transaction adjustments, net	—	—	—	27,216	1,435	—	28,651
Total other income	290,212	119,440	—	21,951	86,863	(50,354)	468,112
Operating expenses:							
Salaries and benefits	134,635	55,523	—	2,172	55,585	—	247,914
Depreciation and amortization	1,931	8,992	—	—	15,420	—	26,343
Loan servicing fees	—	—	—	30,213	—	—	30,213
Cost to provide enrollment services	—	—	—	—	41,733	—	41,733
Other expenses	57,799	15,161	—	5,083	44,971	—	123,014
Intersegment expenses, net	29,706	8,617	—	50,899	(38,868)	(50,354)	—
Total operating expenses	224,071	88,293	—	88,367	118,841	(50,354)	469,217
Income (loss) before income taxes	66,190	31,150	—	354,008	(30,705)	—	420,644
Income tax (expense) benefit	(25,153)	(11,838)	—	(134,522)	19,132	—	(152,380)
Net income (loss)	41,037	19,312	—	219,486	(11,573)	—	268,264
Net loss (income) attributable to noncontrolling interests	20	—	—	—	(305)	—	(285)
Net income (loss) attributable to Nelnet, Inc.	$ 41,057	19,312	—	219,486	(11,878)	—	267,979
Total assets as of December 31, 2015	$ 80,459	229,615	68,760	29,634,280	624,953	(218,923)	30,419,144

(a) On December 31, 2015, the Company purchased ALLO. The ALLO assets acquired and liabilities assumed were recorded by the Company at their respective fair values at the date of acquisition. As such, ALLO's assets and liabilities as of December 31, 2015 are included in the Company's consolidated balance sheet. However, ALLO had no impact on the consolidated statement of income during 2015.

16. Major Customer

The Company earns loan servicing revenue from a servicing contract with the Department that is currently set to expire on June 16, 2019. Revenue earned by the Company's Loan Systems and Servicing operating segment related to this contract was $155.8 million, $151.7 million, and $133.2 million for the years ended December 31, 2017, 2016, and 2015, respectively. In April 2016, the Department's Office of Federal Student Aid announced a new contract procurement process for the Department to acquire a single servicing platform to manage all student loans owned by the Department.

In May 2016, Nelnet Servicing, a subsidiary of the Company, and Great Lakes submitted a joint response to the procurement as part of their GreatNet joint venture created to respond to the contract solicitation process and to provide services under a new contract in the event that the Department selects it for a contract award. On August 1, 2017, the Department canceled the prior procurement process. On February 20, 2018, the Department's Office of Federal Student Aid released information regarding a new contract procurement process. The contract solicitation process is divided into two phases. Responses for Phase One are due on April 6, 2018. The contract solicitation requests responses from interested vendors for nine components. Vendors may provide a response for an individual, multiple, or all components. The Company intends to respond to Phase One of the solicitation.

(Dollars in thousands, except share amounts, unless otherwise noted)

17. Leases

The Company leases certain office space and equipment under operating leases. As operating leases expire, it is expected that they will be replaced with similar leases. Future minimum lease payments under these leases are shown below:

2018	$ 5,277
2019	4,337
2020	3,628
2021	2,002
2022	1,649
2023 and thereafter	4,857
Total minimum lease payments	$ 21,750

Total rental expense incurred by the Company for the years ended December 31, 2017, 2016, and 2015 was $5.7 million, $6.0 million, and $5.5 million, respectively.

18. Defined Contribution Benefit Plan

The Company has a 401(k) savings plan that covers substantially all of its employees. Employees may contribute up to 100 percent of their pre-tax salary, subject to IRS limitations. The Company matches up to 100 percent on the first 3 percent of contributions and 50 percent on the next 2 percent. The Company made contributions to the plan of $6.2 million, $5.1 million, and $4.6 million during the years ended December 31, 2017, 2016, and 2015, respectively.

19. Stock Based Compensation Plans

Restricted Stock Plan

The following table summarizes restricted stock activity:

	Year ended December 31,		
	2017	2016	2015
Non-vested shares at beginning of year	447,380	471,597	499,463
Granted	107,237	123,181	126,946
Vested	(131,988)	(113,507)	(108,424)
Canceled	(24,419)	(33,891)	(46,388)
Non-vested shares at end of year	398,210	447,380	471,597

(Dollars in thousands, except share amounts, unless otherwise noted)

As of December 31, 2017, there was $8.1 million of unrecognized compensation cost included in equity on the consolidated balance sheet related to restricted stock, which is expected to be recognized as compensation expense as shown in the table below.

2018	$ 3,211
2019	1,960
2020	1,211
2021	731
2022	439
2023 and thereafter	596
	$ 8,148

For the years ended December 31, 2017, 2016, and 2015, the Company recognized compensation expense of $4.2 million, $4.1 million, and $5.2 million, respectively, related to shares issued under the restricted stock plan, which is included in "salaries and benefits" on the consolidated statements of income.

Employee Share Purchase Plan

The Company has an employee share purchase plan pursuant to which employees are entitled to purchase Class A common stock from payroll deductions at a 15 percent discount from market value. During the years ended December 31, 2017, 2016, and 2015, the Company recognized compensation expense of approximately $197,000, $287,000, and $147,000, respectively, in connection with issuing 16,989 shares, 25,551 shares, and 23,912 shares, respectively, under this plan.

Non-employee Directors Compensation Plan

The Company has a compensation plan for non-employee directors pursuant to which non-employee directors can elect to receive their annual retainer fees in the form of cash or Class A common stock. If a non-employee director elects to receive Class A common stock, the number of shares of Class A common stock that are awarded is equal to the amount of the annual retainer fee otherwise payable in cash divided by 85 percent of the fair market value of a share of Class A common stock on the date the fee is payable. 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.

For the years ended December 31, 2017, 2016, and 2015, the Company recognized approximately $922,000, $922,000, and $905,000, respectively, of expense related to this plan. The following table provides the number of shares awarded under this plan for the years ended December 31, 2017, 2016, and 2015.

	Shares issued - not deferred	Shares-deferred	Total
Year ended December 31, 2017	6,855	10,974	17,829
Year ended December 31, 2016	10,799	13,644	24,443
Year ended December 31, 2015	8,164	10,406	18,570

As of December 31, 2017, a cumulative amount of 171,519 shares have been deferred by directors and will be issued upon the termination of their service on the board of directors. These shares are included in the Company's weighted average shares outstanding calculation.

20. Related Parties

Transactions with Union Bank and Trust Company

Union Bank and Trust Company ("Union Bank") is controlled by Farmers & Merchants Investment Inc. ("F&M"), which owns a majority of Union Bank's common stock and a minority share of Union Bank's non-voting preferred stock. Michael S. Dunlap, Executive Chairman and a member of the board of directors and a significant shareholder of the Company, along with his spouse and children, owns or controls a significant portion of the stock of F&M, and Mr. Dunlap's sister, Angela L. Muhleisen, along with her spouse and children, also owns or controls a significant portion of F&M stock. Mr. Dunlap serves as a Director and Chairman of F&M. Ms. Muhleisen serves as a Director and Chief Executive Officer 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 a significant number of shares of the Company because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of the Company, and may share voting and/or investment power with respect to such shares. Mr. Dunlap and Ms. Muhleisen beneficially own a significant percent of the voting rights of the Company's outstanding common stock.

The Company has entered into certain contractual arrangements with Union Bank. These transactions are summarized below.

Loan Purchases

On December 22, 2014, the Company entered into an agreement with Union Bank in which the Company provides marketing, origination, and loan servicing services to Union Bank related to private education loans. The Company committed to purchase, or arrange for a designee to purchase, all volume originated by Union Bank under this agreement. During 2016 and 2015, the Company purchased $29.6 million (par value) and $4.4 million (par value), respectively, of private education loans from Union Bank, pursuant to this agreement. No loans were originated under this agreement in 2017.

In addition to the agreement previously discussed, during 2017, the Company also purchased $2.9 million (par value) of private education loans and $10.3 million (par value) of consumer loans from Union Bank.

Loan Servicing

The Company serviced $462.3 million, $483.8 million, and $563.1 million of FFELP and private education loans for Union Bank as of December 31, 2017, 2016, and 2015, respectively. Servicing revenue earned by the Company from servicing loans for Union Bank was $0.5 million, $0.6 million, and $0.5 million for the years ended December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017 and 2016, accounts receivable includes approximately $42,000 and $36,000, respectively, due from Union Bank for loan servicing.

Funding - Participation Agreement

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, 2017 and 2016, $552.6 million and $496.8 million, respectively, 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 Accounts

The majority of the Company's cash operating accounts are maintained at Union Bank. The Company also invests amounts in the Short term Federal Investment Trust ("STFIT") of the Student Loan Trust Division of Union Bank, which are included in "cash and cash equivalents - held at a related party" and "restricted cash - due to customers" on the accompanying consolidated balance sheets. As of December 31, 2017 and 2016, the Company had $115.8 million and $74.3 million, respectively, invested in the STFIT or deposited at Union Bank in operating accounts, of which $56.0 million and $12.5 million as of December 31, 2017 and 2016, respectively, represented cash collected for customers. Interest income earned by the Company on the amounts invested in the STFIT and in cash operating accounts for the years ended December 31, 2017, 2016, and 2015, was $0.9 million, $0.4 million, and $0.2 million, respectively.

529 Plan Administration Services

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. For the years ended December 31, 2017, 2016, and 2015, the Company has received fees of $2.0 million, $1.6 million, and $3.5 million, respectively, from Union Bank related to the administration services provided to the College Savings Plans.

Lease Arrangements

Union Bank leases approximately 4,000 square feet in the Company's corporate headquarters building. Union Bank paid the Company approximately $74,000, $73,000, and $73,000 for commercial rent and storage income during 2017, 2016, and 2015, respectively. The lease agreement expires on June 30, 2023.

Other Fees Paid to Union Bank

During the years ended December 31, 2017, 2016, and 2015, the Company paid Union Bank approximately $127,000, $126,000, and $111,000, respectively, in cash management fees. During the years ended December 31, 2016 and 2015, the Company paid Union Bank approximately $13,000 and $47,000, respectively, in commissions. In addition, for the year ended December 31, 2015, the Company paid Union Bank approximately $205,000 in connection with servicing opportunities for various asset classes, and $36,000 for administrative services.

Other Fees Received from Union Bank

During the years ended December 31, 2017, 2016, and 2015, Union Bank paid the Company approximately $219,000, $209,000, and $201,000, respectively, under an employee sharing arrangement, and during the years ended December 31, 2016 and 2015, Union Bank paid the Company approximately $10,000 and $19,000, respectively, for health and productivity services. During the year ended December 31, 2017, Union Bank paid the Company approximately $11,000 in payment processing fees (net of merchant fees of approximately $1,000).

401(k) Plan Administration

Union Bank administers the Company's 401(k) defined contribution plan. Fees paid to Union Bank to administer the plan are paid by the plan participants and were approximately $241,000, $280,000, and $469,000 during the years ended December 31, 2017, 2016, and 2015, respectively.

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, 2017, the outstanding balance of investments in the trusts was $665.9 million. In addition, Union Bank will pay additional fees to WRCM of up to 50 percent of the gains from the sale of securities from the trusts or securities being called prior to the full contractual maturity. For the years ended December 31, 2017, 2016, and 2015, the Company earned $9.2 million, $4.5 million, and $2.7 million, respectively, of fees under this agreement.

In January 2012 and October 2015, WRCM entered into management agreements with Union Bank under which it was designated to serve as investment advisor with respect to the assets within several trusts established by Mr. Dunlap and his spouse. In January 2016, WRCM entered into a similar management agreement with Union Bank with respect to several trusts established in December 2015 by Stephen F. Butterfield, Vice Chairman and a member of the board of directors of the Company, and his spouse. Union Bank serves as trustee for the trusts. Per the terms of the agreements, 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 and his spouse contributed a total of 3,375,000 and 3,000,000 shares of the Company's Class B common stock to the trusts upon the establishment of the trusts in 2011 and 2015, respectively, and Mr. Butterfield and his spouse contributed a total of 1,200,000 shares of the Company's Class B common stock upon the establishment of the trusts in 2016. For the years ended December 31, 2017, 2016, and 2015, the Company earned approximately $161,000, $142,000, and $71,000, respectively, of fees under these agreements.

As of December 31, 2017 and 2016, accounts receivable included $0.2 million and $0.8 million, respectively, due from Union Bank related to fees earned by WRCM from the investment services described above.

WRCM has established private investment funds 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. Mr. Dunlap, Union Financial Services, Inc., which is owned 50 percent by each Mr. Dunlap and Mr. Butterfield, Jeffrey R. Noordhoek (an executive officer of the Company), Ms. Muhleisen and her spouse, and WRCM have invested in certain of these funds. Based upon the current level of holdings by non-affiliated limited partners, the management agreements provide non-affiliated limited partners the ability to remove WRCM as manager without cause. WRCM earns 50 basis points (annually) on the outstanding balance of the investments in these funds, of which WRCM pays approximately 50 percent of such amount to Union Bank as custodian. As of December 31, 2017, the outstanding balance of investments in these funds was $149.4 million. For the years ended December 31, 2017, 2016, and 2015, the Company paid Union Bank $0.3 million, $0.4 million, and $0.4 million, respectively, as custodian.

Transactions with Agile Sports Technologies, Inc. (doing business as "Hudl")

David Graff, who has served on the Company's Board of Directors since May 2014, is CEO, co-founder, and a director of Hudl. On March 17, 2015 and July 7, 2017, the Company made a $40.5 million and $10.4 million preferred stock investment, respectively, in Hudl. Prior to these investments, the Company and Mr. Dunlap made separate equity investments in Hudl. The Company and Mr. Dunlap, along with his children, currently hold combined direct and indirect equity ownership interests in Hudl of 19.7% and 3.4%, respectively. The Company's and Mr. Dunlap's direct and indirect equity ownership interests in Hudl consist of preferred stock with certain liquidation preferences that are considered substantive. Accordingly, for accounting purposes, the Company's and Mr. Dunlap's equity ownership interests are not considered in-substance common stock and the Company is accounting for its equity investment in Hudl under the cost method. The Company's investment in Hudl is included in "investments and notes receivable" in the Company's consolidated balance sheet.

The Company makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including investments in real estate. Recent real estate investments have been focused on the development of commercial properties in the Midwest, and particularly in Lincoln, Nebraska, where the Company's headquarters are located. One investment includes the development of a building in Lincoln's Haymarket District that is the new headquarters of Hudl, in which Hudl is the primary tenant in this building.

Transactions with Assurity Life Insurance Company ("Assurity")

Thomas Henning, who has served on the Company's Board of Directors since 2003, is the President and Chief Executive Officer of Assurity. During the year ended December 31, 2017, Nelnet Business Solutions paid $1.5 million to Assurity for insurance premiums for insurance on certain tuition payment plans. As part of providing the tuition payment plan insurance to Nelnet Business Solutions, Assurity entered into a reinsurance agreement with the Company's insurance subsidiary, under which Assurity paid the Company's insurance subsidiary reinsurance premiums of $1.4 million in 2017, and the Company's insurance subsidiary paid claims on such reinsurance to Assurity of $0.7 million in 2017. In addition, Assurity pays Nelnet Business Solutions a partial refund annually based on claim experience, which was approximately $10,000 for the year ended December 31, 2017.

During the years ended December 31, 2017, 2016, and 2015, the Company made available to its employees certain voluntary insurance products through Assurity. Premiums are paid by participants and are remitted to Assurity by the Company on behalf of the participants. The Company remitted to Assurity approximately $181,000, $166,000, and $116,000 in premiums related to these products during 2017, 2016, and 2015, respectively.

