

Higher One Holdings, Inc. (ONE)

10-Q

Quarterly report pursuant to sections 13 or 15(d)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012.

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: 001-34779

HIGHER ONE HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

26-3025501
(I.R.S. Employer
Identification No.)

115 Munson Street
New Haven, CT 06511
(Address of Principal Executive Offices)(Zip Code)
(203) 776-7776
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, If Changes Since Last Report)

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 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" or "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of April 30, 2012 there were 54,778,382 shares of common stock, par value \$0.001 per share, outstanding.

HIGHER ONE HOLDINGS, INC.
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FOR QUARTER ENDED MARCH 31, 2012

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As used herein, the terms “we,” “us,” “our,” “the Company” or “Higher One,” unless the context otherwise requires, mean Higher One Holdings, Inc. and its subsidiaries.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Higher One Holdings, Inc.
Condensed Consolidated Balance Sheets
(In thousands of dollars, except share and per share amounts)
(unaudited)

		December 31,	March 31,
		2011	2012
Assets			
Current assets:			
Cash and cash equivalents	\$	39,085	\$ 33,818
Investments in marketable securities and certificates of deposit		15,743	21,813
Accounts receivable		3,672	5,394
Income receivable		5,961	5,159
Deferred tax assets		33	30
Income tax receivable		12,671	861
Prepaid expenses and other current assets		6,774	3,192
Total current assets		<u>83,939</u>	<u>70,267</u>
Deferred costs		3,776	3,631
Fixed assets, net		46,088	52,299
Intangible assets, net		16,787	16,875
Goodwill		15,830	15,830
Loan receivable related to New Markets Tax Credit financing		7,633	7,633
Other assets		712	605
Restricted cash		1,250	1,250
Total assets	\$	<u>176,015</u>	<u>\$ 168,390</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$	3,118	\$ 3,814
Accrued expenses		26,414	18,289
Deferred revenue		9,690	10,039
Total current liabilities		<u>39,222</u>	<u>32,142</u>
Deferred revenue		2,173	2,162
Loan payable and deferred contribution related to New Markets Tax Credit financing		9,801	9,723
Deferred tax liabilities		1,233	842
Total liabilities		<u>52,429</u>	<u>44,869</u>
Commitments and contingencies (Note 7)			
Stockholders' equity:			
Common stock, \$0.001 par value; 200,000,000 shares authorized; 57,675,806 shares issued and 56,615,683 shares outstanding at December 31, 2011; 57,048,065 shares issued and 54,876,814 shares outstanding at March 31, 2012		58	57
Additional paid-in capital		161,268	164,714
Treasury stock, 1,060,123 and 2,171,251 shares at December 31, 2011 and March 31, 2012, respectively		(16,208)	(33,106)
Accumulated deficit, net of 2008 stock tender transaction of \$93,933		(21,532)	(8,144)
Total stockholders' equity		<u>123,586</u>	<u>123,521</u>
Total liabilities and stockholders' equity	\$	<u>176,015</u>	<u>\$ 168,390</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Higher One Holdings, Inc.
Condensed Consolidated Statements of Operations
(In thousands of dollars, except share and per share amounts)
(unaudited)

	Three Months	
	Ended March 31,	
	2011	2012
Revenue:		
Account revenue	\$ 41,999	\$ 47,110
Payment transaction revenue	4,305	5,329
Higher education institution revenue	4,376	4,624
Other revenue	703	718
Revenue	<u>51,383</u>	<u>57,781</u>
Cost of revenue	<u>17,433</u>	<u>21,324</u>
Gross margin	<u>33,950</u>	<u>36,457</u>
Operating expenses:		
General and administrative	9,772	11,226
Product development	785	906
Sales and marketing	5,464	2,867
Total operating expenses	<u>16,021</u>	<u>14,999</u>
Income from operations	17,929	21,458
Interest income	25	32
Interest expense	(74)	(109)
Other income	-	77
Net income before income taxes	<u>17,880</u>	<u>21,458</u>
Income tax expense	<u>6,838</u>	<u>8,070</u>
Net income	<u>\$ 11,042</u>	<u>\$ 13,388</u>
Net income available to common stockholders:		
Basic	\$ 11,042	\$ 13,388
Participating Securities	-	-
Diluted	<u>\$ 11,042</u>	<u>\$ 13,388</u>
Weighted average shares outstanding:		
Basic	54,594,564	55,343,943
Diluted	59,547,255	58,766,590
Net income available to common stockholders per common share:		
Basic	\$ 0.20	\$ 0.24
Diluted	\$ 0.19	\$ 0.23

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Higher One Holdings, Inc.
Condensed Consolidated Statement of Changes in Stockholders' Equity
(In thousands of dollars, except shares)
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2011	<u>56,615,683</u>	<u>\$ 58</u>	<u>\$ 161,268</u>	<u>\$ (16,208)</u>	<u>\$ (21,532)</u>	<u>\$ 123,586</u>
Stock-based compensation	-	-	1,462	-	-	1,462
Cancellation of shares (Note 2)	(1,051,878)	(1)	-	-	-	(1)
Tax benefit related to options	-	-	1,420	-	-	1,420
Repurchase of common stock	(1,111,128)	-	-	(16,898)	-	(16,898)
Exercise of stock options	424,137	-	564	-	-	564
Net income	-	-	-	-	13,388	13,388
Balance at March 31, 2012	<u>54,876,814</u>	<u>\$ 57</u>	<u>\$ 164,714</u>	<u>\$ (33,106)</u>	<u>\$ (8,144)</u>	<u>\$ 123,521</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Higher One Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands of dollars)
(unaudited)

	Three months ended March 31	
	2011	2012
Cash flows from operating activities		
Net income	\$ 11,042	\$ 13,388
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,677	2,213
Amortization of deferred finance costs	18	34
Stock-based customer acquisition expense	2,647	-
Stock-based compensation	1,304	1,410
Deferred income taxes	(1,481)	(388)
Other income	-	(78)
Loss on disposal of fixed assets	9	20
Changes in operating assets and liabilities:		
Accounts receivable	(1,908)	(1,722)
Income receivable	(1,135)	802
Deferred costs	(166)	(256)
Prepaid expenses and other current assets	4,253	15,392
Other assets	(64)	107
Accounts payable	(958)	823
Accrued expenses	4,847	117
Deferred revenue	344	338
Net cash provided by operating activities	<u>20,429</u>	<u>32,200</u>
Cash flows from investing activities		
Purchases of available for sale investment securities	(4,285)	(9,770)
Proceeds from sales and maturities of available for sale investment securities	3,000	3,700
Purchases of fixed assets, net of changes in construction payables of \$1,060 and (\$8,242), respectively	(1,428)	(16,002)
Additions to internal use software	-	(811)
Proceeds from development related subsidies	-	330
Payment to escrow agent	(1,075)	-
Net cash used in investing activities	<u>(3,788)</u>	<u>(22,553)</u>
Cash flows from financing activities		
Tax benefit related to stock options	385	1,420
Proceeds from exercise of stock options	322	564
Repurchases of common stock	-	(16,898)
Net cash provided by (used in) financing activities	<u>707</u>	<u>(14,914)</u>
Net change in cash and cash equivalents	17,348	(5,267)
Cash and cash equivalents at beginning of period	34,484	39,085
Cash and cash equivalents at end of period	<u>\$ 51,832</u>	<u>\$ 33,818</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Higher One Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Nature of Business and Organization

Higher One Holdings, Inc. is a leading provider of technology and payment services to the higher education industry. The Company is incorporated in Delaware and provides a comprehensive suite of disbursement and payment solutions specifically designed for higher education institutions and their students. The Company has developed proprietary software-based solutions to provide these services. The Company has a wholly-owned subsidiary, Higher One, Inc., or HOI, which has two wholly owned subsidiaries, Higher One Machines, Inc., or HOMI, and Higher One Real Estate, Inc., or Real Estate Inc. Higher One Payments, Inc., the acquired entity formerly known as Informed Decisions Corporation, or IDC, was previously a subsidiary and was merged into HOI in December 2011. As of March 31, 2012, Real Estate Inc. has a 98% ownership interest in Higher One Real Estate SP, LLC, or Real Estate LLC. HOMI performs certain operational support functions. Real Estate Inc. and Real Estate LLC were each formed to hold and operate certain of our real estate.

2. Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements and the related interim information contained within the notes to such condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and the applicable rules of the Securities and Exchange Commission, or SEC, for interim information and quarterly reports on Form 10-Q.

The unaudited condensed consolidated financial statements have been prepared on a consistent basis with the audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2011, and in the opinion of management, include all normal recurring adjustments that are necessary for the fair statement of our interim period results reported herein. The December 31, 2011 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. Due to seasonal fluctuations and other factors, the results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year.

The unaudited condensed consolidated financial statements reflect our financial position and results of operations, including our majority and wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from management's estimates.

Basic and Diluted Net Income Available to Common Stockholders per Common Share

Basic net income per common share excludes dilution for potential common stock issuances and is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per common share, the basic weighted-average number of shares is increased by the dilutive effect of restricted stock and stock options using the treasury-stock method. The treasury-stock method assumes that the options or warrants are exercised at the beginning of the year (or date of issue if later), and that we use those proceeds to purchase common stock for treasury at the average price for the reporting period.

The dilutive effect of stock options totaling 830,025 and 1,300,871 were not included in the computation of diluted net income per common share for the three months ended March 31, 2011 and 2012, respectively, as their effect would be anti-dilutive. Anti-dilutive securities are securities that upon conversion or exercise increase earnings per share (or reduce the loss per share). Restricted stock shares totaling 1,526,949 and 21,672 were not included in the computation of either basic or diluted earnings per share as all necessary conditions for vesting have not been satisfied by the end of the three months ended March 31, 2011 and 2012, respectively. In March 2012, 1,051,878 shares reverted back to us and were cancelled as a result of our exercise of certain repurchase rights pursuant to the purchase agreement with one of the officers of Educared, LLC.

Higher One Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Comprehensive Income

There are no comprehensive income items other than net income. There are no recorded unrealized gains or losses on the investments in marketable securities as of the balance sheet dates. Comprehensive income equals net income for all periods presented.

Recent Accounting Pronouncements

There are no accounting standards adopted during 2011 or during the three months ended March 31, 2012 which had a material impact on our consolidated financial position, results of operations or liquidity. There are no new accounting standards issued which we expect to have a material impact on our consolidated financial position, results of operations, liquidity or disclosure.

3. Investments in Marketable Securities and Fair Value Measurements

The following table reflects the assets carried at fair value measured on a recurring basis (in thousands):

	Quoted Prices in Active Markets for Identical Assets		
	Total	(Level 1)	Significant Other Observable Inputs (Level 2)
Fair values at March 31, 2012			
Assets:			
U.S. government debt securities	\$ 17,002	\$ 17,002	\$ —
Certificates of deposit	4,811	—	4,811
Total assets	\$ 21,813	\$ 17,002	\$ 4,811
Fair values at December 31, 2011			
Assets:			
U.S. government debt securities	\$ 15,498	\$ 15,498	\$ —
Certificate of deposit	245	—	245
Total assets	\$ 15,743	\$ 15,498	\$ 245

We had no unrealized gains or losses from investments as of December 31, 2011 and March 31, 2012 and there is no difference between the amortized cost and fair value of the securities we held. The contractual maturities of our available for sale securities ranged from approximately one to ten months as of March 31, 2012. We do not have any liabilities carried at fair value as of either March 31, 2012 or December 31, 2011.

The carrying amounts of our cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate fair value because of the short-term nature of these instruments. Our loan receivable related to New Markets Tax Credit financing is a debt instrument that we classify as held to maturity. The loan receivable is recorded at amortized cost and the value as of March 31, 2012 approximates fair value. The carrying value of our loan payable related to New Markets Tax Credit financing approximates fair value as of March 31, 2012. Our loan receivable and loan payable related to New Markets Tax Credit financing were each estimated using discounted cash flow analysis based on borrowing rates for similar types of arrangements.

4. Real Estate Development Project

As of March 31, 2012, we have incurred approximately \$33.4 million on a project to develop two existing commercial buildings located in New Haven, Connecticut. We moved our headquarters into these buildings at the end of 2011. We have provided two guarantees related to the real estate development project. We provided a guaranty to the Department of Economic and Community Development related to our obligation to repay the amounts which were granted to us if we fail to meet certain criteria. The maximum potential amount of future payments of this guaranty is approximately \$5.9 million. We currently believe that the likelihood of us being required to make a payment under this guaranty is remote.

We have also provided a guaranty related to tax credits that are expected to be generated by an investment made by an unrelated entity into the real estate development project. In the event that we cause either a recapture or disallowance of the tax credits expected to be generated under this program, then we will be required to repay the disallowed or recaptured tax credits plus an amount sufficient to pay the taxes on such repayment, to the counterparty of the guaranty agreement. This guaranty will remain in place for approximately seven years. The maximum potential amount of future payments of this guaranty is approximately \$6.0 million. We currently believe that the likelihood of us being required to make a payment under this guaranty is remote.

Higher One Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

5. Credit Facility

On December 31, 2010, HOI entered into a senior secured revolving credit facility, or the Credit Facility. As of March 31, 2012, \$50.0 million in borrowings were available to us under the Credit Facility and we were in compliance with all of the applicable affirmative, negative and financial covenants in the Credit Facility. The amount available to be drawn under the Credit Facility may be increased by an additional \$50.0 million upon our request and the agreement of the lenders party to the Credit Facility. The Credit Facility provides for the issuance of letters of credit of up to \$3 million and includes certain restrictions on the amount of acquisitions we may complete. Any amounts drawn under the Credit Facility are payable in a single maturity on December 31, 2013.

