UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-34779

Higher One Holdings, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware	**26-3025501**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

115 Munson Street
New Haven, CT 06511
(Address of Principal Executive Offices, Including Zip Code)

203-776-7776
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, par value $0.001
Name of exchange on which registered: New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "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 ☐

The aggregate market value of the registrant’s common equity held by non-affiliates based upon the last sale price of the common equity reported on the New York Stock Exchange on June 30, 2014, was approximately $167.1 million.

There were 47,669,440 shares of the registrant’s common stock outstanding as of March 3, 2015.

DOCUMENTS INCORPORATED BY REFERENCE:

The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2014. Portions of the proxy statement are incorporated herein by reference to the following parts of this Annual Report on Form 10-K:

Part III, Item 10, Directors, Executive Officers and Corporate Governance
Part III, Item 11, Executive Compensation
Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Part III, Item 13, Certain Relationships and Related Transactions, and Director Independence
Part III, Item 14, Principal Accountant Fees and Services

HIGHER ONE HOLDINGS, INC.
2014 FORM 10-K ANNUAL REPORT
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FORWARD-LOOKING INFORMATION

This annual report on Form 10-K contains forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). 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," "estimate," "potential," "should" and similar expressions are intended to identify forward-looking statements. The factors discussed under "Item 1A. Risk Factors," among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. We expressly disclaim any obligation to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

We use the terms the "Company," "we," "us" and "our" in this annual report on Form 10-K to refer to Higher One Holdings, Inc. and its subsidiaries, unless the context requires otherwise.

PART I

Item 1. Business

We are a leading provider of technology-based refund disbursement, payment processing and data analytics services to higher education institutions and their students. We also provide campus communities with convenient and student-oriented banking services, which include extensive user-friendly features, through our bank partners.

The disbursement of financial aid and other refunds to students is a highly regulated, resource-consuming and recurrent obligation of higher education institutions. The student disbursement process has historically been mainly paper-based, which is costly and inefficient at most higher education institutions. These institutions face increasing pressure to improve administrative efficiency and the quality of service provided to students while streamlining regulatory compliance in respect of financial aid refunds.

We believe our products provide significant benefits to both higher education institutions and their campus communities, including students. For our higher education institution clients, we offer our Refund Management® (formerly known as OneDisburse® Refund Management®) disbursement service. Our disbursement service facilitates the distribution of financial aid and other refunds to students, while simultaneously enhancing the ability of our higher education institution clients to comply with the federal regulations applicable to financial aid transactions. By using our refund disbursement service, our clients save on the cost of handling disbursements, improve related business processes, increase the speed with which students receive their refunds and help ensure their ability to comply with applicable regulations.

Students at institutions that use the Refund Management® disbursement service may choose to have their refunds delivered via ACH transfer to any bank account, via paper check or via direct deposit to a OneAccount. The OneAccount is an optional Federal Deposit Insurance Corporation (FDIC)-insured deposit account serviced by Higher One and provided by our bank partners. Students who choose to open a OneAccount may use their Higher One Debit MasterCard® to make purchases and withdraw money from ATMs. The OneAccount is cost competitive and tailored to students, providing them with convenient and fast access to disbursement funds as well as a full range of transaction services

We offer payment transaction services through our CASHNet® Payment Processing suite of payment products, which are primarily software-as-a-service solutions that facilitate electronic payment transactions allowing higher education institutions to easily and cost effectively receive electronic payments from students, parents and others for essential education-related financial transactions. Features of our payment services include online bill presentment and online payment capabilities for tuition and other fees.

We also offer a suite of data analytics products to higher education institutions called Campus Labs® which is one of the only specialized, comprehensive assessment programs that combines data collection, reporting, organizing and campus-wide integration.

On May 7, 2013, we purchased substantially all of the assets of the Campus Solutions division of Sallie Mae, Inc., or Sallie Mae which provides refund disbursement and payment solutions, including tuition payment plans, to higher education institutions.

Higher One, Inc., or HOI, was founded in 2000. HOI is our principal operating subsidiary and directly or indirectly runs all of our business lines. In July 2008, HOI formed Higher One Holdings, Inc., a Delaware corporation, or HOH, which is now the holding company for all of our operations. In November 2009, we acquired Informed Decisions Corporation, or IDC, (doing business as CASHNet), which we renamed Higher One Payments, Inc. and subsequently merged into HOI. HOI owns Higher One Machines, Inc., a Delaware corporation, or HOMI, which performs certain operational functions. Higher One, Inc. also owns Higher One Real Estate, Inc., a Delaware corporation, or Real Estate Inc., and its subsidiary, Higher One Real Estate SP, LLC, a Delaware limited liability company, or Real Estate LLC, both of which were formed to hold certain of our real estate. In 2012, we formed Higher One Financial Technology Private Limited, an Indian entity of which HOI and HOMI collectively own 99%, to perform certain operational support functions.

Our Strategy

We believe that there is opportunity for future growth. Our plan is to attempt to increase revenue and profitability by strengthening our position as a leading provider of technology services to the higher education industry. Key elements of our growth strategy include:

- Expanding the number of contracted higher education institutions;
- Cross-selling our products to existing clients to increase the number of products used by each institution;
- Increasing the number of OneAccounts and usage, including primary checking account usage rates;
- Increasing the usage of tuition payment plans and other CASHNet payment processing modules;
- Enhancing our products and services to create new sources of revenue; and
- Pursuing strategic partnerships and opportunistic acquisitions.

Products and Services

We provide products and services to two distinct, but related markets: higher education institutions and students.

Products and Services for Higher Education Institutions

We provide our higher education institution clients with an integrated suite of products and services. These include our Refund Management disbursement service, our CASHNet® Payment Processing suite, our Campus Labs® products and the product suites that were previously offered under the Campus Solutions brand.

Refund Management® Disbursement Service

Our Refund Management disbursement service is a turnkey solution that provides higher education institution clients with a comprehensive technology service for streamlining the student refund disbursement process. Following the payment of their tuition and other school-related expenses, many students receive residual financial aid disbursements to cover non-academic school expenses, such as living expenses and books. Students also receive other disbursements, such as a refund following withdrawal from a course or miscellaneous fee reimbursements. Higher education institutions have typically processed these refund disbursements by preparing and distributing paper checks, which is both time consuming and costly for institutions and slow and inconvenient for students. With the Refund Management disbursement service, the institution sends the full amount of each student's disbursement to us and we then forward the funds to the student in accordance with the student's instructions. For students with OneAccounts, disbursements are generally made by electronic transfers to their OneAccounts. By partnering with us to provide refund disbursements and related processes, including the student/customer service function, our clients reduce their time and cost spent on handling disbursements, improve the related business processes and increase convenience for students. In addition to saving time and costs for our clients, the Refund Management disbursement service is designed to ensure that the refund disbursement process is compliant with all applicable federal regulations, thereby providing our clients with compliance monitoring services, which eases their administrative and regulatory burden. The Refund Management disbursement service also has a number of features that benefit students receiving refunds, including convenient and fast processing of refunds and notifications via email or text message of incoming refund disbursements. As of December 31, 2014, more than 800 campuses serving approximately 5.1 million students were contracted to use the Refund Management disbursement service.

Additionally, we offer the following related products and services:

- Refund Management® *ID (formerly known as OneDisburse ID)*. We offer our higher education institution clients the option to combine our debit card with the institution's ID cards. If an institution elects this option, we provide its students with a debit MasterCard ATM card that also serves as their official campus identification.

- *Campus Payroll (formerly known as OneDisburse Payroll)*. Our Campus Payroll product can quickly and efficiently distribute payroll and other employee-related payments through the Refund Management platform.

- *PLUS Loan Refund Management (formerly known as OneDisburse PLUS).* Our PLUS Loan Refund Management disbursement service enables institutions to distribute Parent PLUS loan refunds to parents on behalf of the institution.

CASHNet® Payment Processing Suite

Our CASHNet® Payment Processing suite includes the following software-as-a-service products and services, which our higher education institution clients may purchase separately or together as a bundle.

ePayment. Our ePayment product enables higher education institutions to securely accept online payments for tuition, charges and fees from students via credit card, pinless debit or ACH. Our ePayment product also allows students to set up and maintain recurring payments and authorize other users such as parents to pay student-related charges on their behalf. SmartPay, a feature of ePayment, enables higher education institutions to reduce the cost of accepting credit and debit cards by passing the convenience fee to the payers.

eBill. Our eBill product enables higher education institutions to automate payer billing and processing functions performed on campus and to extend payment services. This product allows the student or authorized payer to view the bill online and enables them to make payments online. By automating the billing process and facilitating electronic payments, higher education institutions can reduce administrative and labor costs, deliver bills quickly and securely and increase student and authorized payer convenience. eBill also expedites the processing, authorization and receipt of student payments.

Tuition Payment Plans. Our Tuition Payment Plans enable higher education institutions to personalize students' payment plans in order to better meet the individual needs of each student. In particular, Tuition Payment Plans offer campus administrators the ability to tailor payment plan rules and fees; access the status and history of each student's account; and calculate the due date and payment schedule for each student. We also offer a version of this product where we fully administer all or most aspects of payment plans on behalf of institutions.

eMarket. Our eMarket product enables higher education institutions to provide their academic, athletic and other departments with Internet e-commerce storefronts that can be used for, among other things, taking alumni donations, selling items such as event tickets, clothing and other merchandise, and accepting payments of event and conference registration fees. Higher education institutions can also use eMarket as an administrative portal to maintain centralized control of policy setting and reporting while allowing individual departments and entities autonomy to manage their operations. This centralized approach enables the institution to update policies related to campus commerce uniformly throughout all departmental campus storefronts.

Cashiering. Our Cashiering product enables higher education institutions to operate and manage their cashiering functions, back office payments and campus-wide departmental deposits. In particular, Cashiering allows: institutions to process walk-in and mail payments at any cashier's office on campus, departments to allocate deposits to specific general ledger accounts in a paperless environment, and multiple locations to receive any information that is downloaded into the Payment Processing database.

Campus Labs® Suite

Our Campus Labs® data analytics suite offers the following platforms for assessment in higher education, which combine data collection, reporting, organization and campus-wide integration.

Compliance Assist. Our Compliance Assist product is a fully integrated and comprehensive online solution for managing institutional research, planning and accreditation needs. We provide institutions with innovative web solutions to organize and present planning, assessment, and accreditation reports.

Baseline. Our Baseline product provides our higher education institution clients with technology, resources, and expert consultation to create an integrated, coordinated, and comprehensive assessment approach across their campuses. Accessible to all higher education institution stakeholders, Baseline was designed to connect and translate assessment data for the purposes of improving the student experience both inside and outside the classroom. Baseline allows campuses to measure learning, document student involvement, and inform strategic directions. Through assessment and reporting tools, divisions and departments at institutions can collect direct and indirect measures of learning, benchmark with peers and use assessment results to improve programs and services.

CollegiateLink. Our CollegiateLink product provides tools for managing student organizations and encouraging growth and development as students engage in co-curricular activities. CollegiateLink can also be utilized in areas outside of student activities and across an institution in order to achieve a variety of goals related to the student experience.

Beacon. Our Beacon product helps institutions utilize data in supporting student success. Beacon is a web-based solution focusing on the six factors that are the strongest predictors of student retention and persistence, asking students questions about everything from their social skills and confidence levels to their attitude toward learning. By measuring cognitive ability as well as non-cognitive skills, Beacon is able to classify each student, produce reports for students and advisors, and recommend campus-wide resources for at-risk students.

Course Evaluations. Our Course Evaluation platform provides faculty and administrators with advanced evaluation tools and reporting capabilities to easily integrate course evaluation data into program planning, decision-making, and administrative review processes.

Campus Solutions Suite

In 2013, as a result of our acquisition of the Campus Solutions division from Sallie Mae, we began providing the following products and services, which we plan to integrate into our existing products and services, to higher education institutions:

- *Campus Solutions NetPay*. The Campus Solutions NetPay product provides electronic bill presentment and payment functionality to reduce printing and mailing costs and provides access to online billing for students and parents. It also provides electronic payment gateway services to allow any user to make a one-time credit card, debit card or ACH payment and additional services, such as payment processing for admissions applications and 1098-T support.

- *Campus Solutions Tuition Payment Plans*. Campus Solutions Tuition Payment Plans enable students and their families to make a discrete number of regular monthly payments during the academic year or semester in lieu of paying the entire tuition amount upfront at the beginning of each academic year or semester.

Products and Services for Students – The OneAccount

Through our bank partners, we offer optional OneAccounts—FDIC-insured online checking accounts—to students, as well as faculty, staff and alumni. For students using the standard OneAccount, there is no monthly fee and no minimum balance requirement. We provide OneAccount holders with a debit MasterCard ATM card. Accountholders can use their debit MasterCard instead of cash or writing checks to make purchases wherever MasterCard is accepted. Many accountholders also use their debit MasterCard to pay bills automatically, send money instantly to other OneAccount holders and have access to Higher One ATMs located on or near our client institutions' campuses with no fee to OneAccount holders. We own, operate and maintain a fleet of approximately 900 ATMs located on or near our client institutions' campuses.

The OneAccount includes features designed to provide students with powerful, convenient, user-friendly tools to manage their finances, such as balance updates, mobile low balance alerts, a cash-back rewards program, a mobile banking app, a mobile deposit feature and a scan deposit feature. Other customized features of the OneAccount include: "Campus Auto-Load," which allows students to set up automatic funds transfers to campus declining balance accounts, and the "Request Money" and "Send Money" features, which allow students to request money from parents and provides parents with a mechanism to make person-to-person payments into students' OneAccounts, respectively.

We also offer OneAccount Premier and OneAccount Edge. These accounts offer different fee structures and features that are designed to provide students with more choice and incentivize primary account usage. OneAccount Premier enables accountholders to access over 38,000 Allpoint® ATMs and offers additional features and services for a monthly fee of $5.95, which fee is waived if an accountholder sets up monthly direct deposit of at least $300. OneAccount Edge accountholders are assessed a monthly fee of $4.95 and are charged no additional fees by Higher One.

As of December 31, 2014, there were approximately 2.1 million OneAccounts, inclusive of OneAccount Premier and OneAccount Edge.

Sales and Marketing

Our sales and marketing efforts separately target our two key markets: higher education institutions and their students.

Higher Education Institutions

Our dedicated and experienced sales team actively markets our products and services to higher education institutions in the United States. This team identifies potential new clients through a variety of channels, including higher education regional and national tradeshows, existing client showcase events and word-of-mouth referrals. The sales process typically involves an extended solicitation period that usually includes phone conversations, in-person presentations and formal proposals to various levels of administrators. Our primary points of contact are generally an institution's chief financial officer, bursar or chief technology officer.

An important part of our sales effort is educating our potential clients about the benefits of our products and services for both the higher education institution and its students. Institutions generally are attracted to the idea of partnering with us to provide their payment functions because of the resulting operating efficiencies, compliance monitoring and the potential benefits to students, such as receiving financial aid disbursements and paying bills more quickly and conveniently.

Students

Once we enter into a contract with a higher education institution for the Refund Management disbursement service, we begin working with the institution to educate students about making a refund preference selection and Higher One's consumer products and services.

We work closely with our higher education institution clients to prepare students for the refund disbursement process. Our higher education institution clients provide us with student email addresses that we commonly use to communicate with students about their refund delivery options, which include the optional OneAccount suite. We use email and on-campus orientation events to distribute tips and other information to improve students' financial literacy, such as explaining how a checking account works, how to protect against security breaches and how to avoid excessive fees.

Customer and Client Service

We are dedicated to addressing the needs of both our higher education institution clients and our student customers and accountholders. We believe that our multi-pronged approach to providing cost-effective customer service helps make us an industry-leader in customer satisfaction.

Higher Education Institutions

We believe we enhance our sales and marketing efforts by providing reliable after-sale service. Our dedicated client service is focused on servicing our higher education institution clients.

We provide higher education institution clients with a variety of service touch points, which may include a dedicated project manager and relationship manager, OneSupport (our client support for managers and administrative staff at our higher education institutions), and the Higher One User Group, or HUG, client conference. Our dedicated relationship managers are responsible for ensuring that we maintain a strong relationship with each of our higher education institution clients and for assisting, supporting and providing updates on the quality and use of our services. OneSupport is designed to address a range of client issues from client-specific technical questions to client service matters that require management's attention. During our HUG conferences, clients can meet in-person with our management and staff to learn about new features and products and updates to current offerings.

Students

We have after-sales customer service representatives to assist students and others in the campus community that use our products and services. Our website provides a searchable database of frequently asked questions that we regularly update. This database helps us assist our self-service oriented customers. We also provide students with the ability to contact us via telephone, email and text message for certain services.

We systematically evaluate our performance through analysis of our internal service levels established for customer service inquiries and response and issue resolution times. We also record and analyze refund delivery cycles and seasonal variances to help identify and adapt to particularly high volume periods by, among other things, increasing ATM cash holdings for peak refund periods and increasing customer service staff during seasonally busy periods, which is typically the beginning of each semester.

Key Relationships with Third Parties

We maintain relationships with a number of third parties that provide key services for us. By partnering with third-party providers, we are able to streamline our own operations and infrastructure and provide a high level of specialized services. Our primary third-party provider relationships are with the following entities:

Bank Partners

We have multiple bank partners that provide depository services for our OneAccounts and other banking functions. We have entered into agreements with Customers Bank, a Pennsylvania state chartered bank, WEX Bank, a Utah industrial bank, or WEX, and Axiom Bank (formerly known as Urban Trust Bank), a federal savings bank, or Axiom. We refer to these banks collectively as our Bank Partners. In 2013, we ended our relationship with Cole Taylor Bank, an Illinois chartered bank, or Cole Taylor, and began our relationship with Customers Bank.

Our Bank Partners collectively perform various banking functions, including providing and maintaining demand deposit or negotiable order of withdrawal accounts, processing wire transfers, supplying cash for our ATMs, issuing cards and performing various corresponding bank services. We provide processing and other administrative services, including customer services, and maintain responsibility for the technology-related aspects of the OneAccounts. Our Bank Partners' primary compensation is to retain the investment returns earned on OneAccount deposits. We may earn from each institution a monthly processing fee based on the number of OneAccounts. We are required to keep certain minimum deposit balances. Each of the respective agreements has an initial term of five years, after which each agreement will automatically renew for additional three-year terms unless either party cancels subject to customary notice periods.

We continue to monitor and assess our Bank Partner relationships and may add additional bank partners as necessary.

Fiserv Solutions, Inc.

Fiserv Solutions, Inc., or Fiserv, provides back-end account and transaction data processing for OneAccounts and debit MasterCard transactions, including core processing, ACH processing, issuance authorization and settlement, ATM driving and related services. We began our relationship with Fiserv in November 2001 and signed a new agreement in 2012 that is scheduled to expire in 2017. Thereafter, unless either party cancels, our agreement will automatically renew for successive three year terms. We pay Fiserv a monthly fee for services rendered and related software licenses.

MasterCard International Incorporated

MasterCard International Incorporated, or MasterCard, provides the payment network for our debit MasterCard ATM cards and certain other transactions, including for SmartPay. In 2012, we signed a new exclusive agreement with MasterCard for the issuance and marketing of debit cards through 2017. We arrange for the marketing of both embossed and unadorned MasterCard debit cards. We receive various incentives from MasterCard for achieving growth targets in the issuance and promotion of our cards.