(Dollars in thousands, except share amounts, unless otherwise noted)

21. Fair Value

The following tables present the Company's financial assets and liabilities that are measured at fair value on a recurring basis. There were no transfers into or out of level 1, level 2, or level 3 for the year ended December 31, 2017.

	As of December 31, 2017			As of December 31, 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Investments (available-for-sale and trading): (a)						
Student loan and other asset-backed securities	$ —	76,866	76,866	—	103,780	103,780
Equity securities	3,928	—	3,928	2,694	—	2,694
Debt securities	108	—	108	119	—	119
Total investments (available-for-sale and trading)	4,036	76,866	80,902	2,813	103,780	106,593
Derivative instruments (b)	—	818	818	—	87,531	87,531
Total assets	$ 4,036	77,684	81,720	2,813	191,311	194,124
Liabilities:						
Derivative instruments (b):	$ —	7,063	7,063	—	77,826	77,826
Total liabilities	$ —	7,063	7,063	—	77,826	77,826

(a) Investments represent investments recorded at fair value on a recurring basis. Level 1 investments are measured based upon quoted prices and include investments traded on an active exchange, such as the New York Stock Exchange, and corporate bonds, mortgage-backed securities, U.S. government bonds, and U.S. Treasury securities that trade in active markets. Level 2 investments include student loan asset-backed securities. The fair value for the student loan asset-backed securities is determined using indicative quotes from broker-dealers or an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms issued by companies with comparable credit risk.

(b) All derivatives are accounted for at fair value on a recurring basis. The fair value of derivative financial instruments is determined using a market approach in which derivative pricing models use the stated terms of the contracts and observable yield curves, forward foreign currency exchange rates, and volatilities from active markets.

When determining the fair value of derivatives, the Company takes into account counterparty credit risk for positions where it is exposed to the counterparty on a net basis by assessing exposure net of collateral held. The net exposures for each counterparty are adjusted based on market information available for the specific counterparty.

(Dollars in thousands, except share amounts, unless otherwise noted)

The following table summarizes the fair values of all of the Company's financial instruments on the consolidated balance sheets:

	As of December 31, 2017				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 23,106,440	21,814,507	—	—	23,106,440
Cash and cash equivalents	66,752	66,752	66,752	—	—
Investments (available-for-sale)	80,902	80,902	4,036	76,866	—
Notes receivable	16,393	16,393	—	16,393	—
Restricted cash	688,193	688,193	688,193	—	—
Restricted cash – due to customers	187,121	187,121	187,121	—	—
Accrued interest receivable	430,385	430,385	—	430,385	—
Derivative instruments	818	818	—	818	—
Financial liabilities:					
Bonds and notes payable	21,521,463	21,356,573	—	21,521,463	—
Accrued interest payable	50,039	50,039	—	50,039	—
Due to customers	187,121	187,121	187,121	—	—
Derivative instruments	7,063	7,063	—	7,063	—

	As of December 31, 2016				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 25,653,581	24,903,724	—	—	25,653,581
Cash and cash equivalents	69,654	69,654	69,654	—	—
Investments (available-for-sale and trading)	106,593	106,593	2,813	103,780	—
Notes receivable	17,031	17,031	—	17,031	—
Restricted cash	980,961	980,961	980,961	—	—
Restricted cash – due to customers	119,702	119,702	119,702	—	—
Accrued interest receivable	391,264	391,264	—	391,264	—
Derivative instruments	87,531	87,531	—	87,531	—
Financial liabilities:					
Bonds and notes payable	24,220,996	24,668,490	—	24,220,996	—
Accrued interest payable	45,677	45,677	—	45,677	—
Due to customers	119,702	119,702	119,702	—	—
Derivative instruments	77,826	77,826	—	77,826	—

The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring basis are previously discussed. The remaining financial assets and liabilities were estimated using the following methods and assumptions:

Loans Receivable

If the Company has the ability and intent to hold loans for the foreseeable future, such loans are held for investment and carried at amortized cost. Fair values for loans receivable were determined by modeling loan cash flows using stated terms of the assets and internally-developed assumptions to determine aggregate portfolio yield, net present value, and average life. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, required return on equity, and future interest rate and index relationships. A number of significant inputs into the models are internally derived and not observable to market participants.

Notes Receivable

Fair values for notes receivable were determined by using model-derived valuations with observable inputs, including current market rates.

Cash and Cash Equivalents, Restricted Cash, Restricted Cash – Due to Customers, Accrued Interest Receivable/Payable, and Due to Customers

The carrying amount approximates fair value due to the variable rate of interest and/or the short maturities of these instruments.

Bonds and Notes Payable

Bonds and notes payable are accounted for at cost in the financial statements except when denominated in a foreign currency. Foreign currency-denominated borrowings are re-measured at current spot rates in the financial statements. The fair value of bonds and notes payable was determined from quotes from broker-dealers or through standard bond pricing models using the stated terms of the borrowings, observable yield curves, market credit spreads, and weighted average life of underlying collateral. Fair value adjustments for unsecured corporate debt are made based on indicative quotes from observable trades.

Limitations

The fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Therefore, the calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. Changes in assumptions could significantly affect the estimates.

22. Legal Proceedings

The Company is subject to various claims, lawsuits, and proceedings that arise in the normal course of business. These matters frequently involve claims by student loan borrowers disputing the manner in which their student loans have been serviced or the accuracy of reports to credit bureaus, claims by student loan borrowers or other consumers alleging that state or Federal consumer protection laws have been violated in the process of collecting loans or conducting other business activities, and disputes with other business entities. In addition, from time to time the Company receives information and document requests from state or federal regulators concerning its business practices. The Company cooperates with these inquiries and responds to the requests. While the Company cannot predict the ultimate outcome of any regulatory examination, inquiry, or investigation, the Company believes its activities have materially complied with applicable law, including the Higher Education Act, the rules and regulations adopted by the Department thereunder, and the Department's guidance regarding those rules and regulations. On the basis of present information, anticipated insurance coverage, and advice received from counsel, it is the opinion of the Company's management that the disposition or ultimate determination of these claims, lawsuits, and proceedings will not have a material adverse effect on the Company's business, financial position, or results of operations.

(Dollars in thousands, except share amounts, unless otherwise noted)

23. Quarterly Financial Information (Unaudited)

	2017			
	First quarter	Second quarter	Third quarter	Fourth quarter
Net interest income	$ 76,925	79,842	75,237	73,235
Less provision for loan losses	1,000	3,000	6,700	3,750
Net interest income after provision for loan losses	75,925	76,842	68,537	69,485
Loan systems and servicing revenue	54,229	56,899	55,950	55,921
Tuition payment processing, school information, and campus commerce revenue	43,620	34,224	35,450	32,457
Communications revenue	5,106	5,719	6,751	8,122
Other income	12,632	12,485	19,756	7,952
Gain on sale of loans and debt repurchases, net	4,980	442	116	(2,635)
Derivative market value and foreign currency transaction adjustments and derivative settlements, net	(4,830)	(27,910)	7,173	7,014
Salaries and benefits	(71,863)	(74,628)	(74,193)	(81,201)
Depreciation and amortization	(8,598)	(9,038)	(10,051)	(11,854)
Loan servicing fees	(6,025)	(5,628)	(8,017)	(3,064)
Cost to provide communications services	(1,954)	(2,203)	(2,632)	(3,160)
Operating expenses	(26,547)	(26,521)	(29,743)	(38,809)
Income tax (expense) benefit	(28,755)	(16,032)	(25,562)	5,486
Net income	47,920	24,651	43,535	45,714
Net loss (income) attributable to noncontrolling interests	2,106	4,086	2,768	2,386
Net income attributable to Nelnet, Inc.	$ 50,026	28,737	46,303	48,100
Earnings per common share:				
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$ 1.18	0.68	1.11	1.17

(Dollars in thousands, except share amounts, unless otherwise noted)

	2016			
	First quarter	Second quarter	Third quarter	Fourth quarter
Net interest income	$ 101,609	92,200	99,795	78,960
Less provision for loan losses	2,500	2,000	6,000	3,000
Net interest income after provision for loan losses	99,109	90,200	93,795	75,960
Loan systems and servicing revenue	52,330	54,402	54,350	53,764
Tuition payment processing, school information, and campus commerce revenue	38,657	30,483	33,071	30,519
Communications revenue	4,346	4,478	4,343	4,492
Enrollment services revenue	4,326	—	—	—
Other income	13,796	9,765	15,150	15,218
Gain on sale of loans and debt repurchases, net	101	—	2,160	5,720
Derivative market value and foreign currency transaction adjustments and derivative settlements, net	(28,691)	(40,702)	36,001	83,187
Salaries and benefits	(63,242)	(60,923)	(63,743)	(68,017)
Depreciation and amortization	(7,640)	(8,183)	(8,994)	(9,116)
Loan servicing fees	(6,928)	(7,216)	(5,880)	(5,726)
Cost to provide communications services	(1,703)	(1,681)	(1,784)	(1,697)
Cost to provide enrollment services	(3,623)	—	—	—
Operating expenses	(28,376)	(29,409)	(26,391)	(31,245)
Income tax (expense) benefit	(24,433)	(15,036)	(47,715)	(54,128)
Net income	48,029	26,178	84,363	98,931
Net loss (income) attributable to noncontrolling interests	(68)	(28)	(69)	(585)
Net income attributable to Nelnet, Inc.	$ 47,961	26,150	84,294	98,346
Earnings per common share:				
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$ 1.11	0.61	1.98	2.32

(Dollars in thousands, except share amounts, unless otherwise noted)

24. Condensed Parent Company Financial Statements

The following represents the condensed balance sheets as of December 31, 2017 and 2016 and condensed statements of income, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2017 for Nelnet, Inc.

The Company is limited in the amount of funds that can be transferred to it by its subsidiaries through intercompany loans, advances, or cash dividends. These limitations relate to the restrictions by trust indentures under the education lending subsidiaries debt financing arrangements. The amounts of cash and investments restricted in the respective reserve accounts of the education lending subsidiaries are shown on the consolidated balance sheets as restricted cash.

Balance Sheets
(Parent Company Only)
As of December 31, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	$ 21,001	29,734
Investments and notes receivable	149,236	167,711
Investment in subsidiary debt	75,659	71,815
Restricted cash	44,149	7,805
Investment in subsidiaries	1,681,690	1,537,507
Notes receivable from subsidiaries	212,077	161,284
Other assets	131,790	136,685
Fair value of derivative instruments	818	86,379
Total assets	$ 2,316,420	2,198,920
Liabilities:		
Notes payable	$ 79,120	48,085
Other liabilities	76,638	74,706
Fair value of derivative instruments	7,063	10,221
Total liabilities	162,821	133,012
Equity:		
Nelnet, Inc. shareholders' equity:		
Common stock	408	421
Additional paid-in capital	521	420
Retained earnings	2,143,983	2,056,084
Accumulated other comprehensive earnings	4,617	4,730
Total Nelnet, Inc. shareholders' equity	2,149,529	2,061,655
Noncontrolling interest	4,070	4,253
Total equity	2,153,599	2,065,908
Total liabilities and shareholders' equity	$ 2,316,420	2,198,920

(Dollars in thousands, except share amounts, unless otherwise noted)

Statements of Income
(Parent Company Only)
Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Investment interest income	$ 13,060	9,794	5,776
Interest expense on bonds and notes payable	3,315	6,049	6,242
Net interest income (expense)	9,745	3,745	(466)
Other income:			
Other income	3,483	7,037	4,012
Gain from debt repurchases, net	2,964	8,083	4,904
Equity in subsidiaries income	170,897	239,405	276,825
Derivative market value adjustments and derivative settlements, net	(603)	45,203	8,416
Total other income	176,741	299,728	294,157
Operating expenses	6,117	8,183	5,057
Income before income taxes	180,369	295,290	288,634
Income tax expense	7,491	38,642	20,655
Net income	172,878	256,648	267,979
Net loss attributable to noncontrolling interest	288	103	—
Net income attributable to Nelnet, Inc.	$ 173,166	256,751	267,979

Statements of Comprehensive Income
(Parent Company Only)
Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Net income	$ 172,878	256,648	267,979
Other comprehensive (loss) income:			
Available-for-sale securities:			
Unrealized holding gains (losses) arising during period, net	2,349	5,789	(1,570)
Reclassification adjustment for gains recognized in net income, net of losses	(2,528)	(1,907)	(2,955)
Income tax effect	66	(1,436)	1,674
Total other comprehensive (loss) income	(113)	2,446	(2,851)
Comprehensive income	172,765	259,094	265,128
Comprehensive loss attributable to noncontrolling interest	288	103	—
Comprehensive income attributable to Nelnet, Inc.	$ 173,053	259,197	265,128

(Dollars in thousands, except share amounts, unless otherwise noted)

Statements of Cash Flows

(Parent Company Only)

Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Net income attributable to Nelnet, Inc.	$ 173,166	256,751	267,979
Net loss attributable to noncontrolling interest	(288)	(103)	—
Net income	172,878	256,648	267,979
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	420	391	327
Derivative market value adjustment	7,591	(62,268)	(31,411)
Proceeds from termination of derivative instruments, net of payments	2,100	3,999	65,527
Payment to enter into derivative instrument	(929)	—	—
Proceeds from clearinghouse to settle variation margin, net	48,985	—	—
Equity in earnings of subsidiaries	(170,897)	(239,405)	(276,825)
Gain from sales of available-for-sale securities, net of losses	(2,528)	(1,907)	(2,955)
Gain from debt repurchases, net	(2,964)	(8,083)	(4,904)
Deferred income tax (benefit) expense	(8,056)	20,071	3,228
Non-cash compensation expense	4,416	4,348	5,347
Other	2,967	1,117	1,946
Decrease (increase) in other assets	4,171	32,262	(8,541)
Increase (decrease) in other liabilities	10,104	(594)	6,597
Net cash provided by operating activities	68,258	6,579	26,315
Cash flows from investing activities:			
(Increase) decrease in restricted cash	(9,004)	6,997	(13,825)
Purchases of available-for-sale securities	(127,567)	(94,920)	(98,332)
Proceeds from sales of available-for-sale securities	156,727	139,427	94,722
Capital contributions/distributions to/from subsidiaries, net	29,426	223,386	120,291
(Increase) decrease in notes receivable from subsidiaries	(50,793)	8,561	(84,061)
Proceeds from investments and notes receivable	4,823	9,952	12,253
(Purchases of) proceeds from subsidiary debt, net	(3,844)	(13,800)	72,125
Purchases of investments and issuances of notes receivable	(18,023)	(4,365)	(53,388)
Business acquisition, net of cash acquired	—	—	(45,916)
Net cash (used in) provided by investing activities	(18,255)	275,238	3,869
Cash flows from financing activities:			
Payments on notes payable	(27,480)	(412,000)	(42,541)
Proceeds from issuance of notes payable	61,059	230,000	116,460
Payments of debt issuance costs	—	(613)	(773)
Dividends paid	(24,097)	(21,188)	(19,025)
Repurchases of common stock	(68,896)	(69,091)	(96,169)
Proceeds from issuance of common stock	678	889	801
Issuance of noncontrolling interest	—	501	—
Distribution to noncontrolling interest	—	—	(230)
Net cash used in financing activities	(58,736)	(271,502)	(41,477)
Net (decrease) increase in cash and cash equivalents	(8,733)	10,315	(11,293)
Cash and cash equivalents, beginning of period	29,734	19,419	30,712
Cash and cash equivalents, end of period	$ 21,001	29,734	19,419
Cash disbursements made for:			
Interest	$ 2,882	5,533	5,914
Income taxes, net of refunds	$ 96,721	115,415	147,130
Noncash investing and financing activities:			
Issuance of noncontrolling interest	$ —	—	3,750
Contributions of investments to subsidiaries, net	$ 2,092	1,884	—

APPENDIX A

Description of
The Federal Family Education Loan Program

The Federal Family Education Loan Program

The Higher Education Act provided for a program of federal insurance for student loans as well as reinsurance of student loans guaranteed or insured by state agencies or private non-profit corporations.