6. Capital Stock

Treasury Stock

In August 2011, our board of directors authorized a share repurchase program pursuant to which we may repurchase up to \$40 million of our issued and outstanding shares of common stock through September 7, 2012. During the three months ended March 31, 2012, we repurchased 1,111,128 shares of our common stock at a cost of \$16.9 million. All shares repurchased were held in treasury as of March 31, 2012.

7. Commitments and Contingencies

From time to time we are subject to litigation relating to matters in the ordinary course of business, as well as regulatory examinations, information gathering requests, inquiries and investigations.

In February 2011, the New York Regional Office of the Federal Deposit Insurance Corporation, or FDIC, notified us that it was prepared to recommend to the Director of FDIC Supervision that an enforcement action be taken against us for alleged violations of certain applicable laws and regulations principally relating to our compliance management system and policies and practices for past overdraft charging on persistently delinquent accounts, collections and transaction error resolution. We have responded to the FDIC's notification, been in regular dialogue with the FDIC since 2010 and voluntarily amended certain practices. We voluntarily initiated a plan in December 2011, which provided credits to certain current and former customers that were previously assessed certain insufficient fund fees. As a result of this plan, we recorded a reduction in our revenue of approximately \$4.7 million in 2011. The insufficient funds fees that are credited to customers under this plan were originally assessed beginning in 2008. Of the total charge of \$4.7 million, an accrual of approximately \$2.6 million was established for amounts which were not paid as of December 31, 2011. All amounts have been paid to our customers as of March 31, 2012. While we believe that our decision to initiate the plan described above reduces our risk, the process with the FDIC is ongoing and there continues to be various potential outcomes in order to resolve this matter. For instance, we could receive an enforcement action which could result in an order to pay civil money penalties and additional restitution. We believe that the material loss related to this matter was recorded as of December 31, 2011. While there is the potential for additional loss related to this matter in the future, such loss is not considered probable, nor is it reasonably estimable at this time.

On April 18, 2012, Sherry McFall, a Higher One customer, filed a putative class action in the United States District Court for the Central District of California, Western Division, against Higher One Holdings, Inc. alleging violations of California's Unfair Competition Law, the Consumer Legal Remedies Act, and the Electronic Funds Transfer Act in connection with alleged improper disclosures of fees and costs associated with opening and maintaining an account. The complaint was subsequently voluntarily withdrawn by the plaintiff. On April 24, 2012, Sherry McFall filed a new complaint in the Superior Court of California for the County of Ventura against Higher One Holdings, Inc. To date, we have not been served with the complaint and we have been unable to obtain a copy of the complaint. We are, therefore, unable to assess the merits of the plaintiff's claims at this time or likelihood or potential range of loss. To the extent the claims alleged in state court are similar to those alleged in the filed but withdrawn federal action, we believe the claims to be without merit. Although we plan to defend the matter vigorously, there can be no assurances of our success in this matter.

In February 2009, HOI filed a complaint against TouchNet Information Systems, Inc., or TouchNet, in the United States District Court for the District of Connecticut alleging patent infringement related to TouchNet's offering for sale and sales of its "eRefund" product in violation of one of its patents. In the complaint, HOI seeks a judgment that TouchNet has infringed its patent, a judgment that TouchNet pay damages and interest on damages to compensate HOI for infringement, an award of HOI's costs in connection with this action and an injunction barring TouchNet from further infringing HOI's patent. TouchNet answered the complaint and asserted a number of defenses and counterclaims, including that it does not infringe HOI's patent, that HOI's patent is invalid or unenforceable and certain allegations of unfair competition. In addition, TouchNet's counterclaims seek dismissal of HOI's claims with prejudice, declaratory judgment that TouchNet does not infringe HOI's patent and that HOI's patent is invalid or unenforceable, as well as an award of fees and costs related to the action, and an injunction permanently enjoining HOI from suing TouchNet regarding infringement of HOI's patent. The parties are currently in the discovery stage of the proceeding. HOI intends to pursue the matter vigorously. There can be no assurances of success in these proceedings.

In accordance with applicable accounting guidance, we would establish a liability for these matters if and when those matters were to present loss contingencies that were both probable and reasonably estimable.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with our audited consolidated financial statements and related notes as included in our annual report on Form 10-K for the year ended December 31, 2011 and information contained elsewhere in such annual report on Form 10-K and in this quarterly report on Form 10-Q. The discussion contains forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995) involving risks, uncertainties and assumptions that could cause our results to differ materially from expectations. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "should" and similar expressions are intended to identify forward-looking statements. Factors that might cause these differences include those described under "Risk Factors" and elsewhere in the annual report on Form 10-K and in this quarterly report on Form 10-Q. The forward-looking statements included in this quarterly report on Form 10-Q are made only as of the date of this report. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent events or circumstances, except as required by law. We cannot assure you that projected results or events will be achieved or will occur.

Overview

We believe that based on market share and the number of campuses employing our products, we are a leading provider of technology and payment services to the higher education industry. We believe that none of our competitors can match our ability to provide solutions for higher education institutions' financial services needs, including compliance monitoring, and, consequently, that we provide the most comprehensive suite of disbursement and payment solutions specifically designed for higher education institutions and their students. We also provide campus communities with convenient, cost-competitive and student-oriented banking services, which include extensive user-friendly features.

Our products and services for our higher education institution clients include our OneDisburse® Refund Management® funds disbursement service and our CASHNet® suite of payment transaction products and services. Through our bank partner, we offer our OneAccount service to the students of our higher education institution clients, which includes an FDIC-insured checking account, a OneCard, which is a debit MasterCard® ATM card, and other retail banking services.

As of March 31, 2012, more than 520 campuses serving more than 4.3 million students had purchased the OneDisburse service and more than 370 campuses serving more than 2.7 million students had contracted to use one or more of our payment products and services. We also service approximately 2.1 million OneAccounts as of March 31, 2012.

Our historical experience has been that account revenue generated per OneAccount has been generally stable year over year, with total account revenue generally increasing proportionally with increases in the number of OneAccounts. During the three months ended March 31, 2012, our account revenue grew at a slower pace than the growth in our number of OneAccounts due to a lower proportion of our OneAccounts receiving a financial aid refund compared to the three months ended March 31, 2011. The average revenue per OneAccount at higher education institution clients which implemented the OneDisburse service more than a year ago is lower than the average revenue per OneAccount at higher education institution clients who have implemented the OneDisburse service within the past year. For students that receive financial aid refunds at these different institutions, average account revenue per OneAccount is fairly consistent, however, because clients that implemented the OneDisburse service over a year ago have a higher proportion of students with open accounts that did not receive a financial aid refund in the current period, on average, revenue per account at these schools is lower. We believe that there is the potential for additional volatility in the relationship between the number of OneAccounts and account revenue in the future as a result of variability in student enrollment growth at higher education institutions and changes in financial aid refund timing at higher education institutions.

Our revenue fluctuates as a result of seasonal factors related to the academic year. A large proportion of our revenue is either directly or indirectly dependent on academic financial aid received by students and in turn the number of students enrolled at our higher education institution clients. Higher education institution clients typically disburse financial aid refunds to students at the start of each academic term. Distribution of financial aid disbursements through our OneDisburse service (1) indirectly generates revenue through deposits of financial aid into OneAccounts, which generates account revenue, and (2) directly generates revenue through our higher education institution clients' use of the OneDisburse service, which generates higher education institution revenue.

While revenue fluctuates over the course of the year, our fixed expenses remain relatively constant, resulting in wide disparities in our net income and adjusted net income from quarter to quarter. Typically, the second quarter accounts for the smallest proportion of our revenues but an equal proportion of certain of our expenses. This is primarily because the majority of financial aid is disbursed during other times of the year and higher education institutions tend to enroll more new students in the third fiscal quarter. We expect that this trend will continue going forward.

As we previously reported, we entered into agreements with Urban Trust Bank, a federal savings bank, or UTB, Wright Express Financial Services Corporation, a Utah industrial bank, or Wright Express FSC, and Cole Taylor Bank, an Illinois chartered bank and Federal Reserve Member, or Cole Taylor, respectively, for FDIC-insured depository service. We refer to UTB, Wright Express FSC and Cole Taylor, sometimes together with the Bancorp Bank, as our Bank Partners. These new Bank Partners will collectively perform the services that have been performed for us by the Bancorp Bank. We are currently in the process of implementing our relationships with these new Bank Partners.

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On May 1, 2012, the U.S. Department of Education, or the Department, published in the Federal Register a notice of intent to establish a negotiated rulemaking committee to draft proposed regulations designed to prevent fraud through the use of electronic fund transfers to students' bank accounts, ensure proper use of federal financial aid funds; address the use of debit cards and other banking products for disbursing federal financial aid funds, and improve and streamline campus' financial aid programs. Negotiated rule making is a standard process for the Department. While we acknowledge that any regulatory movement introduces some aspect of uncertainty, we cannot predict what impact any regulatory changes arising from this process might have on our business, but we look forward to working with the Department and sharing our insights on preventing fraud as a leader in electronic financial aid refund disbursements.

Results of Operations for the Three Months Ended March 31, 2011 and 2012

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of total revenue:

	Three Months Ended March 31,			
	2011	2012	\$ Change	% Change
	(in thousands)			
Account revenue	\$ 41,999	\$ 47,110	\$ 5,111	12.2%
Payment transaction revenue	4,305	5,329	1,024	23.8%
Higher education institution revenue	4,376	4,624	248	5.7%
Other revenue	703	718	15	2.1%
Revenue	<u>51,383</u>	<u>57,781</u>	<u>6,398</u>	<u>12.5%</u>
Cost of revenue	<u>17,433</u>	<u>21,324</u>	<u>3,891</u>	<u>22.3%</u>
Gross margin	33,950	36,457	2,507	7.4%
General and administrative	9,772	11,226	1,454	14.9%
Product development	785	906	121	15.4%
Sales and marketing	5,464	2,867	(2,597)	(47.5)%
Income from operations	<u>17,929</u>	<u>21,458</u>	<u>3,529</u>	<u>19.7%</u>
Interest income	25	32	7	28.0%
Interest expense	(74)	(109)	(35)	47.3%
Other income	-	77	77	100.0%
Net income before income taxes	<u>17,880</u>	<u>21,458</u>	<u>3,578</u>	<u>20.0%</u>
Income tax expense	6,838	8,070	1,232	18.0%
Net income	<u>\$ 11,042</u>	<u>\$ 13,388</u>	<u>\$ 2,346</u>	<u>21.2%</u>

	Three Months Ended March 31,	
	2011	2012
Account revenue	81.7%	81.5%
Payment transaction revenue	8.4%	9.2%
Higher education institution revenue	8.5%	8.0%
Other revenue	1.4%	1.2%
Revenue	<u>100.0%</u>	<u>100.0%</u>
Cost of revenue	<u>33.9%</u>	<u>36.9%</u>
Gross margin	66.1%	63.1%
General and administrative	19.0%	19.4%
Product development	1.5%	1.6%
Sales and marketing	10.6%	5.0%
Income from operations	<u>34.9%</u>	<u>37.1%</u>
Interest income	0.0%	0.1%
Interest expense	(0.1)%	(0.1)%
Other income	0.0%	0.1%
Net income before income taxes	<u>34.8%</u>	<u>37.2%</u>
Income tax expense	<u>13.3%</u>	<u>14.0%</u>
Net income	<u>21.5%</u>	<u>23.2%</u>

Three Months Ended March 31, 2012 Compared to the Three Months Ended March 31, 2011

Revenue

Account revenue

The increase in account revenue was primarily due to an increase of 20.4%, or 0.4 million, in the number of OneAccounts from March 31, 2011 to March 31, 2012. Greater adoption of OneAccounts at higher education institutions which were clients as of March 31, 2011 accounted for 58% of the increase in the number of OneAccounts. The remaining increase was due to students choosing the OneAccount at higher education institutions which became clients after March 31, 2011. The increase in the number of OneAccounts resulted in increases in interchange fees, ATM fees and other fees that that the Bancorp Bank remitted to us. As discussed in the "Overview" section above, there was a decrease in the proportion of current OneAccounts that received a financial aid refund during the three months ended March 31, 2012 compared to the prior year.

Payment Transaction Revenue

The majority of the increase in payment transaction revenue was due to the inclusion of new higher education institution clients that began utilizing the CASHNet payment module, ePayment, after March 31, 2011. The remainder of the increase was due to an increase in payments processed at higher education institutions that were clients prior to March 31, 2011.

Higher Education Institution Revenue

The increase in higher education institution revenue was primarily due to an increase in subscription revenue for our CASHNet suite of payment products. The increase in subscription revenue is generally due to the increase in number of new modules sold to previously existing higher education institution clients, as well as sales of the CASHNet suite of payment products to new higher education institution clients over the course of the last twelve months. Our higher education institution revenue grew at a lower rate than the increase in our signed school enrollment as a result of certain discounts and bundled pricing packages offered to our customers.

Cost of Revenue

We generally expect cost of revenue to increase proportionally with our revenue as many of these costs are variable and associated with either the number of OneAccounts or the dollar volume of transactions processed through our CASHNet payment module. During the three months ended March 31, 2012, our cost of revenue increased at a higher rate than revenue, which resulted in a lower gross margin compared to the three months ended March 31, 2011. During the three months ended March 31, 2012, our data processing costs and our provision for operational loss both increased at higher rates than our revenue growth. The increase in data processing costs is due to the increase in our number of OneAccounts exceeding the growth in overall transaction volume.

General and Administrative Expense

While we generally expect general and administrative expenses to increase at a slower rate than revenue, such expenses increased at a slightly higher rate than our revenue growth during the three months ended March 31, 2012. The increase in general and administrative expenses was driven primarily by an increase in depreciation and amortization, as a result of commencing depreciation on our corporate headquarters which was placed in service as of December 31, 2011, personnel related costs and telecommunications costs.

Product Development Expense

The increase in product development expense was primarily due to increases in personnel costs.