Comerica Incorporated and Global Payments Inc.

Comerica Incorporated and Global Payments Inc., or Comerica and Global Payments, provide transaction processing and banking services for payment processing related to the SmartPay feature of our ePayment service. The primary function of Global Payments is to route credit card authorization requests and to settle credit card transactions. Comerica provides acquiring sponsorship in the card payment networks related to our SmartPay service.

Technology

We have invested in establishing a secure technology platform to provide us with a flexible and scalable infrastructure. Our technology strategy is to focus our internal resources on proprietary applications while leveraging third party partnerships or purchases for more routine applications. For example, the Refund Management disbursement service and OneAccount platforms include major components of internally developed software, while we partner with third parties to provide banking core processing and transaction processing. (See "Key Relationships with Third Parties" above)

The key modules of our technology platform include:

HigherOneAccount.com

Our software engineering team has developed and maintains this web application, which allows students and parents to manage their OneAccount. It offers robust, self-service online banking for our OneAccount accountholders including: viewing statements, paying bills, making electronic deposits, making electronic transfers and filing service requests. It also integrates institution-specific features, including management of payroll, financial aid refunds and automatic replenishment of campus accounts through Campus Auto-Load. This website also provides opportunities for co-branding with our higher education institution clients.

HigherOneSupport.com

We maintain this administrative website for use by our higher education institution clients and our internal staff. It offers institutions useful functions, including real-time reports, research on cards and students, access control for administrators to the website and an audit trail of all cash movement. Our internal staff performs customer service, transaction flow monitoring, access control for employees and site administration for this website.

HigherLink

HigherLink is our batch file processing engine for integrating our technology with the systems of our higher education institution clients and other external parties. It handles import and processing of cardholder demographic data, photos and disbursement files, as well as export of card status files and other integration files.

CASHNet.com

This web application is used to administer and initiate transactions in our Payment Processing suite of products. Higher education institution administrators can change certain settings and run reports, while students and parents can perform certain functions, such as viewing electronic bills, making payments and enrolling in payment plans.

CampusLabs.com

The Campus Labs web application provides an integrated platform for the various Campus Labs modules to provide for a better customer experience. Interfaces include a mobile and desktop website for students and administrators. Integration with outside systems is accomplished via a number of methods including over the web.

NetPay and Tuition Payment Plans

These web applications are used to administer and initiate transactions in our NetPay payment product and Tuition Payment Plans platform. Higher education institution administrators can change certain settings and run reports, while students and parents can perform certain functions, such as viewing electronic bills, making payments and enrolling in payment plans.

Technology Audits

Our development team, consisting of both in-house and third party contractor team members, develops and tests our proprietary software applications, including our regular software releases. Since 2006, we have conducted technology audits that are designed to identify weaknesses in our information technology infrastructure and to provide recommendations for how to improve it. We incorporate the audit findings into our strategic planning process. Additionally, our CASHNet® Payment Processing suite was most recently certified as PCI-compliant in December 2014. Most of our critical systems have internal redundancy functions and often include secondary sites. On an annual basis, a review of the Refund Management disbursement service and Payment Processing systems is performed. Type II AT 801 Reporting on Controls at a Service Organization Control (SOC 1) reports are issued, in accordance with AICPA Statement on Standards of Attestation Engagements (SSAE) No. 16.

Intellectual Property

We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other agreements and technical measures to protect our technology and intellectual property rights, including our proprietary software.

We have four registered patents and several patent applications in the United States relating to our products and services. In addition, we use a variety of unregistered trademarks and have several registered trademarks in the United States, including Higher One®, Refund Management®, CASHNet® and Campus Labs®. Our domain names include "HigherOne.com," "HigherOneSupport.com," "HigherOneAccount.com," "CASHNet.com," "CampusLabs.com," "Tuitionpay.higherone.com" and our proprietary software includes both internal and customer facing applications. See "Part I, Item 1. Business—Technology" of this annual report on Form 10-K for more information. We also license certain intellectual property from third parties.

Our issued patents expire in 2023 and 2024. Our trademark registrations have various expiration dates, but, subject to applicable law at the time, our trademark registrations generally can be renewed or otherwise extended on an ongoing basis based on proper use and formal renewals.

Although our business is not dependent on any single item of our intellectual property portfolio, and no item of our intellectual property is material to the operation of our business, we believe that our intellectual property provides a competitive advantage, and from time to time we have taken steps to enforce our intellectual property rights. See "Part I, Item 3. Legal Proceedings" of this annual report on Form 10-K for more information.

Competition

The market for refund and payment services in the higher education industry is competitive but we do not believe there is a competitor that provides a suite of products and services to the higher education industry that is as comprehensive, integrated and tailored as ours. Other companies, including Nelnet, Inc., PNC Financial Services Group, Inc., Heartland Payment Systems, Inc. and TouchNet Information Systems, Inc., provide refund or payment software, products and services that are competitive to those that we offer. During the third quarter of 2014, Heartland Payment Systems, Inc. announced that it had completed the acquisition of TouchNet Information Systems, Inc. For student banking and debit card services, we compete with national and regional banks and credit unions. Companies such as TaskStream, LLC, Tk20, Inc., Skyfactor and Nuventive LLC offer data analytics products and services in the higher education industry.

Many of our competitors have substantially greater financial and other resources than we have, may in the future offer a wider range of products and services and may use advertising and marketing strategies that achieve broader brand recognition. At present, however, our products and services remain competitive in their respective markets. In particular, we believe that the functionality and service provided by our Refund Management disbursement service, CASHNet® Payment Processing and Campus Labs® suites of products provide us with a competitive advantage, while the pricing of, and services provided for, our retail banking products are competitive with those of other providers. We continue to enhance our offerings and augment our services through increased customization and creating more personalized options for school administrators.

Government Regulation

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. The following discussion does not purport to be a complete description of all of the laws and regulations that may affect us or all aspects of those laws and regulations. To the extent statutory or regulatory provisions are described in this discussion, the description is qualified in its entirety by reference to the particular statutory or regulatory provisions.

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, regulations promulgated by the United States Department of Education, or ED, regarding the handling of student financial aid funds received by institutions on behalf of their students under Title IV of the Higher Education Act of 1965, or Title IV; the Family Educational Rights and Privacy Act of 1975, or FERPA; the Electronic Fund Transfer Act and Regulation E promulgated thereunder, or 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 the Gramm-Leach-Bliley Act of 1999, or GLBA.

Higher Education Regulations

Because of the services we provide to some institutions with regard to the handling of Title IV funds, we are considered 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 ED, which includes a report by an independent audit firm. In addition, the yearly compliance audit submission to ED provides comfort to our higher education institution clients that we 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 ED's 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 ED 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. ED 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.

Additionally, on behalf of our higher education institution clients, we are required to comply with ED's cash management regulations regarding payment of financial aid credit balances to students and providing bank accounts to students that may be used for receiving such payments.

On May 1, 2012, ED 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. We provided written and oral comments at a hearing held by ED in connection with the negotiated rulemaking process and have provided additional information to ED. On April 16, 2013, ED announced additional topics for consideration, and in early 2014, formed a negotiated rulemaking committee. Our Chief Operating Officer was selected by ED to serve on the committee as a primary negotiator. The committee convened in February, March, April and May of 2014 to discuss and work toward revising existing regulations to potentially address, among other things, consumer safeguards regarding debit and prepaid cards associated with Title IV Cash Management (including fees associated with such debit and prepaid cards), marketing of financial products (including sending unsolicited cards to students and co-branding of the card and materials) by institutions and their preferred banks or contractors, ATM access and availability, revenue sharing arrangements, and the potential for a government-sponsored debit or prepaid card solution. The negotiated rulemaking committee concluded its efforts in May 2014 and a consensus was not reached on any proposed regulations. Since that time, there have been no proposed regulations related to Title IV Cash Management published in the Federal Register; therefore, we believe, should ED issue a Notice of Proposed Rulemaking on Title IV Cash Management regulations, complete the public comment process and publish a final rule in the Federal Register by November 1, 2015, these new Title IV Cash Management related regulations would likely not go into effect until July 1, 2016. Several of the views expressed at the negotiated rulemaking committee sessions were unfavorable to certain of our current business practices.

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 ED 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 pursuant to one or more exceptions under FERPA.

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 an educational institution may disclose it. While we believe that we have adequate policies and procedures in place to safeguard against the risk of improper disclosure of this information to third parties, a breach of this prohibition could result in a five-year suspension of our access to the related client's records. We may also be subject to similar state laws and regulations that restrict higher education institutions from disclosing certain personally identifiable information of students.

Banking Regulations

Our Bank Partners are depository institutions that perform banking-related functions, including providing and maintaining checking accounts for OneAccounts. Funds held in accounts at our Bank Partners are insured by the FDIC up to applicable limits. As FDIC-insured depository institutions, our Bank Partners are subject to comprehensive government regulation and supervision and, in the course of making their services available to our customers, we are required to assist our Bank Partners in complying with certain of their regulatory obligations. Among other laws and regulations, the anti-money laundering provisions of the USA PATRIOT Act require that customer identifying information be obtained and verified whenever a bank 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 Office of Foreign Assets Control, or OFAC, which prohibit U.S. persons from engaging in transactions with certain prohibited persons. As a service provider to insured depository institutions, we are required under federal law to agree to submit to examination by our Bank Partners' primary federal regulators, which are the FDIC in the case of WEX, the Office of the Comptroller of the Currency, or the OCC, in the case of Axiom and the Federal Reserve in the case of Customers Bank and Cole Taylor. We also are subject to audit by our Bank Partners to ensure that we appropriately comply with our obligations to them. Failure to comply with our responsibilities could negatively affect our operations. Our Bank Partners are required under our respective agreements, and we rely on our Bank Partners' abilities to comply with state and federal banking regulations. Additionally, we are required to comply with applicable state and federal banking regulations.

Our Bank Partners provide depository services for OneAccounts through a private label relationship. We provide processing services for these OneAccounts. These services are subject to, among other things, the requirements of the Electronic Fund Transfer Act and the Bureau of Consumer Financial Protection's, or CFPB'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. Regulation E, among other things, requires initial disclosures of the terms and conditions of electronic fund transfers, dissemination of periodic statements to consumers for each monthly cycle in which an electronic fund transfer has occurred and prompt investigation and resolution of reported errors in electronic funds transfers. Regulation E also provides for limits on customer liability for transactions made with lost or stolen debit cards based upon the timeliness of the customer's notification of the loss or theft. We promptly investigate and seek to resolve any reported errors related to the electronic banking services provided to our customers.

Regulation E prohibits a financial institution from assessing an overdraft fee for paying ATM and one-time debit card transactions that overdraw a consumer's account, unless the consumer affirmatively consents, or opts in, to the institution's payment of overdrafts for these services. We and our Bank Partners comply with this restriction, do not currently offer the opt-in feature to our customers for ATM or one-time debit card transactions, and therefore, do not asses an overdraft fee in these circumstances

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, increased the regulation and oversight of the financial services industry and imposed restrictions on the ability of firms within the industry, including us, to conduct business consistent with historical practices. Among other things, the Dodd-Frank Act created the CFPB to regulate any person engaged in a "financial activity" in connection with a consumer financial product or service, including those, such as us, that process financial services products and services. The CFPB has assumed regulatory authority for many of the consumer protection laws to which we and our Bank Partners are subject and may have direct supervisory authority over us. The CFPB has authority to issue and enforce regulations relating to consumer financial protection designed to prevent unfair, deceptive, and abusive practices in the offering of consumer financial products. In early 2013, the CFPB published a Notice and Request for Information Regarding Financial Products Marketed to Students Enrolled in Institutions of Higher Education, seeking information on how arrangements between higher education institutions and financial institutions could be structured to promote positive financial decision-making among young consumers and information regarding financial products and services that are offered to college students. In September 2013, the CFPB hosted a forum on this topic at which selected members of the public, including students and representatives from institutions, state government agencies and ED were invited to present; some of the participants expressed opinions that were unfavorable of us.

The Dodd-Frank Act also required changes to the manner in which merchants accept and process certain debit- and credit-card transactions. Specifically, the Dodd-Frank Act, subject to certain exemptions, requires the Federal Reserve to impose limits on debit card interchange fees tied principally to the cost of processing the transaction, which may have the result of decreasing revenue to debit card issuers and processors. On October 1, 2011, the Federal Reserve's final rule implementing these limits on debit card interchange fees became effective. Issuers such as our Bank Partners that, together with their affiliates, have less than $10 billion in assets are exempt from the debit card interchange fee standards, although they are subject to the prohibitions on network exclusivity and routing restrictions. Nevertheless, it is anticipated that smaller issuers, such as our Bank Partners, may also be impacted. Some federal, state, and local government-administered payment programs that use debit cards are exempt from this interchange fee restriction.

Additionally, the Dodd-Frank Act permits merchants to offer a discount or other incentive to encourage use of one form of payment over another. Furthermore, the Dodd-Frank Act, as implemented by the Federal Reserve Board's final rule, prohibits an issuer or payment card network from restricting the number of payment card networks over which an electronic debit transaction may be processed to fewer than two unaffiliated networks, or restricting the ability of a merchant to direct the routing of electronic debit transactions over any of the networks that an issuer has enabled to process the electronic debit transactions. The Dodd-Frank Act also allows merchants to set minimum purchase thresholds for credit card transactions, provided such thresholds do not exceed $10, and it permits institutions of higher education and federal agencies – which constitute many of our clients – to impose maximum dollar amounts for credit-card purchases. Individual state legislatures are also reviewing interchange fees, and legislators in a number of states have proposed bills that purport to limit interchange fees or merchant discount rates or to prohibit their application to portions of a transaction.

Federal and state regulatory agencies also frequently propose and adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot predict the substance or impact of pending or future legislation or regulation, or the application thereof, although changes to existing law could affect how we and our Bank Partners operate and could significantly increase costs, impede the efficiency of internal business processes and limit our ability to pursue business opportunities in an efficient manner.

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 our website.

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. These funds transfers are accomplished 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 such Bank Partner'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.

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.

Compliance

We monitor our compliance through (i) an internal audit program, led by our vice president of internal audit, (ii) our compliance management system, led by our chief compliance officer and (iii) a risk management program, led by our chief risk officer. Our internal audit team 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.

Regulatory Oversight and Inquiries

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 or that otherwise may be deemed to be in violation of law. In the ordinary course of business, we receive letters and other inquiries concerning the nature of our business as it applies to state "money transmitter" licensing and regulations from different state regulatory agencies. To date, we have cooperated with such inquiries by explaining the nature of our business, which, to our knowledge, has satisfied the inquiring authorities. We have from time to time provided certain information regarding our business and operations to state attorneys general, congressional members and various other governmental agencies.

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 with respect to WEX, the OCC with respect to Axiom and the Federal Reserve with respect to Customers Bank and Cole Taylor.

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 responded to the FDIC's notification and 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. On August 8, 2012, we received a Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty, or the Consent Order, dated August 7, 2012, issued by the FDIC to settle such alleged violations. Pursuant to the terms of the Consent Order, we neither admitted nor denied any charges when agreeing to the terms of the Consent Order. Under the terms of the Consent Order, we were required to, among other things, review and revise our compliance management system and, to date, we have substantially revised our compliance management system. Additionally, the Consent Order provided for restrictions on the charging of certain fees. The Consent Order further provided that we shall make restitution to less than 2% of our customers since 2008 for fees previously assessed, which restitution has been completed through the voluntary customer credit plan described above, and we paid a civil money penalty of $0.1 million. We remain subject to the jurisdiction and examination of the FDIC and further action could be taken to the extent we do not comply with the terms of the Consent Order or if the FDIC were to identify additional violations of certain applicable laws and regulations.

The Federal Reserve Bank of Chicago notified us and a former bank partner of potential violations of the Federal Trade Commission Act relating to marketing and disclosure practices related to the OneAccount during the period it was offered by such former bank partner. On May 9, 2014, the Federal Reserve Banks of Chicago (the responsible Reserve Bank for a former bank partner) and Philadelphia (the responsible Reserve Bank for a current bank partner) notified us that the Staff of the Board of Governors of the Federal Reserve System intended to recommend that the Board of Governors of the Federal Reserve System, or the Board of Governors, seek an administrative order against us with respect to asserted violations of the Federal Trade Commission Act. The cited violations relate to our activities with both a former and current bank partner and our marketing and disclosure practices related to the process by which students may select the OneAccount option for financial aid refund. We are in discussions with the Staff of the Board of Governors and the Reserve Banks on this matter. The Staff of the Board of Governors has asserted that any administrative order may seek damages, including customer restitution and civil money penalties, totaling as much as $35 million, and changes to certain of our business practices.

Approximately 55% of the OneAccounts are held at our bank partner regulated by the FDIC and we will need to consider voluntarily providing restitution to those OneAccounts held at that bank partner. In the event we do provide restitution to these OneAccounts on the same basis as an order from the Board of Governors or if the FDIC were to elect to seek a similar administrative action against us as has been proposed by the staff of the Board of Governors, it is reasonably possible that our loss related to this matter will increase accordingly and increase our total exposure by an additional restitution amount of approximately $35 million, or approximately $70 million in total.

During the year ended December 31, 2014, we recorded a liability of $8.75 million related to this matter, which is shown as a reduction of revenue on our consolidated statement of operations. While we believe that it is probable that we will have a loss related to this regulatory matter, in view of the inherent difficulty of predicting the outcomes of regulatory matters, we cannot predict the eventual outcome of this pending matter, the timing of the ultimate resolution of this matter or an exact amount of loss associated with this matter. The liability reflects the minimum amount we expect to pay related to this matter, although, there is a reasonable possibility that the liability will increase in future periods. The ultimate amount of restitution or civil money penalties is subject to many uncertainties and therefore impossible to predict. As disclosed in "Note 11 – Credit Facility" of our consolidated financial statements, we amended our Credit Facility in February 2015. The amendment allows, among other things, for the payment of up to $75 million in connection with the resolution of the regulatory matters described above.

Employees

As of December 31, 2014, we had approximately 1,300 employees, including temporary seasonal employees we add to supplement our customer service department, during periods of peak activity. None of our employees is a member of any labor union or subject to any collective bargaining agreement and we have never experienced any business interruption as a result of a labor dispute.

Executive Officers of the Registrant

The following table sets forth information about individuals who currently serve, or during 2014 served, as our executive officers.

Name	Age	Title
Marc Sheinbaum	57	Chief Executive Officer, President and Director (appointed on April 16, 2014)
Mark Volchek	37	Chief Executive Officer, President and Director (resigned as Chief Executive Officer and President on April 15, 2014)
Miles Lasater	37	President (resigned on January 9, 2014), Chairman of the Board of Directors (resigned on June 11, 2014)
Christopher Wolf	53	Chief Financial Officer
Casey McGuane	39	Chief Operating Officer
Robert Reach	58	Chief Sales Officer

Set forth below is certain biographical information for each of these individuals.