The Higher Education Act authorized certain student loans to be insured and reinsured under the Federal Family Education Loan Program ("FFELP"). The Student Aid and Fiscal Responsibility Act, enacted into law on March 30, 2010, as part of the Health Care and Education Reconciliation Act of 2010, terminated the authority to make FFELP loans. As of July 1, 2010, no new FFELP loans have been made.

Generally, a student was eligible for loans made under the Federal Family Education Loan Program only if he or she:

- Had been accepted for enrollment or was enrolled in good standing at an eligible institution of higher education;

- Was carrying or planning to carry at least one-half the normal full-time workload, as determined by the institution, for the course of study the student was pursuing;

- Was not in default on any federal education loans;

- Had not committed a crime involving fraud in obtaining funds under the Higher Education Act which funds had not been fully repaid; and

- Met other applicable eligibility requirements.

Eligible institutions included higher educational institutions and vocational schools that complied with specific federal regulations. Each loan is evidenced by an unsecured note.

The Higher Education Act also establishes maximum interest rates for each of the various types of loans. These rates vary not only among loan types, but also within loan types depending upon when the loan was made or when the borrower first obtained a loan under the Federal Family Education Loan Program. The Higher Education Act allows lesser rates of interest to be charged.

Types of loans

Four types of loans were available under the Federal Family Education Loan Program:

- Subsidized Stafford Loans
- Unsubsidized Stafford Loans
- PLUS Loans
- Consolidation Loans

These loan types vary as to eligibility requirements, interest rates, repayment periods, loan limits, eligibility for interest subsidies, and special allowance payments. Some of these loan types have had other names in the past. References to these various loan types include, where appropriate, their predecessors.

The primary loan under the Federal Family Education Loan Program is the Subsidized Stafford Loan. Students who were not eligible for Subsidized Stafford Loans based on their economic circumstances might have obtained Unsubsidized Stafford Loans. Graduate or professional students and parents of dependent undergraduate students might have obtained PLUS Loans. Consolidation Loans were available to borrowers with existing loans made under the Federal Family Education Loan Program and other federal programs to consolidate repayment of the borrower's existing loans. Prior to July 1, 1994, the Federal Family Education Loan Program also offered Supplemental Loans for Students ("SLS Loans") to graduate and professional students and independent undergraduate students and, under certain circumstances, dependent undergraduate students, to supplement their Stafford Loans.

Subsidized Stafford Loans

General. Subsidized Stafford Loans were eligible for insurance and reinsurance under the Higher Education Act if the eligible student to whom the loan was made was accepted or was enrolled in good standing at an eligible institution of higher education or vocational school and carried at least one-half the normal full-time workload at that institution. Subsidized Stafford Loans had limits as to the maximum amount which could be borrowed for an academic year and in the aggregate for both undergraduate and graduate or professional study. Both annual and aggregate limitations excluded loans made under the PLUS Loan Program. The Secretary of Education had discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subsidized Stafford Loans were made only to student borrowers who met the needs tests provided in the Higher Education Act. Provisions addressing the implementation of needs analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding have been the subject of frequent and extensive amendments.

Interest rates for Subsidized Stafford Loans. For Stafford Loans first disbursed to a "new" borrower (a "new" borrower is defined for purposes of this section as one who had no outstanding balance on a FFELP loan on the date the new promissory note was signed) for a period of enrollment beginning before January 1, 1981, the applicable interest rate is fixed at 7%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after January 1, 1981, but before September 13, 1983, the applicable interest rate is fixed at 9%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after September 13, 1983, but before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, where the new loan is intended for a period of enrollment beginning before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed before October 1, 1992, to a "new" borrower or to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not a Stafford Loan, where the new loan is intended for a period of enrollment beginning on or after July 1, 1988, the applicable interest rate is as follows:

- Original fixed interest rate of 8% for the first 48 months of repayment. Beginning on the first day of the 49th month of repayment, the interest rate increased to a fixed rate of 10% thereafter. Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for loans in this category is 10%.

For Stafford Loans first disbursed on or after July 23, 1992, but before July 1, 1994, to a borrower with an outstanding Stafford Loan made with a 7%, 8%, 9%, or 8%/10% fixed interest rate, the original, applicable interest rate is the same as the rate provided on the borrower's previous Stafford Loan (i.e., a fixed rate of 7%, 8%, 9%, or 8%/10%). Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is equal to the loan's previous fixed rate (i.e., 7%, 8%, 9%, or 10%).

For Stafford Loans first disbursed on or after October 1, 1992, but before December 20, 1993, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the original, applicable interest rate is fixed at 8%. Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8%.

For Stafford Loans first disbursed on or after October 1, 1992, but before July 1, 1994, to a "new" borrower, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after December 20, 1993, but before July 1, 1994, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after July 1, 1994, but before July 1, 1995, where the loan is intended for a period of enrollment that includes or begins on or after July 1, 1994, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1995, but before July 1, 1998, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.5%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 1.7%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.3%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 6.80%. However, for Stafford Loans for undergraduates, the applicable interest rate was reduced in phases for which the first disbursement was made on or after:

- July 1, 2008 and before July 1, 2009, the applicable interest rate is fixed at 6.00%,

- July 1, 2009 and before July 1, 2010, the applicable interest rate is fixed at 5.60%.

Unsubsidized Stafford Loans

General. The Unsubsidized Stafford Loan program was created by Congress in 1992 for students who did not qualify for Subsidized Stafford Loans due to parental and/or student income and assets in excess of permitted amounts. These students were entitled to borrow the difference between the Stafford Loan maximum for their status (dependent or independent) and their Subsidized Stafford Loan eligibility through the Unsubsidized Stafford Loan Program. The general requirements for Unsubsidized Stafford Loans, including special allowance payments, are essentially the same as those for Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the federal government will not make interest subsidy payments and the loan limitations were determined without respect to the expected family contribution. The borrower is required to either pay interest from the time the loan is disbursed or the accruing interest is capitalized when repayment begins at the end of a deferment or forbearance, when the borrower is determined to no longer have a partial financial hardship under the Income-Based Repayment plan or when the borrower leaves the plan. Unsubsidized Stafford Loans were not available before October 1, 1992. A student meeting the general eligibility requirements for a loan under the Federal Family Education Loan Program was eligible for an Unsubsidized Stafford Loan without regard to need.

Interest rates for Unsubsidized Stafford Loans. Unsubsidized Stafford Loans are subject to the same interest rate provisions as Subsidized Stafford Loans, with the exception of Unsubsidized Stafford Loans first disbursed on or after July 1, 2008, which retain a fixed interest rate of 6.80%.

PLUS Loans

General. PLUS Loans were made to parents, and under certain circumstances spouses of remarried parents, of dependent undergraduate students. Effective July 1, 2006, graduate and professional students were eligible borrowers under the PLUS Loan program. For PLUS Loans made on or after July 1, 1993, the borrower could not have an adverse credit history as determined by criteria established by the Secretary of Education. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, PLUS Loans differ significantly, particularly from the Subsidized Stafford Loans, in that federal interest subsidy payments are not available under the PLUS Loan Program and special allowance payments are more restricted.

Interest rates for PLUS Loans. For PLUS Loans first disbursed on or after January 1, 1981, but before October 1, 1981, the applicable interest rate is fixed at 9%.

For PLUS Loans first disbursed on or after October 1, 1981, but before November 1, 1982, the applicable interest rate is fixed at 14%.

For PLUS Loans first disbursed on or after November 1, 1982, but before July 1, 1987, the applicable interest rate is fixed at 12%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1987, but before October 1, 1992, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury bill yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 12%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.25%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 12%. PLUS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are subject to the variable interest rate calculation described in this paragraph.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 10%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 10%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1994, but before July 1, 1998, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 9%.

For PLUS Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%.

For PLUS Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 8.5%.

SLS Loans

General. SLS Loans were limited to graduate or professional students, independent undergraduate students, and dependent undergraduate students, if the students' parents were unable to obtain a PLUS Loan. Except for dependent undergraduate students, eligibility for SLS Loans was determined without regard to need. SLS Loans were similar to Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, SLS Loans differed significantly, particularly from Subsidized Stafford Loans, because federal interest subsidy payments were not available under the SLS Loan Program and special allowance payments were more restricted. The SLS Loan Program was discontinued on July 1, 1994.

Interest rates for SLS Loans. The applicable interest rates on SLS Loans made before October 1, 1992, and on SLS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are identical to the applicable interest rates described for PLUS Loans made before October 1, 1992.

For SLS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is as follows:

- Beginning July 1, 2001, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 11%. Prior to July 1, 2001, SLS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 11%.

Consolidation Loans

General. The Higher Education Act authorized a program under which certain borrowers could consolidate their various federally insured education loans into a single loan insured and reinsured on a basis similar to Stafford Loans. Consolidation Loans could be obtained in an amount sufficient to pay outstanding principal, unpaid interest, late charges, and collection costs on federally insured or reinsured student loans incurred under the Federal Family Education Loan and Direct Loan Programs, including PLUS Loans made to the consolidating borrower, as well as loans made under the Perkins Loan (formally National Direct Student Loan Program), Federally Insured Student Loan (FISL), Nursing Student Loan (NSL), Health Education Assistance Loan (HEAL), and Health Professions Student Loan (HPSL) Programs. To be eligible for a FFELP Consolidation Loan, a borrower had to:

- Have outstanding indebtedness on student loans made under the Federal Family Education Loan Program and/or certain other federal student loan programs; and

- Be in repayment status or in a grace period on loans to be consolidated.

Borrowers who were in default on loans to be consolidated had to first make satisfactory arrangements to repay the loans to the respective holder(s) or had to agree to repay the consolidating lender under an income-based repayment arrangement in order to include the defaulted loans in the Consolidation Loan. For applications received on or after January 1, 1993, borrowers could add additional loans to a Consolidation Loan during the 180-day period following the origination of the Consolidation Loan.

A married couple who agreed to be jointly liable on a Consolidation Loan for which the application was received on or after January 1, 1993, but before July 1, 2006, was treated as an individual for purposes of obtaining a Consolidation Loan.

Interest rates for Consolidation Loans. For Consolidation Loans disbursed before July 1, 1994, the applicable interest rate is fixed at the greater of:

- 9%, or

- The weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

For Consolidation Loans disbursed on or after July 1, 1994, based on applications received by the lender before November 13, 1997, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the loans consolidated, rounded up to the nearest whole percent.

For Consolidation Loans on which the application was received by the lender between November 13, 1997, and September 30, 1998, inclusive, the applicable interest rate is variable according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the variable interest rate is based on the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.

- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the variable interest rate is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending

June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of a Consolidation Loan that is represented by HEAL Loans.

For Consolidation Loans on which the application was received by the lender on or after October 1, 1998, the applicable interest rate is determined according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the non-HEAL loans being consolidated, rounded up to the nearest one-eighth of one percent. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.

- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the applicable interest rate is variable and is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of the Consolidation Loan that is represented by HEAL Loans.

For a discussion of required payments that reduce the return on Consolidation Loans, see "Fees - Rebate fee on Consolidation Loans" in this Appendix.

Interest rate during active duty

The Higher Education Opportunity Act of 2008 revised the Servicemembers Civil Relief Act to include FFEL Program loans. Interest charges on FFEL Program loans are capped at 6% during a period of time on or after August 14, 2008, in which a borrower has served or is serving on active duty in the Armed Forces, National Oceanic and Atmospheric Administration, Public Health Services, or National Guard. The interest charge cap includes the interest rate in addition to any fees, service charges, and other charges related to the loan. The cap is applicable to loans made prior to the date the borrower was called to active duty.

Maximum loan amounts

Each type of loan was subject to certain limits on the maximum principal amount, with respect to a given academic year and in the aggregate. Consolidation Loans were limited only by the amount of eligible loans to be consolidated. PLUS Loans were limited to the difference between the cost of attendance and the other aid available to the student. Stafford Loans, subsidized and unsubsidized, were subject to both annual and aggregate limits according to the provisions of the Higher Education Act.

Loan limits for Subsidized Stafford and Unsubsidized Stafford Loans. Dependent and independent undergraduate students were subject to the same annual loan limits on Subsidized Stafford Loans; independent students were allowed greater annual loan limits on Unsubsidized Stafford Loans. A student who had not successfully completed the first year of a program of undergraduate education could borrow up to $3,500 in Subsidized Stafford Loans in an academic year. A student who had successfully completed the first year, but who had not successfully completed the second year, could borrow up to $4,500 in Subsidized Stafford Loans per academic year. An undergraduate student who had successfully completed the first and second years, but who had not successfully completed the remainder of a program of undergraduate education, could borrow up to $5,500 in Subsidized Stafford Loans per academic year.

Dependent students could borrow an additional $2,000 in Unsubsidized Stafford Loans for each year of undergraduate study. Independent students could borrow an additional $6,000 of Unsubsidized Stafford Loans for each of the first two years and an additional $7,000 for the third, fourth, and fifth years of undergraduate study. For students enrolled in programs of less than an academic year in length, the limits were generally reduced in proportion to the amount by which the programs were less than one year in length. A graduate or professional student could borrow up to $20,500 in an academic year where no more than $8,500 was representative of Subsidized Stafford Loan amounts.

The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including that portion of a Consolidation Loan used to repay such loans, which a dependent undergraduate student may have outstanding is $31,000 (of which only $23,000 may be Subsidized Stafford Loans). An independent undergraduate student may have an aggregate maximum of $57,500 (of which only $23,000 may be Subsidized Stafford Loans). The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including the portion of a Consolidation Loan used to repay such loans, for a graduate or professional student, including loans for undergraduate education, is $138,500, of which only $65,500 may be Subsidized Stafford Loans. In some instances, schools could certify loan amounts in excess of the limits, such as for certain health profession students.

Loan limits for PLUS Loans. For PLUS Loans made on or after July 1, 1993, the annual amounts of PLUS Loans were limited only by the student's unmet need. There was no aggregate limit for PLUS Loans.

Repayment

Repayment periods. Loans made under the Federal Family Education Loan Program, other than Consolidation Loans and loans being repaid under an income-based or extended repayment schedule, must provide for repayment of principal in periodic installments over a period of not less than five, nor more than ten years. A borrower may request, with concurrence of the lender, to repay the loan in less than five years with the right to subsequently extend the minimum repayment period to five years. Since the 1998 Amendments, lenders have been required to offer extended repayment schedules to new borrowers disbursed on or after October 7, 1998 who accumulate outstanding FFELP Loans of more than $30,000, in which case the repayment period may extend up to 25 years, subject to certain minimum repayment amounts. Consolidation Loans must be repaid within maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans, but may not exceed 30 years. For Consolidation Loans for which the application was received prior to January 1, 1993, the repayment period cannot exceed 25 years. Periods of authorized deferment and forbearance are excluded from the maximum repayment period. In addition, if the repayment schedule on a loan with a variable interest rate does not provide for adjustments to the amount of the monthly installment payment, the maximum repayment period may be extended for up to three years.

Repayment of principal on a Stafford Loan does not begin until a student drops below at least a half-time course of study. For Stafford Loans for which the applicable rate of interest is fixed at 7%, the repayment period begins between nine and twelve months after the borrower ceases to pursue at least a half-time course of study, as indicated in the promissory note. For other Stafford Loans, the repayment period begins six months after the borrower ceases to pursue at least a half-time course of study. These periods during which payments of principal are not due are the "grace periods."