Sales and Marketing Expense

The decrease in sales and marketing expense was primarily due to a decrease of \$3.1 million in non-cash, stock-based sales acquisition expense related to the vesting of certain shares issued in connection with the acquisition of EduCard, LLC. The vesting time period related to the acquisition of EduCard, LLC expired at December 31, 2011 and therefore there are no subsequent additional associated expenses. The decrease in non-cash stock-based sales acquisition expense was partially offset by increases in marketing efforts and higher employee compensation costs to support business growth.

Income Tax Expense

The increase in income tax expense was primarily due to the increase in net income before taxes. The effective tax rates for the three months ended March 31, 2011 and 2012 were 38.2% and 37.6%, respectively. Our effective rate is expected to be between 37% and 39% for the 2012 fiscal year.

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity are cash flows from operations, borrowings under our Credit Facility, as defined below, and available-for-sale investments. As of March 31, 2012, we had \$33.8 million in cash and cash equivalents, \$21.8 million in available-for-sale investments and \$50.0 million in borrowing capacity available under our Credit Facility. Our primary liquidity requirements are for working capital, capital expenditures, product development expenses and general corporate needs. As of March 31, 2012, we had working capital of \$38.1 million.

Senior Secured Revolving Credit Facility

Higher One, Inc. entered into a senior secured revolving credit facility dated as of December 31, 2010, which we refer to as the Credit Facility. As of March 31, 2012, \$50 million in borrowings were available to the Company under the Credit Facility. The amount available to be drawn under the Credit Facility may be increased by an additional \$50 million upon the request of the Company and the agreement of the lenders party to the Credit Facility. Any amounts drawn under the Credit Facility are payable in a single maturity on December 31, 2013. Higher One Holdings, Inc., and each of the wholly-owned subsidiaries of Higher One, Inc., is a guarantor of Higher One, Inc.'s obligations under the Credit Facility.

The Credit Facility is secured by a perfected first priority security interest in all of the capital stock of Higher One, Inc. and its subsidiaries, and substantially all of each Credit Facility guarantor's tangible and intangible assets, other than intellectual property. Each of the Credit Facility guarantors has also granted to the administrative agent under the Credit Facility a negative pledge of the intellectual property of Higher One, Inc. and its subsidiaries, including patents and trademarks that are pending and acquired in the future.

As of March 31, 2012, Higher One, Inc. had no outstanding indebtedness under the Credit Facility.

The Credit Facility contains certain affirmative covenants including, among other things, covenants to furnish the lenders with financial statements and other financial information and to provide the lenders with notice of material events and information regarding collateral. The Credit Facility also contains certain negative covenants that, among other things, restrict Higher One, Inc.'s ability, subject to certain exceptions, to incur additional indebtedness, grant liens on its assets, undergo fundamental changes, make investments (including acquisitions), sell assets, make restricted payments, change the nature of its business and engage in transactions with its affiliates.

In addition, the Credit Facility contains certain financial covenants that require us to maintain a minimum EBITDA level, as defined in the Credit Facility, of \$50 million, a funded debt to EBITDA ratio not to exceed 2.00 to 1.00 and a fixed charge coverage ratio of at least 1.25 to 1.00. Each such financial covenant is measured using the financial results of the most recent four fiscal quarters. As of March 31, 2012, Higher One, Inc. was in compliance with all covenants under the Credit Facility.

Cash Flows

The following table presents information regarding our cash flows and cash and cash equivalents for the three months ended March 31, 2011 and March 31, 2012:

	Three Months Ended March 31,		
	2011	2012	\$ Change
		(unaudited)	
		(in thousands)	
Net cash provided by (used in):			
Operating activities	\$ 20,429	\$ 32,200	\$ 11,771
Investing activities	(3,788)	(22,553)	(18,765)
Financing activities	707	(14,914)	(15,621)
Increase in cash and cash equivalents	17,348	(5,267)	(22,615)
Cash and cash equivalents, end of period	\$ 51,832	\$ 33,818	\$ (18,014)

The increase in net cash provided by operating activities was primarily comprised of \$10.4 million increase in the cash provided by changes in working capital accounts during the three months ended March 31, 2012 compared to the three months ended March 31, 2011. During the three months ended March 31, 2012 we received a federal tax refund which was recorded as a receivable as of December 31, 2011. In addition, net income increased by \$2.3 million, which was offset by a \$1.0 million net decrease in other adjustments to reconcile net income to net cash provided by operating activities.

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The increase in net cash used in investing activities primarily relates to increased purchases of fixed assets, including expenditures on our real estate development project, and purchases of investment securities.

As of March 31, 2012, we have incurred approximately \$33.4 million, net of the grants, credits and subsidies on a project that developed two previously existing commercial buildings located in New Haven, Connecticut into our new corporate headquarters. We moved into the redeveloped buildings at the end of 2011. We have received approximately \$15.1 million in grants, credits, subsidies and project financing as of March 31, 2012. Of the \$33.4 million incurred, we have spent approximately \$29.8 million in total on the project, net of grants, credits and subsidies, as of March 31, 2012.

We believe that our cash flows from operations, together with our existing liquidity sources, will be sufficient to fund our operations and anticipated capital expenditures over at least the next twenty-four months.

The cash used by financing activities was primarily related to our common stock repurchases which used \$16.9 million of cash, which was offset by approximately \$2.0 million of cash benefit related to the exercise of stock options.

Supplemental Financial and Operating Information

	Three Months Ended March 31,	
	2011	2012
	(unaudited) (in thousands)	
Adjusted EBITDA	\$ 23,998	\$ 25,158
Adjusted net income	\$ 14,405	\$ 14,949
Number of students enrolled at OneDisburse client higher education institutions at end of period	3,413	4,330
Number of students enrolled at payment transaction client higher education institutions at end of period	2,506	2,777
Number of OneAccounts at end of period	1,762	2,122

We define adjusted EBITDA as net income before interest, income taxes and depreciation and amortization, or EBITDA, further adjusted to remove the effects of (a) stock-based customer acquisition expense related to our grants of common stock in connection with our acquisition of EduCard, LLC in 2008, (b) cash-based customer acquisition expense related to the acquisition of Informed Decisions Corporation, or IDC, and (c) stock-based compensation expense. Neither EBITDA nor adjusted EBITDA should be considered as an alternative to net income, operating income or any other measure of financial performance calculated and presented in accordance with GAAP. Our EBITDA and adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate EBITDA and adjusted EBITDA in the same manner as we do.

The following table presents a reconciliation of net income, the most comparable GAAP measure, to EBITDA and adjusted EBITDA for each of the periods indicated:

	Three Months Ended March 31,	
	2011	2012
	(unaudited) (in thousands)	
Net income	\$ 11,042	\$ 13,388
Interest income	(25)	(32)
Interest expense	74	109
Income tax expense	6,838	8,070
Depreciation and amortization	1,677	2,213
EBITDA	19,606	23,748
Stock-based and other customer acquisition expense	3,088	-
Stock-based compensation expense	1,304	1,410
Adjusted EBITDA	\$ 23,998	\$ 25,158

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We define adjusted net income as net income, adjusted to eliminate (a) stock-based compensation expense related to incentive stock option grants and (b) after giving effect to tax adjustments, (1) stock-based compensation expense related to non-qualified stock option grants, (2) stock-based customer acquisition expense related to our grant of common stock in connection with our acquisition of EduCard, LLC in 2008, (3) cash-based customer acquisition expense related to the acquisition of IDC and (4) amortization expenses related to intangible assets and financing costs. Adjusted net income should not be considered as an alternative to net income, operating income or any other measure of financial performance calculated and presented in accordance with GAAP. Our adjusted net income may not be comparable to similarly titled measures of other organizations because other organizations may not calculate adjusted net income in the same manner as we do.

The following table presents a reconciliation of net income, the most comparable GAAP measure, to adjusted net income for each of the periods indicated:

	Three Months Ended	
	March 31, 2012	
	2011	2012
	(unaudited)	
	(in thousands)	
Net income	\$ 11,042	\$ 13,388
Stock-based and other customer acquisition expense	3,088	-
Stock-based compensation expense - incentive stock options	427	507
Stock-based compensation expense - non-qualified stock options	877	903
Amortization of intangibles	768	768
Amortization of deferred finance costs	18	34
Total pre-tax adjustments	5,178	2,212
Tax rate	38.2%	38.2%
Tax adjustment (1)	1,815	651
Adjusted net income	<u>\$ 14,405</u>	<u>\$ 14,949</u>

(1) We have tax effected, utilizing an estimated statutory rate, all the pre-tax adjustments except for stock-based compensation expense for incentive stock options, which are generally not tax deductible and other income which is not tax deductible.

The adjusted EBITDA and adjusted net income measures presented in this Quarterly Report on Form 10-Q may not be comparable to similarly titled measures presented by other companies, and may not be identical to corresponding measures used in our various agreements, in particular our Credit Facility.

Contractual Obligations

There have been no material changes to our contractual commitments from those disclosed in our annual report on Form 10-K for the year ended December 31, 2011.

Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

The significant accounting policies and basis of preparation of our consolidated financial statements are described in Note 2, "Significant Accounting Policies" of our notes to consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2011 and in this Quarterly Report on Form 10-Q. Under accounting principles generally accepted in the United States, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities in our financial statements. Actual results could differ materially from those estimates.

We believe the judgments, estimates and assumptions associated with the following critical accounting policies have the greatest potential impact on our consolidated financial statements:

- Provision for operational losses;
- Stock-based compensation; and
- Income taxes

For a complete discussion of these critical accounting policies, refer to "Critical Accounting Policies" within "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" included within our annual report on Form 10-K for the year ended December 31, 2011. At March 31, 2012, there have been no material changes to any of the Critical Accounting Policies described therein.

Recent Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each such standard will have. As of the filing of this report, there were no new accounting standards issued that we expect to have a material impact on our consolidated financial position, results of operations or liquidity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our principal market risk relates to interest rate sensitivity, which is the risk that future changes in interest rates will reduce our net income or net assets. There have been no material changes in our principal market risk exposures from the information disclosed in our annual report on Form 10-K for the year ended December 31, 2011.

In addition, we receive processing fees paid from our current bank partner, based on prevailing interest rates and the total deposits held in our OneAccounts. Since 2008, processing fees paid by the Bancorp Bank have been relatively small because of historically low interest rates. A change in interest rates would affect the amount of processing fees that we earn and therefore would have an effect on our revenue, cash flows and results of operations.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of March 31, 2012. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2012, our disclosure controls and procedures were effective to provide reasonable assurance that information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, and ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission's rules and forms.

There has been no change in our internal controls over financial reporting during the three months ended March 31, 2012 identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

On April 18, 2012, Sherry McFall, a Higher One customer, filed a putative class action in the United States District Court for the Central District of California, Western Division, against Higher One Holdings, Inc. alleging violations of California's Unfair Competition Law, the Consumer Legal Remedies Act, and the Electronic Funds Transfer Act in connection with alleged improper disclosures of fees and costs associated with opening and maintaining an account. The complaint was subsequently voluntarily withdrawn by the plaintiff. On April 24, 2012, Sherry McFall filed a new complaint in the Superior Court of California for the County of Ventura against Higher One Holdings, Inc. To date, we have not been served with the complaint and we have been unable to obtain a copy of the complaint. We are, therefore, unable to assess the merits of the plaintiff's claims at this time. To the extent the claims alleged in state court are similar to those alleged in the filed but withdrawn federal action, we believe the claims to be without merit. Although we plan to defend the matter vigorously, there can be no assurances of our success in this matter.

Except as described above, there have been no material developments in our legal proceedings since we filed our annual report on Form 10-K for the year ended December 31, 2011.

Item 1A. Risk Factors

There have been no material changes to our risk factors from those disclosed in our annual report on Form 10-K for the year ended December 31, 2011, except as follows:

Reviews and enforcement actions by regulatory authorities under banking and consumer protection laws and regulations may result in changes to our business practices or may expose us to the risk of fines, restitution and litigation.

Our operations and the operations of our Bank Partners are subject to the jurisdiction and examination of federal, state and local regulatory authorities, including the FDIC, which is The Bancorp Bank's and Wright Express FSC's primary federal regulator, the OCC, which is UTB's primary federal regulator, and the Federal Reserve Bank, which is Cole Taylor's primary federal regulator. Our business practices, including the terms of our products, are reviewed and approved by our Bank Partners and subject to both periodic and special reviews by such regulatory authorities, which can range from investigations into specific consumer complaints or concerns to broader inquiries into our practices generally. We and The Bancorp Bank are subject to ongoing and routine examination by the FDIC, and we will be subject to OCC and Federal Reserve Bank review in connection with the services we provide to UTB and Cole Taylor, respectively. If, as part of an examination or review, the regulatory authorities conclude that we are not complying with applicable laws or regulations, they could request or impose a wide range of remedies, including, but not limited to, requiring changes to the terms of our products (such as decreases in fees), the imposition of fines or penalties or the institution of enforcement proceedings or other similar actions against us alleging that our practices constitute unfair or deceptive acts or practices. As part of an enforcement action, the regulators can seek restitution for affected customers and impose civil money penalties. In addition, negative publicity relating to any specific inquiry or investigation or any related fine could adversely affect our stock price, our relationships with various industry participants, or our ability to attract new clients and retain existing clients, which could have a material adverse effect on our business, financial condition and results of operations.