Marc Sheinbaum has served as Chief Executive Officer and President of Higher One and a member of our Board since April 16, 2014. Mr. Sheinbaum is an experienced leader and general manager with over 25 years of consumer financial services experience. From 2007 to 2013, Mr. Sheinbaum served as President and CEO of JPMorgan Chase's auto and student loans business, and previously held the position of President and CEO of GE Money Services. Mr. Sheinbaum holds a BS from State University of New York at Albany and an MBA from New York University.

Christopher Wolf has served as our Chief Financial Officer since March 2013. From 2007 to 2011, Mr. Wolf served as executive vice president and chief financial officer of publicly-traded Acxiom Corporation, where he had full responsibility for leadership of the corporate finance organization of that multinational marketing services and information management company. From 2011 to 2012, he served as executive vice president and chief financial officer of First Advantage Background Services, a privately held talent acquisition enterprise. Over the last two decades, he has held executive and senior advisory positions with Catalina Marketing Corporation and Boulder Brands Inc., among other companies. Mr. Wolf holds a BS in Accounting from Florida State University and a Master of Accounting degree from the University of North Carolina.

Casey McGuane has been our Chief Operating Officer since July 2013. He joined Higher One in 2000 and served as our chief service officer from January 2009 until July 2013. Since July 2009, Mr. McGuane has served as a director of the Connecticut Association of Human Services, a not-for-profit organization in Hartford, Connecticut, and has served as president of the board since July 2013. Mr. McGuane holds a BA in psychology from the University of Rhode Island.

Robert Reach has been our chief sales officer since 2009 and our vice president of sales from 2004 to 2009. He served as the vice president of sales for Metatec Corporation from 1995 to 1997. Additionally, from 2000 to 2001, Mr. Reach served as director of partner relations for HNC Software, an industry leader in credit card fraud prevention and analytic software. Mr. Reach holds a BA in English from Franklin and Marshall College.

Mark Volchek is one of our founders and served as Chief Executive Officer and President until April 2014. From 2002 until May 2012, he served as chairman of our board, and from 2002 until June 2012, he served as our chief financial officer. From 2000 to 2002, he served as our chief executive officer. Mr. Volchek is a founding officer of the Yale Entrepreneurial Society, a not-for-profit organization that promotes entrepreneurship among Yale students, faculty and alumni and served on its board from 1999 to 2010. From 2007 until 2014, Mr. Volchek was the chairman of the board of the Tweed New Haven Airport Authority. Other past civic roles have included positions on the New Haven Economic Development Commission and the Regional Growth Partnership strategic planning committee. Mr. Volchek holds a BA and an MA in economics from Yale University.

Miles Lasater is one of our founders and has been a Director of Higher One since 2003. He served as our President from 2012 until early 2014 and as our Chief Operations Officer from 2000 until 2013. Mr. Lasater serves on the boards of Yale New Haven Hospital, SeeClickFix and the Yale Humanist Community. He was a founding officer and board member of the Yale Entrepreneurial Society and has been a board member of the Yale Entrepreneurial Institute since 2008. Both are organizations at Yale University that promote entrepreneurship among Yale students, faculty and alumni. Mr. Lasater holds a BA in computer science from Yale University. Mr. Lasater is currently serving as a Lecturer in the Practice of Entrepreneurship at the Yale School of Management.

Available Information

The Securities and Exchange Commission, or SEC, maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. We file annual reports, quarterly reports, current reports, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The public can obtain any documents that we file with the SEC at http://www.sec.govor may read and copy any of these materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We also make available free of charge through our website (http://ir.higherone.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website is not incorporated into this report or any of our SEC filings and is not a part of them.

Item 1A. Risk Factors

Our financial condition and results of operations are subject to various risks, uncertainties and other factors. These risks and uncertainties include, but are not limited to, the risk factors set forth below. The risks and uncertainties described in this report are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, they could have a material adverse effect on our business, financial condition and results of operations.

Reviews, examinations and enforcement actions by regulatory authorities under banking and consumer protection laws and regulations, and possible changes to those laws and regulations by legislative or regulatory action, 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 WEX Bank's primary federal regulator, the OCC, which is Axiom's primary federal regulator, and the Federal Reserve Bank, which is Customers Bank and 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 our Bank Partners are subject to ongoing and routine examination by the FDIC, OCC and Federal Reserve Bank. If, as part of any ongoing or future 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 or changes to the manner in which OneAccounts are marketed to students), the imposition of fines or penalties or the institution of enforcement proceedings or other similar actions against us alleging that our current or past 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, including our Bank Partners, 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 responded to the FDIC's notification and 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. On August 8, 2012, we received a Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty, or the Consent Order, dated August 7, 2012, issued by the FDIC to settle such alleged violations. Pursuant to the terms of the Consent Order, we neither admitted nor denied any charges when agreeing to the terms of the Consent Order. Under the terms of the Consent Order, we were required to, among other things, review and revise our compliance management system and, to date, we have substantially revised our compliance management system. Additionally, the Consent Order provided for restrictions on the charging of certain fees. The Consent Order further provided that we shall make restitution to less than 2% of our customers since 2008 for fees previously assessed, which restitution has been completed through the voluntary customer credit plan described above, and we paid a civil money penalty of $0.1 million. We remain subject to the jurisdiction and examination of the FDIC and further action could be taken to the extent we do not comply with the terms of the Consent Order or if the FDIC were to identify additional violations of certain applicable laws and regulations.

The Federal Reserve Bank of Chicago notified us and a former bank partner of potential violations of the Federal Trade Commission Act relating to marketing and disclosure practices related to the OneAccount during the period it was offered by such former bank partner. On May 9, 2014, the Federal Reserve Banks of Chicago (the responsible Reserve Bank for a former bank partner) and Philadelphia (the responsible Reserve Bank for a current bank partner) notified us that the staff of the Board of Governors of the Federal Reserve System intended to recommend that the Board of Governors of the Federal Reserve System, or the Board of Governors, seek an administrative order against us with respect to asserted violations of the Federal Trade Commission Act. The cited violations relate to our activities with both a former and current bank partner and our marketing and disclosure practices related to the process by which students may select the OneAccount option for financial aid refund. We are in discussions with the Staff of the Board of Governors and the Reserve Banks on this matter. The Staff of the Board of Governors has asserted that any administrative order may seek damages, including customer restitution and civil money penalties, totaling as much as $35 million, and changes to certain of our business practices.

Approximately 55% of the OneAccounts are held at our bank partner regulated by the FDIC and we will need to consider voluntarily providing restitution to those OneAccounts held at that bank partner. In the event we do provide restitution to these OneAccounts on the same basis as an order from the Board of Governors or if the FDIC were to elect to seek a similar administrative action against us as has been proposed by the staff of the Board of Governors, it is reasonably possible that our loss related to this matter will increase accordingly and increase our total exposure by an additional restitution amount of approximately $35 million, or approximately $70 million in total.

During the year ended December 31, 2014, we recorded a liability of $8.75 million related to this matter, which is shown as a reduction of revenue on our consolidated statement of operations. While we believe that it is probable that we will have a loss related to this regulatory matter, in view of the inherent difficulty of predicting the outcomes of regulatory matters, we cannot predict the eventual outcome of this pending matter, the timing of the ultimate resolution of this matter or an exact amount of loss associated with this matter. The liability reflects the minimum amount we expect to pay related to this matter, although, there is a reasonable possibility that the liability will increase in future periods. The ultimate amount of restitution or civil money penalties is subject to many uncertainties and therefore impossible to predict. As disclosed in "Note 11 – Credit Facility" of our consolidated financial statements, we amended our Credit Facility in February 2015. The amendment allows, among other things, for the payment of up to $75 million in connection with the resolution of the regulatory matters described above.

Any enforcement action arising out of this matter could include demands for civil money penalties, changes to certain of our business practices, and customer restitution. An 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.

Please also refer to the "Regulatory Matters" section within, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview" of this annual report on Form 10-K for information related to the notification that we received from the Staff of the Board of Governors of the Federal Reserve System which asserted violations of the Federal Trade Commission Act.

In a separate regulatory matter we are currently considering the merits of voluntarily refunding certain fees previously assessed to accountholders as a result of a separate compliance examination which was completed in 2013.

Additionally, since 2012, we have received and responded to inquiries and information requests from certain federal legislators and regulatory agencies. These requests sought information related to our financial aid refund processing and the related services which we provide to students. Certain federal legislators have also sent communications regarding similar matters to various federal agencies, including ED and the CFPB. These inquiries or others could lead to further action by these or other governmental actors or agencies, including the introduction of legislation or new regulations, which could have a material adverse effect on our business, financial condition and results of operations.

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 but not limited to, where applicable:

- Title IV of the Higher Education Act of 1965, or Title IV;
- the Family Educational Rights and Privacy Act of 1975, or 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 Gramm-Leach-Bliley Act of 1999, or 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, we are considered 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 cover the servicer's Title IV activities. Each year we submit a "Compliance Attestation Examination of the Title IV Student Financial Assistance Programs" audit to ED, which includes a report by an independent audit firm. In addition, the yearly compliance audit submission to ED provides comfort to our higher education institution clients that we 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 ED's 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 ED 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. ED 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. Additionally, on behalf of our higher education institution clients, we are required to comply with ED's cash management regulations regarding payment of financial aid credit balances to students and providing bank accounts to students that may be used for receiving such payments. In the event ED 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.

On May 1, 2012, ED 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. We provided written and oral comments at a hearing held by ED in connection with the negotiated rulemaking process and have provided additional information to ED. On April 16, 2013, ED announced additional topics for consideration, and in early 2014, formed a negotiated rulemaking committee. Our Chief Operating Officer was selected by ED to serve on the committee as a primary negotiator. The committee convened in February, March, April and May of 2014 to discuss and work toward revising existing regulations to potentially address, among other things, consumer safeguards regarding debit and prepaid cards associated with Title IV Cash Management (including fees associated with such debit and prepaid cards), marketing of financial products (including sending unsolicited cards to students and co-branding of the card and materials) by institutions and their preferred banks or contractors, ATM access and availability, revenue sharing arrangements, and the potential for a government-sponsored debit or prepaid card solution. The negotiated rulemaking committee concluded its efforts in May 2014 and a consensus was not reached on any proposed regulations. Since that time, there have been no proposed regulations related to Title IV Cash Management published in the Federal Register; therefore, we believe, should ED issue a Notice of Proposed Rulemaking on Title IV Cash Management regulations, complete the public comment process and publish a final rule in the Federal Register by November 1, 2015, these new Title IV Cash Management related regulations would likely not go into effect until July 1, 2016. Several of the views expressed at the negotiated rulemaking committee sessions were unfavorable to certain of our current business practices. In the event that new rules are promulgated which alter, restrict or prohibit our ability to offer and provide our services to higher education institutions and students in the manner that we currently provide them, 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 ED 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 that use the Refund Managements disbursement services disclose to us certain non-directory information concerning their students, including contact information, student identification numbers and the amount of students' credit balances. Additionally, our higher education institution clients that use Campus Labs® products also share personally identifiable information with us. 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 ED asserts that we do not fall into one of these exceptions or if future changes to legislation or regulations require student consent before our higher education institution clients can 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 and results of operations.

State Laws. We may also be subject to similar state laws and regulations including those 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 that affects our business including those 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. In July 2014, we received a civil investigative demand from the Office of the Attorney General of the Commonwealth of Massachusetts pursuant to the Commonwealth's Consumer Protection Act. The Massachusetts Attorney General has informed us that its investigation relates to our debt collection practices. We provided the information requested by the civil investigative demand, which included information and records about our company and certain of our business practices, particularly as they relate to Massachusetts residents, institutions of higher education located in Massachusetts, and students who attended those institutions. We cannot predict whether we will become subject to any action by the Massachusetts Attorney General or any other state agencies.

Additionally, individual state legislatures may propose and enact new laws that restrict or otherwise affect our ability to offer our products and services as we currently do, which could have a material adverse effect on our business, financial condition and results of operations. For example, the legislation has been introduced in the State of Oregon which may further regulate the disbursement of financial aid refunds and associated financial products and services.

Regulation of OneAccounts

Anti-Money Laundering; USA PATRIOT ACT; Office of Foreign Assets Control. Our Bank Partners, are insured depository institutions and funds held by them are insured by the FDIC up to applicable limits. As insured depository institutions, our Bank Partners are subject to comprehensive government regulation and supervision and, in the course of making their 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 Office of Foreign Assets Control, or OFAC, which prohibit U.S. persons from engaging in transactions with certain prohibited persons. Our failure to comply with any of these laws or regulators 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 our respective agreements, 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 CFPB'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 their compliance obligations pursuant to these requirements. See "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" below in this annual report on Form 10-K for additional discussion. 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 our website.

In conjunction with the disbursement, payroll and tuition payment services we make available through our Bank Partners, we 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.

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 any of which could materially and adversely affect our business, financial condition and results of our operations.

Compliance

We monitor our compliance through (i) an internal audit program, led by our vice president of internal audit, (ii) our compliance management system, led by our chief compliance officer and (iii) a risk management program, led by our chief risk officer. Our internal audit team 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 negative 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 legal fees, costs and delays.

The fees that we generate through our relationships with higher education institutions and their campus communities are subject to competitive pressures and are subject to change, which may materially and adversely affect our revenue and profitability.

We generate revenue from, among other sources, the banking services fees charged to our OneAccount holders, interchange fees related to purchases made through our debit and ATM cards, which our Bank Partners charge and remit to us, convenience fees from processing tuition payments on behalf of students, fees charged to our higher education institution clients and service fees that we receive from our Bank Partners.

In an increasingly price-conscious and competitive market that is also subject to heightened regulatory scrutiny, it is possible that to maintain our competitive position with higher education institutions, we may have to decrease the fees we charge institutions for our services. Similarly, in order to maintain our competitive position with our OneAccount holders, we may need to work with our Bank Partners to reduce or otherwise alter the structure of the banking services fees charged to our OneAccount holders.

MasterCard could reduce the interchange rates, which it unilaterally sets and adjusts from time to time, and upon which our interchange revenue is dependent. In addition, OneAccount holders may modify their spending habits and increase their use of ACH relative to their use of Higher One debit MasterCard, as ACH payments are generally free, which could reduce the interchange fees remitted to us. Students may also become less willing to pay convenience fees when using our payment transaction services. If our fees are reduced as described above, our business, results of operations and prospects for future growth could be materially and adversely affected.

In July 2012, a memorandum of understanding was filed between a number of class action plaintiffs and Visa and MasterCard. The memorandum of understanding provides among other things, that all defendants in the case will pay a total of $6.05 billion to class plaintiffs and that each network will make certain changes to network rules regarding merchant point of sale practices. The class action settlement agreement to be executed by the parties will be subject to court approval. If MasterCard makes changes to their network rules regarding merchant point of sale practices, our business, results of operations and prospects for future growth could be materially and adversely affected.

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.

A substantial portion of our revenue is generated from interchange fees, ATM fees, non-sufficient funds fees, other banking services fees and convenience fees. These fees, as well as the financial services industry in general, have undergone or may undergo substantial changes in the near future. For example, in 2013 we made certain changes to our fee schedule, including removal of a fee that was assessed to abandoned accounts, removal of a fee that was assessed to customers that have not repaid an overdraft balance within an allotted time period, institution of a maximum daily amount of non-withdrawal ATM fees and a decrease in the types of transactions that can produce an insufficient funds fee. These, and other potential changes we may make in the future, could have a material adverse effect on our business, financial condition, results of operations and prospects for future growth.

In 2010, the Dodd-Frank Act became law. The Dodd-Frank Act increased the already substantial regulation and oversight of the financial services industry and imposed restrictions on the ability of firms within the industry, including us, to conduct business consistent with historical practices. Among other things, the Dodd-Frank Act created the CFPB, to regulate any person engaged in a "financial activity" in connection with a consumer financial product or service, including those, such as us, that process financial services products and services. The CFPB has assumed regulatory authority for many of the consumer protection laws to which we and our Bank Partners are subject and may have direct supervisory authority over us. The CFPB also has authority to issue and enforce regulations relating to consumer financial protection designed to prevent unfair, deceptive, and abusive practices in the offering of consumer financial products. In early 2013, the CFPB issued a request for information regarding financial products marketed to students enrolled in institutions of higher education, and in September 2013, the CFPB hosted a forum on this topic at which selected members of the public, including students and representatives from institutions, state government agencies and ED were invited to present and some of the participants expressed opinions that were unfavorable of us. Additionally, in early 2014, ED convened a negotiated rulemaking committee that will work to establish new regulations on topics such as fees associated with debit cards that are marketed to students for purposes of receiving financial aid refunds. Although we cannot predict what future ED regulations will ultimately provide regarding banking fees, such new regulations or action by the CFPB could require us to make changes to our fee schedules, which could result in a material adverse effect to our business, financial condition or results of operations.

The Dodd-Frank Act also required changes to the manner in which merchants accept and process certain debit- and credit-card transactions. Specifically, the Dodd-Frank Act, subject to certain exemptions, requires the Federal Reserve to impose limits on debit card interchange fees tied principally to the cost of processing the transaction, which may have the result of decreasing revenue to debit card issuers and processors. On October 1, 2011, the Federal Reserve's final rule implementing these limits on debit card interchange fees became effective. Issuers such as our Bank Partners that, together with their affiliates, have less than $10 billion in assets are exempt from the debit card interchange fee standards, although they are subject to other provisions of the Dodd-Frank Act, including the prohibitions on network exclusivity and routing restrictions. Nevertheless, it is anticipated that smaller issuers, such as our Bank Partners, may also be impacted. Some federal, state, and local government-administered payment programs that use debit cards are exempt from this interchange fee restriction.

Additionally, the Dodd-Frank Act permits merchants to offer a discount or other incentive to encourage use of one form of payment over another. Furthermore, the Dodd-Frank Act, as implemented by the Federal Reserve Board's final rule, prohibits an issuer or payment card network from restricting the number of payment card networks over which an electronic debit transaction may be processed to fewer than two unaffiliated networks, or restricting the ability of a merchant to direct the routing of electronic debit transactions over any of the networks that an issuer has enabled to process the electronic debit transactions. The Dodd-Frank Act also allows merchants to set minimum purchase thresholds for credit card transactions, provided such thresholds do not exceed $10, and it permits institutions of higher education and federal agencies – which constitute many of our clients – to impose maximum dollar amounts for credit-card purchases. Individual state legislatures are also reviewing interchange fees, and legislators in a number of states have proposed bills that purport to limit interchange fees or merchant discount rates or to prohibit their application to portions of a transaction.

Federal and state regulatory agencies also frequently propose and adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot predict the substance or impact of pending or future legislation or regulation, or the application thereof, although changes to existing law could affect how we and our Bank Partners operate and could significantly increase costs, impede the efficiency of internal business processes and limit our ability to pursue business opportunities in an efficient manner.

The scope and impact of many of the Dodd-Frank Act's provisions, including those noted above, will continue to be determined through the rule making process. As a result, we cannot predict the ultimate impact of the Dodd-Frank Act on us or our Bank Partners at this time, nor can we predict the impact or substance of other future legislation or regulation. However, we believe that the Dodd-Frank Act and other changes in regulation and legislation under consideration by the states could affect how we and our Bank Partners operate by significantly reducing the interchange fees, ATM fees, non-sufficient fund fees, other banking services fees and convenience fees charged in respect of our services and that are important to our financial results. These regulatory and legislative changes could also increase our costs, impede the efficiency of our internal business processes or limit our ability to pursue business opportunities in an efficient manner. The occurrence of any of these risks could materially and adversely affect our business, financial condition and results of operations.