In the case of SLS, PLUS, and Consolidation Loans, the repayment period begins on the date of final disbursement of the loan, except that the borrower of a SLS Loan who also has a Stafford Loan may postpone repayment of the SLS Loan to coincide with the commencement of repayment of the Stafford Loan.

During periods in which repayment of principal is required, unless the borrower is repaying under an income-based repayment schedule, payments of principal and interest must in general be made at a rate of at least $600 per year, except that a borrower and lender may agree to a lesser rate at any time before or during the repayment period. However, at a minimum, the payments must satisfy the interest that accrues during the year. Borrowers may make accelerated payments at any time without penalty.

Income-sensitive repayment schedule. Since 1993, lenders have been required to offer income-sensitive repayment schedules, in addition to standard and graduated repayment schedules, for Stafford, SLS, and Consolidation Loans. Beginning in 2000, lenders have been required to offer income-sensitive repayment schedules to PLUS borrowers as well. Use of income-sensitive repayment schedules may extend the maximum repayment period for up to five years if the payment amount established from the borrower's income will not repay the loan within the maximum applicable repayment period.

Income-based repayment schedule. Effective July 1, 2009, a borrower in the Federal Family Education Loan Program or Federal Direct Loan Program, other than a PLUS Loan made to a parent borrower or any Consolidation Loan that repaid one or more parent PLUS loans, may qualify for an income-based repayment schedule regardless of the disbursement dates of the loans if he or she has a partial financial hardship. A borrower has a financial hardship if the annual loan payment amount based on a 10-year repayment schedule exceeds 15% of the borrower's adjusted gross income, minus 150% of the poverty line for the borrower's actual family size. Interest will be paid by the Secretary of Education for subsidized loans for the first three years for any borrower whose scheduled monthly payment is not sufficient to cover the accrued interest. Interest will capitalize at the end of the partial financial hardship period, or when the borrower begins making payments under a standard repayment schedule. The Secretary of Education will cancel any outstanding balance after 25 years if a borrower who has made payments under this schedule meets certain criteria.

Deferment periods. No principal payments need be made during certain periods of deferment prescribed by the Higher Education Act. For a borrower who first obtained a Stafford or SLS loan which was disbursed before July 1, 1993, deferments are available:

- During a period not exceeding three years while the borrower is a member of the Armed Forces, an officer in the Commissioned Corps of the Public Health Service or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, an active duty member of the National Oceanic and Atmospheric Administration Corps;

- During a period not exceeding three years while the borrower is a volunteer under the Peace Corps Act;

- During a period not exceeding three years while the borrower is a full-time paid volunteer under the Domestic Volunteer Act of 1973;

- During a period not exceeding three years while the borrower is a full-time volunteer in service which the Secretary of Education has determined is comparable to service in the Peace Corp or under the Domestic Volunteer Act of 1970 with an organization which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;

- During a period not exceeding two years while the borrower is serving an internship necessary to receive professional recognition required to begin professional practice or service, or a qualified internship or residency program;

- During a period not exceeding three years while the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or while the borrower is unable to secure employment because of caring for a dependent who is so disabled;

- During a period not exceeding two years while the borrower is seeking and unable to find full-time employment;

- During any period that the borrower is pursuing a full-time course of study at an eligible institution (or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, is pursuing at least a half-time course of study);

- During any period that the borrower is pursuing a course of study in a graduate fellowship program;

- During any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;

- During a period not exceeding six months per request while the borrower is on parental leave; and

- Only with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, during a period not exceeding three years while the borrower is a full-time teacher in a public or nonprofit private elementary or secondary school in a "teacher shortage area" (as prescribed by the Secretary of Education), and during a period not exceeding one year for mothers, with preschool age children, who are entering or re-entering the work force and who are paid at a rate of no more than $1 per hour more than the federal minimum wage.

For a borrower who first obtained a loan on or after July 1, 1993, deferments are available:

- During any period that the borrower is pursuing at least a half-time course of study at an eligible institution;

- During any period that the borrower is pursuing a course of study in a graduate fellowship program;

- During any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;

- During a period not exceeding three years while the borrower is seeking and unable to find full-time employment; and

- During a period not exceeding three years for any reason which has caused or will cause the borrower economic hardship. Economic hardship includes working full-time and earning an amount that does not exceed the greater of the federal minimum wage or 150% of the poverty line applicable to a borrower's family size and state of residence. Additional categories of economic hardship are based on the receipt of payments from a state or federal public assistance program, service in the Peace Corps, or until July 1, 2009, the relationship between a borrower's educational debt burden and his or her income.

Effective October 1, 2007, a borrower serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency may obtain a military deferment for all outstanding Title IV loans in repayment. For all periods of active duty service that include October 1, 2007 or begin on or after that date, the deferment period includes the borrower's service period and 180 days following the demobilization date.

A borrower serving on or after October 1, 2007, may receive up to 13 months of active duty student deferment after the completion of military service if he or she meets the following conditions:

- Is a National Guard member, Armed Forces reserves member, or retired member of the Armed Forces;
- Is called or ordered to active duty; and
- Is enrolled at the time of, or was enrolled within six months prior to, the activation in a program at an eligible institution.

The active duty student deferment ends the earlier of when the borrower returns to an enrolled status, or at the end of 13 months.

PLUS Loans first disbursed on or after July 1, 2008, are eligible for the following deferment options:

- A parent PLUS borrower, upon request, may defer the repayment of the loan during any period during which the student for whom the loan was borrowed is enrolled at least half time. Also upon request, the borrower can defer the loan for the six-month period immediately following the date on which the student for whom the loan was borrowed ceases to be enrolled at least half time, or if the parent borrower is also a student, the date after he or she ceases to be enrolled at least half time.

- A graduate or professional student PLUS borrower may defer the loan for the six-month period immediately following the date on which he or she ceases to be enrolled at least half time. This option does not require a request and may be granted each time the borrower ceases to be enrolled at least half time.

Prior to the 1992 Amendments, only some of the deferments described above were available to PLUS and Consolidation Loan borrowers. Prior to the 1986 Amendments, PLUS Loan borrowers were not entitled to certain deferments.

Forbearance periods. The Higher Education Act also provides for periods of forbearance during which the lender, in case of a borrower's temporary financial hardship, may postpone any payments. A borrower is entitled to forbearance for a period not exceeding three years while the borrower's debt burden under Title IV of the Higher Education Act (which includes the Federal Family Education Loan Program) equals or exceeds 20% of the borrower's gross income. A borrower is also entitled to forbearance while he or she is serving in a qualifying internship or residency program, a "national service position" under the National and Community Service Trust Act of 1993, a qualifying position for loan forgiveness under the Teacher Loan Forgiveness Program, or a position that qualifies him or her for loan repayment under the Student Loan Repayment Program administered by the Department of Defense. In addition, administrative forbearances are provided in circumstances such as, but not limited to, a local or national emergency, a military mobilization, or when the geographical area in which the borrower or endorser resides has been designated a disaster area by the President of the United States or Mexico, the Prime Minister of Canada, or by the governor of a state.

Interest payments during grace, deferment, forbearance, and applicable income-based repayment ("IBR") periods. The Secretary of Education makes interest payments on behalf of the borrower for Subsidized loans while the borrower is in school, grace, deferment, and during the first 3 years of the IBR plan for any remaining interest that is not satisfied by the IBR payment amount. Interest that accrues during forbearance periods, and, if the loan is not eligible for interest subsidy payments during school, grace, deferment, and IBR periods, may be paid monthly or quarterly by the borrower. Any unpaid accrued interest may be capitalized by the lender.

Fees

Guarantee fee and Federal default fee. For loans for which the date of guarantee of principal was on or after July 1, 2006, a guarantee agency was required to collect and deposit into the Federal Student Loan Reserve Fund a Federal default fee in an amount equal to 1% of the principal amount of the loan. The fee was collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources. Federal default fees could not be charged to borrowers of Consolidation Loans.

Origination fee. Beginning with loans first disbursed on or after July 1, 2006, the maximum origination fee which could be charged to a Stafford Loan borrower decreased according to the following schedule:

- 1.5% with respect to loans for which the first disbursement was made on or after July 1, 2007, and before July 1, 2008;

- 1.0% with respect to loans for which the first disbursement was made on or after July 1, 2008, and before July 1, 2009; and

- 0.5% with respect to loans for which the first disbursement was made on or after July 1, 2009, and before July 1, 2010.

A lender could charge a lesser origination fee to Stafford Loan borrowers as long as the lender did so consistently with respect to all borrowers who resided in or attended school in a particular state. Regardless of whether the lender passed all or a portion of the origination fee on to the borrower, the lender had to pay the origination fee owed on each loan it made to the Secretary of Education.

An eligible lender was required to charge the borrower of a PLUS Loan an origination fee equal to 3% of the principal amount of the loan. This fee had to be deducted proportionately from each disbursement of the PLUS Loan and had to be remitted to the Secretary of Education.

Lender fee. The lender of any loan made under the Federal Family Education Loan Program was required to pay a fee to the Secretary of Education. For loans made on or after October 1, 2007, the fee was equal to 1.0% of the principal amount of such loan. This fee could not be charged to the borrower.

Rebate fee on Consolidation Loans. The holder of any Consolidation Loan made on or after October 1, 1993, was required to pay to the Secretary of Education a monthly rebate fee. For loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, the fee is equal to 0.0875% (1.05% per annum) of the principal and accrued interest on the Consolidation Loan. For loans made from applications received during the period beginning on or after October 1, 1998, through January 31, 1999, the fee is 0.0517% (0.62% per annum).

Interest subsidy payments

Interest subsidy payments are interest payments paid on the outstanding principal balance of an eligible loan before the time the loan enters repayment and during deferment periods. The Secretary of Education and the guarantee agencies enter into interest subsidy agreements whereby the Secretary of Education agrees to pay interest subsidy payments on a quarterly basis to the holders of eligible guaranteed loans for the benefit of students meeting certain requirements, subject to the holders' compliance with all requirements of the Higher Education Act. Subsidized Stafford Loans are eligible for interest payments. Consolidation Loans for which the application was received on or after January 1, 1993, are eligible for interest subsidy payments. Consolidation Loans made from applications received on or after August 10, 1993, are eligible for interest subsidy payments only if all underlying loans consolidated were Subsidized Stafford Loans. Consolidation Loans for which the application is received by an eligible lender on or after November 13, 1997, are eligible for interest subsidy payments on that portion of the Consolidation Loan that repaid subsidized FFELP Loans or similar subsidized loans made under the Direct Loan Program. The portion of the Consolidation Loan that repaid HEAL Loans is not eligible for interest subsidy, regardless of the date the Consolidation Loan was made.

Special allowance payments

The Higher Education Act provides for special allowance payments (SAP) to be made by the Secretary of Education to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was originally made or insured, and the type of funds used to finance the loan (taxable or tax-exempt).

Stafford Loans. The effective formulas for special allowance payment rates for Subsidized Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The T-Bill Rate mentioned in the chart refers to the average of the bond equivalent yield of the 91-day Treasury bills auctioned during the preceding quarter.

Date of Loans	Annualized SAP Rate
On or after October 1, 1981	T-Bill Rate less Applicable Interest Rate + 3.5%
On or after November 16, 1986	T-Bill Rate less Applicable Interest Rate + 3.25%
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.1%[(1)]
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.8%[(2)]
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34%[(3)(6)]
On or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%[(4)(6)]
All other loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%[(5)(6)]

[(1)] Substitute 2.5% in this formula while such loans are in-school, grace, or deferment status
[(2)] Substitute 2.2% in this formula while such loans are in-school, grace, or deferment status.
[(3)] Substitute 1.74% in this formula while such loans are in-school, grace, or deferment status.
[(4)] Substitute 1.34% in this formula while such loans are in-school, grace, or deferment status.
[(5)] Substitute 1.19% in this formula while such loans are in-school, grace, or deferment status.
[(6)] The Military Construction and Veterans Affairs and Related Agencies Appropriations Act of 2012 provides an alternate calculation method that substitutes for 3 Month Commercial Paper Rate "1 Month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Banker's Association." This method has to be selected by each lender or beneficial holder before April 1, 2012 and applies to all loans held under the same lender identification number for the quarter beginning April 1, 2012 and all succeeding 3-month periods.

PLUS, SLS, and Consolidation Loans. The formula for special allowance payments on PLUS, SLS, and Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.64%[(1)]
PLUS loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%[(1)]
All other PLUS loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%[(1)]
Consolidation loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.24%[(1)]
All other Consolidation loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.09%[(1)]

[(1)] The Military Construction and Veterans Affairs and Related Agencies Appropriations Act of 2012 provides an alternate calculation method that substitutes for 3 Month Commercial Paper Rate "1 Month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Banker's Association." This method has to be selected by each lender or beneficial holder before April 1, 2012 and applies to all loans held under the same lender identification number for the quarter beginning April 1, 2012 and all succeeding 3-month periods.

For PLUS and SLS Loans made prior to July 1, 1994, and PLUS loans made on or after July 1, 1998, which bear interest at rates adjusted annually, special allowance payments are made only in quarters during which the interest rate ceiling on such loans operates to reduce the rate that would otherwise apply based upon the applicable formula. See "Interest Rates for PLUS Loans" and "Interest Rates for SLS Loans." Special allowance payments are available on variable rate PLUS Loans and SLS Loans made on or after July 1, 1987, and before July 1, 1994, and on any PLUS Loans made on or after July 1, 1998, and before January 1, 2000, only if the variable rate, which is reset annually, based on the weekly average one-year constant maturity Treasury yield for loans made before July 1, 1998, and based on the 91-day or 52-week Treasury bill, as applicable for loans made on or after July 1, 1998, exceeds the applicable maximum borrower rate. The maximum borrower rate is between 9% and 12% per annum. The portion, if any, of a Consolidation Loan that repaid a HEAL Loan is ineligible for special allowance payments.

Recapture of excess interest. The Higher Education Reconciliation Act of 2005 provides that, with respect to a loan for which the first disbursement of principal was made on or after April 1, 2006, if the applicable interest rate for any three-month period exceeds the special allowance support level applicable to the loan for that period, an adjustment must be made by calculating the excess interest and crediting such amounts to the Secretary of Education not less often than annually. The amount of any adjustment of interest for any quarter will be equal to:

- The applicable interest rate minus the special allowance support level for the loan, multiplied by
- The average daily principal balance of the loan during the quarter, divided by
- Four.

Special allowance payments for loans financed by tax-exempt bonds. The effective formulas for special allowance payment rates for Stafford Loans and Unsubsidized Stafford Loans differ depending on whether loans to borrowers were acquired or originated with the proceeds of tax-exempt obligations. The formula for special allowance payments for loans financed with the proceeds of tax-exempt obligations originally issued prior to October 1, 1993 is:

$$\frac{\text{T-Bill Rate less Applicable Interest Rate} + 3.5\%}{2}$$

provided that the special allowance applicable to the loans may not be less than 9.5% less the Applicable Interest Rate. Special rules apply with respect to special allowance payments made on loans

- Originated or acquired with funds obtained from the refunding of tax-exempt obligations issued prior to October 1, 1993, or
- Originated or acquired with funds obtained from collections on other loans made or purchased with funds obtained from tax-exempt obligations initially issued prior to October 1, 1993.