In February 2011, the New York Regional Office of the FDIC notified us that it was prepared to recommend to the Director of FDIC Supervision that an enforcement action be taken against us for alleged violations of certain applicable laws and regulations principally relating to our compliance management system and policies and practices for past overdraft charging on persistently delinquent accounts, collections and transaction error resolution. We have responded to the FDIC's notification, been in regular dialogue with the FDIC since 2010 and voluntarily amended certain practices. We voluntarily initiated a plan in December 2011, which provided credits to certain current and former customers that were previously assessed certain insufficient fund fees. As a result of this plan, we recorded a reduction in our revenue of approximately \$4.7 million in 2011. The insufficient funds fees that are credited to customers under this plan were originally assessed beginning in 2008. Of the total charge of \$4.7 million, an accrual of approximately \$2.6 million was established for amounts which were not paid as of December 31, 2011. All amounts have been paid to our customers as of March 31, 2012. While we believe that our decision to voluntarily initiate the plan described above reduces our risk, the process with the FDIC is ongoing and there continue to be various potential outcomes in order to resolve this matter. For instance, we could receive an enforcement action which could result in an order to pay civil money penalties and additional restitution. The process is ongoing and there can be no assurances as to the outcome of this process. Any action instituted against us that results in significant changes to our practices, the imposition on us of fines or penalties, or an obligation for us to pay restitution or civil money penalties could have a material adverse effect on our business, financial condition and results of operations.

We depend on our relationship with higher education institutions and, in turn, student usage of our products and services for future growth of our business.

Our future growth depends, in part, on our ability to enter into agreements with higher education institutions. While we have experienced significant growth since 2002 in the number of our higher education institution clients, our contracts with these clients can generally be terminated at will and, therefore, there can be no assurance that we will be able to maintain these clients. We may also be unable to maintain our agreements with these clients on terms and conditions acceptable to us. In addition, we may not be able to continue to establish new relationships with higher education institution clients at our historical growth rate or at all. The termination of our current client contracts or our inability to continue to attract new clients could have a material adverse effect on our business, financial condition and results of operations.

Not only are establishing new client relationships and maintaining current ones critical to our business, but they are also essential components of our strategy for maximizing student usage of our products and services and attracting new student customers. A reduction in enrollment, a failure to attract and maintain student customers, as well as any future demographic trends that reduce the number of higher education students could materially and adversely affect our capability for both revenue and cash generation and, as a result, could have a material adverse effect on our business, financial condition and results of operations. For example, during the three months ended March 31, 2012, we experienced a decrease in the proportion of OneAccounts that received a financial aid refund compared to the three months ended March 31, 2011. This decrease had a negative impact on our results of operations during the three months ended March 31, 2012.

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We are subject to substantial federal and state governmental regulation that could change and thus force us to make modifications to our business. Compliance with the various complex laws and regulations is costly and time consuming, and failure to comply could have a material adverse effect on our business. Additionally, increased regulatory requirements on our services may increase our costs, which could materially and adversely affect our business, financial condition and results of operations.

As a payments processor to higher education institutions that takes payment instructions from institutions and their constituents, including students and employees, and gives them to our Bank Partners, we are directly or indirectly subject to a variety of federal and state laws and regulations. Our contracts with most of our higher education institution clients and our Bank Partners require us to comply with applicable laws and regulations, including, where applicable:

- Title IV;
- FERPA;
- the Electronic Fund Transfer Act and Regulation E;
- the USA PATRIOT Act and related anti-money laundering requirements; and
- certain federal rules regarding safeguarding personal information, including rules implementing the privacy provisions of GLBA.

Higher Education Regulations

Third-Party Servicer. Because of the services we provide to some institutions with regard to the handling of Title IV funds, the Department of Education may deem us to be a “third-party servicer” under the Title IV regulations. Those regulations require a third-party servicer annually to submit a compliance audit conducted by outside independent auditors that covers the servicer’s Title IV activities. Each year we submit a “Compliance Attestation Examination of the Title IV Student Financial Assistance Programs” audit to the Department of Education, which includes a report by an independent audit firm. In addition, the yearly compliance audit submission to the Department of Education provides comfort to certain of our higher education institution clients that are in compliance with the third-party servicer regulations that may apply to us. We also provide this compliance audit report to clients upon request to help them fulfill their compliance audit obligations as Title IV participating institutions.

Under the Department of Education regulations, a third party servicer that contracts with a Title IV institution acts in the nature of a fiduciary in the administration of Title IV programs. Among other requirements, the regulations provide that a third-party servicer is jointly and severally liable with its client institution for any liability to the Department of Education arising out of the servicer’s violation of Title IV or its implementing regulations, which could subject us to material fines related to acts or omissions of entities beyond our control. The Department of Education is also empowered to limit, suspend or terminate the violating servicer’s eligibility to act as a third-party servicer and to impose significant civil penalties on the violating servicer. In the event the Department of Education concluded that we had violated Title IV or its implementing regulations and should be subject to one or more of these sanctions, our business and results of operations could be materially and adversely affected. There is limited enforcement and interpretive history of Title IV regulations relevant to this risk factor.

On May 1, 2012, the Department of Education published in the Federal Register a notice of intent to establish a negotiated rulemaking committee to draft proposed regulations designed to prevent fraud through the use of electronic fund transfers to students’ bank accounts, ensure proper use of federal financial aid funds; address the use of debit cards and other banking products for disbursing federal financial aid funds, and improve and streamline campus’ financial aid programs. In the event that new rules are promulgated which restrict or prohibit our ability to offer our current services to higher education institutions and students, our business, financial condition and results of operations could be materially and adversely affected.

FERPA. Our higher education institution clients are subject to FERPA, which provides with certain exceptions that an educational institution that receives any federal funding under a program administered by the Department of Education may not have a policy or practice of disclosing education records or “personally identifiable information” from education records, other than directory information to third parties without the student’s or parent’s written consent. Our higher education institution clients disclose to us certain non-directory information concerning their students, including contact information, student identification numbers and the amount of students’ credit balances. We believe that our higher education institution clients may disclose this information to us without the students’ or their parents’ consent pursuant to one or more exceptions under FERPA. However, if the Department of Education asserts that we do not fall into one of these exceptions or if future changes to legislation or regulations required student consent before our higher education institution clients could disclose this information to us, a sizeable number of students may cease using our products and services, which could materially and adversely affect our business, financial condition and results of operations.

Additionally, as we are indirectly subject to FERPA, we may not permit the transfer of any personally identifiable information to another party other than in a manner in which a higher education institution may disclose it. In the event that we re-disclose student information in violation of this requirement, FERPA requires our clients to suspend our access to any such information for a period of five years. Any such suspension could have a material adverse effect on our business, financial condition or results of operations.

State Laws. We may also be subject to similar state laws and regulations that restrict higher education institutions from disclosing certain personally identifiable information of students. State attorneys general and other enforcement agencies may monitor our compliance with state and federal laws and regulations pertaining to higher education and banking and conduct investigations of our business that are time consuming and expensive and could result in fines and penalties that have a material adverse effect on our business, financial condition and results of operations.

Regulation of OneAccounts

Anti-Money Laundering; USA PATRIOT ACT; OFAC. The Bancorp Bank, UTB and Wright Express FSC are insured depository institutions and funds held at our Bank Partners are insured by the FDIC up to applicable limits. As insured depository institutions, our Bank Partner are subject to comprehensive government regulation and supervision and, in the course of making its services available to our customers, we are required to assist our Bank Partners in complying with certain of their regulatory obligations. In particular, the anti-money laundering provisions of the USA PATRIOT Act require that customer identifying information be obtained and verified whenever a checking account is established. For example, because we facilitate the opening of checking accounts at our Bank Partners on behalf of our customers, we assist our Bank Partners in collecting the customer identification information that is necessary to open an account. In addition, both we and our Bank Partners are subject to the laws and regulations enforced by the OFAC, which prohibit U.S. persons from engaging in transactions with certain prohibited persons. Our failure to comply with any of these laws or rights could materially and adversely affect our business, financial credit and results of operations.

Compliance; Audit. As a service provider to insured depository institutions, we are required under applicable federal and state laws to agree to submit to examination by our Bank Partners' regulators. We also are subject to audit by our Bank Partners to ensure that we comply with our obligations to them appropriately. Failure to comply with our responsibilities properly could negatively affect our operations. Our Bank Partners are required under their respective agreements with us to, and we rely on our Bank Partners' ability to, comply with state and federal banking regulations. The failure of our Bank Partners to maintain regulatory compliance could result in significant disruptions to our business and have a material adverse effect on our business, financial condition and results of operations.

Electronic Fund Transfer Act; Regulation E. Our Bank Partners provide depository services for OneAccounts through a private label relationship. We provide processing services for OneAccounts for our Bank Partners. These services are subject to, among other things, the requirements of the Electronic Fund Transfer Act and the Bureau of Consumer Financial Protection's Regulation E, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of ATMs, debit cards and certain other electronic banking services. We may assist our Bank Partners with fulfilling its compliance obligations pursuant to these requirements. See "Part I, Item 1A. Risk Factors—Fees for financial services are subject to increasingly intense legislative and regulatory scrutiny, which could have a material adverse effect on our business, financial condition, results of operations and prospects for future growth", of this report. Failure to comply with applicable regulations could materially and adversely affect our business, financial condition and results of operations.

Money Transmitter Regulations. Because our technology services are provided in connection with the financial products of our Bank Partners, our activities are occasionally reviewed by regulatory agencies to ensure that we do not impermissibly engage in activities that require licensing at the state or federal level. In the ordinary course of business, we receive letters and inquiries concerning the nature of our business as it applies to state "money transmitter" licensing and regulations from different state regulatory agencies. If a state agency were to conclude that we are required to be licensed as a "money transmitter," we may need to undergo a costly licensing process in that state, and failure to comply could be a violation of state and potentially federal law.

Privacy and Data Regulation

We are subject to laws and regulations relating to the collection, use, retention, security and transfer of personally identifiable information and data regarding our customers and their financial information. In addition, we are bound by our own privacy policies and practices concerning the collection, use and disclosure of user data, which are posted on certain of our website pages.

In conjunction with the disbursement, payroll and tuition payment services we make available through our Bank Partners, it is necessary to collect certain information from our customers (such as bank account and routing numbers) to transmit to our Bank Partners. Our Bank Partners use this information to execute the funds transfers requested by our customers, which are effected primarily by means of ACH networks and other wire transfer systems, such as FedWire. To the extent the data required by these electronic funds networks change, the information that we will be required to request from our clients may also change.

We are subject, either directly or by virtue of our contractual relationship with our Bank Partners, to the privacy and security standards of the GLBA privacy regulations, as well as certain state data protection laws and regulations. The GLBA privacy regulations require that we develop, implement and maintain a written comprehensive information security program prescribing safeguards that are appropriate to our size and complexity, the nature and scope of our activities and the sensitivity of any personally identifiable information we access for processing purposes or otherwise maintain. As a service provider of our Bank Partners, we also are limited in our use and disclosure of the personal information we receive from our Bank Partners, which we may use and disclose only for the purposes for which it was provided to us and consistent with the bank's own data privacy and security obligations. We also are subject to the standards set forth in guidance on data security issued by the Federal Financial Institution Examination Council, as well as the data security standards imposed by the card associations, including Visa, Inc., and MasterCard. In addition, we are subject to similar data security breach laws enacted by a number of states.

Any failure or perceived failure by us to comply with any legal or regulatory requirements or orders or other federal or state privacy or consumer protection-related laws and regulations, or with our own privacy policies, could result in fines, sanctions, litigation, negative publicity, limitation of our ability to conduct our business and injury to our reputation, any of which could materially and adversely affect our business, financial condition and results of operations.

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New legislation and regulations in this area have been proposed, both at the federal and state level. Such measures, including pending Federal legislation, would potentially impose additional obligations on us, including requiring that we provide notifications to consumers and government authorities in the event of a data breach or unauthorized access or disclosure, beyond what state law already requires. These laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Compliance

We monitor our compliance through an internal audit program. Our full-time internal auditor works with a third-party internal audit firm to conduct annual reviews to ensure compliance with the regulatory requirements described above. The costs of these audits and the costs of complying with the applicable regulatory requirements are significant. Increased regulatory requirements on our products and services, such as in connection with the matters described above, could materially increase our costs or reduce revenue.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. The imposition of any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business. In addition, many of these laws and regulations are evolving, unclear and inconsistent across various jurisdictions. If we were deemed to be in violation of any laws or regulations that are currently in place or that may be promulgated in the future, including but not limited to those described above, we could be exposed to financial liability and adverse publicity or forced to change our business practices or stop offering some of our products and services. We also could face significant legal fees, delays in extending our product and services offerings, and damage to our reputation that could harm our business and reduce demand for our products and services. Even if we are not required to change our business practices, we could be required to obtain licenses or regulatory approvals that could cause us to incur substantial costs and delays.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table includes information regarding purchases of shares of our common stock made by us during the three months ending March 31, 2012:

Period	(a) Total number of shares purchased (1)	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs (1)	(d) Approximate dollar value of shares that may yet be purchased under the plans or programs (2) (in thousands)
January 1 to January 31	9,300	\$16.99	9,300	\$23,635
February 1 to February 29	589,728	15.20	589,728	14,671
March 1 to March 31	512,100	15.18	512,100	6,894

(1) No shares were repurchased other than through our publicly-announced repurchase program. Our share repurchase program was announced on August 23, 2011 and allows for the repurchase of up to \$40 million of our issued and outstanding shares of common stock through September 7, 2012.

(2) As of March 31, 2012, approximately \$6.9 million was available under our publicly announced share repurchase program. The timing, price, quantity, and manner of the purchases to be made are at the discretion of management upon instruction from our Board of Directors, depending upon market conditions. The repurchase of shares in any particular future period and the actual amount thereof remain at the discretion of our Board of Directors, and no assurance can be given that shares will be repurchased in the future.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
10.01	Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated March 29, 2012.**
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
32.1	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
(1)	The material contained in Exhibit 32.1 and Exhibit 32.2 is not deemed “filed” with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference.

** Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

SIGNATURES

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

Date: May 2, 2012

Higher One Holdings, Inc.