We rely on our Bank Partners for certain banking services, and a change in the relationships, or difficulties implementing our program, with our Bank Partners or their failure to comply with certain banking regulations could materially and adversely affect our business.

As the provider of FDIC-insured depository services for all OneAccounts, as well as other banking functions, such as supplying cash for our ATM machines, our bank partners provide third-party services that are critical to our student-oriented banking services. We have within the past few years experienced turnover with respect to our bank partners, which presents certain risks and uncertainties. For example, on February 8, 2013, we agreed to a mutual termination with Cole Taylor of our deposit Processing Services Agreement to be effective August 30, 2013 and on July 11, 2013, we entered into an agreement with Customers Bank under which it currently provides deposit services as a bank partner. In connection with transitioning bank partners, we made certain changes to our practices and operations, and could be required to make further changes in the future. Should we encounter any difficulties in on-boarding, retaining or transitioning bank partners, we may not be able to continue offering the OneAccount in the same manner as we do now, which could have a material adverse effect on our business, financial condition and results of operations. Further, in the future, if we are not able to transition the functions performed by our then current bank partners to another financial institution, or, to the extent necessary, replace a current bank partner, we may not be able to continue offering the OneAccount in the same manner as we do now, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, if any material adverse event were to affect any of our bank partners or future bank partners, including, but not limited to, a significant decline in financial condition, a decline in the quality of service, loss of deposits, a change in deposit classification related to the OneAccounts, inability to comply with applicable banking and financial service regulatory requirements, systems failure or inability to pay us fees, our business, financial condition and results of operations could be materially and adversely affected. There is also a risk that the terms of our services agreement with future bank partners may not be as favorable to us as our current agreements. The aggregate impact of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Our operating results may suffer because of competition in the industries in which we do business.

The market for our products and services is competitive, continually evolving and, in some cases, subject to rapid technological change. Our disbursement services compete against all forms of payment, including paper-based transactions (principally cash and checks), electronic transactions such as wire transfers and Automated Clearing House, or ACH, payments and other electronic forms of payment, including card-based payment systems. Many competitors, including TouchNet Information Systems, Inc., PNC Financial Services Group, Inc., Heartland Payment Systems, Inc. and Nelnet, Inc., provide payment software, products and services that compete with those we offer. During the third quarter of 2014, Heartland Payment Systems, Inc. announced that it had completed the acquisition of TouchNet Information Systems, Inc. In addition, our OneAccount, which we provide through our Bank Partners, also competes with banks active in the higher education market, including national, regional and local banks. Future competitors may begin to focus on higher education institutions in a manner similar to us.

Many of our competitors have substantially greater financial and other resources than we have, may in the future offer a wider range of products and services and may use advertising and marketing strategies that achieve broader brand recognition or acceptance. In addition, our competitors may develop new products, services or technologies that render our products, services or technologies obsolete or less marketable. If we cannot continue to compete effectively against our competitors in any of our product offerings, our business, financial condition and results of operations will be materially and adversely affected.

The length and unpredictability of the sales cycle for signing potential higher education institution clients could delay new sales of our products and services, which could materially and adversely affect our business, financial condition and results of operations.

The sales cycle between our initial contact with a potential higher education institution client and the signing of a contract with that client can be lengthy. As a result of this lengthy sales cycle, our ability to forecast accurately the timing of revenues associated with new sales is limited. Our sales cycle varies widely due to significant uncertainties, over which we have little or no control, including:

- the individual decision-making processes of each higher education institution client, which typically include extensive and lengthy evaluations and require us to spend substantial time, effort and money educating each client about the value of our products and services;
- the budgetary constraints and priorities and budget cycle of each higher education institution client; and
- the reluctance of higher education staff to change or modify existing processes and procedures.

In addition, there is no guarantee that a potential client will sign a contract with us even after we spend substantial time, effort and money on the potential client. Recently, the duration of the sales process has lengthened due in part to the current regulatory environment and the uncertainty that it presents. A delay in our ability or a failure to enter into new contracts with potential higher education institution clients could materially and adversely affect 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.

Establishing new client relationships and maintaining current ones are also essential components of our strategy for attracting new student customers, deepening the relationship we have with existing customers and maximizing customer usage of our products and services. A reduction in enrollment, a failure to attract and maintain student customers, as well as any future demographic or other 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, since 2012, we have experienced a decrease in the proportion of OneAccounts that received a financial aid refund as well as a decrease in refund sizes compared to the prior periods. These decreases had a negative impact on our results of operations during the second half of the year ended December 31, 2013 and the year ended December 31, 2014 and we continue to lack visibility into these enrollment trends, which could have a further negative impact on our results of operations if this trend continues.

Our business and future success may suffer if we are unable to cross-sell our products and services.

A significant component of our growth strategy is dependent on our ability to cross-sell products and services to new and existing higher education institution clients. In particular, our growth strategy depends on our ability to successfully cross-sell our disbursement, payments and data analytics services to clients that do not already use our entire suite of products. We may not be successful in cross-selling our products and services because our clients may find our additional products and services unnecessary or unattractive. Our failure to sell additional products and services to new and existing clients could have a material adverse effect on our prospects, business, financial condition and results of operations.

There are risks associated with expanding our business and operations internationally.

In 2012, through our acquisition of substantially all of the assets of Campus Labs, we began providing and offering products and services to higher education institutions in Canada. We may look to expand our other products and services internationally in the future. We have no prior experience offering our products and services internationally. Additionally, we maintain an Indian subsidiary, Higher One Financial Technology Private Limited, to assist with certain technology development and operational support. There are a variety of risks involved in such international expansion of our business and operations, including but not limited to risks that we will not be able to successfully navigate the business, legal, regulatory or other landscapes of the foreign jurisdictions where we seek to expand and that our investments in such expansion, which may come to be significant, may not yield the return that we intend. If any of these risks were to materialize, it could have a material adverse effect on our business, financial condition and results of operations.

Global economic and other conditions may adversely affect trends in consumer spending, which could materially and adversely affect our business, financial condition and results of operations.

A decrease in consumer confidence due to a weakened global economy may cause decreased spending among our student customers and may decrease the use of the OneAccount. Increases in college tuition alongside stagnation or reduction in available financial aid may also restrict spending among college students and the size of disbursements, reducing the use of the OneAccount and demand for our disbursement services, which could materially and adversely affect our business, financial condition and results of operations.

Failure to manage future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

The continued expansion and development of our business may place a significant strain upon our management and administrative, operational and financial infrastructure. Our growth strategy contemplates further increasing the number of our higher education institution clients and student banking customers, but the rate at which we have been able to establish relationships with our customers in the past may not be indicative of the rate at which we will be able to establish additional customer relationships in the future.

Our success will depend in part upon the ability of our executive officers to manage growth effectively. Our ability to grow also depends upon our ability to successfully hire, train, supervise, and manage new employees, obtain financing for our capital needs, maintain and expand our systems effectively, control increasing costs, allocate our human resources optimally, maintain clear lines of communication between our operational functions and our finance and accounting functions, and manage the pressures on our management and administrative, operational and financial infrastructure. There can be no assurance that we will be able to accurately anticipate and respond to the changing demands we face as we continue to expand our operations or that we will be able to manage growth effectively or achieve further growth at all. If our business does not continue to grow or if we fail to effectively manage any future growth, our business, financial condition and results of operations could be materially and adversely affected.

We depend on key members of management and our founders and the loss of their services could have a material adverse effect on our business.

We have historically depended on the efforts, skill and reputations of our founders and senior executive team, including Marc Sheinbaum (Chief Executive Officer and President) Mark Volchek (Founder, and former Chief Executive Officer and President), Miles Lasater (Founder and former Chairman), Casey McGuane (Chief Operating Officer), Robert Reach (Chief Sales Officer) and Christopher Wolf (Chief Financial Officer). We do not currently maintain key person life insurance policies with respect to our executive officers. None of our executive officers have entered into employment agreements with us that would prevent them from terminating their involvement with us at any time and/or pursuing other opportunities at a time of increased public and regulatory scrutiny of the refund disbursement market. In 2014, Messrs. Volchek and Lasater ended their roles as Chief Executive Officer and President, respectively, and each continued to work for the company on a part time basis until December 31, 2014. The retirement of Messrs. Volchek and Lasater or the loss of any of our other executive officers or other members of management could have a material adverse effect on our ability to manage our company, growth prospects, business, financial condition and results of operations. In addition, our success also depends on our ability to continue to attract, manage, and retain other qualified management, as well as technical and operational personnel. We may not be able to continue to attract and retain such personnel in the future, which could adversely impact our business.

We may not be able to meet all of the continuing criteria required in order to retain the various subsidies, grants and credits we have received in connection with our rehabilitation and development project.

We have received various subsidies, grants and credits from different state and federal agencies and private entities that will offset our investment in the rehabilitation project. Many of these programs have criteria that we must meet on an ongoing basis in order to prevent forfeiture of the subsidies, grants and credits, and in some cases the imposition of a penalty. If we are not able to meet the continuing criteria, we may forfeit some or all of the incentives we have received.

The convenience fees that we charge in connection with payment transactions are subject to change.

Most credit and debit card associations and networks permit us to charge convenience fees to students, parents or other payers who make online payments to our higher education institution clients through the SmartPay feature of our ePayment product and our NetPay and Tuition Payment Plan products using a credit or debit card. In 2012, these convenience fees accounted for substantially all of our payment transaction revenue, which is a trend we expect to continue going forward. While the majority of credit and debit card associations and networks routinely permit merchants and other third parties to charge these fees, it is not a ubiquitous practice in the payment industry. If these credit and debit card associations and networks change their policies in permitting merchants and other third-parties to charge these fees or otherwise restrict our ability to do so, our business, financial condition and results of operations could be materially and adversely affected.

There are risks associated with charging convenience fees.

Through our SmartPay service, which we acquired in connection with our acquisition of Informed Decisions Corporation in 2009, and our NetPay and TPP services, which we acquired from Sallie Mae in May 2013, some of our higher education institution clients charge convenience fees to students, parents or other payers who make online payments using a credit or debit card. In light of the ongoing legislative efforts at financial regulatory reform, we examined the laws and regulations related to convenience fees. We found that these laws and regulations vary from state to state and certain states, including California, Massachusetts and New York, have laws that to varying degrees prohibit the imposition of a surcharge on a credit or debit cardholder who elects to use a credit or debit card in lieu of payment by cash, check or other means. The penalties for violating these laws vary and certain states impose fines that could be significant.

We are not aware of any enforcement or civil action against a higher education institution or a third party service provider for charging convenience fees. We have nevertheless worked with our higher education institution clients to ensure that we can continue to provide the services they demand, while ensuring we are in compliance with these laws and regulations prospectively. If one or more states or other parties initiate an action against us, we could be subject to a claim for significant fines or damages. Moreover, the beginning of any such action could disrupt our operations or result in negative publicity, which could diminish our ability to attract new clients and retain existing clients, and could materially and adversely affect our prospects, business, financial condition and results of operations.

Our business depends on the current government financial aid regime that relies on the outsourcing of financial aid disbursements through higher education institutions.

In general, the U.S. federal government distributes financial aid to students through higher education institutions as intermediaries. Our Refund Management disbursement service provides our higher education institution clients an electronic system for improving the administrative efficiency of this refund disbursement process. If the government, through legislation or regulatory action, restructures the existing financial aid regime in such a way that reduces or eliminates the intermediary role played by financial institutions serving higher education institutions or limits or regulates the role played by service providers such as us, our business, results of operations and prospects for future growth could be materially and adversely affected.

A change in the availability of financial aid, as well as U.S. budget constraints, could materially and adversely affect our financial performance by reducing demand for our services.

The higher education industry depends heavily upon the ability of students to obtain financial aid. As part of our contracts with our higher education institution clients that use Refund Management disbursement services, students' financial aid and other refunds are sent to us for disbursement. The fees that we charge most of our Refund Management disbursement service higher education institution clients are based on the number of financial aid disbursements that we make to students. In addition, our relationships with Refund Management disbursement service higher education institution clients provide us with a market for OneAccounts, from which we derive a significant proportion of our revenues. Consequently, a change in the availability or amount of financial aid that restricted client use of our Refund Management disbursement service or otherwise limited our ability to attract new higher education institution clients could materially and adversely affect our financial performance. Also, decreases in the amount of financial aid disbursements from higher education institutions to students could materially and adversely affect our financial performance. Future legislative and executive branch efforts to reduce the U.S. federal budget deficit or worsening economic conditions may require the government to severely curtail its financial aid spending, which could materially and adversely affect our business, financial condition and results of operations.

Termination of, or changes to, the MasterCard association registration could materially and adversely affect our business, financial condition and results of operations.

We and our Bank Partners, which issue our Higher One debit MasterCards, are subject to MasterCard association rules that could subject us to a variety of fines or penalties that may be levied by MasterCard for acts or omissions by us or businesses that work with us. The termination of the card association registration held by us or our Bank Partners or any changes in card association or other network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could materially and adversely affect our business, financial condition and results of operations.

We operate in a changing and unpredictable regulatory environment. If we are subject to new legislation, industry standards or software upgrades regarding the operation of our ATMs, we could be required to make substantial expenditures to comply.

The U.S. ATM industry is regulated by the rules and regulations of the federal Electronic Funds Transfer Act, which establishes the rights, liabilities, and responsibilities of participants in the electronic funds transfer system. The vast majority of states have few, if any, licensing requirements. However, legislation related to the U.S. ATM industry is periodically proposed at the state and local level. In recent years, certain members of the U.S. Congress called for a re-examination of the interchange and surcharge fees that are charged for an ATM transaction. If regulation or legislation is passed regarding ATMs, it could limit the fees we receive from our ATMs, force us to replace and or stop operating our ATMs entirely or until such time compliance is achieved or require us to make substantial expenditures to be compliant with such regulation and could reduce our revenue or net income. In addition, the cost of compliance with applicable industry standards and software upgrades for our fleet of ATMS could have a material adverse impact on our business and operations.

Intellectual property infringement claims against us could be costly and time-consuming to defend and if we are unsuccessful in our defense could have a material adverse effect on our business, financial condition and results of operations.

Third parties may assert, including by means of counter-claims against us as a result of the assertion of our intellectual property rights, that our products, services or technology, or the operation of our business, violate their intellectual property rights. As the number of competitors in our industry increases and the functionality of technology offerings further overlap, such claims and counter-claims could become more common. We cannot be certain that we do not or will not infringe third parties' intellectual property rights.

Any intellectual property claim against us, regardless of its merit, could result in significant liabilities to our business. Depending on the nature of such claim, our business may be disrupted, our management's attention and other company resources may be diverted and we may be required to redesign our products and services or to enter into royalty or licensing agreements in order to obtain the rights to use necessary technologies, which may not be available on terms acceptable to us, if at all. If we cannot redesign our products and services or license necessary technologies, we may be subject to the risk of injunctive relief and/or significant damage awards, which are complex, subjective and hard to predict, and subsequently we may not be able to offer or sell a particular product or service, or a family of products or services.

Any intellectual property claim against us could be expensive and time consuming to defend. Insurance may not cover or be insufficient to fully cover such a claim, or may not be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby having a material adverse effect on our business, financial condition and results of operations. Even if we have an indemnification arrangement with a third-party to indemnify us against an intellectual property claim, such indemnifying party may not uphold its contractual obligations to us. If any infringement or other intellectual property claim that is brought against us is successful, our business, operating results and financial condition could be materially and adversely affected.

The terms of our credit agreement may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.

Our credit agreement contains, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- create liens;
- make investments and acquisitions;
- incur additional debt;
- transfer all or substantially all of our assets or enter into merger or consolidation transactions;
- dispose of assets;
- pay dividends or make any other distributions with respect to our stock;
- issue stock, warrants, options or other rights to purchase stock or securities convertible into or exchangeable for shares of stock;
- engage in any material line of business substantially different from the lines of business we currently conduct or any business substantially related or incidental thereto; and
- enter into transactions with affiliates.

Our ability to comply with these covenants may be affected by events beyond our control, and any material deviations from our forecasts could require us to seek waivers or amendments of covenants or alternative sources of funding. We cannot be sure that such waivers, amendments or alternative sources of funding could be obtained, or if obtained, would be on terms acceptable to us.

Our credit agreement also requires us to maintain certain liquidity levels and satisfy certain financial ratios, including a maximum total leverage ratio and a minimum interest coverage ratio. A failure by us to comply with the covenants contained in our credit agreement could result in an event of default which could adversely affect our ability to respond to changes in our business and manage our operations. An event of default would also occur under our credit agreement if we undergo a change of control or if we experience a material adverse change in our operations, condition or prospects. In the event of any default under our credit agreement, the lender could elect to declare all amounts outstanding to be due and payable and require us to apply all of our available cash to repay these amounts. The acceleration of indebtedness under our credit agreement could have a material adverse effect on our business, financial condition and results of operations.

We outsource critical operations, which exposes us to risks related to our third-party vendors, and we have begun to in-source certain technology functions, which exposes us to other risks.

We have entered into contracts with third-party vendors to provide critical services, technology and software in our operations. These outsourcing partners include: Fiserv, which provides back-end account and transaction data processing for OneAccounts; MasterCard, which provides the payment network for our debit MasterCard ATM cards, as well as for certain other transactions; and Comerica and Global Payments, which provide transaction processing and banking services for payment processing related to the SmartPay feature of our ePayment service. In the event that these service providers fail to maintain adequate levels of support, do not provide high quality service, discontinue their lines of business, terminate our contractual arrangements or cease or reduce operations, we may be required to pursue new third-party relationships, which could materially disrupt our operations and our ability to provide our products and services, and could divert management's time and resources. Replacement technology or services provided by replacement third-party vendors could be more expensive than those we have currently, while the process of transitioning services and data from one provider to another can be complicated and time consuming. If we are unable to complete a transition to a new provider on a timely basis, or at all, we could be forced to temporarily or permanently discontinue certain services, which could disrupt services to our customers and materially and adversely affect our business, financial condition and results of operations. We may be unable to establish comparable new third-party relationships on as favorable terms or at all, which could materially and adversely affect our business, financial condition and results of operations. With respect to the technology and operational support functions that we have in-sourced to date or that we seek to in-source, we may encounter difficulty or delays in developing and supporting an appropriate infrastructure to be able to perform these functions ourselves. We may also not realize the full value of our investments in these projects.

Breaches of security measures, unauthorized access to or disclosure of data relating to our clients or student OneAccount holders, computer viruses or unauthorized software (malware), fraudulent activity, and infrastructure failures could materially and adversely affect our reputation or harm our business.

In recent years, companies that process and transmit cardholder information have been specifically and increasingly targeted by sophisticated criminal organizations in an effort to obtain the information and utilize it for fraudulent transactions. The encryption software and the other technologies we use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers.

Unauthorized access to our computer systems, or those of our third-party service providers, could result in the theft or publication of the information or the deletion or modification of sensitive records, and could cause interruptions in our operations. Any inability to prevent security breaches could damage our relationships with our merchant customers, cause a decrease in transactions by individual cardholders, expose us to liability including claims for unauthorized purchases, and subject us to network fines. These claims also could result in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. Any material increase in our costs resulting from additional regulatory burdens being imposed upon us or litigation could have a material adverse effect on our operating revenues and profitability.