Amounts derived from recoveries of principal on loans eligible to receive a minimum 9.5% special allowance payment may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than $100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. Loans acquired with the proceeds of tax-exempt obligations originally issued after October 1, 1993, receive special allowance payments made on other loans. Beginning October 1, 2006, in order to receive 9.5% special allowance payments, a lender must undergo an audit arranged by the Secretary of Education attesting to proper billing for 9.5% payments on only eligible "first generation" and "second generation" loans. First generation loans include those loans acquired using funds directly from the issuance of the tax-exempt obligation. Second-generation loans include only those loans acquired using funds obtained directly from first-generation loans. Furthermore, the lender must certify compliance of its 9.5% billing on such loans with each request for payment.

Adjustments to special allowance payments. Special allowance payments and interest subsidy payments are reduced by the amount which the lender is authorized or required to charge as an origination fee. In addition, the amount of the lender origination fee is collected by offset to special allowance payments and interest subsidy payments. The Higher Education Act provides that if special allowance payments or interest subsidy payments have not been made within 30 days after the Secretary of Education receives an accurate, timely, and complete request, the special allowance payable to the lender must be increased by an amount equal to the daily interest accruing on the special allowance and interest subsidy payments due the lender.

Alto
Resume

Timothy P. Hahn

5030 W. Thatcher Lane ♦ Lincoln, NE 68528♦ (402) 875-1925 ♦ tim.hahn33@gmail.com

Experience

ALLO Communications, *Lincoln, Nebraska* December 2017 – Present

Sales Engineer,

- Design and sell solutions to new customers and drives advanced data networking solutions into existing accounts.
- Support sales with proposal generation for complex designs (i.e. pricing assistance, equipment design, Visio documentation, detailed scope of work).
- Prepare, complete and present all technical information to the engineering team for customer implementations.
- Act as a technical liaison between post sales implementation groups, engineering and sales teams.
- Represent ALLO on customer appointments as a subject manner expert for data services, LAN/ WAN technologies, SIP and associated LAN/WAN applications.
- Develop relationships via daily interaction with Sales personnel, Engineering, Account Management, and support service teams at all levels.
- Stay current with technology as it pertains to communication infrastructure.
- Manage and coordinate complex orders.

Windstream Communications, *Lincoln, Nebraska* 1995 – September 2017

Sales Engineer, 2011 – September 2017

- Conduct business in a consultative manner, understanding the communication applications and business challenges facing prospective and current customers.
- Design and sell solutions to new customers and drives advanced data networking solutions into existing accounts.
- Support sales with proposal generation for all complex WAN designs (i.e. pricing assistance, equipment design, Visio documentation, detailed scope of work).
- Prepare, complete and present all technical paperwork to the engineering team for customer implementations.
- Conduct training for Sales and Account development on technical concepts, features, and capabilities of network products.
- Conduct sales focused training to customer groups to drive technical product sets into to new and existing accounts.
- Provide technical expertise to Marketing and Training teams during rollout of new data services or enhancements of existing offerings.
- Act as a technical liaison between post sales implementation groups, engineering and sales teams.
- Represent Windstream on customer appointments as a subject manner expert for data services, LAN/ WAN technologies, SIP and associated LAN/WAN applications.
- Develop relationships via daily interaction with Sales personnel, Engineering, Account Management, and support service teams at all levels.
- Stay current with technology as it pertains to communication infrastructure.

Systems Engineer, 1997 – 2011

- Served as a Lead Engineer for high budget projects such as BryanLGH, Ambassador Group, Assurity Life Insurance, Teledyne Isco, Lincoln Surgical Hospital, & Kawasaki
  - Duties include system design, bid development, coordination of system(s) installation, and serving as project manager from the beginning to completion of all projects.
- Conducted site visits with customers to assess their communication and data needs and capabilities.
- Designed communication systems (phone, paging, voice and data wiring, fiber installation, IP Telephony) and creates bids for projects.
- Communicated with product distributors to learn about product pricing and capabilities.

- Conducted presentations for customers to educate them about products or to introduce the customer to new technologies.
- Managed projects to ensure that all of the customer's needs are met.
- Collaborated with other project contractors (building contractors, electrical contractors, and architects) to coordinate respective projects.
- Utilized Microsoft Project to manage jobs in order to assure timely completion.
- Assisted Customer Service Support and technician personnel in programming communication and data systems.
- Provided customer support to the customer, Customer Service Support personnel, technicians, and sales staff.
- Trained Customer Service Support personnel, technicians, sales staff, and engineers on new technology and products.
- Worked with a team of technician managers, sales staff, Customer Service Support personnel, and technicians.
- Collaborated with and provides guidance to Account Executive and Sales Engineers in the development of project bid pricing.

Wire Technician, 1995 – 1997

- Installed phone systems, paging systems, voice and data wiring, and fiber.
- Programed and installs Panasonic & Telrad phone systems.
- Managed projects and other wire technicians.

Education

Bachelor of Science, Electronic Engineering Technology 05/1995

Missouri Western State University, St. Joseph, MO

Professional Development & Certifications

- Adtran
  - ACCP (ADTRAN Certified Carrier Professional) - 2014
- Siemens
  - SOCA (Siemens Open Communications Associate) – 2009
  - Hicom 150H Advanced Class – 1999
  - Hicom 150E – 1998
- Mitel
  - Mitel 5000 – 2009
- Cisco
  - Interconnecting Cisco Network Devices – 2003
  - CCNA 1-4 Class
- Spectralink
  - Wireless Systems - 2001
- BICSI
  - BICSI Cabling Installation Installer - 2000
- Panasonic
  - KX-TD500 Digital Super Hybrid System Installation & Programming – 2000
  - KX-TBS75/100 Installation & Programming – 1997
  - Super Hybrid System Installation & Programming - 1997
- Telrad
  - Digital Key BX Technical Training SB5-7/DB57 - 2001
- Siecor
  - TR-02-S "Fiber Optic Design for Local Area Networks" - 2000
- Valcom
  - Loudspeaker Paging Systems – 2000
- Krone
  - Symphony, Certified Installation Technician - 1998

Professional Memberships

- Phi Delta Theta Fraternity
    - Vice President: 1994-1995
    - Academic Chair: 1993-1994

Other Work Experience

- Baseball Umpire – (2000-Present)
    - Youth Baseball
    - High School & Legion Baseball
    - College Baseball
    - American Association (Lincoln Salt Dogs)
    - Served as Crew Chief at several Nebraska State Legion Baseball Tournaments. Involved coordinating umpire schedules, conflict management, and insured enforcement of tournament rules.

Volunteer Activities

- Co-Founder/President of the Timberwolves Athletic Association, 2009-Present
    - Co-founded a youth-based basketball organization. We currently have twelve teams ranging from 3rd-8th grade. Coordinate scheduling games, practices, & board meetings. Assist with budget and player fees, maintain and update website.
    - President – Facilitates Board Meetings, secures all gym space, and coordinates practice and game schedules. Facilitate conflict resolution between coaches and parents as needed.
    - Coach – Head Coach & assist with all levels in the organization.
- Lincoln Legends Baseball, Tournament Director, 2011-2013
    - Coordinated the annual baseball tournament for ages 10-14. Averaged 24 teams registered per year.
    - Developed all promotional materials and awards.
    - Managed registrations.
    - Communicated with coaches prior to and throughout the tournament.
    - Served as site director at the primary site.
    - Coordinated volunteers and other site directors.
    - Developed and maintained tournament website.
    - Responsible for filing all required tournament paperwork and results with the Nebraska USSSA office.

References

- Personal Reference
    - Stuart Zetterman
    - TELCOR Inc. – HR Director
    - 402-770-9134 (Cell)
    - 402-327-7755 (Work)
    - Zets4nu@neb.rr.com
- Personal Reference
    - Brad Tuch
    - Kidwell Communications – VoIP Engineer
    - 402-525-6745 (Cell)
    - btuch@datavision.com
- Co-Worker Reference
    - Tony Peterson
    - Windstream Communications – Manager Local Operations
    - 402-540-3879 (Cell)
    - Tony.peterson@windstream.com

TADD A. VANSCHOIACK

EXPERIENCE

2016–Present Allo Communications Lincoln, NE

Business Sales Engineer

- Meet with businesses and recommend network solutions
- Provide detailed drawings for Allo/Customer network
- Project management for installations for customer between customer and Allo Construction
- Site survey of customer premise to give a detailed scope of work for Allo Construction
- Demo hosted pbx phone systems
- Work on proposals and quotes for RFP for Allo To bid on

2012–2016 Union Bank and Trust Co. Lincoln, NE

Officer – Manager/Project Manager Technical Support Team

- Manage operations of the Technical Support Team within the IT Department. This includes all job functions of 2 technicians and all projects associated with the IT Department and bank wide projects.
- Responsible for all technical projects from start to finish. This includes: research, proposals, budgeting, scheduling and implementation.
- Responsible for bank wide projects and reporting to management.
- Responsible for project communication with management, coworkers and vendors.
- Responsible for phone system conversion to VOiP … Currently 8 months ahead of schedule and saving $13,000 a month in expenses.
- Responsible for ticketing software implementation for IT Department.
- Responsible for many other projects for the whole bank and individual department.
- Coordinate installs with vendors for cabling and communications for remodels and new buildings.

2001–2012 Union Bank and Trust Co. Lincoln, NE

Officer - Manager Desktop Support Team

- Manage operations of the Desktop Support department within Network Services. This includes all job functions performed by 7 department staff members. 3 Helpdesk, 3 technicians and 1 assistant.
- Responsible for all technical issues related to the end users. Includes but not exclusive to: all pc's, monitors, printers, phones, software & hardware.
- Responsible for all bank licensing on all software products.
- Responsible for all inventory tracking of all hardware and software.
- Coordinate department projects as a project manager.
- Responsible for personnel duties to include interviewing, development of procedures, maintenance of records, and delegation of workload

- Responsible for coordination and training of new and existing staff on all department job functions.
- Responsible for preparing and conducting performance appraisals for the Technical Support staff and assist other Network Services managers with preparation of annual budget and periodic budget review.
- Coordinate installs with vendors for cabling and communications.

1998-2001 Union Bank and Trust Co. Lincoln, NE

Technical Support Specialist

- Answered help desk calls & assigned help desk tickets to myself for resolution.
- Helped assign calls to other team members for resolution.
- Installed new software from start to finish and tested for compatibility.
- Worked on special department projects from start to finish.
- Installed new teller system bank wide and finished 3 months ahead of schedule.

1992-1998 NEBHELP Lincoln, NE

Accounting Specialist

- Managed muti-million dollar accounts for purchasing of student loans.
- Balanced and reconciled accounts daily.
- Made adjustments to the GL accounts as needed.

EDUCATION

1988-1992 Midland Lutheran College Fremont, NE

- B.S.B.A, Concentration in Accounting & Finance

1992 – Present

- AWS & Azure training
- Microsoft training and seminars
- VOIP training and seminars
- CBTNuggets online training
- Project management training
- Scripting and powershell training
- Numerous books

INTERESTS

Computers, VOIP Phones, video conferencing, BYOD, new technology.

Sports, golfing, coaching my daughter's softball team.

CHRISTINA PETERSON

912 Broadway, Imperial NE | 308-883-0003 | cpeterson@allophone.net

SUMMARY

Current Business Customer Service Manager. Versatile, reliable and efficient with 7 years' experience supporting hosted PBX, SIP trunk, and PRI systems in high paced environments. Diversified skills include client relations, and administrative support. Excellent phone and digital communication skills.

SKILLS & ABILITIES

Tier 1 support for Hosted PBX, SIP trunk, and PRI systems. Manager of Business Customer Service. Enterprise Level Accounts

EXPERIENCE

Nov 2015-Present

Business Customer Service Manager, *ALLO Communications*

- Manage 10+ customer service representatives entering customer information into data system.

April 2011-Nov 2015

Business Customer Service Representative, *ALLO Communication*

- Obtaining customer information, entering customer information into data system. Provision and communicate with customer to set up services requested.

EDUCATION

Aug 2006 –May 2008 Associates of Science, Lincoln NE, *Southeast Community College*

REFERENCES

Allison O'neil
Vice President of Customer Operations ALLO Communications
308-633-7805
aoneil@allophone.net

Thomas Scheele
Hosted PBX Specialist
402-781-4653
tscheele@allophone.net

Tanna Hanna
Marketing Manager
308-633-7815
thanna@allophone.net

KRISTIN CROSS

2008 3rd Ave
Scottsbluff, NE
308-241-1844
crosskgk@gmail.com

Highlights of Qualifications:

- Microsoft word, Microsoft office, Excel, Power Point, Doktrak, Electronic Health Records, Minutes, Multi-phone systems, Keyboard 55WPM, Data Entry.

I have excellent communication and listening skills. I have a great ability to defuse stressful situations. I am proficient at multi-tasking and data entry. I work well with my co workers and am very reliable. I know how to organize my day to day schedule to ensure proficiency. I am confident in myself and my ability to be the best in any position I hold. I enjoy a fast paced and challenging position.

Education

Western Nebraska Community College — Major: Nursing
Scottsbluff, NE — May 2004 – January 2005

- Courses for registered nurse requirements

Banner County High School — Diploma
Harrisburg, NE — May 2004

- Lettered in girls volleyball, basketball, track and gymnastics
- Honor choir member

EMPLOYMENT

Allo Communications — Business Customer Service Rep
Scottsbluff, NE — February 2016-Current

- Process incoming requests for new installations, including SIP trunks, PRI's and IP Phones.
- Complete changes on business accounts according to the customer's request.
- Take incoming calls from business customers regarding trouble issues, questions and concerns.
- Handle outbound calls with the objective to collect on delinquent accounts.
- Handle billing disputes, and process billing errors.
- Manage business price list for the business team.

Ricco Inc — Records Administrator
Scottsbluff, NE — July 2014-December 2015

- Accurately performs filing and interfiling of loose items on a timely basis.
- Perform database queries and reports of activities as needed
- Retrieve and arrange file delivery as needed
- Access, compile, gather, and issue requested records and information.
- Perform basic records center operations in accordance with RIM procedures.

- Receive files for entry into Records Management System, review for accuracy and enter data
- Sort, classify, and code material for filing and shelving
- Generate labels and bar coding as necessary to track files
- Prepare ne files within file classification plan
- Perform assigned tasks that support the organization's legal hold process
- Monitor records management email and voicemail boxes and responds appropriately to responds appropriately to requests and inquiries

Panhandle Mental Health Center
Scottsbluff, NE

Admissions Representative
May 2012-July 2014

- Completed admissions paperwork with new consumers
- Updated financial paperwork for the sliding fee scale
- Managed multiple clinicians work schedules
- Set up appointments for consumers
- Verified insurance benefits
- Responsible for keeping consumers balances current

REFERENCES

Emily Vogt
Business Supervisor
Allo Communication
610 Broadway St
Imperial, NE
308-882-7800

Sheila Dinges
Business Lead
Allo Communications
1710 E 20Th St
Scottsbluff, NE
308-633-7804

Melody Marsh
Business Representative
Allo Communications
1710 E 20th St
Scottsbluff, NE
308-633-7899

Sonya M. Pinneo

3610 Lowell Ave 402-314-1155
Lincoln, NE 68506 sonyamarie1304@live.com

Professional Summary

I am an energetic, business professional with a strong work ethic and passion for client satisfaction and the ever-changing technology world. I am able to work efficiently in complex and diverse environments with multiple and changing technical and customer demands. My attention to detail strongly contributes to deadline driven goals. I strive to complete high quality, time sensitive projects with consistency. I have a strong desire to evaluate, implement and improve IT solutions while supporting company objectives. Immediately I take action and successfully train individuals after carefully listening to their needs, and interacting in a warm and friendly way.