/s/ Dean Hatton

Dean Hatton
President and Chief Executive Officer
(Duly authorized officer and principal executive officer)

/s/ Mark Volchek

Mark Volchek
Chief Financial Officer
(Duly authorized officer and principal financial officer)

CONFIDENTIAL TREATMENT REQUESTED
DEPOSIT PROCESSING SERVICES AGREEMENT

THIS DEPOSIT PROCESSING SERVICES AGREEMENT (this “Agreement”) is entered into as of this 29th day of March, 2012 (“Effective Date”) by and between Cole Taylor Bank (“Bank”), a chartered Federal Reserve Member with its principal place of business at 9550 West Higgins Road, Rosemont, IL 60018, and Higher One, Inc. (“Higher One”), a Delaware corporation with its principal place of business at 115 Munson Street, New Haven, Connecticut 06511. Higher One and Bank are hereinafter referred to, collectively, as the “Parties,” and individually each as a “Party.”

RECITALS

Bank is an Illinois chartered bank and a member of the Federal Reserve System that, among other things, offers and maintains demand deposit accounts for customers.

Higher One is engaged in the business of providing customized product and service programs to educational institutions throughout the United States and to their respective students, faculty, staff, alumni, and other related parties, including but not limited to the delivery of a deposit account product such as a demand deposit accounts or Negotiable Order of Withdrawal (“NOW”) accounts with customized features to such parties.

Bank desires to increase the number of customers to whom it offers demand deposit accounts and other bank products, and Bank desires to increase the number of customers located in Illinois or contiguous states.

The Parties desire to work together to establish and maintain Bank demand deposit accounts in connection with such customized programs offered by Higher One.

NOW, THEREFORE, in consideration of the mutual covenants and representations contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**SECTION I.
DEFINITIONS**

1.1 Certain Definitions. As used in this Agreement, the following terms have the definitions indicated.

“Applicable Law” means all applicable federal and state statutes, regulations, judicial decisions, rules, orders and requirements, of a Regulatory Authority as such statutes, regulations, requirements, or orders, may be amended or in effect from time to time during the term of this Agreement.

“Card” means a debit card or other electronic access device issued to a Depositor for purposes of accessing the Depositor Account.

“Depositor” means a current customer of Higher One who has entered into a Depositor Agreement.

“Depositor Account” means a deposit account product such as a demand deposit account (as defined by Regulation D of the Board of Governors of the Federal Reserve System) or a NOW account that is held by Bank in the name or for the benefit of a Depositor pursuant to a Depositor Agreement.

“Depositor Agreement” means the agreement that governs the relationship among Bank, Higher One and a Depositor and prescribes the terms and conditions under which the related Depositor Account is established, maintained and used, and all related disclosures provided with respect thereto.

“Depositor Program” means the administration and processing operation of Depositor Accounts pursuant to the Depositor Agreement.

“FDIC” means the Federal Deposit Insurance Corporation or any successor entity.

“Fees” means all fees and charges generated from the use of the Depositor Accounts, including any Card usage, interchange, and miscellaneous fees.

“Financial Transaction(s)” means a Depositor Account transaction involving the withdrawal of funds from or the deposit of funds to a Depositor Account.

“Graphic Standards” means all standards, policies, and other requirements adopted by Bank from time to time with respect to use of its Marks.

“Higher One Technology” means all proprietary software owned or licensed by Higher One and made available to Bank pursuant to this Agreement.

“Joint Oversight Policies” means the policies and procedures as to be agreed to by the Parties, as may be amended from time to time in writing.

“Mark” means trade names, trademarks, service marks and logos, whether or not registered.

“Material Adverse Effect” means a change, effect, event, or circumstance that would have, individually or in the aggregate, a material adverse change in, as the case may be, the assets, liabilities, financial position, or results of operations, prospects, or business conditions of a Party, taken as a whole.

“Network” means MasterCard, VISA, Cirrus, Plus, and/or any similar electronic payment processing system over which Financial Transactions with respect to Cards are processed.

“Network Rules” means the operating rules of any Network, as may be amended from time to time and provided to Higher One in writing.

“OFAC” means the U.S. Department of Treasury’s Office of Foreign Assets Control.

“Regulatory Authority” means any local, state, or federal agency, office, or supervising entity, or any other authority having jurisdiction over Bank or Higher One, in such a manner as to impact the operations or activity being contemplated under this Agreement.

“Solicitation Material” means all advertisements, brochures, applications, telemarketing scripts, point of purchase displays, packaging, television advertisements, radio advertisements, electronic web pages, electronic web links, and any other type of advertisement, marketing material, or interactive media developed, launched, or distributed for purposes of marketing or promoting a Depositor Program.

“Supervisory Objection” has the meaning set forth in Section 7.2(d).

“Term” has the meaning set forth in Section 7.1.

“University” means an educational institution wherein Higher One offers its services.

SECTION II. OBLIGATIONS AND COVENANTS

2.1 Specific Obligations of Higher One. Higher One shall be responsible for the following obligations in accordance with Joint Oversight Policies, Network Rules, Depositor Agreement and Applicable Law.

- (a) **Contracts with Universities.** From time to time, Higher One may enter into contracts with Universities to provide services and products to them and/or their students, faculty, staff, alumni, and/or other related parties. As part of such contracts, and using Solicitation Materials approved by Bank, Higher One shall make available to the Universities and/or their students, faculty, staff, alumni, and/or other related parties the Depositor Program, including Depositor Accounts. Higher One shall manage such relationships with the Universities on an ongoing basis and shall process any Depositor Accounts under the Depositor Programs.
- (b) **Back-Office Operations of Depositor Program.** Higher One, directly or pursuant to contracts with third party service providers, shall provide for all necessary operations of the Depositor Program, including the necessary management, financial expertise, staff, and software needed to conduct the Depositor Program, excluding all Bank staff, systems, networks, utilities, software, and hardware.
- (c) **Master Account Recordkeeping.** Higher One will make appropriate entries to an account established by Bank for such purpose to reflect the Financial Transactions to the Depositor Accounts and maintain such necessary records to establish a Depositor Account for each individual Depositor with sufficient detail as required by Applicable Law to assist in ensuring that the Depositor Accounts qualify for FDIC insurance.
- (d) **Verification of Customer Identity.** Higher One, consistent with policies and procedures that shall be developed by Higher One and subject to the approval of Bank, in its sole discretion, shall be responsible for the collection and verification of such Depositor information as is necessary to (i) verify Depositor identity and complete appropriate Office of Foreign Assets Control validation and (ii) to satisfy the customer identification program requirements applicable to insured depository institutions found in 31 C.F.R. Chapter X. Any amendment or alteration to Higher One’s CIP process or procedures shall be subject to prior approval of Bank.
- (e) **Depositor Account Recordkeeping.** Higher One shall be responsible for the timely processing of all transactional activity in connection with the Depositor Accounts, including: (i) ACH and wire transfer transactions initiated at the direction of Depositors; (ii) deposits to Depositor Accounts (via ACH, mail, wire transfers, and direct credits from Universities (including disbursement funds from the Universities to recipients individually identified to Higher One and identified by Higher One to Bank)); and (iii) coordinating and providing support for payments made from Depositor Accounts, including payment by check, debit card, and electronic payment.
- (f) **Check Production and Card Management.** Higher One shall be responsible for:
 - (i) arranging for the production of all checks and/or Cards provided to Depositors in connection with any Depositor Account, including the manufacturing, printing, and distribution of all checks and/or Cards and the Depositor Agreement related thereto, at its sole risk and expense, identifying a third party financial institutions as the Card issuer on each Card and the related Depositor Agreement, and including such other names and Marks as may be required to conform to Graphic Standards, Applicable Law, Joint Oversight Policies and the Network Rules;
 - (ii) handling and distributing, or arranging for the handling and distributing of Cards and/or checks as necessary; and
 - (iii) managing all security aspects of the Cards.
- (g) **Document Retention.** Consistent with Applicable Law, Joint Oversight Policies and Network Rules, Higher One shall obtain and retain on behalf of Bank each potential Depositor’s application, all supporting information and documentation, and any reports prepared therefrom, as required by Applicable Law, the Joint Oversight Policies, and the Network Rules, and shall at all times be available to Bank in electronic form promptly upon request.
- (h) **Internal Controls.** Higher One shall develop, implement, and maintain internal controls reasonably designed to ensure compliance at all times with Joint Oversight Policies, Network Rules, Depositor Agreement and Applicable Law.
- (i) **Marketing and Advertising.** Higher One shall be solely responsible for marketing the Depositor Program to end users, potential customers and universities at its cost and in accordance with the terms and conditions of this Agreement.
- (j) **Segregation of Depositor Information.** Higher One shall segregate all confidential information associated with Bank and the Depositors from third party financial institutions providing banking services under programs serviced by Higher One that are similar to the Depositor Program.
- (k) **Banking Services.** Higher One shall be responsible for the selection and management of third-party service providers to provide certain outsourced banking-related functions in connection with the Depositor Program (each, a “Third Party Service Provider”) including but not limited to wire processing services, ACH processing services, check processing services, network BIN sponsorship services and ATM sponsorship in connection with the Depositor Program. Higher One shall be responsible for all costs, fees and expenses incurred in connection with its responsibilities under this Agreement to obtain banking services through such Third Party Service Providers.
- (l) **Sponsorship of ATMs.** Higher One shall be responsible for sponsoring Higher One-branded ATMs and will provide all services related thereto other than providing the cash for such ATMs.
- (m) **Regulation E.** Higher One shall be responsible for complying with and shall bear all costs and expenses associated with the obligations of a “financial institution,” as that term is defined in Regulation E (12 CFR 205) (“Regulation E”), that offers electronic funds transfer services, including but not limited to providing notices, dispute resolution and crediting and debiting Depositor Accounts for disputed transactions.

2.2 Specific Obligations of Bank. Bank shall perform the following obligations in accordance with the Joint Oversight Policies, Depositor Agreement and Applicable Law:

- (a) **Maintenance of Depositor Accounts.** Bank shall establish, maintain, and administer the Depositor Accounts relating to the Depositor Program.
- (b) **Maintenance of the Depositor Program.** If the Parties determine that it is necessary to obtain a separate routing/transit number, solely with respect to the Depositor Program, Bank shall cooperate with Higher One in its efforts to transfer a routing/transit number from a third party financial institution, which may include working with Higher One and one or more of its existing bank partners to transfer an existing routing/transit number(s), including by entering into any required agreements to facilitate the continued use of existing routing/transit number(s). If the Parties' efforts to transfer a routing/transit number from a third party financial institution fail or if the Parties agree not to pursue the transfer of a routing-transit number from a third party financial institution, Bank agrees to obtain and maintain a separate routing/transit number in connection with the Depositor Program.
- (c) **Deposit Insurance.** Bank shall ensure that its FDIC deposit insurance remains in full force and effect so that the Depositor Account of each Depositor qualifies for FDIC deposit insurance in the Depositor's individual right and capacity, either on a pass-through or direct basis. Bank shall bear all costs associated with providing this insurance.
- (d) **Availability of Checks.** Bank shall permit Higher One to make payable through checks available in connection with certain Depositor Accounts to be made available to each Depositor through Higher One, with which Depositors may draw against their Depositor Accounts, and Bank shall permit these payable through check transactions when properly drawn on the Depositor Accounts based on funds available in the Depositor Accounts, all in accordance with any Depositor Agreement.
- (e) **Availability of Cards.** Bank shall (i) permit the Depositor Accounts to be linked to Cards issued by a third party financial institution available to Depositors serviced by Higher One allowing Depositors to execute Card transactions based on funds available in the Depositor Accounts in compliance with applicable Network Rules and (ii) permit the Card transactions made by Depositors based on funds available in the Depositor Accounts and applicable Network Rules.
- (f) **ATM Sponsorship.** Bank shall provide the cash for designated Higher One-branded ATMs [***].
- (g) **Banking Services.** To the extent that Higher One is unable to maintain the necessary banking services offered to Depositors in the Depositor Program from third party financial institutions, Higher One shall provide Bank 120 days written notice, and Bank shall, at the request of Higher One, provide such banking services as described in Section 2.1(k) above solely for the Depositor Accounts as set forth in either a written amendment to this Agreement or a separate agreement between the Parties within 180 days of receipt of such notice unless the Parties mutually agree to a longer period of time.

2.3 Compliance Obligations. Each Party shall perform its respective obligations under this Agreement pursuant to Applicable Law. Each Party shall possess and maintain at all times all licenses, permits, approvals, and registrations required by Applicable Law and the Joint Oversight Policies to perform its obligations pursuant to this Agreement. Each Party, at its own expense, shall be responsible for obtaining any and all regulatory approvals related to the transactions contemplated herein, and shall use its respective best efforts to obtain all such regulatory approvals and cooperate with the other Party to facilitate the procurement of all such regulatory approvals. Notwithstanding the foregoing, unless expressly provided otherwise herein, Higher One is responsible for ensuring that the Depositor Program complies with all Applicable Laws.

2.4 Handling of Complaints. Higher One shall as soon as reasonably possible notify Bank of any and all complaints related to Depositor Accounts received in connection with the Depositor Program from a Regulatory Authority, and shall promptly respond to and resolve such complaints as instructed by Bank. In addition, Higher One shall cooperate with Bank in assessing and evaluating the frequency, nature, or underlying causes for any consumer complaints, and preventing the recurrence thereof. Each notice regarding a Depositor or third party complaint shall include the name and address of the complainant, a brief summary of the complaint, the date upon which such complaint or inquiry was received, and Higher One's proposed resolution thereof.

