This email is a briefing for the CEO of the FinTech company where Sandra was VP of Communications. It summarizes the quarterly results of their biggest competitor. It is written for the leadership/executive team, and intended for an audience with deep financial expertise.

From: Sandra Leigh Yacura
To: CEO and Senior Management
Subject: Summary of Nelnet's Third Quarter

This quarter, Nelnet learned the hard way not to aggravate Uncle Sam while your derivatives are tanking. Special allowance and derivative hits swung NNI from a Q2 profit of 84¢ per share to a Q3 loss of 42¢, nowhere near analyst expectations of a 54¢ profit and light years away from Q305's $1.34.

Zero fees didn't help the bottom line, as new loans added during the quarter were expensive at 100-110 bps with 120-130 bps guidance going into 2007. This includes borrower benefits, but wisely excludes the special allowance - the only sane plan of action for a student lender getting eyeballed by the Hill and Ed Dept. at the same time.

In an interesting defensive approach to the SHR repeal, Nelnet is selling almost all of the FFELP loans that they don't service – about $350m to date – presumably with the goal of "gating" their loans to prevent con-aways à la Sallie Mae. They now service 90%+ of the loans that they own, with that percentage expected to increase through more sales in 2007. The Company netted $900m in new consolidation loans Y/Y, mostly through a two-step promotion that was so aggressive that their expenses for call center staffing hit $2m in the quarter. In another interesting strategy, NNI is flipping all of their alternative loans, admitting that they don't have the expertise to service them.

During the call, CEO Dunlap tried to stop the bleed by repeating his diversification mantra combined with a "solid growth" message - pointing, with some validity, at Q3's $33m in profit when derivatives and special allowance issues were excluded. Wall Street raised an eyebrow at Dunlap and added another $1.17 loss per share to 2006's unremitting hemorrhage, closing at $29.03 after the call. This won Nelnet a place on TheStreet.com's list of biggest losers for the week.

The bad news spiral continued after the call, with more negative press about 9½ floor loans combined with an election that turned Wall Street bearish toward all student lenders. The final straw for the Company was the loss of the Canadian government student loan contract, which caused one analyst to skip the middle ground and downgrade NNI all the way from "Strong Buy" to "Sell." This analyst icing on the cake sent shares plummeting to a 52-week low of $25.00.

In an interesting decision considering the current controversy over paying CEOs, the Company filed an 8-K that announced a modification of their CEO bonus plan. Under the new plan, the Company's co CEOs only get a bonus if the company maintains a credit rating of "BBB" or higher by both S&P and Moody's for the year.

Q3 Highlights:

- Student loan assets grew by $6.6B or 40% Y/Y, and by $2.7B or 13% from 12-31-05
- $2.7B is a 50% increase over the same period in 2005, mostly due to acquisitions
- $817m in originations from all channels in Q306 vs. $544m in Q305

- $1.7B in volume from internal school and branding partner channels YTD
- $425m net new con loans in Q306, $1.5B originated
- 60% of total volume now con
- Originated $100m in private loans in 2006, $150-$200m expected in 2007, most flipped
- Market share down 35% - 45%
- Net interest income up $50m or 29% YTD and 26% in quarter
- Fee revenues up 68% over Q305 and now almost half of all revenue YTD
- Base net income $33m or 62¢ per share for Q306
- $22.4m loss in GAAP income for Q306 or -42¢ per share
- vs. $721.m in net income in Q305 or +$1.34 per share
- Loss driven mostly by derivatives
- Core expenses up 7% from 4% due to July 1st con deadline
- Operating expenses increased $50m or 63%, almost all due to acquisitions
- Repurchased 1.6m shares in Q3 and 1.9m YTD or 3.5% of outstanding shares at average cost of $32/share