Education

University of Nebraska at Kearney
Major: **Business of Administration Comprehensive**
GPA 3.6/4.0

Bachelor of Science Degree: May 2008
Emphasis: **Marketing**

Professional Experience

Business Customer Service Manager, Allo Communications, Lincoln, NE 5/18 to present

- Responsible for building and maintaining high performing Business Customer Service and Hosted PBX Teams
- Actively demonstrate Company values and maintain a positive open demeanor
- Encourages different points of view, moves team forward through change
- Ensures that adequate staffing is in place to handle the work function assigned to the position's area of responsibility
- Effectively isolate and identify areas of improvement
- Assist upper management in planning and implementing new procedures promptly, allowing Customer Service and Hosted PBX employees the ability to carry out their responsibilities.
- Establish and maintain processes that have Business orders completed within 21 days of signed order
- Provide and enhance job aids for customer service representatives.
- Serves as customer interfacing escalation point
- Partner with Complex Ordering Specialist to satisfactorily complete orders and troubleshoot if necessary
- Work with Installation Technician Managers to ensure prospering scheduling and communication for installations.
- Keep Customer Service Representatives and Hosted PBX Specialists abreast of new company products and services
- Analyze data and statistics
- Leads and participates in internal meetings, such as operation reviews
- Creates executive management reports and recommends to upper management problem identification and resolution for repair performance

Hosted PBX Team Supervisor, Allo Communications, Lincoln, NE 8/16 to 5/18

- Responsible for building and overseeing a high performing Hosted PBX team
- Supervised, trained, coached and mentored Hosted PBX Representatives
- Successfully developed, empowered direct reports to make decisions, take action
- Well-informed Hosted PBX Representatives of new company products and services
- Encouraged different points of view, positively moved team forward through change
- Consistently delivered the highest level of customer service possible
- Served as a business customer interfacing escalation point
- Continuously provided problem-solving resources
- Ensured operational plans were aligned with business objectives
- Collaborated on the development and implementation of customer and contract performance metrics and tools
- Diligently worked with Installation Technician Managers and Sales Engineers to ensure proper scheduling and communication for installations
- Led and participated in internal and external meetings
- Provided change recommendations to Business Customer Service Representative Manager

Technical Training Specialist, Union Bank & Trust, Lincoln, NE 8/15 to present

- Enhance the productivity of bank employees by providing education for increased efficiency and optimal use of technical tools
- Create and conduct various technical training modules including topics such as Microsoft Office, Adobe, and other tools that support bank efficiency efforts, and major system upgrades
- Serve as an Administrator of multiple online training platforms
- Conduct New Employee Orientation for all new employees
- Create and maintain an onboarding process for new employees in each department
- Complete ongoing research and development of existing and new technical training modules as needed
- Provide training to employees on how to use our digital banking tools
- Create and maintain professional relationships with managers and employees

IT Helpdesk Supervisor, Union Bank & Trust, Lincoln, NE 7/12 to 8/15

- Supervised an IT Helpdesk Team through the daily technical and operational issues with workstation systems and applications
- Ensured compliance with the bank's policies, procedures and strategies
- Strived to meet and exceed customer expectations daily
- Created and maintained an organized structure for workstation, associated hardware, systems and application configurations
- Led and/or assist with the development and implementation of technical and system bank wide projects
- Assisted with Network Administration for user setup/management
- Managed call database for trends and call analysis
- Networked with vendors to confirm bank's ongoing system and communication needs are met
- Collaborated with resources for new locations, remodels, and employee moves

System Support Specialist, Union Bank& Trust, Lincoln, NE 2/12 to 7/12

- Provided excellent customer service to assist with user inquiries and issues
- Successfully resolved daily issues with workstation systems and applications
- Actively managed network user accounts and maintained documentation to ensure regulatory compliance
- Professionally worked with vendors to maintain bank's ongoing system and communication needs
- Accurately completed system software modifications upon request
- Quickly solved problems regarding bank's core software and various application software

POD Systems Analyst, Automated Systems Inc., Lincoln, NE--4/10 to 2/12

- Provided high quality customer service by meeting the needs of customers in an efficient and friendly manner through prompt and accurate communication
- Diligently defined problems, collected data, established facts and drew valid conclusions
- Confidently traveled onsite to new and existing customer locations and train all staff on functionality of software and equipment
- Accurately performed software upgrades for customers as necessary
- Effectively tracked, followed up, and communicated to appropriate parties regarding ongoing issues for trouble tickets and enhancements
- Proficiently tested and researched bank software issues and report results to proper channels
- Successfully built and implemented new client databases for imaging applications
- Actively monitored the unassigned call queue to prioritize and assign calls if necessary

Branding Specialist/Inside Sales, Mankato Free Press, Mankato, MN--5/09 to 4/10

- Creatively designed, proofed, and presented advertising ideas and solutions
- Planned, scheduled, and executed monthly telemarketing projects
- Successfully obtained monthly sales goals set by management
- Provided excellent customer service to assist with customer inquiries and complaints
- Generated daily cold calls to build classified/retail advertising business
- Frequently prepared and paginated classified section for daily paper
- Accurately entered ad tickets into Vision Data system

SKILLS

Microsoft Windows	Word	Powerpoint
Excel	Photoshop	SIS Client Database
Flash	Web Site Design	Adobe
Microsoft SQL Server	Insite Banking System	Skype

Sonya M. Pinneo

3610 Lowell Ave
Lincoln, NE 68506

402-314-1155
sonyamarie1304@live.com

LINKEDIN
www.linkedin.com/in/sonya-pinneo-22580978/

REFERENCES

Brian Watkins
Vice President of Information Technology
Union Bank & Trust
402-432-3732

Karen Helmberger
Strategic Business Leader
402-430-0231

Home Services
Ben Dinger
IT Director
402-434-8118

BMG CPA's, LLP
Todd Blome
Partner
402-483-7781

Thomas Scheele

4716 Hillside St, Lincoln, Nc 68506 - 402-239-3923 (C) – tscheele@allophone.net

Summary

I have an extensive background in customer service, from dealing with customers face to face, to taking orders and troubleshooting over the phone. I excel at working with others and teaching them new things.

Highlights

- Strong customer service background
- Technical writing background
- Electronics diagnosis and repair.
- Skilled with computers.
- Estimating experience
- Sales background.

Accomplishments

I helped set up the quality control department of Speedway Motors.
I was given control of the instruction sheets at Speedway Motors due to my technical abilities on a computer.

Experience

Allo Communications — June 27th 2016 – Current.

Hosted PBX Support Specialist — March 19th 2018

I joined the hosted team to further support customers phone needs. This allows me to interact with customers and design how they want their phone system to work. I work directly with customers to install and set up their phones to allow them the best possible experience.

Business customer service supervisor — November 26 2016 – March 17th 2018

I was promoted to Business customer service supervisor. This allows me to help train the team and resolve problems. I take care of several high value customers and help with the JCB process for engineering. I have implemented a weekly quiz program for the business customer service team as a refresher on their training.

Business customer service representative — June 27th 2016 – November 26th 2016

I was trained on in processing orders and setting up equipment for customers. I have excelled to become a leader of the business CSR group. I won the You R.O.C. award for Allo for October for doing my best with helping anyone who has had a problem.

Nelnet Total and Permanent Disability department — December 7th 2015-June 27th 2016

Advisor I

I started for Nelnet taking inbound calls assisting disabled student loan borrowers in getting their loans discharged based on their disabilities. In February of 2016 was moved into taking Pre-Sales calls for Allo Communications for approximately 2 weeks, I was again moved into the Pre-Sales line in March 2016 where I remained till I joined Allo Communications directly in June 2016. In my time with the TPD department I did win employee of the month for March 2016

Anderson Mazda — March 2015 to November 2015
Service Writer
Lincoln, NE
I started at Anderson Mazda managing the maintenance technicians and quickly moved up to writing service for the shop. I handle incoming customers calls and in person to provide an excellent experience.

Auto Body Concepts — October 2014 to March 2015
Estimator
Omaha, NE
I was the primary estimator for the body shop. I worked directly with customers, insurance companies, and parts vendors to quickly and accurately get customers cars repaired.

Speedway Motors, Inc. — February 2008 to October 2014
Quality Control Tech
Lincoln, NE
I started at the parts counter selling parts and quickly moved to helping build the Quality control department. I also aid customer service in resolving customer parts issues, and write instruction sheets.

Education

Southeast Community College — 2006
Associate of Applied Science: Automotive Technology
Milford, NE, United States of America

Southeast Community College — 2004
Associate of Applied Science: Automotive Collision Repair
Milford, NE, United States of America

Work References

Scudder Law
HEATHER SCHROER — Office Manager
402-435-3223

Manzitto Real Estate
Sarah Lavy — Administrative Assistant
402-483-2302

National Conference for Weights and Measures
Elisa Stritt — Office Manager
402-434-4872

Matthew Greenwood

1714 S Cotner Blvd, Lincoln, NE 68506
(402) 499-5376 | Greenwood.sycksun@gmail.com

Career Objective
I enjoy working with technology and talking with people. An ideal job for me will include a mix of these characteristics.

Skillset
Strong Communication skills, technological background, fast learner, problem solver, adaptable, initiator

EMPLOYMENT

Allo Communications (Feb 2017 – Present)
ALLO Hosted PBX Support Specialist II. Responsible for supporting the Hosted PBX team and ensuring ALLO delivers the highest level of customer service possible. Provides troubleshooting within a VoIP environment, hosted PBX feature configuration, addition of services within the hosted environment upon customer request, documentation of configuration or design elements, and completion of diagnostics and testing as required. Maintains customer satisfaction by providing problem-solving resources.

Hy Electric (Oct 2015 – Feb 2017)
Bookkeeper and IT Liaison. Responsibilities include paying bills, calculating and releasing payroll, communicating with customers and vendors, invoice recovery, and preparing cash-flow and income reports for ownership. Rollout of communication devices for field staff to facilitate productivity tools (tablets, phones, calendars, schedules, and job specific details).

Hy Electric (March 2014 - Oct 2015)
Apprentice Electrician through IBEW, responsibilities include pulling wire through conduit, bending conduit, running conduit, testing, and connecting electrical circuits.

Petsmart (May 12 – March 2014)
Pet care Associate: Responsible for the Register, Customer service, running the forklift and taking care of all the live pets in the store.

Commonwealth Electric (July 22 – Aug 15)
Apprenticing for Journeyman Electrician through IBEW. responsible for building pedestals, running wire underground, and terminating connections at the customer's house.

Cleary Building Co. (May 11 – Aug 11)
Pole Barn Construction: Crewman, building and installing new Pole Barns.

Riley's Construction (May 10 – Aug 10)
Pole Barn Construction: Crewman, repairing existing barns, constructing new barns, and using heavy equipment.

EDUCATION

Polycom Certifications:
Voice Endpoint Technical Certification VSOT200
Voice Endpoint Technical Certification RPEOT200

Grace University, Omaha Nebraska
Graduated: Fall, 2014
Attained: Bachelor of Science, Psychology
CGPA: 2.86

Lincoln Christian, Lincoln Nebraska
Graduated: May 15th, 2008
CGPA: 3.25

VOLUNTEER EXPERIENCE

Church Sound
Organized, set up, and run sound systems for church and other church related events.

AWANA [Approved Workmen Are Not Ashamed]
AWANA Leader: Assist Children in learning biblical verses and values as well as the oversight and organization of game time and the occasional teaching lesson.

Foodnet
Foodnet is an organization that seeks to serve the city of Lincoln by providing food and other necessities to the community through the generosity of the local businesses and the dedication of volunteers.

ACTIVITIES

Grace University Soccer Squad
Prior member of Grace's soccer squad

Grace University Chambers Choir
Prior member of Grace's Elite Choir

Conte Cum
Prior member of one of Omaha's elite choirs, Conte Cum

Matthew Greenwood

1714 S Cotner Blvd, Lincoln, NE 68506
(402) 499-5376 | Greenwood.sycksun@gmail.com

REFERENCES

Urgent Care Clinic
Dr. Don Rice
Owner
402-488-4321

Leach Camper Sales
Lisa Miller
Office Manager
402-466-8581

Jenda Family Services
Jeff Schmidt
President
402-474-0011

Kyle Nichols

60398 CR 12 Mitchell NE 69357 308-631-6188

Education

- Scottsbluff High School
- High school diploma May 1986

Experience

May 1986 to October 2005
Telephone System Technician

Install and maintain business Telephone Systems

Wire networks

Install Voicemail systems

Install Paging system

October 2005 to present
Allo Communications

Business Install Technician

Install voice services for business

Install develop and support IP phone solutions

Trouble shooting on voice services on all types of platforms

Support troubleshooting with CSR

Jay W. Gregg

1223 S Marshall Ct.
Lakewood, CO 80232
(573) 647-1479
Jay.w.gregg@gmail.com

Technical Skills

Networking: Troubleshooting, Training, Wireshark, SIP, VoIP, FTTH, Routing, Switching, TCP/IP, QOS, UDP, RTP, SDP, MPLS, BGP, VLAN, LAG, NAT, DSL, T1, TDM, SS7, Firewall, OSI Model
Hardware: Cisco, Juniper, Calix, Adtran, Alcatel-Lucent, DMS, 5ESS, DCO, EWSD, GTD5, ADIT, Vipreon, Plantronics/Polycom
Operating Systems and Data Bases: Metaswitch, Broadsoft, Linux, Remedy, Ensemble, NISC, SQL, Apache,
Software: Cisco OS, Cisco ASDM, Cisco FMC, Adtran, Metaswitch Explorer, Metaview Web, CALIX CMS, BIG-IP, Sonus, Sylantro, Broadsoft, IRIS, Visio, Excel, Power Point, Microsoft Word

Professional Experience

Network Engineer — Feb 2018 – Present
Allo Communications — **Highlands Ranch, Colorado**

- Design, testing, and deployment of VoIP infrastructure.
- Final escalation point for large network outages related to voice.
- Project Management.
- Metaswitch cluster implementation – trunking.
- Remote and physical maintenance of VoIP core network equipment during and after hours.
- Design and implementation of MOPs for engineering and network operations.
- Design and implementation of training/troubleshooting guides for VoIP access and core equipment.
- Management of Cisco ASA Firewall and ACLs through ASDM.

NTAC Engineer II — July 2017 – Jan 2018
Allo Communications — **Highlands Ranch, Colorado**

- Top escalation point for Network Technical Assistance Center (Network Operations.)
- Remote and physical maintenance of core and access network equipment during and after hours.
- Design and implementation of Method of Procedures.
- Design and implementation of training/troubleshooting guides for VoIP, FTTH, and associated access equipment.
- Provision, design, and troubleshoot subscribers for Video, Voice and Data on CALIX, Adtran, Metaswitch, Juniper and CISCO.

Operations Technician II — Jan 2015 – June 2017
CenturyLink Corporation — **Littleton, Colorado**

- Provide Tier II troubleshooting and support for Consumer and Business VoIP customers.
- Address local, long distance, and international VoIP call routing issues over Centurylink VoIP, local and long distance switches.
- SME and use of ticketing system REMEDY.
- Configure and troubleshoot BROADSOFT and SYLANTRO Hosted VoIP platforms.
- Performing call traces and packet capturing in programs WIRESHARK and IRIS. Interpreting and analyzing call traces to provide repair recommendations.
- Pulling call detail records, analyzing SS7 and providing repair recommendations from analysis.
- Core router troubleshooting on DS1, DS3, Serial or Ethernet interfaces including MPLS, BGP, VRF forwarding and QOS configuration. Core router knowledge includes ALCATEL, JUNIPER and CISCO OS.
- VoIP CPE router configuration and troubleshooting for digital and analog. Router types include CISCO 2800, ADTRAN 9xx, NETVANTA, ADIT, and JUNIPER SRX.
- Knowledge and use of SONUS switch platform. This is includes DN builds, ROUTING and SESSION POOLING. Knowledge with PSX and GSX.