2.5 Approvals of Solicitation Materials. All Solicitation Materials shall be submitted to Bank in advance for Bank's prior written approval (which approval may be granted or withheld in Bank's sole discretion), in accordance with the Joint Oversight Policies. Higher One shall not release, launch, or distribute any Solicitation Materials in any form without having first obtained confirmation Bank approvals. Notwithstanding Bank's approval of the form or content of a Depositor Agreement, Bank shall have the right, in its sole and absolute discretion, from time to time, with reasonable advance notice, if possible, to require alterations to or amendments of, or provide a substitute for, the Depositor Agreement (each a "Revision" and, collectively, "Revisions") thereof in the event that (i) Bank reasonably determines that Applicable Law, Joint Oversight Policies, or Network Rules require such Revision, (ii) either Party receives any written demand or order from a court, Regulatory Authority, or a Network, mandating that such Revisions must be implemented, or (iii) either Party receives or becomes aware of an actual or threatened legal claim based upon or in any way related to the affected portion of the Depositor Program. Each Party shall notify the other Party in writing of any required Revisions, and, unless otherwise directed by Bank, Higher One shall within the timeframe set forth by Applicable Law or as mutually agreed upon by the Parties (i) incorporate said Revisions into such Depositor Agreement and/or Solicitation Materials as may be distributed thereafter, and (ii) distribute replacement Depositor Agreements incorporating the Revisions to all Depositors who had received prior versions of the Depositor Agreement.

2.6 Access to Higher One Reports. Higher One shall provide Bank direct access to all reports and information relating to the Depositor Program as Bank requests, for any valid business reason. Higher One shall keep accurate, complete, and up to date records on behalf of Bank of (i) the identity of each Depositor and the steps taken to verify such identity; (ii) all charges, Financial Transactions, and fees that have been made or charged Depositor, and (iii) such other information as may from time to time be required by Bank, the Joint Oversight Policies, or Applicable Law (collectively, the "Required Records"). Higher One shall retain all Required Records for a minimum time period as mandated by Applicable Law, Joint Oversight Policies or the Network Rules. All Required Records shall be accurate, and to the extent presenting financial information, kept in a manner that is consistent with accounting standards and designed to fairly present the information set forth therein. Higher One shall provide Bank access to any and all Depositor Program related records, including, but not limited to, Required Records that Bank reasonably requests in connection with compliance with Bank's obligations under Applicable Law and/or Joint Oversight Policies, which policies shall substantially be consistent with Applicable Law. Higher One agrees to cause the completion and delivery of Higher One's yearly SOC 1 Report for the calendar year ending December 31, 2013 and each calendar year thereafter during the Term of this Agreement.

2.7 Right to Audit. Bank shall have the right, at its own expense, to conduct periodic audits of Higher One. Bank shall be permitted to have an independent third-party external auditor and its internal auditors and other applicable bank personnel to conduct such audits. Such audits, in Bank's and/or the auditors' discretion, may include an on-site inspection of the respective facilities and a review of documents, contracts, hardware and software systems, security systems, policies, procedures, and books and records of Higher One and applicable third parties. Such audits may be conducted during business days upon reasonable advance notice. Higher One agrees to cooperate with such audits and provide copies of all Higher One audit reports whether performed by Higher One's internal or external auditors as it relates to Higher One and the Depositor Program excluding any audit reports relating to or in connection with deposit accounts maintained as part of a separate depositor program administered by Higher One or access to such documents, information, and Higher One personnel as reasonably necessary or helpful for the auditor to conduct such audit. In exercising its rights under this paragraph, Bank and its representatives

shall take reasonable steps to avoid disruption of the business of the audited party. Higher One shall provide to Bank such information as Bank may, at its sole and absolute discretion, request regarding Higher One and the Depositor Program, for purposes of performing a periodic due diligence and/or compliance review as permitted by Applicable Law and the Joint Oversight Policies.

2.8 Examination by Regulatory Authorities. Higher One shall permit any Regulatory Authority with supervisory authority over Bank to inspect, audit, and examine the facilities, records, and personnel relating to the Depositor Program to ensure compliance with Applicable Law at any time during normal business hours upon reasonable notice. Higher One shall permit any such Regulatory Authority to make abstracts of any such records directly pertaining to the subject matter of this Agreement during such an inspection, audit, or examination.

2.9 Other Agreements Not Precluded. This Agreement shall not preclude Higher One from entering into similar agreements to provide deposit processing services to other banks or financial institutions, nor shall it preclude Bank from providing products or services to providers of other depositor programs generally through Bank's own marketing efforts or through the marketing efforts of other third parties. Higher One shall have the right to offer additional products and services to Depositors in Higher One's sole discretion. Bank shall not solicit Higher One's customers for any services of Bank unless such customers were customers of Bank prior to becoming customers of Higher One. Notwithstanding the foregoing, the Parties acknowledge that this Section shall not preclude general solicitations by Bank such as mass mailing, media, and otherwise not specifically targeted at Depositors, or if the Depositor or their names come to Bank in the normal course of business. Bank shall have the right to offer additional products and services to Depositors in Bank's sole discretion after Depositor is no longer enrolled as a student in a university sponsored by Higher One's OneAccount program as verified in good faith by Higher One.

2.10 Joint Program Management Committee. No later than thirty (30) days after the Effective Date, each Party shall designate individuals to serve on a standing joint program management committee ("Joint Program Management Committee") which shall meet (including through participation by telephone or other electronic means) at least quarterly during the time this Agreement is in effect, at such times and places as the members of the Joint Program Management Committee shall agree. The initial members of the Joint Program Management Committee shall be designated in writing by each Party, which may change its designated individuals for the Joint Program Management Committee at any time and from time to time. The purpose of the Joint Program Management Committee will be to review and discuss the effectiveness of the Depositor Program as a whole and the policies and procedures implemented to ensure compliance with this Agreement, Applicable Law, Joint Oversight Policies, and the Network Rules. All members of the Joint Program Management Committee shall exercise reasonable diligence and shall cooperate fully with other members of the Joint Program Management Committee in carrying out the purposes and functions of such committee. Each Party shall pay for its own expenses incurred with respect to its participation in the Joint Program Management Committee.

2.11 Joint Oversight Policies. The Parties shall use best efforts and work together in good faith to reach an agreement on the terms of the Joint Oversight Policies on, or prior to, May 1, 2012, unless otherwise mutually agreed upon by the Parties.

2.12 Deposit Product. The Parties shall work together in good faith to determine what type of FDIC insured deposit product to make available to the Depositors.

SECTION III. COMPENSATION

3.1 Bank Compensation. As its sole source of compensation for performance of all of Bank's obligations pursuant to this Agreement, Bank shall retain any and all revenue it may generate from the investment of the funds held in the Depositor Accounts. To the extent the Parties agree that Bank must provide ancillary services required for the Depositor Program pursuant to the terms of this Agreement, including wire transfer processing services, ACH processing services, check processing services, network BIN sponsorship and ATM sponsorship, such services shall be included services and not generate additional compensation for Bank.

3.2 Higher One Compensation. As compensation for performance of all of Higher One's obligations pursuant to this Agreement, Bank shall pay to Higher One the Monthly Payment (as defined in and in accordance with Annex A hereto). In addition, Higher One will have the right to retain all revenue generated by or from the Depositor Accounts, including, but not limited to, Fees, interchange, all benefits from Networks (including through incentive agreements or through volume, entered into by Higher One or Bank) and all other miscellaneous revenues. Higher One shall also retain all fees, charges, and interchange generated by its ATMs and from its payment processing services.

SECTION IV. REPRESENTATIONS OF BANK

Bank represents and warrants as follows:

4.1 Organization, Good-Standing and Conduct of Business. Bank is a banking corporation, duly organized, validly existing and in good standing under the laws of Illinois, and has full power and authority and all necessary governmental and regulatory authorization to own its properties and assets and to carry on its business as it is presently being conducted.

4.2 Corporate Authority. The execution, delivery, and performance of this Agreement have been duly authorized. No further corporate acts or proceedings on the part of Bank are required or necessary to authorize this Agreement.

4.3 Binding Effect. When executed, this Agreement will constitute a valid and legally binding obligation of Bank, enforceable against Bank in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to rights of creditors of FDIC-insured institutions or the relief of debtors generally; (ii) laws relating to the safety and soundness of depository institutions; and (iii) general principles of equity.

4.4 Non-Contravention and Defaults; No Liens. Neither the execution or delivery of this Agreement, nor the fulfillment of, or compliance with, the terms and provisions hereof, will (i) result in a material breach of the terms, conditions, or provisions of, or constitute a default under, or result in a violation of, termination of, or acceleration of the performance provided by the terms of, any agreement to which Bank is a party or by which it may be bound; (ii) violate any provision of any law, rule or regulation; or (iii) violate any provisions of Bank's Articles of Incorporation or Bylaws.

4.5 Necessary Approvals. Except for receipt of any required regulatory approvals (which approvals, if any, are determined by Bank to be required, will be obtained by Bank prior to consummation of the transactions contemplated herein), no consent, approval, authorization, registration, or filing (excluding any such filings with the U.S. Securities and Exchange Commission and notice filings to the Federal Reserve Bank and the Illinois Department of Financial and Professional Regulation regarding banking services provided by third parties) with or by any governmental authority, foreign or domestic, is required on the part of Bank in connection with the execution and delivery of this Agreement or the consummation by Bank of the transactions contemplated hereby.

4.6 Liabilities and Litigation. There are no claims, actions, suits or proceedings pending or, to Bank's knowledge, threatened against Bank, at law or in equity, before or by any Federal, state, municipal, administrative or other court, governmental department, commission, board, or agency, an adverse determination of which could have a Material Adverse Effect on the business or operations of Bank, and Bank knows of no basis for any of the

foregoing. There is no order, writ, injunction, or decree of any court, domestic or foreign, or any Federal or state agency affecting Bank or to which Bank is subject.

4.7 Disclosure. Neither Bank nor any principal of Bank has been subject to any administrative or enforcement proceedings commenced by any Regulatory Authority, or any restraining order, decree, injunction, or judgment in any proceeding or lawsuit, alleging fraud or deceptive practice on the part of Bank or any principal thereof. For purposes of Section 4.7, the word “principal” shall include any executive officer or director of Bank.

4.8 FDIC Insurance. As of the Effective Date and during the term of this Agreement, Bank is FDIC-insured in accordance with Applicable Law.

4.9 Well-Capitalized. As of the Effective Date and during the term of this Agreement, Bank is designated “Well Capitalized” under the Prompt Corrective Action provisions of the Federal Deposit Insurance Act and all regulations and guidelines with respect thereto.

4.10 Durbin Amendment. As of the Effective Date, Bank has less than \$10 billion in consolidated net assets so as to qualify for the small issuer exemption pursuant to the applicable rules of the Durbin Amendment of Dodd–Frank Wall Street Reform and Consumer Protection Act 12 C.F.R. 235.

4.11 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, BANK DISCLAIMS ALL OTHER WARRANTIES, CONDITIONS, AND REPRESENTATIONS OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING THOSE RELATED TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND THOSE ARISING OUT OF COURSE OF DEALING, USAGE, OR TRADE.

SECTION V. REPRESENTATIONS OF HIGHER ONE

Higher One represents and warrants as follows as of the date hereof:

5.1 Organization, Good-Standing and Conduct of Business. Higher One is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware, and has full power and authority and all necessary governmental and regulatory authorization to own its properties and assets and to carry on its business as it is presently being conducted, except where lacking authority or authorization would not have a Material Adverse Effect on Higher One.

5.2 Corporate Authority. The execution, delivery, and performance of this Agreement have been duly authorized. No further corporate acts or proceedings on the part of Higher One are required or necessary to authorize this Agreement.

5.3 Binding Effect. When executed, this Agreement will constitute a valid and legally binding obligation of Higher One, enforceable against Higher One in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to rights of creditors or the relief of debtors generally and (ii) general principles of equity.

5.4 Non-Contravention and Defaults; No Liens. Neither the execution or delivery of this Agreement, nor the fulfillment of, or compliance with, the terms and provisions hereof, will (i) result in a material breach of the terms, conditions, or provisions of, or constitute a default under, or result in a violation of, termination of or acceleration of the performance provided by the terms of, any agreement to which Higher One is a party or by which it may be bound, (ii) violate any provision of any law, rule or regulation, (iii) result in the creation or imposition of any lien, charge, restriction, security interest or encumbrance of any nature whatsoever on any asset of Higher One, or (iv) violate any provisions of Higher One’s Certificate of Incorporation or Bylaws.

5.5 Necessary Approvals. No consent, approval, authorization, registration, or filing (excluding any such filings with the U.S. Securities and Exchange Commission) with or by any governmental authority, foreign or domestic, is required on the part of Higher One in connection with the execution and delivery of this Agreement or the consummation by Higher One of the transactions contemplated hereby.

5.6 Liabilities and Litigation. Except as disclosed by Higher One in writing to Bank before the Effective Date, there are no claims, actions, suits, or proceedings pending or, to Higher One’s knowledge, threatened against Higher One, at law or in equity, before or by any Federal, state, municipal, administrative, or other court, governmental department, commission, board, or agency, an adverse determination of which could have a Material Adverse Effect on the business or operations of Higher One (including its ultimate ownership and operation of the Operation), and Higher One knows of no basis for any of the foregoing. There is no order, writ, injunction, or decree of any court, domestic or foreign, or any Federal or state agency affecting Higher One or to which Higher One is subject.

5.7 Disclosure. Neither Higher One nor any principal of Higher One has been subject to any administrative or enforcement proceedings commenced by any Regulatory Authority, or any restraining order, decree, injunction, or judgment in any proceeding or lawsuit, alleging fraud or deceptive practice on the part of Higher One or any principal thereof. For purposes of Section 5.7, the word “principal” shall include any executive officer or director of Higher One.

5.8 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN (I) THIS AGREEMENT AND (II) THE JOINT OVERSIGHT POLICIES, HIGHER ONE DISCLAIMS ALL OTHER WARRANTIES, CONDITIONS, AND REPRESENTATIONS OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING THOSE RELATED TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND THOSE ARISING OUT OF COURSE OF DEALING, USAGE, OR TRADE.