In addition, our higher education institution clients and student OneAccount holders disclose to us certain "personally identifiable" information, including student contact information, identification numbers and the amount of credit balances, which they expect we will maintain in confidence. It is possible that hackers, customers or employees acting unlawfully or contrary to our policies, or other individuals, could improperly access our or our vendors' systems and obtain or disclose data about our customers. Further, because customer data may also be collected, stored, or processed by third-party vendors, it is possible that these vendors could intentionally, negligently or otherwise disclose data about our clients or customers.

We rely to a large extent upon sophisticated information technology systems, databases, and infrastructure, and take reasonable steps to protect them. However, due to their size, complexity, content and integration with or reliance on third-party systems they are vulnerable to breakdown, malicious intrusion, natural disaster and random attack, all of which pose a risk of exposure of sensitive data to unauthorized persons or to the public.

A cybersecurity breach of our information systems could lead to fraudulent activity, including with respect to our debit MasterCard ATM cards, such as identity theft, losses on the part of our banking customers, additional security costs, negative publicity and damage to our reputation and brand. In addition, our customers could be subject to scams that may result in the release of sufficient information concerning themselves or their accounts to allow others unauthorized access to their accounts or our systems (e.g., "phishing" and "smishing"). Claims for compensatory or other damages may be brought against us as a result of a breach of our systems or fraudulent activity. If we are unsuccessful in defending against any resulting claims against us, we may be forced to pay damages, which could materially and adversely affect our financial condition and results of operations.

Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Further, computer viruses or malware could infiltrate our systems, thus disrupting our delivery of services and making our applications unavailable. Although we utilize several preventative and detective security controls in our network, they may be ineffective in preventing computer viruses or malware that could damage our relationships with our merchant customers, cause a decrease in transactions by individual cardholders, or cause us to be in non-compliance with applicable network rules and regulations.

In addition, a significant incident of fraud or an increase in fraud levels generally involving our products, such as our debit MasterCard ATM cards, could result in reputational damage to us, which could reduce the use of our products and services. Such incidents could also lead to a large financial loss as a result of the protection for unauthorized purchases we provide to OneAccount customers given that we are liable to our Bank Partners for any uncollectable accountholder overdrafts and any other losses due to fraud or theft. Such incidents of fraud could also lead to regulatory intervention, which could increase our compliance costs. 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. Accordingly, account data breaches and related fraudulent activity could have a material adverse effect on our future growth prospects, business, financial condition and results of operations.

A disruption to our systems or infrastructure could damage our reputation, expose us to legal liability, cause us to lose customers and revenue, result in the unintentional disclosure of confidential information or require us to expend significant efforts and resources or incur significant expense to eliminate these problems and address related data and security concerns. The harm to our business could be even greater if such an event occurs during a period of disproportionately heavy demand for our products or services or traffic on our systems or networks.

The SEC has informed us that it opened an investigation on January 20, 2015 into the adequacy of our disclosures of cybersecurity risks. In connection with this investigation into the adequacy of our disclosures, the SEC issued a subpoena to the Company, on January 22, 2015, seeking documents related to our cybersecurity, including, among other things, documents related to cybersecurity policies, procedures, practices and training materials; risk assessments, audits, tests or reviews; monetary and other resources allocated to cybersecurity; any cybersecurity incidents and any costs or damages associated with cybersecurity incidents; and insurance policies that cover or mitigate our cybersecurity risk. We are complying with the subpoena and are producing responsive documents to the SEC. We are not aware of any issue or event that caused the SEC to open the investigation, but responding to an investigation of this type can be both costly and time-consuming and at this time we are unable to estimate either the likelihood of a favorable or unfavorable outcome of this matter or the potential cost or exposure to the Company.

We maintain a significant amount of cash within our ATMs, which is subject to potential loss due to theft or other events, including natural disasters.

Any loss of cash from our ATMs is generally our responsibility. We typically require that our service providers, who either transport the cash or otherwise have access to the ATM safe, maintain adequate insurance coverage in the event cash losses occur as a result of theft, misconduct or negligence on the part of such providers. Cash losses at the ATM could occur in a variety of ways, such as natural disaster (hurricanes, floods, etc.), fires, vandalism, and theft. While we maintain insurance policies to cover a significant portion of any losses that may occur that are not covered by the insurance policies maintained by our service providers, such insurance coverage is subject to deductibles, exclusions and limitations that may leave us bearing some or all of those losses. Any increase in the frequency and/or amounts of theft and other losses could negatively impact our operating results by causing higher deductible payments and increased insurance premiums.

Providing disbursement services to higher education institutions is an uncertain business; if the market for our products does not continue to develop, we will not be able to grow this portion of our business.

Our continued success will depend, in part, on our ability to generate revenues by providing financial transaction services to higher education institutions and their students. The market for these services has evolved and the long-term viability and profitability of this market is unproven. Our business will be materially and adversely affected if we do not develop and market products and services that achieve and maintain market acceptance. Outsourcing disbursement services may not become as widespread in the higher education industry as we anticipate, and our products and services may not achieve continued commercial success. In addition, higher education institution clients could discontinue using our services and return to in-house disbursement and payment solutions. If outsourcing disbursement services does not become widespread or if higher education institution clients return to their prior methods of disbursement, our growth prospects, business, financial condition and results of operations could be materially and adversely affected.

Our business depends on a strong brand and a failure to maintain and develop our brand in a cost-effective manner may hurt our ability to expand our customer base.

Maintaining and developing our brands is critical to expanding and maintaining our base of higher education institution clients and OneAccount holders. We believe the importance of brand recognition will increase as competition in our market further intensifies. Maintaining and developing our brands will depend largely on our ability to continue to provide high-quality products and services at cost effective and competitive prices, as well as after-sale customer service. While we intend to continue investing in and updating our existing and new brands, we cannot predict the success of these investments. If we fail to maintain and enhance our existing and new brands, if our re-branding efforts are unsuccessful, or if we incur excessive expenses in this effort or if our reputation is otherwise tainted, including by association with the wider financial services industry, we may be unable to maintain loyalty among our existing customers or attract new customers, which could materially and adversely affect our business, financial condition and results of operations.

Our ability to generate revenue could suffer if we do not continue to update and improve our existing products and services and develop new ones.

The industry for electronic financial transactions, including disbursement services, is generally subject to rapid and significant technological changes, including continuing developments of technologies in the areas of smart cards, radio frequency and proximity payment devices (such as contactless cards), electronic commerce and mobile commerce, among others. While we cannot predict how these technological changes will affect our business, we believe that disbursement services to the higher education industry will be subject to a similar degree of technological change and that new services and technologies for the industry will emerge in the medium-term. These new services and technologies may be superior to, or render obsolete, the technologies we currently use in our products and services. In addition, the products and services we develop may not be able to compete with the alternatives available to our customers. Our future success will depend, in part, on our ability to adapt to technological changes and evolving industry standards.

We make substantial investments in improving our products and services, but we have no assurance that our investments will be successful. Our growth prospects, business, financial condition and results of operations will be materially and adversely affected if we do not develop products and services that achieve broad market acceptance with our current and potential customers.

Our business will suffer if we fail to successfully integrate acquired businesses and technologies or to appropriately assess the risks in transactions.

We have acquired, and may in the future acquire, businesses, technologies, services, product lines and other assets, such as our acquisition of Sallie Mae's Campus Solutions division in May 2013. The successful integration of these businesses, or any business, technology, service, product line or other asset that we may acquire in the future, on a cost-effective basis, may be critical to our future performance. There are a number of risks and uncertainties associated with such integration, including but not limited to the following: we may not be able to achieve expected synergies and operating efficiencies regarding the acquisition within the expected time-frames or at all and to successfully integrate the acquired business operations; such integration may be more difficult, time-consuming or costly than expected; we may not be successful in converting new clients gained through acquisitions to our own products and services or in cross-selling our products and service to such clients; revenues following the transaction may be lower than expected; operating costs, client and customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; we may have difficulty retaining certain key employees in the acquired business; and we may be subject to legal proceedings that may be instituted against the parties and others related to the acquisition agreement and the amount of the costs, fees, expenses and charges related to the acquisition. If we do not successfully integrate a strategic acquisition, or if the benefits of a particular transaction do not meet the expectations of financial or industry analysts, the market price of our common stock may decline. Even if we successfully integrate assets or businesses we may acquire, we may incur substantial expenses and devote significant management time and resources in seeking to complete and integrate an acquisition, the acquired business may not perform as we expect or enhance the value of our business as a whole.

We may be liable to our customers or lose customers if we provide poor service or if our systems or products experience failures.

Because of the large amount of data we collect and manage, hardware failures and errors in our systems could result in data loss or corruption or cause the information that we collect to be incomplete or contain significant inaccuracies. For example, errors in our processing systems could delay disbursements or cause disbursements to be made in the wrong amounts or to the wrong person. Our systems may also experience service interruptions as a result of undetected errors or defects in our software, fire, natural disasters, power loss, disruptions in long distance or local telecommunications access, fraud, terrorism, accident or other similar reason, in which case we may experience delays in returning to full service, especially with regard to our data centers and customer service call centers. If problems such as these occur, our customers may seek compensation, withhold payments, seek full or partial refunds, terminate their agreements with us or initiate litigation or other dispute resolution procedures. In addition, we may be subject to claims made by third parties also affected by any of these problems.

Our ability to limit our liabilities by contract or through insurance may be ineffective or insufficient to cover our future liabilities.

We attempt to limit, by contract, our liability for damages arising from our negligence, errors, mistakes or security breaches. Contractual limitations on liability, however, may not be enforceable or may otherwise not provide sufficient protection to us from liability for damages. For example, as we may be deemed by ED to be a third-party servicer to our higher education institution clients, we are required to agree to be held jointly and severally liable with our clients for violations of the federal regulations that govern the disbursement of financial aid refunds. Additionally, some of our public higher education institution clients are prohibited by state law from contractually indemnifying us for liability resulting from such violations. We maintain liability insurance coverage, including coverage for errors and omissions. It is possible, however, that claims could exceed the amount of our applicable insurance coverage, if any, or that this coverage may not continue to be available on acceptable terms or in sufficient amounts. Even if these claims do not result in liability to us, investigating and defending against them could be expensive and time consuming and could divert management's attention away from our operations. In addition, negative publicity caused by these events may delay market acceptance of our products and services, any of which could materially and adversely affect our reputation and our business.

If we are unable to protect or enforce our intellectual property rights, we may lose a competitive advantage and incur significant expenses.

Our business depends on certain registered and unregistered intellectual property rights and proprietary information. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and technical measures (such as the password protection and encryption of our data and systems) to protect our technology and intellectual property rights, including our proprietary software. Existing laws afford only limited protection for our intellectual property rights. Intellectual property rights or registrations granted to us may provide an inadequate competitive advantage to us or be too narrow to protect our products and services. Similarly, there is no guarantee that our pending applications for intellectual property protection will result in registrations or issued patents or sufficiently protect our rights. The protections outlined above may not be sufficient to prevent unauthorized use, misappropriation or disclosure of our intellectual property or technology and may not prevent our competitors from copying, infringing, or misappropriating our products and services. We cannot be certain that others will not independently develop, design around or otherwise acquire equivalent or superior technology or intellectual property rights. If we are unable to adequately protect our intellectual property rights, our business and growth prospects could be materially and adversely affected.

One or more of our issued patents or pending patent applications may be categorized as so-called "business method" patents. The general validity of software patents and business method patents has been challenged in a number of jurisdictions, including the United States. On June 28, 2010, the United States Supreme Court determined that a certain "business method" amounting to abstract ideas was not patentable and on June 19, 2014 the United States Supreme Court further held that implementing an abstract idea on a computer does not make it patent eligible. Although the Court's decision provides little guidance on patentability of our business methods, our patents could become less valuable or unenforceable if additional requirements are imposed that our patents do not meet.

From time to time, we seek to enforce our intellectual property rights against third parties, such as through our current litigation against TouchNet Information Systems, Inc. See "Part I, Item 3. Legal Proceedings" of this report. The fact that we have intellectual property rights, including registered intellectual property, may not guarantee success in our attempts to enforce these rights against third parties. Our ability and potential success in enforcing our rights is also subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights. When we seek to enforce our rights, we may be subject to claims that our intellectual property rights are invalid, otherwise unenforceable, or are licensed to the party against whom we are asserting the claim. In addition, our assertions of intellectual property rights may result in the other party seeking to assert various claims against us, including its own alleged intellectual property rights, claims of unfair competition, or other claims. Furthermore, enforcing our intellectual property and other proprietary rights can be expensive. Any increase in the unauthorized use of our intellectual property could make it more expensive or less profitable to do business and consequently have a material adverse effect on our business, financial condition and results of operations.

As a holding company, our main source of cash is distributions from our operating subsidiaries.

We conduct all of our operations through our subsidiaries. Accordingly, our main cash source is dividends and other distributions from these subsidiaries. The ability of each subsidiary to make distributions depends on the funds that a subsidiary has from its operations in excess of the funds necessary for its operations, obligations or other business plans. If our operating subsidiaries are unable to make distributions, we may not be able to implement our growth strategy, unless we are able to obtain additional debt or equity financing. In the event of a subsidiary's liquidation, there may not be assets sufficient for us to recoup our investment in the subsidiary.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

On December 30, 2011, we moved into our new corporate headquarters located at 115 Munson Street, New Haven, Connecticut. We constructed our headquarters on land that we lease at a nominal cost pursuant to a 90 year lease with a right to purchase at the end of year seven.

We have operations in Oakland, California, where we lease general office space pursuant to a lease agreement which is currently due to expire in January 2016; in Atlanta, Georgia, where we lease general office space and a data center pursuant to a lease agreement which is currently due to expire in October 2022; in Buffalo, New York, where we lease general office space pursuant to a lease agreement which is currently due to expire in 2015; and in Chennai, India, where we lease general office space pursuant to a lease agreement which is currently due to expire in August 2015.

We believe that these properties are suitable and adequate for our current use and also provide us with sufficient space to grow to meet additional business needs.

Item 3. Legal Proceedings

We, and our subsidiaries, are involved in legal proceedings concerning matters arising in the ordinary course of our business, including the matters described below. Although the outcome of such proceedings, including the matters described below, cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse effect on our business, financial condition or results of operations.

Certain legal proceedings in which we are involved are discussed in the Notes to Consolidated Financial Statements—Note 16. Commitments and Contingencies – Litigation and Regulatory, which is included elsewhere in this annual report on Form 10-K and incorporated by reference herein.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is quoted on New York Stock Exchange under the symbol "ONE." Prior to June 17, 2010, our common stock was privately held and did not trade on any exchange. The following table sets forth, for each of the periods indicated, the high and low reported sales price of our common stock at the close of trading on the NYSE.

	High	Low
Year ended December 31, 2014		
Fourth Quarter	$ 4.48	$ 2.22
Third Quarter	4.40	2.42
Second Quarter	7.09	3.59
First Quarter	9.40	6.55
Year ended December 31, 2013		
Fourth Quarter	$ 10.46	$ 7.46
Third Quarter	11.20	6.99
Second Quarter	11.64	8.75
First Quarter	12.11	8.87

As of March 3, 2015, we had 17 stockholders of record of our common stock. The closing sale price of our common stock on March 3, 2015 was $2.92 per share.

We have not paid any cash dividends on our common stock during the years ended December 31, 2014, 2013 or 2012. The payment of future cash dividends is within the discretion of our board of directors and will depend upon our future earnings, if any, our capital requirements, financial condition and other relevant factors. See Note 13 "Capital Stock – Common Stock" of the notes to our consolidated financial statements provided elsewhere in this annual report on Form 10-K for a description of restrictions on our ability to pay dividends.

We have outstanding options, warrants and restricted shares as detailed in Note 14 "Stock-Based Compensation" of the notes to our consolidated financial statements provided elsewhere in this annual report on Form 10-K. These options, warrants and restricted shares are not transferable for consideration and do not have dividend equivalent rights attached.

Securities Authorized For Issuance Under Equity Compensation Plans

The table below sets forth the following information as of the end of December 31, 2014 for (1) all compensation plans previously approved by our stockholders and (2) all compensation plans not previously approved by our stockholders.

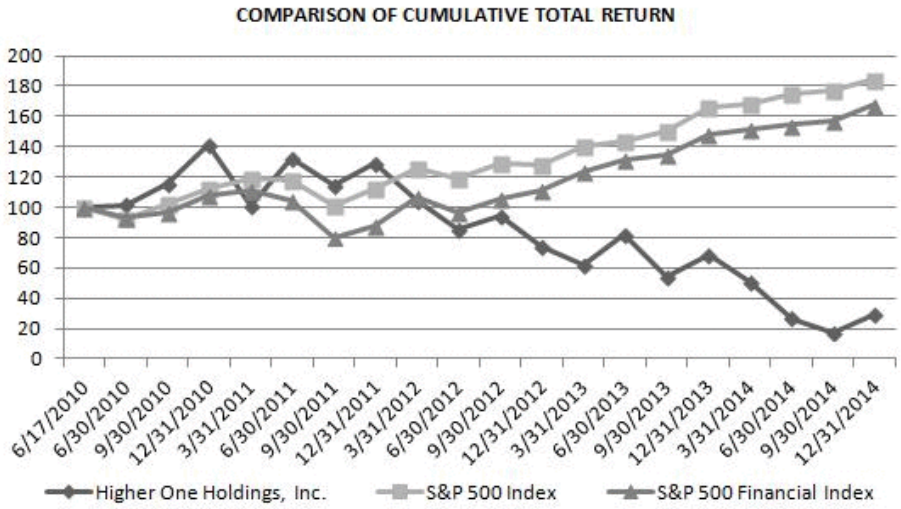
	Equity Compensation Plan Information			
Plan Category	**Number of shares of common stock to be issued upon exercise of outstanding options and warrants (2)**	**Weighted-average exercise price of outstanding options and warrants**	**Weighted-average term to expiration of options and warrants outstanding**	**Number of shares of common stock remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by stockholders (1)	4,904,172	$ 8.38	5.7	1,634,924
Equity compensation plans not approved by stockholders	—	—	—	—

(1) Reflects number of shares of common stock to be issued upon exercise of outstanding options under all of our equity compensation plans, including our 2000 Stock Option Plan and 2010 Equity Incentive Plan. No shares of common stock are available for future issuance under any of our equity compensation plans, except the 2010 Equity Incentive Plan.

(2) Does not include 1,363,125 restricted stock awards and restricted stock units that were issued under the 2010 Equity Incentive Plan.

Stockholder Return Performance Presentation

The following graph compares the change in the cumulative total stockholder return on our common stock during the period from June 17, 2010 (the first day our stock began trading on the NYSE) through December 31, 2014, with the cumulative total return on each of the S&P 500 Index and the S&P 500 Financials Index. The comparison assumes that $100 was invested on June 17, 2010 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.