Programmer II/Lead April 2011 – Jan 2015
CenturyLink Corporation **Columbia, Missouri**

- Provide remote support and assistance for technicians in regards to installs, trouble tickets, testing, adjusting, and maintaining complex networks.
- Served as Lead and escalation point for department.
- Activation and repair for ETHERNET or ATM subscribers on FIBER and Copper.
- Provision and troubleshooting in CALIX CMS (E3, E5, E7, C7.) This includes provisioning of cross connects, port activation, VLAN builds, as well as ONT activation and provisioning (7XX ONTs.) Video and voice provisioning for Centurylink PRISM TV.
- Provisioning and troubleshooting on ALU AMS(7330), Alcatel-Lucent 5620 NM, Ad-Tran (TA5000, 1148,1248), Tellabs (UMC 1000) , Redback Networks and FITL Marconi,
- Provision and troubleshoot subscriber lines on DMS100, DMS10, 5ESS, DCO, EWSD and GTD5 switches.
- Provision and troubleshoot subscribers on intercept and voicemail servers ETC, NextGEN, SS8, OCTEL, APAC, APMAX, and Omincron.
- Review and interpret service orders and trouble tickets using REMEDY, MEAT, MARTENS, ENSEMBLE, and TRACS systems.

Tier I Business Center Analyst September 2009 – April 2011
Socket Telecom LLC **Columbia, Missouri**

- Provided remote, technical support to clientele in order to diagnose, troubleshoot and resolve computer hardware and soft issues affecting business operations. Technical aptitude and work tasks include network connectivity, email and web hosting services, Windows and Mac OS, telephony services and other relevant IT business needs.
- Familiarity troubleshooting and resolving issues on Cisco routers and switches, DSL interfaces, T1's, DS1, MPLS Networks, Point to Point, ISDN.
- Responsible for overseeing the completion of escalated issues; working with Field Technicians, ILECs and dispatchers in order to resolve all customer data and voice issues as well as restore and repair circuits for POTs, ADSL, HDSL, T1 and resold services.
- Other duties and tasks require broad skills surrounding the general knowledge base on computer hardware, software, system recovery, installation and deployment, router configuration, operating systems, Microsoft Office.

Tier III Technician/Lead January 2009 – September 2009
Socket Telecom LLC **Columbia, Missouri**

- Served as Technical Supervisor for the Support department during business hours during evenings and weekends.
- Ensured all escalated calls were promptly resolved and followed up daily to ensure department productivity met the efficiency of company standards.
- Partnered with other leads to ensure staffing and scheduling requirements were met.
- Participated in the hiring and the performance evaluation of employees in order to maintain a healthy, positive work culture applicable to company standards.
- Score card analysis.

Education

University of Missouri-Columbia
B.S., Hotel and Restaurant Management (2007)

Volunteer Experience

Show-Me State Games (2012-2014)
Computer Lab Moderator & Teacher, Rolla Apartments (Spring 2002)
Volunteer, Push America, Rolla, Missouri (Fall 2002)
Nurse Helper, VA Outpatient Clinic, Columbus, Ohio (Summer 1999)
Boy Scouts of America, various work projects

Certifications, Memberships, Awards
National Eagle Scout Association
Kappa Kappa Psi National Honorary Band Fraternity
ACE You Rock Award (Allo Employee of the Month) (February 2018)

ROBERT DEW

954-552-0859 | rddew@hotmail.com

Lauderdale-by-the-Sea, FL

TECHNICAL SUPPORT | QUALITY ASSURANCE | PROJECT MANAGEMENT

A versatile, self-directed Software Engineer with a proven record of providing line management, project management, systems engineering, software development, software quality assurance, technical support and sales support expertise. Highly innovative and effective resolving technical and non-technical issues. Experienced with many telecommunications and internet standards and protocols. Skilled communicator and team leader.

Core Skills

- Software Development
- Test Plan Development and Execution
- Technical Problem Solving
- Network Management
- Technical Writing
- Customer Presentation and Training

PROFESSIONAL EXPERIENCE

METASWITCH NETWORKS | ENFIELD, ENGLAND **2010 – 2018**

Technical Customer Support Engineer

Served as Customer Support Engineer for North America Strategic Accounts. Provided technical support of MVS, CFS, UMG, EAS, and Perimeta SBC consumer/business VoIP telecommunications systems as remote worker based from home. Primary office located in Lauderdale-by-the-Sea, FL.

- ➢ Provided technical support for over 10 strategic customers including USA customers Centurylink, Charter, Level 3, and Earthlink and Canadian customers Primus and Cogeco.
- ➢ Commissioned new VoIP network deployments on schedule from power up to customer turnover. Configured all database/translations, performed SIP/TDM trunk turn-ups, and oversaw VoIP/TDM subscriber acceptance testing.
- ➢ Authored technical specifications and MOPS detailing customer specific projects. Developed and presented onsite training courses to customers based on the technical specifications.
- ➢ Led Centurylink EAS MC consolidation project, including migration of 2M subscribers from IBM HS20 Blade Server Chassis systems to new IBM X240 Flex system chassis systems; each Flex system chassis consisted of 80 virtual servers built on Linux using KVM hypervisor. Project included hardware upgrades of Cisco Loadbalancer and EMC NAS Filer
- ➢ IMS/VoLTE support for Metaswitch cloud-native product set including Perimeta P-CSCF and IBCF, Clearwater S-CSCF, I-CSCF, and BGCF SBC, and Rhino TAS on AWS cloud based servers built with VMWare virtualization.

NOKIA SIEMENS NETWORKS | BOCA RATON, FL **2006 – 2010**

Systems Verification Engineer

Served as Senior Software Quality Assurance Engineer, performing systems verification of the hiQ4200/hiQ8000 consumer/business VoIP Softswitch and iSuite network and subscriber management systems.

- ➢ Presented hiQ8000 feature overview to US Army Product Manager Defense Communications Systems Europe and other executives to secure US Army JITC lab trial for hiQ8000 project.
- ➢ Supported French Telecom Lab trial of hiQ4200 VAS IMS network solution.
- ➢ Managed Systems Verification Lab Network including hiQ8000, Cisco CMTS, Siemens PCS5000, Nominum Navitas Enum Server, MGTS SS7 PASM, and Cisco Catalyst 4500.
- ➢ Developed and successfully executed test plans using Agile processes for software features including MLPP and Security (Military project), TLS SOAP/XML Security, ENUM query routing, PCMM QoS Bandwidth Management, and CALEA Electronic Surveillance.

COPPERCOM, INC. BOCA RATON, FL **2000 – 2006**

Product Assurance

Manager of Product Assurance, overseeing software systems verification and quality assurance of CSX2100 Class 4/5 digital telephone switching system, CopperCommander NMS (CCMS), and Line Gateway Media Access Gateway using Agile software development. Promotion to manager in 2003.

- Successfully managed team of 10 systems test engineers. Handled staffing, performance reviews, resource allocation, effort estimates, and systems test lab resource management.
- Developed and presented systems test strategies to executive and project management for four major releases of software: Strategies included feature testing, protocol testing, automated regression testing, capacity/stress testing, and stability testing.
- Championed Quality Action Teams to improve quality of product and company processes. Teams included CPML Enhancement Team, SS7 Enhancement team, and Automation Team.
- Interfaced with Sales and Marketing to provide product demonstrations for existing and prospective customers.
- Reviewed all technical documentation for customer delivery.

Staff Engineer, managing systems verification of CSX2100 digital telephone switching system, CopperCommander Network Management System, and Line Gateway Class 5 Media Access Gateway.

- Automated and documented call feature regression tests for Stress/Stability Lab using Empirix Hammer, Ameritec Crescendo, Fortissimo, and Abacus bulk call simulators.
- Executed NANP Dialing Plan that included Intralata, Interlata, International, Operator, N11, E911, TCAP 800, TCAP LNP, TCAP AIN, and BBG Centrex call scenarios and call feature interactions. Trunking interfaces included SS7, SIP, PRI, CAS DTMF, CAS MF, CAS OSDA, and CAS E911; line side interfaces included SIP, GR303, and FXO channel bank.

EARLIER EXPERIENCE

SIEMENS CARRIER NETWORKS

Senior Member Technical Staff

Senior technical support engineer/software development engineer for 36190 Xpressnode Voice over ATM (VoATM) switch and EWSD class 4/5 telephone switching system.

- Worked with Sales, Marketing and Systems Engineering to provide VoATM product demonstrations to potential customers.
- Performed advanced troubleshooting techniques in-house and on-site to debug and resolve customer-related problems related to call processing of voice and data communications.
- Served as lead software developer for EWSD AMA billing real-time embedded software.

NEC AMERICA

Member Technical Staff

- Debugged customer related software problems and generated software corrections.
- Supported First Office Application and turnover activities at customer premises.
- Designed, developed, and tested fast-features for available software release in field.

LANGUAGES/PROTOCOLS/TELECOM

Assembly, C, C++, CHL, Java, Pascal, Perl, PLC, Python, VoIP, VoLTE, IMS, SIP, SDP, MGCP, H.248, SOAP/XML, WS, SNMP, SQL, LDAP, SSL, Diameter, DNS, ENUM, Sigtran, SS7, ISDN, PRI, CAS, MF, DTMF, GR303, ATM, DSL, ISUP, TCAP, AIN, LNP, IVR, CALEA, IMS, SBC, AMA, MGTS, CMTS, UNIX, LINUX

EDUCATION

Bachelor of Science (Computer Science) | University of Oklahoma, Norman, Oklahoma
Bachelor of Science (Chemical Engineering) | University of Oklahoma, Norman, Oklahoma

Bradley A. Moline

bmoline@allophone.net
(308) 633-7802

Education:

University of Nebraska-Lincoln, Lincoln, Nebraska
Bachelor of Science in Business Administration – Emphasis in Accounting
With Distinction

Experience:

President and Founder
ALLO Communications LLC, Lincoln, Nebraska
October 2002 – Present

- Oversees day-to-day company activities
- Works with key accounts to ensure service expectations are met
- Evaluates customer fit of new technologies

Director
Covenant Transport, Inc., Chattanooga, Tennessee
May 2003 – Present

- Member of audit committee
- Member of compensation committee
- Former Chief Financial Officer (1994 to 1997)
- Oversaw initial public offering and revenue growth from $80 million to $300 million

President
Imperial Super Foods, Inc., Imperial, Nebraska
February 2002 – Present

- Reviews results and returns
- Meets with Vice President to discuss day-to-day operations

Chief Financial Officer
Birch Telecom, Inc., Kansas City, Missouri
1997 – 2001

- Built business plan that resulted in $300 million of annual revenues
- Raised over $700 million in financing
- Evaluated financial viability of a variety of technologies for the competitive carrier

References:

Rawnda Pierce
Twin Cities Development
Scottsbluff, Nebraska
(308) 632-2833

Nicholas Celentano
Aurora Loan Services
10350 Park Meadows Drive
Littleton, CO 80124
720-945-5855 Office
720-480-2458 Cell
ncelentano@alservices.com

Rick Tuggle
Senior Vice President
First State Bank
Scottsbluff, Nebraska
(308) 632-4158

Jeff Kuenne

jkuenne@allophone.net
(308) 633-7822

Education:

Kansas University, Lawrence, Kansas
Bachelor of Science in Electrical Engineering

Experience:

Vice President
ALLO Communications LLC, Lincoln, Nebraska
January 2005 – Present

- Oversees day-to-day network activities
- Responsible for network design
- Evaluates new technologies
- Supervises network construction and surveillance
- Designs customer solutions

Chief Technologist
Birch Telecom, Inc., Kansas City, Missouri

- Formulated overall technology strategy
- Validated technology concepts
- Directed technology lab investigating next-generation switching and access strategies

Senior Engineer
Sprint PCS, Kansas City, Missouri

- Tested new technologies from Lucent and Nortel

Engineer
Sprint, Kansas City, Missouri

- Member of International Network Design and Engineering group

References:

David Scott
President
Iron Horse Technologies
Kansas City, Missouri
(816) 786-0818

Greg Lawhon
President
Birch Telecom
Kansas City, Missouri
(816) 786-3225

John Radford
Valley Bank & Trust
Scottsbluff, Nebraska
(308) 436-2300

Allison O'Neil

aoneil@allophone.net
(308) 633-7805

Education:

University of Nebraska-Lincoln, Lincoln, Nebraska
Bachelor of Business Administration
Major: Finance Minor: Mathematics

Experience:

Vice President, Finance and Customer Operations
ALLO Communications LLC, Lincoln, Nebraska
October 2004 – Present

- Manages provisioning team
- Analyzes monthly billing and submits billing disputes
- Updates billing system on a weekly basis
- Supervises accounting entries and accounts payable
- Monitors company bank accounts and reconciles monthly statements
- Calculates and remits all taxes and surcharges
- Maintains company tariff
- Submits required FCC forms to the Universal Service Administrative Company for Fund Administration, High Cost, Low Cost and School and Libraries Support
- Maintains communication with Nebraska Public Service Commission including:
  - Submission of monthly line count information and all required regulatory forms
  - Point of contact for employee group health insurance and commercial insurance
  - Established employee retirement plan

Financial Analyst
Gilmore & Bell, P.C., Kansas City, Missouri
December 2002 – October 2004

- Completed detailed financial analysis for arbitrage rebate calculations
- Verified 8038 numbers for bond issues including Bond Yield, TIC and Weighted Average Maturity
- Prepared amortization schedules for lease and bond closings
- Analyzed arbitrage rebate regulations to assure accuracy of calculations

Fund Accountant
State Street, Kansas City, Missouri
August 2001 – December 2002

- Responsible for daily accounting of mutual bond funds
- Reconciled and reported foreign and domestic cash balances daily
- Calculated, analyzed and reported Net Asset Value on a daily basis
- Prepared monthly financial reconciliation reports
- Trained new group members

References:

Angela Bryan
Associate Director of Financing Programs
Massachusetts Health and Educational Facilities Authority
99 Summer Street
Suite 1000
Boston, MA 02110
(617) 737-8377

Marc McCarty
Executive Director and Vice President
Gilmore & Bell, P.C.
2405 Grand Boulevard
Suite 1100
Kansas City, MO 64108
(816) 221-1000

Brian Hill
Account Manager
State Street
801 Pennsylvania
Kansas City, MO 64105
(816) 871-9090

Don Schoening

dschoening@allophone.net
(402) 419-4918

Education:

University of Nebraska-Lincoln, Lincoln, Nebraska
Bachelor of Science in Business Administration

Military:

Nebraska Air National Guard
Honorable Discharge
Egress Mechanic/Staff Sergeant

Experience:

Regional Director of Field Operations
ALLO Communications LLC, Lincoln, Nebraska
2017 – Present

- Provides operational and strategic direction for installation field technicians
- Responsible for the planning and development of regional and ALLO goals
- Oversight of company safety program including OSHA compliance

Senior Manager of Field Operations – Lincoln
ALLO Communications LLC, Lincoln, Nebraska
2016 – 2017

- Primary contributor to the design of internal processes to optimize field operations
- Monitored field technicians for compliance and productivity attainment
- Supervised and directed four managers with overall team leadership of 100+ field personnel

Operations Manager
Windstream, Lincoln, Nebraska
2000 – 2016

- Responsible for the day-to-day operations management of Lincoln area
- Participated in annual budget planning and preparation
- Provided customer compliant management, including follow-up and resolution
- Provided team management, including daily coaching for compliance and performance appraisals
- Directed Nebraska Safety Team

Account Executive
Windstream, Lincoln, Nebraska
1999 – 2000

- Conducted daily calls to prospective and current customers
- Provided lead follow-up for proposal opportunities
- Performed customer network audits and offered price competitive solutions
- Cultivated and developed customer relations via face-to-face meetings

Telecommunication Customer Service Analyst
Nebraska Public Power District, Lincoln, Nebraska
1998 – 1999

- Analyzed network elements to insure activity and validate cost
- Coordinated internal telecommunication request to facilitate business needs
- Ordered network elements from local and national network providers

Clint Schleicher

cschleicher@allophone.net
(308) 225-3494

Education:

ITT Technical Institute, Thornton, Colorado
Associates of Applied Science in Information Technology/Computer Networking Systems

Industry Certifications:

Comptia A+, Comptia N+, Comptia Security+, Microsoft MCSA,
Microsoft MCSA – Security, MCITP – Systems Administrator
MCITP – Enterprise Administrator

Experience:

Director of Video Operations / Senior Systems Administrator
ALLO Communications LLC, Scottsbluff, Nebraska
March, 2010 – Present

- Installs, operates, an maintains ALLO's IPTV platform (TV service), comprised of over 100 Microsoft servers, 30 satellite receivers, and multiple carrier grade switches
- Supervises and maintains the main server room/headend
- Performs day-to-day operations of servers, thin clients, desktops, laptops, printers, etc.