SECTION VI. CONFIDENTIALITY; DATA PROTECTION; INTELLECTUAL PROPERTY

6.1 General. It is expected that the Parties will disclose to each other certain information, which may be considered confidential or proprietary (“Confidential Information”), and each Party recognizes the value and importance of the protection of the other’s Confidential Information. All Confidential Information owned solely by one Party and disclosed to the other Party shall remain solely the property of the disclosing Party, and its confidentiality shall be maintained and protected by the other Party with at least the same effort used to protect such other Party’s own confidential information of a similar nature. Except to the extent required by this Agreement, each Party agrees not to duplicate in any manner the other’s Confidential Information or to disclose it to any third party or to any of their employees not having a need to know for purposes of this Agreement. Each Party further agrees not to use the other’s Confidential Information for any purpose other than the implementation of this Agreement. This confidentiality provision extends to all information (whether oral, written, electronic, or otherwise) provided by either Party (the “Disclosing Party”) to the other Party (the “Receiving Party”) pursuant hereto. Confidential Information includes, without limitation, software, data, prototypes, design plans, drawings, financial information, or other business and/or technical information, whether disclosed before or after the date of this Agreement. In addition, without limitation, and any provision to the contrary in this Agreement notwithstanding, the names of, and any and all information regarding the Depositor Accounts or other accounts belonging to, Depositors and potential Depositors is, and for all purposes shall be deemed to be, Confidential Information belonging to both Parties as permitted by Applicable Law, subject to Bank’s rights to use such information according to the terms of this Agreement. Except as otherwise provided herein, Confidential Information shall not include (i) information that is now in the public domain, or that later enters the public domain, through no action or inaction of the Receiving Party in violation of this Agreement or of any third party in violation of a duty owed to the Disclosing Party, (ii) information that the Receiving Party can demonstrate was already in its possession at the time of its disclosure hereunder, and that was not acquired, directly or indirectly, from the Disclosing Party on a

confidential basis, (iii) information independently developed by the Receiving Party without reference to, or the use of, any Confidential Information, or (iv) information that is lawfully received from sources other than the Disclosing Party under circumstances not involving a breach of any confidentiality obligation. Each Party hereby acknowledges that the other Party may elect to request confidential treatment of certain provisions of this Agreement from the Securities and Exchange Commission including, but not limited to, the pricing related provisions and exhibits as permitted by law and that the Parties will cooperate to effectuate such request.

6.2 Confidentiality Obligations. Each Receiving Party shall hold Confidential Information received by it in the strictest of confidence and shall not disclose it to any person or entity, other than the Receiving Party's officers, directors, employees, third party service providers, agents, consultants and legal advisors (collectively, "Representatives"), without the Disclosing Party's prior written consent. The Receiving Party shall share Confidential Information received hereunder only with those of its Representatives as are necessary to enable the Receiving Party to accomplish the purposes of this Agreement, and then only after advising such Representatives of the requirements of this Section and obtaining their agreement to abide herewith as if they were original parties hereto. The Receiving Party shall be responsible for any breach of this Agreement by its Representatives.

6.3 Ownership of Confidential Information. All Confidential Information and all documents, diskettes, tapes, procedural manuals, guides, specifications, plans, drawings, designs and similar materials, lists of present, past, or prospective customers, vendor proposals, invitations to submit proposals, price lists and data relating to the pricing of products and services, records, notebooks, and all other materials containing Confidential Information or information about concepts or ideas developed by or for a Disclosing Party (including all copies and reproductions thereof) that come into a Receiving Party's possession or control, whether prepared by the Disclosing Party or others: (i) are the property of the Disclosing Party, and (ii) shall not be used by the Receiving Party in any way other than in connection with fulfilling the purposes of this Agreement.

6.4 Return of Confidential Information. Upon the written request of a Disclosing Party, which may be made at any time or from time to time, a Receiving Party shall, and/or shall cause its Representatives to, promptly return or destroy all Confidential Information provided by the Disclosing Party without retaining any copies, summaries or extracts thereof except (i) as may otherwise be required to be retained pursuant to Applicable Law and the Network Rules and (ii) transaction history documents of the Depositors. In the event of such written request by a Disclosing Party, all documents, analyses, studies, or other materials prepared by the Receiving Party or its Representatives that contain or reflect Confidential Information shall be forwarded to the Disclosing Party and no copies thereof shall be retained except as may otherwise be required to be retained pursuant to Applicable Law. Notwithstanding the foregoing, the Parties agree that (i) Higher One owns and control any and all documents, Confidential Information, and similar non-bank related information obtained through its relationships with Universities as well as the Higher One Technology and shall not be required to return or destroy such information and (ii) both Parties shall have the right to retain a copy of transaction history documents of the Depositors.

6.5 Required Disclosures. Should a Receiving Party learn that it or its Representatives may, or will, be legally compelled to disclose Confidential Information (whether by interrogatories, subpoenas, civil investigative demands, or otherwise) provided by a Disclosing Party hereunder, or should a Receiving Party or its Representatives be requested to disclose such Confidential Information by a governmental authority or agency, the Receiving Party shall promptly notify the Disclosing Party to the extent such notice is not prohibited by Applicable Law. In addition, the Receiving Party shall inform the Disclosing Party of any developments with respect to such compulsion or request. When time is of the essence, the Receiving Party may provide notice or updates orally, but must follow these communications with written summaries. The Receiving Party shall cooperate with the Disclosing Party to enable the Disclosing Party to obtain a protective order or other similar relief. If, in the opinion of legal counsel and in the absence of a protective order or waiver, the Receiving Party and/or its Representatives are legally compelled to disclose Confidential Information, the Receiving Party and/or such Representatives shall disclose only so much of the Confidential Information as is legally required. In any such event, the Receiving Party shall use its good faith efforts to ensure that any Confidential Information so disclosed is accorded confidential treatment to the greatest extent possible. Notwithstanding any provision to the contrary, each Party agrees that the other Party is permitted to announce the execution of this Agreement and file this Agreement with the Securities and Exchange Commission along with any subsequent amendments that constitute a material change to this Agreement.

6.6 Injunctive Relief. Each Party acknowledges that remedies at law may be inadequate to protect the other against actual or threatened breach of the provisions of this Section. Without prejudice to any other rights and remedies available to a Party hereunder, each Receiving Party hereby consents to the granting of injunctive relief in the Disclosing Party's favor, without proof of actual damages, in the event of an actual or threatened breach hereof with respect to Confidential Information provided by such Disclosing Party.

6.7 Consumer Information and Program Security. Each Party acknowledges that Applicable Law, including but not limited to the Gramm-Leach Bliley Act of 1999, as amended, and the regulations promulgated thereunder (the Act and the regulations, collectively, the "GLB Act") impose certain obligations on financial institutions with respect to the confidentiality of customer data (collectively, "Protected Information"). Regardless of whether Higher One and/or its Representatives are otherwise subject to the GLB Act, Bank and Higher One and each of their respective Representatives shall fully comply with all requirements of the GLB Act with respect to any Protected Information received or accessed in connection with the Program.

6.8 Security Measures. Each Party represents and warrants to the other Party that it has implemented, and shall continue to implement, support, and maintain, commercially reasonable security measures to secure against unauthorized access and/or damage to Depositor information and other Protected Information (collectively, the "Security Measures"). Higher One shall provide Bank with copies of written policies of Higher One regarding the safeguarding the security of Protected Information promptly upon Bank's request. In addition to any other Security Measure, Higher One and Bank shall maintain an Identity Theft Prevention Program (the "IDTP") designed to detect, prevent, and mitigate identity theft in connection with the Depositor Program. The IDTP shall be designed to comply with the provisions of Applicable Law and the Joint Oversight Policies, including, but not limited to, the federal banking agencies' Interagency Guidelines on Identity Theft Detection, Prevention, and Mitigation, 12 C.F.R. Part 30, App. B.

6.9 Breach. Subject to the terms below regarding breaches with respect to Protected Information, Higher One and Bank agree to promptly notify the other Party by telephone as soon as possible after verification in the event either of them becomes aware of any material or non-material intrusion, security breach, unauthorized access to, or disclosure or use of any Protected Information that affects the security and integrity of such Protected Information and promptly inform the affected Party of the nature of the security breach, material incursion, or intrusion, what Protected Information has been or may be compromised, and the extent, if any, that such Protected Information has been or may be compromised. In such a case, Higher One or Bank, as applicable, will provide an appropriate response in consultation with the other Party, which may include notification of Depositors and/or law enforcement and regulatory authorities. Any breach notification that will be sent out to Depositors will require prior approval from Bank, which approval shall not be unreasonably conditioned, delayed or withheld. Higher One or Bank, as applicable, shall keep the other Party informed of the corrective measures taken and the time for completing such corrective measures.

6.10 Disaster Recovery. Each Party shall prepare and maintain appropriate disaster recovery, business resumption, and contingency plans in compliance with Applicable Law, and reasonably acceptable to the other Party. Such plans shall be sufficient to enable the Party to promptly resume the performance of its obligations hereunder in the event of a natural disaster, destruction of such Party's facilities or operations, utility or communication failures, or similar interruptions of operations, or of any necessary third party. Each Party shall deliver to the other Party those portions of all such disaster recovery, business resumption, and contingency plans that relate or pertain to its obligations under this Agreement, and shall make available to the other Party copies of any changes thereto upon request. Each Party shall regularly test disaster recovery, business resumption, and contingency plans as it deems reasonably appropriate and prudent in light of the nature and scope of the respective Party's activities and operations and its obligations hereunder. Such testing shall be conducted no less frequently than once per calendar year, and each Party shall promptly provide the other Party with the results thereof upon request.

6.11 Intellectual Property Ownership and Licenses

(a) Except for the licenses and other rights set forth in this Agreement, each Party retains all right, title, and interest in and to the intellectual property rights owned by it, and neither Party is granted any right, title, or interest in or to the other Party's intellectual property rights.

(b) In connection with the Depositor Program, either Party (the "Licensor") may grant the other (the "Licensee") a non-exclusive, limited, royalty free license to use and reproduce certain Marks owned by the Licensor to the extent necessary to enable the Licensee to perform its obligations in accordance with this Agreement. The Licensee shall only use such Marks (i) in a manner that will not dilute the value of such Mark, and (ii) in strict compliance with Applicable Laws, Joint Oversight Policies, Network Rules, and this Agreement. Any license granted hereunder shall be subject to any applicable usage and style guides or limitations as from time to time provided by the Licensor. Except as specifically set forth in this Subsection, no right, title, license, or interest in any Marks shall be granted to the Licensee or shall be deemed to have been acquired by the Licensee by virtue of this Agreement. Prior to using a Mark licensed hereunder, the Licensee shall provide written notice to the Licensor (a "Use Notice") setting forth exemplars of the intended design and a description of the intended use. Within five (5) calendar days of receipt of a Use Notice, Licensor shall either approve the design and allow use, or identify the reason for withholding its approval. In the event that use is not approved, the Parties shall cooperate to find an acceptable design and/or use. Licensee may not sublicense any use of the Marks of Licensor without the prior written consent of Licensor in each instance. Any use of the Marks by Licensee (or any permitted sub-licensee) and any goodwill associated therewith shall inure to the benefit of Licensor.

SECTION VII. TERM AND TERMINATION

7.1 Term. The initial term of this Agreement shall be five years from the Effective Date, and shall renew automatically for additional three year terms unless either Party gives written notice of non-renewal 180 days prior to the expiration of the then-current term; provided, however that this Agreement may be terminated prior to the end of the initial term or any such renewal term as set forth in Section 7.2 ("Term").

7.2 Termination. This Agreement may be terminated prior to the end of a Term under the following circumstances:

- (a) at any time upon the written agreement of the Parties, specifying a mutually agreed termination date;
- (b) by either Party, without cause, upon 270 days' prior written notice, specifying a termination date;
- (c) by either Party upon the material breach by the other Party of any covenant or provision required to be performed by it hereunder, if (i) a plan to cure such breach is not provided by the breaching Party to the nonbreaching Party within 60 days after receipt of notice of such a breach from the nonbreaching Party; (ii) such plan is provided by the breaching Party, but the breach is not thereafter cured in accordance with such plan within 120 additional days following the submission of the plan to the nonbreaching Party; and (iii) in either case, following the expiration of the initial 60 day period if (i) applies, or following the expiration of the additional 120 day period if (ii) applies, the nonbreaching Party shall have elected to terminate this Agreement by sending to the Party in breach a written notice of termination, which notice shall specify the date upon which the termination shall take effect;
- (d) by either Party in the event of a Supervisory Objection (as defined below) that, after going through the process described below, in either Party's good faith judgment requires such Party to terminate its obligations under this Agreement, such Party may terminate this Agreement upon sixty (60) days written notice to the other Party or such shorter notice as may be required by a Regulatory Authority; provided, however, that in the event either Party becomes aware of a Supervisory Objection, such Party shall, as soon as reasonably practicable and prior to any termination by it of this Agreement, (i) provide the other Party, to the extent permitted by Applicable Law, with a written certification from an officer of the Party summarizing such Supervisory Objection and (ii) with the reasonable cooperation of such other Party, use its reasonable best efforts to respond to and challenge any such Supervisory Objection, including, if necessary, proposing and implementing mutually agreed upon modifications to the Depositor Program that will satisfy the Regulatory Authority. If the Parties cannot address the Regulatory Authority's concerns to its satisfaction or the expenses associated in connection with implementing modifications necessary to satisfy the Regulatory Authority will result in extreme economic hardship to either Party, this Agreement may be terminated in accordance with the foregoing. As used herein, "Supervisory Objection" means (i) an objection raised by an employee of a Regulatory Authority having the designation of examiner-in-charge or higher and having supervisory authority over a Party that expresses the Regulatory Authority's opinion, in writing, that one or more provisions of this Agreement or the Depositor Program constitutes a material violation of Applicable Law, is unsafe or unsound, or is otherwise unfair, deceptive, or abusive or (ii) any cease-and-desist or other similar formal order of a Regulatory Authority;
- (e) by Higher One, upon 180 days' written notice, (i) if it obtains approvals to open or acquire a financial institution and desires to transfer Depositor Accounts to such institution, or (ii) if Higher One experiences a change of control, in which 50% or more of its capital stock changes ownership;
- (f) by either Party, in the event the Parties are unable to mutually agree to and finalize the Joint Oversight Policies; provided, however, such right of termination shall terminate on the date on which Depositor Accounts are established at Bank; or
- (g) by Higher One, immediately upon written notice should Bank or its affiliate become subject to caps on interchange transaction fees because Bank or its affiliate has more than \$10 billion in consolidated net assets resulting in Bank no longer qualifying for the small issuer exemption pursuant to the applicable rules of the Durbin Amendment of Dodd-Frank Wall Street Reform and Consumer Protection Act 12 C.F.R 235.