Item 6. Selected Financial Data

You should read the data set forth below in conjunction with "Item 7.–Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and related notes and other financial information included elsewhere in this annual report on Form 10-K. We derived the selected financial data as of December 31, 2014 and 2013 and for each of the three years ended December 31, 2014, 2013 and 2012 from our audited consolidated financial statements and the related notes appearing elsewhere in this annual report on Form 10-K. We derived the selected financial data as of and for the years ended December 31, 2011 and 2010 and as of December 31, 2012 from our audited financial statements and the related notes not included in this annual report on Form 10-K.

Consolidated Statement of Income Data

	Year Ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands, except share and per share amounts)				
Revenue	$ 144,969	$ 176,320	$ 197,720	$ 211,123	$ 220,111
Cost of revenue	51,845	67,560	80,280	88,824	102,389
Gross margin	93,124	108,760	117,440	122,299	117,722
Operating expenses	51,877	61,245	57,998	96,447	90,584
Income from operations	41,247	47,515	59,442	25,852	27,138
Other income (expense)	(700)	1,302	(548)	(2,372)	(2,496)
Income before income taxes	40,547	48,817	58,894	23,480	24,642
Income tax expense	15,488	16,924	22,024	9,352	9,675
Net income	25,059	31,893	36,870	14,128	14,967
Less: Net income allocable to participating securities	8,910	–	–	–	–
Net income available and attributable to common shareholders	$ 16,149	$ 31,893	$ 36,870	$ 14,128	$ 14,967
Net income per common share:					
Basic	$ 0.48	$ 0.58	$ 0.68	$ 0.30	$ 0.32
Diluted	0.44	0.54	0.65	0.29	0.31
Weighted average common shares outstanding:					
Basic	33,395,310	55,210,972	53,877,879	46,717,359	47,209,780
Diluted	57,302,843	59,553,678	56,728,807	48,368,365	48,050,039

Consolidated Balance Sheet Data

	As of December 31,				
	(in thousands)				
	2010	2011	2012	2013	2014
Cash and cash equivalents	$ 34,484	$ 39,085	$ 13,031	$ 6,268	$ 40,022
Total assets	119,441	176,015	190,898	232,383	257,271
Total debt and capital lease obligations, including current maturities	8,250	9,801	89,490	98,181	102,871
Total liabilities	36,050	52,429	133,186	159,417	165,089
Total stockholders' equity	83,391	123,586	57,712	72,966	92,182

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, this annual report on Form 10-K contains forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties, which may cause our actual results to differ materially from plans and results discussed in forward-looking statements. We encourage you to review the risks and uncertainties discussed in the section entitled "Risk Factors," in Part I, Item 1A of this annual report on Form 10-K, and the note regarding "Forward-Looking Statements," included at the beginning of this annual report on Form 10-K. Such risks and uncertainties can cause actual results to differ significantly from those forecasted in forward-looking statements or implied in historical results and trends.

The following discussion should be read in conjunction with our consolidated financial statements and the related notes appearing elsewhere in this annual report on Form 10-K.

Overview

General

Based on market share and the number of campuses using our products and services, we believe we are a leading provider of technology-based refund disbursement, payment processing and data analytics services to higher education institutions and their students. We believe that none of our competitors match our ability to provide solutions for higher education institutions' financial services needs, including compliance monitoring. Consequently, 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 Refund Management disbursement service, our CASHNet® Payment Processing suite and our Campus Labs suite. Through our bank partners, we offer the OneAccount, which includes an FDIC-insured checking account, a debit MasterCard® ATM card and other retail banking services, to the students of our higher education institution clients that use our Refund Management disbursement service.

As of December 31, 2014, more than 800 campuses serving approximately 5.1 million students purchased our Refund Management disbursement service. In total, there are more than 1,900 campuses servicing nearly 13 million students contracted to use at least one of our services. As of December 31, 2014, we also serviced approximately 2.1 million OneAccounts.

In evaluating our results, we consider a variety of operating and financial measures. The key metrics that we use to determine how our business is performing include: (i) total number of students enrolled at our higher education institution clients; (ii) number of OneAccounts; (iii) total revenue; (iv) adjusted EBITDA; (v) adjusted net income; and (vi) net income. See "Supplemental Non-GAAP Financial and Operating Information" below for definitions of EBITDA, adjusted EBITDA and adjusted net income (each of which are non-GAAP measures) and reconciliations to net income.

Department of Education

In early 2014, the Department of Education, or ED, formed a negotiated rulemaking committee. Our Chief Operating Officer was selected by ED to serve on the committee as a primary negotiator. The committee convened in February, March, April and May of 2014 to discuss and work toward revising existing regulations to potentially address, among other things, consumer safeguards regarding debit and prepaid cards associated with Title IV Cash Management (including fees associated with such debit and prepaid cards), marketing of financial products (including sending unsolicited cards to students and co-branding of the card and materials) by institutions and their preferred banks or contractors, ATM access and availability, revenue sharing arrangements, and the potential for a government-sponsored debit or prepaid card solution. The negotiated rulemaking committee concluded its efforts in May 2014 and a consensus was not reached on any proposed regulations. Since that time, there have been no proposed regulations related to Title IV Cash Management published in the Federal Register. Should ED issue a Notice of Proposed Rulemaking on Title IV Cash Management regulations, complete the public comment process and publish a final rule in the Federal Register by November 1, 2015, we believe new Title IV Cash Management regulations would likely not go into effect until July 1, 2016. Several of the views expressed at the sessions were unfavorable to certain of our current business practices.

Regulatory Matters

The Federal Reserve Bank of Chicago notified us and a former bank partner of potential violations of the Federal Trade Commission Act relating to marketing and disclosure practices related to the OneAccount during the period it was offered by such former bank partner. On May 9, 2014, the Federal Reserve Banks of Chicago (the responsible Reserve Bank for a former bank partner) and Philadelphia (the responsible Reserve Bank for a current bank partner) notified us that the Staff of the Board of Governors of the Federal Reserve System intended to recommend that the Board of Governors of the Federal Reserve System, or the Board of Governors, seek an administrative order against us with respect to asserted violations of the Federal Trade Commission Act. The cited violations relate to our activities with both a former and current bank partner and our marketing and disclosure practices related to the process by which students may select the OneAccount option for financial aid refund. We are in discussions with the Staff of the Board of Governors and the Reserve Banks on this matter. The Staff of the Board of Governors has asserted that any administrative order may seek damages, including customer restitution and civil money penalties, totaling as much as $35 million, and changes to certain of our business practices.

Approximately 55% of the OneAccounts are held at our bank partner regulated by the FDIC and we will need to consider voluntarily providing restitution to those OneAccounts held at that bank partner. In the event we do provide restitution to these OneAccounts on the same basis as an order from the Board of Governors, it is reasonably possible that our loss related to this matter will increase accordingly and increase our total exposure by an additional amount of approximately $35 million, or approximately $70 million in total.

During the year ended December 31, 2014, we recorded a liability of $8.75 million related to this matter, which is shown as a reduction of revenue on our consolidated statement of operations. While we believe that it is probable that we will have a loss related to this regulatory matter, in view of the inherent difficulty of predicting the outcomes of regulatory matters, we cannot predict the eventual outcome of this pending matter, the timing of the ultimate resolution of this matter or an exact amount of loss associated with this matter. The liability reflects the minimum amount we expect to pay related to this matter, although, there is a reasonable possibility that the liability will increase in future periods. The ultimate amount of restitution or civil money penalties is subject to many uncertainties and therefore impossible to predict. As disclosed in “Note 11 – Credit Facility” of our consolidated financial statements, we amended our Credit Facility in February 2015 which allows, among other things, for the payment of up to $75 million in the connection with the resolution of the regulatory matters described above.

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 the next twelve months. However, we may be required to pay material customer restitution and civil money penalties related to certain regulatory proceedings as described above. While the ultimate amounts of customer restitution or civil money penalties are subject to many uncertainties and therefore are impossible to predict, we believe that our cash flows from operations and liquidity sources available through our Credit Facility, as amended, will allow us to pay such customer restitution and civil money penalties.

Revenue

We derive revenue primarily from fees charged for the transactions that we facilitate for our higher education institution clients and from providing banking services for OneAccounts. Most of these fees are charged on a per transaction basis and, accordingly, transaction volumes significantly affect our revenue growth. Transaction volumes are generally a function of the number of students enrolled at each of our higher education institution clients, as a larger student population will generally lead to a greater number of active OneAccounts and related banking transactions, a greater number of payment transactions, as well as other transactions such as refund related disbursements.

We negotiate our fee rates with our higher education institution clients. Fees charged to our banking and payment transaction customers are set by a schedule which may vary for individual higher education institution clients. Fees charged for OneAccount services are collected by our bank partners as incurred and subsequently remitted to us. Fees charged on payment transactions are charged as incurred and retained by us. Fees charged for our Refund Management disbursement services, CASHNet Payment Processing services, and our Campus Labs data analytics are billed to our higher education institution clients and subsequently collected from them.

Our retention rate for our higher education institution clients has been in excess of 98% for each of the past 3 years, which helps to ensure a stable and recurring client base. We believe that our recurring client base provides us with a revenue stream from our higher education institution clients that is relatively stable and predictable. The majority of our revenue each year from higher education institution clients is generated through relationships and contracts that were signed in prior years. Our account revenue and payment transaction revenues are also based on recurring relationships with our higher education institutions, but, since the revenue is largely earned from transaction activity of current students, the predictability of those revenue streams can vary due to changes in enrollment at our higher education institution clients and the percentage of students at those higher education institution clients that use our services. Changes in enrollment, student usage or the availability of financial aid can have an impact on our revenues and profitability and impact the predictability of our results.

We divide our revenue into four categories: account revenue, payment transaction revenue, higher education institution revenue and other revenue. During 2014, we recorded an allowance for potential customer restitution of $8.75 million which resulted in a reduction to revenues in the year.

Account Revenue

We generate revenue from active OneAccounts, which are opened and funded by students and other members of the campus community. We earn revenue based on both interchange fees and account service fees. Account service fees include, for example, foreign ATM fees and non-sufficient fund fees. We currently offer three different types of the OneAccount, each of which has a different fee schedules than the original OneAccount.

Our Bank Partners charge merchants interchange fees for point-of-sale, or POS, purchases made with debit MasterCard ATM cards and remit these fees to us. The amount of the fee generally depends on the size of the transaction, the merchant where the purchase is made and the network through which the transaction is processed.

We earn fees from ATM transactions conducted by OneAccount holders using their debit MasterCard ATM cards at ATMs outside of our ATM network. We also earn ATM fees from transactions conducted through our ATMs with cards other than the debit MasterCard ATM cards our Bank Partners issue.

We earn other fees for banking services provided to OneAccount holders, including fees for conducting wire transfers, replacing lost debit MasterCard ATM cards, processing international transactions, processing stop payment requests, over-the-counter cash withdrawals using debit MasterCard ATM cards, issuing official checks and electronic bill pay features.

Our Bank Partners charge non-sufficient funds fees and remit them to us when a check or automated clearinghouse item is presented for payment which is in excess of the OneAccount holder's available funds. Non-sufficient funds fees were assessed on recurring debit card transactions that resulted in an overdrawn account through December 31, 2012, but not thereafter. We do not offer our customers the ability to opt-in to the payment of overdrafts for ATM or one-time debit card transactions.

The primary influences on account revenue changes are related to the number of active OneAccounts, the amount of refunds disbursed by our higher education institution clients and pricing changes in our account fee schedule. During each of the years ended December 31, 2014, 2013 and 2012, account revenue per OneAccount decreased as a result of changes which we made to our account fee schedule. During the year ended December 31, 2014, we experienced a decrease in the number of OneAccounts as well as a decrease in the amount of dollar volume in the OneAccounts which also resulted in a decrease in revenue.

During the fall semester of 2012, the amount of disbursements which we delivered to individuals that selected the OneAccount as their method of receiving a refund was slightly lower compared to the prior year. This was in part due to a decline in the average size and unique number of individuals for whom we processed a disbursement from higher education institutions that were Refund Management disbursement service clients in both 2011 and 2012. In addition, during the year ended December 31, 2012, the ratio of individuals selecting to receive a disbursement from their higher education institution to a OneAccount was lower than the prior year.

During 2013 and 2014, the amount of disbursements we delivered to individuals that selected the OneAccount as their preferred method of receiving a refund from their higher education institution continued to be lower than in each of the prior years. The decrease in disbursements to OneAccounts during the years ended December 31, 2013 and 2014, was primarily a result of a decrease in the ratio of individuals selecting to receive a disbursement from their higher education institution to a OneAccount compared to prior years. We expect that the trend of lower disbursements to OneAccounts will continue in the future which is expected to lead to a decrease in Account Revenue.

Growth in the number of OneAccounts is tied to growth in the number of students enrolled at clients that use our Refund Management disbursement service, which expands as new clients contract to use this product, as well as the number of students that choose the OneAccount as their method of receiving a refund. The rate of OneAccount adoption varies based on a number of factors, including, but not limited to, the average tenure of a student at a higher education institution, whether the higher education institution is a 2-year or a 4-year school or a public or private school and the mix of undergraduate and graduate students.

Payment Transaction Revenue

We generate payment transaction revenue through convenience fees charged to students, parents or other payers who establish payment plans to make tuition payments or to those who make online payments to our higher education institution clients through our payment processing service. As these fees are assessed on a per transaction basis, growth in payment transaction revenue is primarily influenced by transaction volumes. During the years ended December 31, 2014 and 2013, the acquisition of the Campus Solutions line of business contributed to the growth in payment transaction revenue.

Higher Education Institution Revenue

Our higher education institution clients pay fees for the products and services they purchase from us. We charge our clients: (i) an annual subscription fee based on the size of their student population; (ii) a per-transaction fee; or (iii) a combination of both types of fees. For certain CASHNet Payment Processing and Campus Labs services, we also charge an implementation fee, which is deferred and recognized over the estimated client relationship period. As further described in the sections below, the composition of our higher education institution revenue changed with the acquisition of the Campus Labs line of business in August 2012, and, to a lesser extent, with the acquisition of the Campus Solutions line of business in May 2013. All of the revenue generated from the Campus Labs business is included within higher education institution revenue.

The number of students enrolled at our higher education institution clients and the number of campuses under contract are significant drivers of our higher education institution revenue. The number of client institutions increased significantly during 2012 as a result of our Campus Labs acquisition. We expect that future increases in our institution client base, as well as additional sales to our existing client base, will result in increases in our higher education institution revenue.

Other Revenue

Other revenue consisted primarily of two main components: a marketing incentive fee which was paid by MasterCard International Incorporated based on new debit MasterCard ATM card issuances, and processing fees paid by our then current bank partners. As a result of a change in our arrangement with MasterCard, which took effect in the fourth quarter of 2012, the amount of revenue received from MasterCard which is recorded in Other Revenue decreased during the year ended December 31, 2013 and will continue to be lower than the amounts received through the year ended December 31, 2012.

Allowance for Customer Restitution

As further described in "Note 16 – Commitments and Contingencies" to our consolidated financial statements and the "Regulatory Matters" section within "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview," above, we recorded a liability of $8.75 million during the year ended December 31, 2014, which is shown as a reduction of revenue on our consolidated statement of operations, related to the potential requirement to provide restitution to certain OneAccount customers.

Cost and Expenses

Employee compensation and related expenses represent our largest single expense. We allocate compensation and other related expenses, including stock-based compensation, to cost of revenue, product development, sales and marketing and general and administrative expenses. Other costs and expenses include, among other items, data processing, network fees, ATM-related expenses, professional services, travel and amortization.

The following summarizes our cost of revenue and certain significant operating expenses:

Cost of Revenue

Cost of revenue consists primarily of data processing expenses, interchange expenses related to payment processing services and ATM transactions, customer service expenses, amortization of implementation fees and acquired intangible assets, and uncollectible fees and write-offs. Certain of these expenses, such as interchange expense and customer service expense, generally move in line with the transaction volumes for our banking and payment transactions services. Other expenses, such as certain data processing expenses and amortization do not vary significantly based on changes in transaction volume.

General and Administrative

General and administrative expenses include finance, legal, compliance, facility and administration costs, as well as components of operational costs such as ATM cash services and maintenance, data center costs and costs associated with our information technology. These costs include employee compensation and related expenses, as well as fees for professional services.

Product Development

Product development expenses include costs associated with defining and specifying new features and ongoing enhancements for our proprietary technology platforms and other aspects of our service offerings. Product development costs primarily relate to employee compensation, and to a lesser extent, fees for professional services.

Sales and Marketing

Sales and marketing expenses include costs of acquiring new institution clients and educating their students about our services and our other student-oriented products and services. Sales and marketing costs are primarily comprised of employee compensation. Each of our sales representatives earns: (i) a base salary; (ii) sales commissions, which are earned upon the signing of a contract with a higher education institution client; and (iii) certain trailing commissions, which are based on account performance. Sales and marketing expenses also include amortization expense of acquired intangible assets.

Litigation settlement and related costs

Litigation settlement and related costs is an expense related to a preliminary settlement agreement that we executed in October 2013, as described in "Note 16 – Commitments and Contingencies – Litigation and Regulatory" to our consolidated financial statements.

Merger and acquisition related (income) expenses, net

Merger and acquisition related (incomes) expenses, net, includes expenses or other charges related to the acquisitions of the Campus Labs and Campus Solutions businesses in 2012 and 2013, respectively. These expenses include professional fees associated with the acquisitions and related audits, fair value adjustments to the contingent consideration component of the purchase price for the Campus Labs acquisition and certain employee-related costs related to a bonus to be paid to employees previously employed by Campus Labs following a specified time period of employment by Higher One.

Acquired Businesses

In August 2012, we acquired substantially all of the assets and liabilities of Campus Labs, LLC, a leader in providing data analytics solutions to higher education institutions. This acquisition provided us with our Campus Labs suite of data analytics products and services and nearly doubled the number of campuses with which we had contractual relationships. We purchased the Campus Labs business for $37.3 million in cash, warrants to purchase 150,000 shares of our common stock and a potential earn-out payment based on 2013 revenues of the acquired business. No payment was made under the earn-out agreement.

In May 2013, we acquired substantially all of the assets of Sallie Mae's Campus Solutions business. The acquisition of the Campus Solutions business significantly increased the number of higher education institution clients to which we provide refund disbursement and payment processing services. We purchased the Campus Solutions business for $47.3 million in cash, $5.2 million of which was deposited into escrow at closing. We received $1.6 million during the year ended December 31, 2014 from escrow.

See also "Part I, Item 1. Business—Products and Services—Campus Labs" and "Part I, Item 1. Business—Products and Services—Campus Solutions Suite" of this annual report on Form 10-K.

Critical Accounting Policies

A number of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our consolidated financial statements. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of estimates. Those estimates are based on our historical experience, terms of existing contracts, management's observation of trends in the industry and information available from other outside sources, as appropriate. On an ongoing basis, we evaluate our estimates and judgments. Actual results may differ significantly from the estimates contained in our consolidated financial statements. The following areas represent our critical accounting policies:

- Provision for OneAccount Losses
- Goodwill and Intangible Assets
- Business Combinations
- Loss Contingencies
- Stock-Based Compensation
- Income Taxes
- Revenue

Information about these critical accounting policies is included in Note 2 – "Significant Accounting Policies" to our consolidated financial statements appearing elsewhere in this annual report on Form 10-K and to the extent additional information is relevant, it has been included below.