Director of Information Technology
Gering Public Schools, Gering, Nebraska
May, 2004 – March, 2010

- Maintained and supported a windows-based computer and WAN network system with over 10 servers and more than 800 computers
- Actively involved in planning and directing the district's future technology needs and growth

Desktop Support Technician/Server Technician
Intuit, Omaha, Nebraska
April, 2004 – June, 2003

- Provided PC troubleshooting and support, server maintenance, security and patch management, system upgrades, desktop standard image creation and restoration, network configuration, and day-to-day technical support

Nick Colton

ncolton@allophone.net
(308) 882-7814

Education:

Westwood College of Technology, Denver, Colorado
Bachelor of Science in Computer Networking Management

Westwood College of Technology, Denver, Colorado
Associates Degree in Computer Network Engineering

Experience:

Director of Technical Support
ALLO Communications LLC, Lincoln, Nebraska
August 2003 – Present

- Oversees all network-related issues and day-to-day operations
- Facilitates in growing network and interoperating with other providers and clients
- Oversees ISP servers, email servers, DNS servers, TFTP and DHCP servers in Twin Cities market
- Manages web servers, email servers, DNS servers, TFTP and DHCP servers in Twin Cities market
- Stays current on virus/worm activity and attempts to block from company network
- Manages DS-3 and DS-1 circuits to ensure maximum uptime in Twin Cities market
- Manages all network routers, switches, and end user equipment in Twin Cities market
- Designs and implements complex LANs and WANs
- Manages the network support team
- Manages enterprise trouble ticket process and ensures customer tickets are being resolved and closed in a timely manner
- Oversees all IP space in the Twin Cities market
- Tests new equipment before integrating into network to ensure proper voice quality
- Oversees network security
- Creates, tests, and implements ACLs on all equipment on company network
- Oversees network management consulting at Chase County Schools and Chase County Hospital and assists network support team with customer needs

Technical Operations Coordinator
EchoStar Communications, Denver, Colorado
February 2001 – August 2003

- Monitored enterprise-wide technical call queues and investigated issues that may be driving call queue
- Escalated technical issues to the correct parties for resolution and coordinated communications to notify customers and customer service representatives
- Tracked software, video/audio quality and hardware trends while reporting issues to engineering
- Monitored Electronic Program Guide table spooling, software spooling, signal downlinks, and authorizations and reported issues
- Acted as liaison between the customer service centers and uplink/engineering groups

IT Director
Imperial Public Library, Imperial, NE
August 1996 – August 2003

- Maintained server, verified backups, and upgraded software
- Maintained, repaired, and upgraded patron computers
- Implemented and maintained a 10-node network
- Maintained web server and ensured web software and book tracking software accessibility for online book searches

Jill McDaniel

jmcdaniel@allophone.net
(308) 633-7939

Education: **Arkansas School of Private Investigations,** Little Rock, Arkansas

Industry Certifications: CCNA, MPLS, LTE, EXFO, GSM, Project Management

Experience:

Manager, Enterprise Engineering and Operations
ALLO Communications LLC, Highlands Ranch, Colorado
August, 2016 – Present

- Manages a team of Project Managers, Change Managers, and Voice Network Engineers
- Defines and maintains Change Management/Network Operations policies and procedures
- Manages a high profile team responsible for the voice network from design to implementation to 24/7 Tier IV support
- Manages network critical infrastructure capacity and budget
- Provides network planning for new markets
- Provides contract and carrier/service provider management
- Manages voice engineering projects related to voice network enhancements

Lab Engineer – IP Architecture
Windstream Communications, Little Rock, Arkansas
June, 2015 – August, 2016

- Implemented Lab as a Service for Windstream architects, engineers, and technicians
- Managed lab infrastructure and supported ongoing maintenance, access, and growth
- Created and executed test plans for various protocols and platforms requested to be certified by various teams
- Managed lab inventory (physical/virtual)

Network Switch Engineer – Network Operations
U.S. Cellular, Morgantown, West Virginia
June, 2013 – June, 2015

- Maintained MSC equipment to ensure proper operation and compliance with company standards
- Performed troubleshooting and repaired system outages in a timely manner and reported root cause
- Oversaw installation and integration process for the entire MSC
- Supported various teams in evaluating data network performance and growth

Cellular Technician – Network Operations
U.S. Cellular, Augusta, Maine
July, 2011 – June, 2013

- Maintained Ericsson wireless base equipment (BTS) for optimum system performance
- Maintained cell site facility including battery, power, generator, and safety equipment
- Configured and installed cell site routers for Ethernet backhaul
- Tested, conducted turn-up, and performed troubleshooting for TI and Ethernet backhaul issues

Data Network Engineer – National Network Operations
Verizon Wireless, Little Rock, Arkansas
2009 – 2011

- Responsible for the MSC network design of various infrastructures
- Designed and implemented data elements/systems for regional data networking and wireless data infrastructures
- Participated in the planning, staging, testing, and integration of system hardware and software

Voice/Data Engineer – IT Telecom
Alltel Communications, Little Rock, Arkansas
2006 – 2009

- Responsible for the MSC network design of various infrastructures
- Procured, configured, and coordinated installation of equipment for data and voice services in call center and retail store environments
- Built business cases for locations and in need of VoIP upgrades and managed/executed the upgrade

Analyst, Transport Engineering
Alltel Communications, Little Rock, Arkansas
2003 – 2006

- Supported transport engineers in placing ASRs to various Telco's for cell site backhaul
- Interacted with various Telco/LECs and IXCs to ensure firm install dates
- Conducted data integrity audits to control cost and maintain wireless circuit inventory

KATHY J. CARSTENSON

7610 Jason Drive • Lincoln, Nebraska 68516 • (402) 483-2660 • (402) 430-5269 • kathycarstenson@yahoo.com

SUMMARY

A results-driven and forward-thinking business executive with a proven record of accomplishment in operations management, vender relationships, negotiations, business analysis, organizational change management, product management, technical sales, customer service, territory management, and business prospecting. Utilizes strong organizational, presentation and collaboration skills to enable a workforce to achieve industry-leading goals. A top-performing and innovative producer who enables an organization to exceed short- and long-term objectives.

EXPERIENCE

ALLO COMMUNICATIONS, LINCOLN, Nebraska

Business Sales Director 2017 – Current

Responsible for developing and leading revenue generating programs with partners and strategic customers. Lead a complex organization with both long-term revenue growth and tactical revenue retention goals. Manages a team focused on generating new activity with strategic clients, driving indirect sales activity by building joint value propositions with strategic partners. Building a revenue optimization team that will focus on the renewal and uplift activity of base accounts and acquiring new accounts.

- Build and lead team focused on acquiring new accounts and growing base account revenue through diligent focus on uplift activity.
- Develop and implement sales strategies and the associated sales cadence required to overachieve net new Monthly Recurring Revenue targets.
- Maintain executive contact with clients, focusing on the establishment and ongoing development of long term relationships.
- Analyze weekly and monthly performance of sales, revenue and other key operating performance indicators. Communicate daily with team leaders to identify and implement actions to address production shortfalls.
- Work closely with the team leads in all aspects of performance management to address skill gaps, resolve weaknesses, and manage performance improvement plans. Actively participate in the ongoing professional development plans of current employees.
- Ensure effective communications within the sales team, and with all key stakeholders.

PINPOINT COMMUNICATIONS, Omaha, Nebraska

EVP of Sales and Operations 2015 – 2017

Provided vision and management of all sales and operation. Responsible for strategic planning, and deployment of network growth and cost reduction.

- Increased sales by $65K MRR and total contract value $3.5 million.
- Operational accountability for development and direct management of a $1.5 Million operations budget.
- Project managed a dark fiber construction project to connect all the Metro Community Colleges in Omaha, Ne.

PINPOINT COMMUNICATIONS, Omaha, Nebraska

VP of Network Operations, 2013- 2015

Responsible for the day-to-day operating activities, expenses, cost and margin control. Led the operation teams to meet company's short-term and long-term objectives for the network expansion. Developed budgets to meet strategic business growth objectives. Establish the performance goals and allocate resources.

- Manage the network team, which are responsible for the following
    - Long haul transport between Chicago and Denver. (BTI,Cyan and Cisco network equipment)
    - Long haul transport between Reno and Las Vegas. (ALU, Fortinet)
- Work and maintain vender relationships for transport, IT and phone.
    - Cogent, Windstream, Level 3, CenturyLink, Cyan, BTI, Cisco, Dell, ShoreTel.
- Attend industry conventions to stay current with latest technology and build relationships leading transport carriers.
- Manage the IT team.
- Provide weekly updates to President and Board members.
- Worked with all teams to implement best practices in all areas.

PINPOINT COMMUNICATIONS, Omaha, Nebraska
Director of Sales Engineering 2013- 2013

Confer with customers and engineers to assess equipment and data network needs. Prepare and deliver technical presentations explaining services to existing and prospective customers. Help customers solve problems with data connectivity.

- Managed long haul and last mile carriers relationships to provide cost effective transport connectivity for customer.
    - Venders Windstream, Centurylink, Level 3, SDN, Zayo
- Provide costs to sales team for customer solutions on long haul (WAN) connectivity.
- Project managed a $4 million dark fiber installation in Omaha Metro and came in on budget.
- Negotiated and administration of all vendor support and maintenance contracts.

WINDSTREAM COMMUNICATIONS, Lincoln, Nebraska
Director of Business Solutions, 2010-2012

Maximized sales revenue by leading team to acquire new businesses in assigned territory through aggressive prospecting and maintenance of existing customer base. Drove and implemented company's strategic plan initiatives regarding vision, mission, short- and long-term goals, and fiscal priorities. Set daily, weekly, and monthly goals and objectives for sales team in market. Managed "one-on-ones," reviewed all activity, led daily training and role-playing with teams before each customer meeting. Held responsibility for hiring, termination, and disciplinary decisions.

- Member of 300 Club – Developed my sales team so 80% were members also of the 300 club.
- Coached directed sales executives, managing delegation and follow-up of assignments and projects.
- Responsible for appropriate staffing levels.
- Presented quarterly market reviews with Corporate VPs, Presidents and CFOs.
- Attended quarterly sales training and product training.

WINDSTREAM COMMUNICATIONS, Lincoln, Nebraska
Sales Engineering Manager, 1994-2010

Developed sales engineers to better articulate solutions to C-level executives, end-users, and information technology professionals. Provided customized solutions per customer requirements and identified best solution for budget, setting personal growth plans for each employee and meeting weekly to measure accomplishment. Practiced presentations by role-playing with sales team before each customer meeting. Held responsibility for keeping sales team educated on current and emerging communication technologies. Led weekly "tech time" to provide technical training classes to sales team. Managed engineers, oversaw all functions of team, delegated assignments and projects, and followed up on completion of projects.

- Ensured completion of training, maintained appropriate staffing levels, and made hiring and termination decisions.
- Developed tracking tool before implementation of QuickBase or Salesforce, allowing teams to track and prioritize workload, saving $350,000 in one quarter by prioritizing projects.
- Developed standardized tool to speed up pricing and save six man-hours on each proposal by allowing salesperson to adjust margin, print, and go.
- Managed the teams that engineered, programmed and installed enterprise telecommunication systems and call management servers with skilled base routing.
- Managed the data network engineers to provide end customer solutions for Internet, MPLS or layer-2 connectivity.
- Monthly presentation/meeting with regional Director and VP on all upcoming and ongoing projects.

ADDITIONAL EXPERIENCE

WINDSTREAM COMMUNICATIONS, Lincoln, Nebraska, **Sales Engineer,** 1988-1994. Met with customers to analyze and develop customized telecom solution to fit needs and budget. Rolled out new products and services. Worked closely with technicians and programmers to ensure installation of communications systems met all pre-sales requirements. Led major implementations for clients, including Alegent Health, Blue Cross Blue Shield of Nebraska, State of Nebraska, and University of Nebraska. Designed VoIP phone systems and put together sales presentations. Bid for jobs and led company to secure over $950,000 in one year on fiber, copper, and phone system installations for Blue Cross Blue Shield, University of Nebraska, Central Community College, and Enron.

- Engineered VoIP telecommunication systems for Call Centers along with screen pops and reader boards.

- Designed call scripts for skills based routing on the Symposium Call Center.
- Worked with the system technicians to make sure the phone systems installed per customer requirements.
- Held weekly meeting with customers to keep them informed on progress of installation.
- Held weekly internal meeting with all departments to keep projects on time and on budget.
- Lead post mortem meeting on large installations so we could identify what we did well and what we needed to correct. Meeting included all management levels.

AUTOMATED SYSTEMS, Lincoln, Nebraska, **Manager of Customer Support,** 1984-1988. Managed software programmers and trainers. Led annual customer meeting and developed customer questionnaires to ensure alignment with customer needs. Oversaw performance management function, ensuring completion of training. Tweaked software to fit needs of County Assessor, saving $165,000 and maintaining customer satisfaction. **Programmer and Analyst,** 1983-1984. Served on team in designing, coding, testing, and implementing customer information systems for county offices and financial institutions. Oversaw all end-user documentation. Customized software after install at customer site to fit customer needs.

EDUCATION

OKLAHOMA UNIVERSITY, Norman, Oklahoma
Computer Science with Electrical Engineering

PROFESSIONAL DEVELOPMENT

Miller Heiman Sales Training, 2012
The 7 Habits of Highly Effective People, 2006
Nortel Networks Communications Server 4.0 Sales Engineering Workshop, 2004
Succession 1000 Sales Engineering Road Show, 2003
VoIP Technologies, 2003
Symposium Call Center Server Release 3.0 Scripting, 2000
Symposium Call Center Server Technical Orientation, 1998
Understanding Networking Fundamentals, 1997
Customer Controlled Routing Call Scripting, 1996
Northern Telecom X11 Rel 21 Overview Software, 1995
Northern Telecom X11 Rel 21 Overview Hardware and Networking, 1995
Building and Supporting Your Local Area Network, 1995
LAN Cabling System Course, 1992
Principles of Digital Technology, 1990
ABCs of Telephone Training Workshop, 1989

AFFILIATION

Association of Information Technology Professionals, Member
CREW (Commercial Real Estate Women)

COMPUTER SKILLS

Microsoft Office 365 (excel, word, PowerPoint,Notes), Visio, PeopleSoft, Salesforce, QuickBase, CAMs, Data Cannon, C, C+, Basic, HTML, WordPress, SharePoint, CRM, Smart Sheets