7.3 Effect of Termination or Expiration. In the event of termination or expiration of this Agreement by any Party:

- (a) Any amounts due and owing from one Party to the other shall be promptly paid in full; and
- (b) Sections I, III (to the extent payment obligations remain outstanding), IV, V, VI, 7.3, XVIII, IX, X, XI and XII shall survive such termination and provided further, that any termination hereof shall not preclude any Party hereto from recovering any legal or equitable damages or relief to which it is entitled.

SECTION VIII. TRANSFER OF DEPOSITOR ACCOUNTS

8.1 Transfer of Deposits. Upon the date of termination or expiration of this Agreement as provided in Section 7.1 or 7.2 of this Agreement or upon 270 days' written request by Higher One, Bank shall transfer the Depositor Accounts to an institution designated by Higher One (the "Transfer"), subject to the requirements of Applicable Law, the Depositor Agreement and any other applicable requirements. Any required approvals shall be obtained as soon as practicable following the date notice of termination is given; provided, however, notwithstanding anything in this Agreement to the contrary, Bank's obligation to maintain the Depositor Accounts and perform related obligations as provided pursuant to the terms of this Agreement shall not terminate until any necessary approvals have been obtained. As part of the Transfer, Bank shall, to the extent permitted or considered necessary or appropriate, transfer any BINs, routing numbers and other related identifiers used in connection with the Depositor Accounts, and deliver any and all applicable information, account

opening contracts and the like. The Parties shall cooperate with each other on the issuance of necessary notices to Depositors and on all other matters necessary or appropriate to a legal and efficient Transfer. Bank shall use best efforts to assist with the Transfer. Until the Transfer is complete, Bank shall continue to provide all services under this Agreement if requested to do so by Higher One, unless otherwise directed by a Regulatory Authority.

8.2 Closing Deliveries and Documents. Upon the consummation of the Transfer, the Parties shall deliver to each other such documents as are typical for such a transfer, including contracts and officer's certificates. Appropriate adjustments for returned and uncollected items shall be made, as appropriate, on a post-closing basis.

8.3 Certain Transfer Matters. Upon the Transfer, Higher One or its designee shall be responsible for completing Forms 1099 and other tax reporting forms, if applicable, for Depositors who were set up in connection with the Depositor Program, and other similar customer-related matters.

SECTION IX. INSURANCE

9.1 General Liability Coverage. Higher One shall, at its sole expense, obtain and maintain throughout the Term, (a) policies of commercial general liability insurance which may include excess umbrella insurance coverage, including contractual liability, having such terms and such limits as are reasonably required by Bank from time to time, but in any event an aggregate limit of not less than Ten Million Dollars (\$10,000,000), and a per occurrence limit of not less than Ten Million Dollars (\$10,000,000), (b) worker's compensation insurance that satisfies the requirements of Applicable Law, (c) fidelity bond or employee dishonesty insurance of at least One Million Dollars (\$1,000,000) which may include excess umbrella insurance coverage, and (d) professional liability/ errors and omissions insurance in an amount not less than One Million Dollars (\$1,000,000) which may include excess umbrella insurance coverage.

9.2 Policy Requirements. Each commercial general liability insurance policy required of Higher One shall (i) name Bank as an additional insured, and (ii) by its terms, be considered primary and non-contributory with respect to any other insurance carried by Bank. Each insurance policy required of Higher One shall be issued by an insurer having an A.M. Best's Key Rating Guide rating of A-IX or better. Each worker's compensation insurance policy shall include a waiver of subrogation. All insurance limits required hereunder may be met through a combination of primary and umbrella/excess policies. Higher One agrees to give Bank thirty (30) days' prior written notice that such policy has been canceled or materially changed.

9.3 No Limitation of Liability. Neither the issuance of any insurance policy required hereunder, nor the minimum levels of insurance coverage required herein, shall serve to limit any liability otherwise accruing to Higher One hereunder or in connection with the Depositor Program.

SECTION X. INDEMNIFICATION

10.1 Indemnification by Bank. Bank shall indemnify and defend Higher One and its parent, subsidiaries and affiliates, and its and their respective officers, directors, employees, and permitted assigns, against any direct loss, cost or expense including actual and reasonable attorney's fees arising from any legal action, claim, demand, or proceedings brought against any of them as a result of (a) any act of gross negligence, willful misconduct, or intentional tort on the part of Bank or its agents, officers, or employees; (b) any alleged or actual material breach by Bank of this Agreement; or (c) the authorized access and use by Higher One of any Marks of Bank provided, however, Bank shall not be liable for any loss, claim, damage, or liability with respect to which Higher One is obligated to indemnify Bank pursuant to Section 10.2.

10.2 Indemnification by Higher One. Excluding those situations in which Bank is obligated to indemnify and defend Higher One under the provisions of Subsection 10.1 and except to the extent caused by Bank's gross negligence or willful misconduct, Higher One shall indemnify and defend Bank and its parent, subsidiaries and affiliates, and its and their respective officers, directors, employees, and permitted assigns, against any direct loss, cost or expense, including actual and reasonable attorney's fees, regulatory claims and fines, arising from (a) the gross negligence, willful misconduct, or intentional tort on the part of Higher One or Third Party Service Providers, or their representatives, agents, officers, employees or any third party financial institution providing services to Depositors under the Depositor Program; (b) any alleged or actual material breach of this Agreement; (c) the authorized access and use by Bank of any Marks owned by Higher One, or software, systems or any other intellectual property used or provided by Higher One in connection with this Agreement; or (d) except to the extent caused by Bank's failure to comply with this Agreement, the Depositor Program.

10.3 Indemnification Procedure. If either Party (the "Indemnified Party") becomes aware of any matter which may give rise to a claim for indemnification ("Indemnification Claim") against the other Party (the "Indemnifying Party"), the Indemnified Party shall promptly notify the Indemnifying Party in writing; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party is materially prejudiced thereby. The Indemnifying Party will have the right to assume the defense of the third-party claim with counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party in such proceeding, and shall pay the fees and disbursements of such counsel related to such proceeding, so long as (i) the Indemnifying Party notifies the Indemnified Party in writing within thirty (30) days after the Indemnified Party has given notice of the indemnification claim that the Indemnifying Party will indemnify the Indemnified Party in accordance with this Section, and (ii) the Indemnifying Party conducts the defense of the third-party claim actively and diligently. The Indemnified Party also may retain its own separate co-counsel at its sole cost and expense and participate in the defense of the claim. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party (i) if such settlement involves any form of relief other than the payment of money or any finding or admission of any violation of any law, regulation or order or any of the rights of any person or has any adverse effect on any other indemnification claims that have been or may be made against the Indemnified Party or (ii) if such settlement involves only the payment of money, unless it includes an unconditional release of such Indemnified Party of all liability on claims that are the subject of such proceeding. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any Loss by reason of such settlement or judgment. The Indemnified Party may assume control of the defense of any claim if (A) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Party of its financial capacity to defend or provide indemnification with respect to such claim, (B) the Indemnified Party determines in good faith that there is a reasonable likelihood that an indemnification claim would materially and adversely affect it or any other indemnitees other than as a result of monetary damages that would be fully reimbursed by an Indemnifying Party under this Agreement, or (C) the Indemnifying Party refuses or fails to timely assume the defense of such indemnification claim.

SECTION XI. LIMITATION OF LIABILITY

11.1 THE AGGREGATE CUMULATIVE LIABILITY OF EACH PARTY WITH RESPECT TO THE OTHER PARTY FOR ANY LOSS OR DAMAGE ARISING OUT OF OR RELATED TO THIS AGREEMENT WITH RESPECT TO CLAIMS RELATING TO EVENTS DURING THE TERM OF THIS AGREEMENT SHALL NOT UNDER ANY CIRCUMSTANCES EXCEED FIVE MILLION DOLLARS (\$5,000,000).

11.2 NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT, NEITHER PARTY SHALL HAVE ANY LIABILITY TO THE OTHER PARTY FOR ANY INDIRECT, EXEMPLARY, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS, BUSINESS INTERRUPTION, OR LOST DATA) HOWEVER CAUSED AND, WHETHER IN CONTRACT, TORT, OR UNDER ANY OTHER THEORY OF LIABILITY, WHETHER OR NOT THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

11.3 NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, THE LIMITATIONS OF LIABILITY SET FORTH IN THIS SECTION 11, INCLUDING, WITHOUT LIMITATION, THE MONETARY LIMITATION SET FORTH ABOVE, SHALL NOT APPLY TO ANY CLAIMS ARISING OR RESULTING FROM (A) A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS SET FORTH IN SECTION VI; (B) INDEMNIFICATION OBLIGATIONS SET FORTH IN ARTICLE X; OR (C) A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

SECTION XII. MISCELLANEOUS PROVISIONS

12.1 Cooperation and Access. The Parties shall reasonably cooperate in order to effect the transaction contemplated herein. The Parties hereby agree to provide the other with full and complete access to their respective operations to the extent relating to the transactions contemplated herein and all matters related thereto.

12.2 Relationship of Parties. Higher One and all of its agents and employees shall be considered independent contractors of Bank, and the Parties shall take such action as may be reasonably necessary to ensure such treatment. Bank shall at no time have any right or interest in the agreement(s) between Higher One and the Universities and shall have no rights with respect to Higher One customers except those rights which derive from the Depositor Agreements or from other contracts or relationships having no relation to the Depositor Program.

12.3 Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the subject matter contained herein and there are no agreements, warranties, covenants, or undertakings, other than those expressly set forth herein, and replaces in its entirety the Letter of Intent dated December 7, 2012, between Higher One and Bank. Higher One and Bank may enter into additional agreement for other products through separate agreements or amendments hereto.

12.4 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns. This Agreement shall not be assigned by either Party, other than to an affiliate, without the prior written consent of the other Party; and provided that any actions required or permitted to be taken herein by a Party may be taken by an affiliate of such Party, provided further that such substitution does not have a material adverse affect on the attendant benefits to the other Party. For the purposes of this Agreement, "affiliate" is a person who is controlled by or is under the common control of a Party, "control" being presumptively shown by a majority ownership and/or voting interest.

12.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to its conflict of laws rules.

12.6 Amendment and Waiver. This Agreement may not be amended except by an instrument in writing signed on behalf of all of the Parties. Any term, provision, or condition of this Agreement (other than that required by law) may be waived in writing at any time by the Party which is entitled to the benefits thereof.

12.7 Force Majeure. Neither Party shall be deemed to be in default hereunder or liable for any losses arising out of the failure, delay or interruption of its performance of obligations under this Agreement due to any act of God, act of terrorism, act of public enemy, war, riot, flood, civil commotion, insurrection, severe weather conditions, or any other cause beyond that Party's reasonable control.

12.8 Interpretation. The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

12.9 Notice. Any notice to be given hereunder to the other Party, including any notice of a change of address, shall be in writing and shall be deemed validly given if (a) delivered personally or (b) sent by express delivery service, registered or certified mail, postage prepaid, return receipt requested or (c) sent by facsimile or email, as follows:

If to Higher One: Higher One, Inc.
115 Munson St.
New Haven, CT 06511
Attn: President
Email: contracts@higherone.com
Fax: 203-776-7796

If to Bank: Cole Taylor Bank
9550 West Higgins Road
Rosemont, IL 60018
Attn: Legal Department
Email: rconte@coletaylor.com
Fax: 847-653-7890

All such notices shall be deemed given on the date of actual receipt by the addressee if delivered personally, on the date of deposit with the express delivery service or the postal authorities if sent in either such manner, on the date the facsimile or email is sent if sent in such manner, and on the date of actual receipt by the addressee if delivered in any other manner. Notwithstanding the foregoing, each Party shall provide the other Party with a pre-notification of its intent to provide a notice hereunder, including, but not limited to, a notice of termination, two (2) business days prior to the notice so that the parties can use reasonable efforts to coordinate any necessary public disclosure of information.

12.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

In witness whereof, the Parties have executed this Agreement as of the date first written above.

COLE TAYLOR BANK

By: /s/ Mark A. Hoppe
Its: President and CEO

HIGHER ONE, INC.

By: /s/ Miles Lasater
Its: COO

ANNEX A

[***]

After two years from the Effective Date, the Parties agree to revise the Monthly Processing Services Payment by mutual agreement of the Parties. [***]

Note: Confidential treatment has been requested with respect to the information contained within the [] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dean Hatton, President and Chief Executive Officer of Higher One Holdings, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Higher One Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2012

By: /s/ Dean Hatton
Dean Hatton
President and Chief Executive Officer

**CERTIFICATE OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark Volchek, Chief Financial Officer of Higher One Holdings, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Higher One Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2012

By: /s/ Mark Volchek
Mark Volchek
Chief Financial Officer

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Higher One Holdings, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dean Hatton, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2012

By: /s/ Dean Hatton
Dean Hatton
President and Chief Executive Officer

**CERTIFICATE OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Higher One Holdings, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Volchek, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2012

By: /s/ Mark Volchek
Mark Volchek
Chief Financial Officer