Provision for OneAccount Losses

Our reserve for operational losses is established based upon an analysis of outstanding overdrafts and historical repayment rates. If the financial condition of our accountholders were to deteriorate, thereby reducing their ability to make payments, or if they otherwise fail to repay the amounts owed to us, additional reserves would be required in the future. We also record an estimated liability for losses due to fraud or theft based on transactions that have been disputed by our accountholders but where such disputes have not been resolved as of the end of the reporting period. If the rate of actual losses due to fraud or theft increase relative to the amount of amounts that have been disputed by our accountholder, additional reserves would be required in the future.

Goodwill and Intangible Assets

We have one operating segment and reporting unit for purposes of our goodwill testing as a result of the integrated way that the entire business is managed. We performed the annual impairment test as of October 31, 2014 and 2013 and determined that the fair value of our reporting unit exceeded its carrying value by more than 30% and 400% at each test, respectively. As we only have one operating segment and one reporting unit, we primarily rely on the indicated fair value of the enterprise from the trading price of our common stock. If the trading price of our common stock continues to decrease, or if our estimate of future operating cash flows diminishes, the estimated fair value of our reporting unit could decrease further and potentially lead to an indicator of impairment.

We assess the impairment of identifiable intangible assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- significant negative industry or economic trends.

When we determine that the carrying value of intangible assets may not be recoverable based upon the existence of one or more of the above indicators of potential impairment, we assess whether an impairment has occurred based on whether net book value of the assets exceeds related projected undiscounted cash flows from these assets. We consider a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles in estimating future cash flows. Differing estimates and assumptions as to any of the factors described above could result in an impairment charge which would have a material and adverse effect on our results of operations.

Stock-Based Compensation

The options we grant expire ten years from the date of grant. Options for our employees vest over periods ranging up to five years, with the majority vesting as follows: one-fifth of the granted options vest one year from the date of grant; the remaining four-fifths vest at a rate of 1/48 per month over the remaining four years of the vesting period. The board grants incentive stock options as well as nonqualified stock options and restricted stock to key members of management.

The amount of stock-based compensation expense we recognize during a period is based on the portion of the awards that are ultimately expected to vest. We estimate option forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates.

Restricted stock is a stock award that entitles the holder to receive shares of our common stock as the award vests over time. The fair value of each restricted stock award is estimated using the intrinsic value method that is based on the fair value of our common stock on the date of grant. Compensation expense for restricted stock awards is recognized ratably over the vesting period on a straight-line basis.

Income Taxes

Our deferred tax balances are dependent upon our estimation of the rates at which these deferred taxes will reverse in the future. Differences in our estimation of apportionment in future years would have an impact on the amount of deferred taxes we record as of any point in time.

Business Combinations

In recording the fair value of assets acquired and liabilities assumed in a business combination, we make estimates regarding customer retention rates, discount rates and future revenues, among other things. Changes in these estimates would have an impact on the amount of value assigned to our assets acquired and therefore impact the amount of amortization that is recorded in future periods.

In May 2013, we acquired substantially all the assets of the Campus Solutions business from Sallie Mae. Under the acquisition method of accounting, the total fair value of consideration transferred was allocated to Campus Solutions' net tangible and intangible assets based on their estimated fair values as of May 7, 2013. In determining the fair value of these amounts, we made estimates regarding (i) the amount of future revenues to be derived from the technology in existence at the time of the acquisition, (ii) the amount of future revenues to be derived from the existing customers of Campus Solutions at the time of the acquisition, (iii) the contracts to be assigned to us, (iv) the period of time over which the technology in existence at the time of the acquisition will be replaced, (v) the operating margin to be earned in the future, and (vi) the appropriate discount rates to use for each acquired asset. In most cases, an increase in our expected future revenues would have the effect of increasing the value ascribed to our identifiable intangible assets and thereby increasing future amortization expense and decreasing the amount of goodwill recorded. We utilized discount rates ranging between 22% and 23% to determine the fair value of the acquired intangible assets. Increases or decreases of one percentage point in the discount rate would not have a material impact on the amount of acquired intangible assets or goodwill recorded in the transaction.

Our contingently returnable escrow receivable was valued using probability-weighted, future possible expected outcomes. The unobservable input utilized in the determination of this receivable is our estimation of which clients subject to the escrow agreement will assign their contracts to us. During the year ended December 31, 2014, we recorded a measurement period adjustment which resulted in a change in the fair values attributed to the contingently returnable escrow receivable, intangible assets and goodwill. We have revised the comparative balance sheet as of December 31, 2013 to include the effect of the measurement period adjustment as if the accounting had been completed on the acquisition date. The fair value of the contingently returnable escrow receivable was reduced by $3.2 million and the fair values of intangible assets and goodwill were increased by $2.3 million and $0.9 million, respectively.

In August 2012, we acquired substantially all the assets of Campus Labs, LLC and under the acquisition method of accounting, the total fair value of consideration transferred was allocated to Campus Lab's net tangible and intangible assets based on their estimated fair values as of August 7, 2012. In determining the fair value of these amounts, we made estimates regarding (i) the amount of future revenues to be derived from the technology in existence at the time of the acquisition, (ii) the amount of future revenues to be derived from the existing customers of Campus Labs at the time of the acquisition, (iii) the amount of revenues to be earned in 2013 which determines the amount of our contingent consideration earn-out payable to the former owners of Campus Labs, (iv) the period of time over which the technology in existence at the time of the acquisition will be replaced, (v) the operating margin to be earned in the future, and (vi) the appropriate discount rates to use for each acquired asset and liability. In most cases, an increase in our expected future revenues would have the effect of increasing the value ascribed to our identifiable intangible assets and thereby increasing future amortization expense and decreasing the amount of goodwill recorded. In the case of our contingent consideration arrangement, increases in expected future revenues would increase our contingent consideration liability and also the amount of goodwill recorded. We utilized discount rates ranging between 16% and 19% to determine the fair value of the acquired intangible assets and contingent consideration liability. Increases or decreases of one percentage point in the discount rate would not have a material impact on the amount of acquired intangible assets, contingent consideration liability or goodwill recorded in the transaction.

Our contingent consideration liability was a liability measured at fair value on a recurring basis which relied on unobservable inputs. There was no payment due at the end of the earn-out period in 2013.

Revenue

In circumstances where we assess an implementation fee, our revenue recognition depends on our estimates of the client relationship period.

Loss Contingencies

We are currently involved in various claims and legal proceedings. These include litigation relating to matters in the ordinary course of business, as well as regulatory examinations, information gathering requests, inquiries and investigations. Each quarter, we review the status of each significant matter and assess its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation, and may revise our estimates. These revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Results of Operations for the Years Ended December 31, 2014, 2013 and 2012

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

	Year Ended December 31,			Change from prior period			
	2014	2013	2012	2014	2013	2014	2013
	(in thousands of dollars)			(in thousands of dollars)		(percentage)	
Revenue:							
Account revenue	$ 131,053	$ 135,847	$ 150,715	$ (4,794)	$ (14,868)	(3.5%)	(9.9%)
Payment transaction revenue	58,231	41,109	23,168	17,122	17,941	41.7%	77.4%
Higher education institution revenue	38,667	33,155	21,016	5,512	12,139	16.6%	57.8%
Other revenue	910	1,012	2,821	(102)	(1,809)	(10.1%)	(64.1%)
Gross revenue	228,861	211,123	197,720	17,738	13,403	8.4%	6.8%
Less: Allowance for customer restitution	(8,750)	–	–	(8,750)	–	100.0%	100.0%
Revenue	220,111	211,123	197,720	8,988	13,403	4.3%	6.8%
Cost of revenue	102,389	88,824	80,280	13,565	8,544	15.3%	10.6%
Gross margin	117,722	122,299	117,440	(4,577)	4,859	(3.7%)	4.1%
Operating expenses:							
General and administrative	65,292	58,555	46,321	6,737	12,234	11.5%	26.4%
Product development	7,194	9,305	5,221	(2,111)	4,084	(22.7%)	78.2%
Sales and marketing	18,098	17,058	12,284	1,040	4,774	6.1%	38.9%
Litigation settlement and related costs	–	16,320	–	(16,320)	16,320	(100.0%)	100.0%
Merger and acquisition related (income) expenses, net	–	(4,791)	(5,828)	4,791	1,037	(100.0%)	(17.8%)
Total operating expenses	90,584	96,447	57,998	(5,863)	38,449	(6.1%)	66.3%
Income from operations	27,138	25,852	59,442	1,286	(33,590)	5.0%	(56.5%)
Interest income	92	88	109	4	(21)	4.5%	(19.3%)
Interest expense	(3,266)	(3,082)	(967)	(184)	(2,115)	6.0%	218.7%
Other income	678	622	310	56	312	9.0%	100.6%
Net income before income taxes	24,642	23,480	58,894	1,162	(35,414)	4.9%	(60.1%)
Income tax expense	9,675	9,352	22,024	323	(12,672)	3.5%	(57.5%)
Net income	$ 14,967	$ 14,128	$ 36,870	$ 839	$ (22,742)	5.9%	(61.7%)

	Year Ended December 31,		
	2014	2013	2012
	(% of revenue)		
Revenue:			
Account revenue	59.5%	64.3%	76.2%
Payment transaction revenue	26.5%	19.5%	11.7%
Higher education institution revenue	17.6%	15.7%	10.6%
Other revenue	0.4%	0.5%	1.4%
Gross revenue	104.0%	100.0%	100.0%
Less: Allowance for customer restitution	(4.0%)	0.0%	0.0%
Revenue	100.0%	100.0%	100.0%
Cost of revenue	46.5%	42.1%	40.6%
Gross margin	53.5%	57.9%	59.4%
Operating expenses:			
General and administrative	29.7%	27.7%	23.4%
Product development	3.3%	4.4%	2.6%
Sales and marketing	8.2%	8.1%	6.2%
Litigation settlement and related costs	0.0%	7.7%	0.0%
Merger and acquisition related (income) expenses, net	0.0%	(2.3%)	(2.9%)
Total operating expenses	41.2%	45.7%	29.3%
Income from operations	12.3%	12.2%	30.1%
Interest income	0.0%	0.0%	0.1%
Interest expense	(1.5%)	(1.5%)	(0.5%)
Other income	0.3%	0.3%	0.2%
Net income before income taxes	11.2%	11.1%	29.8%
Income tax expense	4.4%	4.4%	11.1%
Net income	6.8%	6.7%	18.6%

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Account Revenue

The decrease in account revenue was primarily due to a decrease in amounts spent from OneAccounts, which had the effect of reducing both interchange and service fee revenue when compared to the same period in the prior year. There was an approximate 2% decrease in the total dollars deposited into OneAccounts compared to the same period in the prior year, which led to an approximate 2% decrease in amounts spent from OneAccounts. The amounts deposited and spent from OneAccounts typically move by similar amounts, but may vary by several percentage points from one reporting period to the next depending on specific deposit and spending behavior. The decrease in dollars deposited into OneAccounts was the result of fewer financial aid refunds being deposited to OneAccounts, partially offset by an increase in the amount of non-financial aid deposits made into OneAccounts. We experienced an approximate 16% increase in amounts deposited to OneAccounts from non-refund sources, including payroll direct deposit, Reload @ the Register® and "Cash In" with MoneyPak® deposit options and EasyDeposit℠ mobile check deposits. Deposits from non-financial aid refund sources constituted approximately 15% of all deposits made to OneAccounts during the year ended December 31, 2014, an increase from 13% during the comparable prior year period.

In addition, our service fee revenue decreased as a result of a change we made to our account fee schedule during the second half of 2013, including the removal of a fee assessed to customers that had not repaid an overdraft balance within an allotted time period. The removal of this fee was partially offset by increases in amounts earned from other fees.

Payment Transaction Revenue

The majority of the increase in payment transaction revenue was due to the higher volume of transactions processed through the SmartPay payment module during the year ended December 31, 2014, which led to increases in payment transaction revenue. In total, payment transaction revenue associated with our CASHNet Payment Processing services, including SmartPay, increased to $41.2 million during the year ended December 31, 2014, from $30.8 million during the comparable prior year period. The increase in payment transaction volume is primarily due to the introduction of Visa as a payment method for SmartPay. In addition, approximately $2.3 million of the increase in payment transaction revenue was due to higher education institution clients that began utilizing the SmartPay payment module after December 31, 2013.

The Campus Solutions business contributed approximately $17.0 million of payment transaction revenue during the year ended December 31, 2014, an increase of $6.7 million compared to the comparable prior year period. The increase in revenue from the Campus Solutions business is primarily related to the inclusion of a full twelve months of activity in the current year period, compared to less than eight months of activity in the comparable prior year period.

Higher Education Institution Revenue

The increase in higher education institution revenue was primarily due to increases related to our Campus Labs business and CASHNet payment processing services. The revenue associated with Campus Labs increased to $14.4 million during the year ended December 31, 2014, compared to $11.2 million during the comparable prior year period. Approximately $1.1 million of the increase in Campus Labs revenue was due to acquisition-related fair value adjustments to deferred revenue, which reduced revenue during the year ended December 31, 2013. The remaining increase in revenue is due to year-over-year increases in higher education institution client billings.

The revenue associated with our CASHNet payment processing services increased to $16.6 million during the year ended December 31, 2014, from $14.9 million in the comparable prior year period. The increase in CASHNet subscription revenue for our payment processing products is due to a combination of new client sales, as well as additional sales to existing schools. The revenue associated with Campus Solutions increased to $2.5 million during the year ended December 31, 2014, from $2.0 million in the comparable prior year period.

The revenue associated with our Refund Management disbursement services was $5.1 million during each of the years ended December 31, 2014 and 2013.

Allowance for Customer Restitution

As further described in "Note 16 – Commitments and Contingencies" to our consolidated financial statements and the "Regulatory Matters" section within "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview," above, we recorded a liability of $8.75 million during the year ended December 31, 2014, which is shown as a reduction of revenue on our consolidated statement of operations, related to the potential requirement to provide restitution to certain OneAccount customers.

Cost of Revenue

During the year ended December 31, 2014, our gross margin percentage decreased to 53.5%, largely as a result of the allowance for customer restitution described above. Excluding the impact of the allowance for customer restitution, our non-GAAP gross margin percentage would have been 55.3% during the year ended December 31, 2014, compared to 57.9% in the comparable prior year period.

While revenue associated with OneAccounts decreased as described above, our cost of revenue to support OneAccounts and Refund Management disbursement services increased to $61.6 million during the year ended December 31, 2014, from $57.4 million in the comparable prior year period. The increase in our cost of revenue is primarily due to higher costs related to providing protection on unauthorized purchases from OneAccounts, which costs could continue to be higher in 2015. Costs associated with the student banking options that were offered by Campus Solutions decreased from $3.3 million during the year ended December 31, 2013, to $1.2 million during the year ended December 31, 2014.

Our costs to support the CASHNet payment processing services and Campus Solutions payment platforms increased to approximately $37.9 million during the year ended December 31, 2014, from $26.3 million in the comparable prior year period. The increase in costs is a combination of the inclusion of a full year of activity for Campus Solutions in 2014, compared to less than eight months of activity during the year ended December 31, 2013, and costs to support the growth of SmartPay transaction volume. Approximately $1.8 million of cost of revenue during the year ended December 31, 2014, and $1.1 million of the increase in cost of revenue compared to the prior year period, is due to acquisition-related amortization of intangible assets.

Our costs to support the Campus Labs business was $1.7 million during the year ended December 31, 2014, a decrease from $1.8 million during the comparable prior year period. Approximately $1.0 million of costs in both the current and prior year period is due to acquisition-related amortization of intangible assets.

General and Administrative Expense

The increase in general and administrative expenses is primarily attributable to the following three factors: (i) our personnel costs increased compared to the year ended December 31, 2013, a portion of which is due to employees added from the acquisition of the Campus Solutions business, (ii) higher professional fees related to additional compliance and regulatory related activities, and, to a lesser extent, (iii) increases in depreciation and amortization.

Product Development Expense

The decrease in product development expense is primarily attributable to an increase, in 2014, of internal costs which are capitalized rather than expensed. These costs are related to internal use software development projects that have advanced beyond the preliminary project stage and have met the criteria for capitalization under U.S. GAAP. Total capitalized costs for internal use software development projects increased to $5.3 million during the year ended December 31, 2014 from $2.7 million in the comparable prior year period.

Sales and Marketing Expense

The increase in sales and marketing expense was primarily due to increased amortization expense of $1.0 million related to acquired intangible assets associated with the acquisition of the Campus Solutions business.

Litigation Settlement and Related Costs

During the year ended December 31, 2013, we recorded an accrual for an estimated charge of $16.3 million. This accrual reflected our estimate of the costs of resolution, inclusive of additional legal and other administrative costs, of a settlement, which was preliminary at the time, which would resolve the class action litigation that was filed against us in 2012. In February 2014, we executed a settlement agreement, the terms of which included a payment of $15.0 million to a settlement fund, an agreement to pay the cost of notice to the class, and an agreement to make and/or maintain certain practice changes. We made the payment of $15.0 million to the settlement fund in February 2014. The court approved the settlement in January 2015, at which time it became final and binding.

Merger and Acquisition Related

Our merger and acquisition related expenses during the year ended December 31, 2013 included professional fees associated with the acquisitions of the Campus Labs and Campus Solutions businesses and a fair value adjustment to the contingent consideration component of the purchase price of the Campus Labs acquisition from August 2012 which resulted in a net reduction in operating expenses. During the year ended December 31, 2013, we recorded an adjustment of $5.8 million as a result of a change in the fair value of the contingent consideration liability. There were no such costs during the year ended December 31, 2014.

Interest Expense

Our interest expense increased compared to the prior period primarily due to an increase in the average interest rate in effect during the year ended December 31, 2014, compared to the prior year. The average interest rate during the year ended December 31, 2014 was 2.4%, an increase from 2.3% for the year ended December 31, 2013. The average amount outstanding on our Credit Facility was $94.4 million during the year ended December 31, 2014, compared to an average of $94.3 million during the year ended December 31, 2013.

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 year ended December 31, 2014 and 2013 were 39.3% and 39.8%, respectively.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Account Revenue

The decrease in account revenue was primarily due to a decrease in the service fees assessed to our customers during the year ended December 31, 2013. Our service fees decreased primarily as a result of changes we made to our account fee schedule over the year, including: (i) the removal of a fee which was previously assessed to abandoned accounts, (ii) the removal of a fee assessed to customers that had not repaid an overdraft balance within an allotted time period, and (iii) a decrease in the types of transactions which can produce an insufficient funds fee. Those decreases were partially offset by a monthly fee which is assessed on OneAccounts that are not held by students and who do not deposit a minimum amount. As a result of these changes, we expect to continue to experience a decrease in the amount of service fees assessed per account until each of these fee changes has been in place for a full year. The removal of the fee which was previously assessed on abandoned accounts and the change in the transaction types that produce an insufficient funds fee were both implemented on January 1, 2013. The fee assessed on customers that had not repaid their overdraft balance was eliminated on August 1, 2013. The decrease in service fees was partially offset by an increase in interchange revenue which is primarily the result of certain incentives we earn from our issuing card network which was not included in interchange revenue in the prior year as a result of a change in our contract.

Payment Transaction Revenue

The majority of the increase in payment transaction revenue was due to revenue associated with the Campus Solutions business. The Campus Solutions business contributed $10.3 million of revenue during the year ended December 31, 2013. The volume of transactions processed through the SmartPay payment module also increased significantly during the year ended December 31, 2013, which lead to increases in payment transaction revenue. The increase in payment transaction volume was primarily the result of increases in payments processed at higher education institutions that were clients as of December 31, 2012, which was partially due to the introduction during 2013 of Visa as a payment method for SmartPay and, to a much lesser extent, due to the addition of higher education institution clients that began utilizing the SmartPay payment module after December 31, 2012.

Higher Education Institution Revenue

The increase in higher education institution revenue was primarily due to the inclusion of a full year of revenue from the acquisition of the Campus Labs business. Educational Services contributed approximately $11.2 million of revenue during the year ended December 31, 2013, compared to $2.9 million in the year ended December 31, 2012. The remaining increase in higher education revenue was a result of revenue associated with the Campus Solutions business and higher subscription revenue for our payment processing products.

Other Revenue

As a result of a change in our arrangement with MasterCard, which took effect in the fourth quarter of 2012, the amount of revenue received from MasterCard declined, which was the main reason for the decrease in other revenue compared to the year ended December 31, 2012.

Cost of Revenue

During the year ended December 31, 2013, our cost of revenue increased at a higher rate than revenue, which resulted in a lower gross margin percentage compared to the year ended December 31, 2012. The decrease in our gross margin percentage was due to the inclusion of the Campus Solutions business, which currently has a lower gross margin percentage than our other products and services. The increase in our cost of revenue was primarily related to additional costs needed to support the growth of our payment transaction volume, including costs related to the Campus Solutions acquisition. We experienced a significant decrease in our provision for operational losses, but the decrease was offset by other costs, including customer service costs and expenses associated with the acquisition of the Campus Labs and Campus Solutions businesses, including data processing costs, amortization expense of acquired intangible assets and personnel-related costs.

General and Administrative Expense

The increase in general and administrative expenses is primarily attributable to the following four factors: (i) our personnel costs increased compared to the year ended December 31, 2012, due to an increase in the number of our employees, (ii) our professional fees increased as a result of legal costs incurred related to our outstanding litigation, (iii) our depreciation expense increased as a result of additional computer operations and technology support being provided through internal resources, rather than outsourced service providers, and (iv) we incurred approximately $1.0 million of non-recurring bank partner transition costs in connection with our relationship with Customers Bank.

Product Development Expense

The increase in product development expense was primarily due to increases in personnel costs, a portion of which is due to the employees hired in connection with our acquisition of the Campus Labs business in August 2012. We also incurred transition-related product development expenses associated with the Campus Solutions acquisition, which increased our total product development costs during the year ended December 31, 2013.

Sales and Marketing Expense

The increase in sales and marketing expense was primarily due to two factors. The largest portion of the increase is due to higher personnel costs in the year ended December 31, 2013, a portion of which is due to the employees hired in connection with our acquisitions of the Campus Labs and Campus Solutions businesses. We also recorded higher amortization expense in the year ended December 31, 2013 related to the Campus Labs and Campus Solutions acquisitions. In addition, we experienced increases in certain marketing costs associated with additional programs designed for our higher education institution clients and their students.

Litigation Settlement and Related Costs

In October 2013, we reached an agreement in principle on the key terms of a settlement that would resolve the class action litigation that was filed against us in 2012, referred to collectively as, In re Higher One OneAccount Multi-District Litigation. In February 2014, we executed a settlement agreement, the terms of which include a payment of approximately $15.0 million to a settlement fund, which we paid in February 2014, an agreement to pay the cost of notice to the class and an agreement to make and/or maintain certain practice changes. On December 15, 2014, the Court granted final approval of the settlement. The Court also entered judgment on that day. No appeals of the judgment were filed, and the settlement has now become final.

During the year ended December 31, 2013, we recorded an accrual for an estimated charge of $16.3 million to reflect our estimate of the resolution, inclusive of additional legal and other administrative costs, based on the agreement in principle. This estimate is consistent with our current cost estimate based on the final, approved settlement agreement.

Merger and Acquisition Related Expenses, Net

Our merger and acquisition related expenses include professional fees associated with the acquisitions of the Campus Labs and Campus Solutions businesses and certain employee-related costs. These costs were offset by fair value adjustments to the contingent consideration component of the purchase price of the Campus Labs acquisition from August 2012, which resulted in a net reduction in operating expenses.

Our contingent consideration liability was measured at fair value on a recurring basis. It was valued using probability-weighted, future possible expected outcomes and an appropriate discount rate. Our contingent consideration liability was a potential earn-out payment if the amount of 2013 revenues for the acquired Campus Labs business was in excess of $12.5 million. During the year ended December 31, 2013, we recorded an adjustment of $5.8 million as a result of a decrease in the fair value of the contingent consideration liability. The decrease in fair value of the contingent consideration liability was the result of a decrease in the amount of revenues we expected to be earned during 2013 subject to the earn-out. During the twelve months ended December 31, 2012, we recorded an adjustment of $7.3 million as a result of a decrease in the fair value of the contingent consideration liability.

Interest Expense

Our interest expense increased compared to the prior period as a result of an increase in the outstanding balance on our Credit Facility (as defined below), including amounts drawn to finance the acquisition of the Campus Solutions business during 2013. The amount outstanding on our Credit Facility ranged from $63 million to $112 million during the year ended December 31, 2013 and the average interest rate during the period was 2.3%.

Income Tax Expense

The decrease in income tax expense was primarily due to the decrease in net income before taxes. The effective tax rates for the years ended December 31, 2013 and 2012 were 39.8% and 37.4%, respectively. The increase in our effective rate from the year ended December 31, 2012 is the result of certain non-deductible expenses, including incentive stock options and meals and entertainment, being a larger percentage of our net income before taxes during the year ended December 31, 2013. The non-deductible expenses were a larger percentage of net income before income taxes primarily as a result of the loss we recorded on the litigation settlement during the year ended December 31, 2013.

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity are cash flows from operations and borrowings under our October 2012 Facility (as described below). As of December 31, 2014, we had $40.0 million in cash and cash equivalents and $0.2 million in available-for-sale securities. Our primary liquidity requirements are for working capital, capital expenditures, product development expenses and general corporate needs. As of December 31, 2014, we had working capital of $15.4 million.

Senior Secured Revolving Credit Facility

December 2010 Facility

On December 31, 2010, HOI entered into a senior secured revolving credit facility in an amount of $50.0 million, or the December 2010 Facility. The December 2010 Facility provided for a letter of credit facility of up to $3.0 million and included certain restrictions on the amount of acquisitions we may complete. Each of HOH, HOMI, Real Estate Inc. and Real Estate LLC, or together with HOI, the Loan Obligors, was a guarantor of HOI's obligations under the December 2010 Facility.

The December 2010 Facility was 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 Loan Obligor's tangible and intangible assets, other than intellectual property. Each of the Loan Obligors granted a negative pledge of the intellectual property of HOI and its subsidiaries to the administrative agent under the December 2010 Facility. The December 2010 Facility contained certain affirmative, negative and financial covenants.

October 2012 Facility

On October 16, 2012, HOI terminated the December 2010 Facility and entered into a new five-year senior secured revolving credit facility in an amount of $200.0 million, which we refer to as the October 2012 Facility or the Credit Facility. All amounts outstanding under the December 2010 Facility, which was $30.0 million, were repaid in full using borrowings available under the October 2012 Facility. The October 2012 Facility permits the issuance of letters of credit of up to $20.0 million and swing line loans of up to $10.0 million to fund working capital needs. Loans drawn under the October 2012 Facility are payable in a single maturity on October 16, 2017.

Each of the Loan Obligors is a guarantor of HOI's obligations under the October 2012 Facility. Loans drawn under the October 2012 Facility are secured by a perfected first priority security interest in all of the capital stock of HOI and its domestic subsidiaries, and substantially all of each Loan Obligor's tangible and intangible assets, including intellectual property.

At our option, amounts outstanding under the October 2012 Facility accrue interest at a rate equal to either (i) the British Bankers Association LIBOR Rate, or BBA LIBOR, plus a margin of between 1.75% and 2.25% per annum (depending on our funded debt to EBITDA, as defined in the October 2012 Facility, ratio) or (ii) a fluctuating base rate tied to the federal funds rate, the administrative agent's prime rate and BBA LIBOR, subject to a minimum of 2%. Interest is payable on the last day of each interest period selected by us under the October 2012 Facility and, in any event, at least quarterly. We pay a commitment fee ranging from 0.25% and 0.375% on the daily average undrawn portion of revolving commitments under the October 2012 Facility, which accrues and is payable quarterly in arrears.

The October 2012 Facility contains certain affirmative covenants, including covenants to furnish the lenders with financial statements and other financial information and to provide the lenders notice of material events and information regarding collateral. The October 2012 Facility also contains certain negative covenants that, among other things, restrict our ability, subject to certain exceptions, to incur additional indebtedness, grant liens on our assets, undergo fundamental changes, make investments, sell assets, make restricted payments, change the nature of our business and engage in transactions with our affiliates. In addition, the October 2012 Facility contains certain financial covenants that require us to maintain EBITDA, as defined in the October 2012 Facility, on a consolidated basis for the prior four fiscal quarters of at least $50 million, a funded debt to EBITDA ratio of 2.50 to 1.00 or less between October 16, 2012 and December 31, 2014 and of 2.00 to 1.00 or less thereafter, and a fixed charge coverage ratio of at least 1.25 to 1.00.

We incurred financing costs of $1.6 million in 2012, relating to the October 2012 Facility. These financing costs are included in deferred costs on the accompanying consolidated balance sheets. As of December 31, 2014, we had $94 million outstanding under the October 2012 Facility at a weighted average interest rate of 2.4%.

In February 2015, HOI entered into a Master Reaffirmation and Amendment No. 3 to Loan Documents, or the Third Amendment, of the Credit Facility. The Third Amendment amends the Credit Facility to, among other things,

- reduce the revolving credit facility to $140.0 million, with $35.0 million of such facility reserved only for the resolution of certain regulatory matters, as defined. The revolving credit facility subsequently reduces to $130.0 million and $120.0 million as of December 31, 2015 and 2016, respectively;
- maintain a debt to consolidated EBITDA ratio of 2.75 to 1.00 or less for the evaluation periods from March 31, 2015 through September 30, 2016, and of 2.50 to 1.00 or less thereafter;
- requires us to maintain consolidated EBITDA, as defined in the October 2012 Facility, as amended, on a consolidated basis for the prior four fiscal quarters of at least the following amounts (i) $45.0 million as of March 31, 2015 and June 30, 2015, (ii) $40.0 million as of September 30, 2015 and December 31, 2015, and (iii) $35 million as of March 31, 2016 and all future evaluation periods;
- allow, at our option, amounts outstanding under the October 2012 Facility to accrue interest at a rate equal to either (i) the London Interbank Offered Rate, or LIBOR, plus a margin of 4% or (ii) a fluctuating base rate tied to the federal funds rate, the administrative agent's prime rate and LIBOR, plus a margin of 3%;
- allow for the payment of up to $75 million related to settlement of certain regulatory matters, as defined;
- allow for the exclusion from the computation of consolidated EBITDA of up to $75 million of income statement charges related to certain regulatory matters, as defined; and
- automatically and permanently reduce the revolving credit facility, dollar for dollar up to a maximum reduction in the revolving credit facility of $20.0 million, to the extent that the loss related to those certain regulatory matters is less than $70.0 million.

In connection with the February 2015 Amendment, we paid down the outstanding balance of the October 2012 Facility by $35 million and incurred financing costs of approximately $4.4 million in February 2015. We were in compliance with each of the applicable affirmative, negative and financial covenants of the October 2012 Facility, as amended, as of December 31, 2014.

Cash Flows

The following table presents information regarding our cash flows, cash and cash equivalents for the years ended December 31, 2014, 2013 and 2012:

	Year Ended December 31,			Change from prior period	
	2014	2013	2012	2014	2013
			(in thousands)		
Net cash provided by (used in):					
Operating activities	$ 30,210	$ 47,509	$ 53,597	$ (17,299)	$ (6,088)
Investing activities	(1,708)	(59,842)	(50,051)	58,134	(9,791)
Financing activities	5,252	5,570	(29,600)	(318)	35,170
Change in cash and cash equivalents	33,754	(6,763)	(26,054)	40,517	19,291
Cash and cash equivalents, end of period	$ 40,022	$ 6,268	$ 13,031	$ 33,754	$ (6,763)

Operating Activities

The decrease in net cash provided by operating activities was primarily the result of changes in working capital balances during the year ended December 31, 2014 compared to the prior year. The litigation settlement of $15.0 million, which was recorded as an expense during the year ended December 31, 2013 and an accrued liability as of December 31, 2013, was paid in cash during the year ended December 31, 2014. This payment is a significant component of the overall change in working capital balances and decrease in cash provided by operating activities compared to the prior year. While we have recorded an allowance for customer restitution of $8.75 million during the year ended December 31, 2014, such amount has not been paid and therefore has not impacted our cash flows.

The $6.1 million decrease in net cash provided by operating activities for the year ended December 31, 2013 was primarily the result of a decrease in net income of $22.7 million. The decrease in net income was partially offset by an increase in accrued expenses of $19.4 million, which is largely the result of an accrual of $16.3 million related to the expected costs to settle our class action litigation.

Investing Activities

The decrease in net cash used in investing activities primarily relates to our acquisition of the Campus Solutions business during the year ended December 31, 2013, which totaled $47.3 million. In addition, during the year ended December 31, 2014, we had cash provided by investing activities of (1) $3.6 million related to the disposition of an equity method investment and (2) $3.5 million associated with state historic tax credits generated by the construction of our headquarters, as compared to cash used in investing activities related to our acquisition of an equity method investment of $3.9 million during the year ended December 31, 2013.

Net cash used is investing activities for 2013 primarily related to our acquisition of Campus Solutions and capital expenditures. Our capital expenditures during the year ended December 31, 2013 were lower than the prior year as a result of expenditures related to our real estate development project during the year ended December 31, 2012. During 2013, we also continued several software development projects, which were in the application development stage at the time.

Real Estate Development Project

During 2011 and 2012, we completed 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. Our net cost has been reduced by federal tax credits, state grants and other programs described below. The real estate development project was funded using existing cash, cash generated from operations, various credits and grants and other financing.

A summary of the subsidies, grants and credits we received, or were due to us, as of December 31, 2014 are as follows:

Name of program	Amount (in thousands)	Description
Federal Historic Preservation Tax Incentives Program	$ 5,705	We received a federal tax credit equal to 20% of qualified rehabilitation expenditures related to the project. A receivable was recorded as of December 31, 2011 and was received in 2012.
State of Connecticut Department of Economic and Community Development, or DECD, Urban Act and Environmental Remediation Grant	5,500	The full grant proceeds were received in 2011. We must (i) maintain corporate headquarters in Connecticut through 2021, (ii) maintain a specified minimum average employment level for the years 2015 – 2018 and (iii) adhere to other administrative criteria.
Connecticut Development Authority Sales and Use Tax Relief Program	1,000	This program provided relief on certain sales and use tax associated with the real estate development project. We must maintain corporate headquarters in Connecticut through 2021 and meet a specified minimum employment level as of March 31, 2015.
Other contributions	5,423	Cash contributions from Science Park Development Corporation and the prior building owner were received during 2011 and 2012 to offset a portion of the environmental remediation costs. In addition, $3.5 million was due to us from Science Park Development Corporation as of December 31, 2013 associated with state historic tax credits generated by the project. This amount has been recorded within prepaid expenses and other current assets along with an offsetting reduction to our fixed assets in our consolidated balance sheet as of December 31, 2013. We received payment of the amount receivable in January 2014.

Many of these programs have criteria that we must meet in order to prevent forfeiture or repayment of the grants and credits, and in some cases the imposition of a penalty. We provided separate guarantees to each of two departments of the state of Connecticut. One guaranty relates to our obligation to repay a grant if we fail to meet certain criteria, including a specified minimum average employment level in Connecticut for the years 2015 – 2018. The other guaranty relates to our obligation to repay sales and use tax exemptions if we fail to meet certain criteria, including a minimum employment threshold. The maximum potential amount of repayments for these guarantees is approximately $7.0 million. During the year ended December 31, 2014, we recorded a liability, and corresponding increase in our fixed asset balance, totaling $1.3 million, which represents our best estimate of expected repayments resulting from these guarantees. The liability of $1.3 million is recorded within deferred revenue and other non-current liabilities ($1.1 million), as it would not be due until 2019, and accrued expenses ($0.2 million) in our condensed consolidated balance sheet as of December 31, 2014.

In December 2011, we consummated a financing transaction related to the federal New Markets Tax Credit, or NMTC, program which provided funding for our real estate development project. The NMTC program is designed to encourage new or increased investments into operating businesses and real estate projects located in low-income communities. In connection with this transaction, HOI provided a loan of $7.6 million to an unrelated third party. The loan bears interest at 1.0%, payable quarterly and matures in December 2041. Repayments on the loan commence in December 2019.

Also in connection with this transaction, Real Estate LLC entered into a loan agreement and borrowed $7.6 million from an unrelated third party. The loan bears interest at approximately 1.1%, payable quarterly and matures in December 2041. Repayments on the loan commence in December 2019. This loan is secured by the real estate development project. In addition to the loan agreement, Real Estate Inc. admitted a new member into Real Estate LLC. The new member contributed $2.2 million of capital in exchange for a 2% interest in Real Estate LLC which was used to pay for a portion of our real estate development costs. This contribution is presented on the consolidated balance sheet as a deferred contribution as a result of our expectation that we will re-acquire this interest in approximately seven years through the exercise of a put option for a nominal price by the counterparty to this agreement or through a fair value call option that we can exercise.

In connection with the NMTC transaction, we provided a guaranty related to our actions or inactions which cause either a NMTC disallowance or recapture event. In the event that we cause either a recapture or disallowance of the tax credits expected to be generated under this program, 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 agreement. This guaranty remains in place for seven years following this NMTC transaction. The maximum potential amount of future payments of this guaranty is approximately $6 million. We currently believe that the likelihood of us being required to make a payment under this guaranty is remote.

In connection with the real estate development project described above, we made an equity investment in a residential development adjacent to our corporate headquarters. The equity investment totaled $3.9 million during the year ended December 31, 2013. During the year ended December 31, 2014, we sold our interest in the equity investment and recorded a loss on the transaction of $0.3 million, which is reflected in other income (loss) on our accompanying statement of operations. As a result of the sale of our interest, we do not have any future obligations to the residential development and we are no longer entitled to receive any cash flows generated by the project.

Financing Activities

The cash provided by financing activities in 2014 was primarily related to amounts drawn on our October 2012 Credit Facility. During the year ended December 31, 2014, we borrowed $15.0 million on our Credit Facility and made repayments of $10.0 million, compared to net borrowings on our Credit Facility of $9.0 million during the year ended December 31, 2013. During the year ended December 31, 2013, we used approximately $6.0 million to purchase our common stock through our authorized share purchase program, which did not recur in the year ended December 31, 2014. The impact of stock option exercises also contributed to cash provided by financing activities; both cash received from the exercise of stock options and the tax benefit associated with certain stock option exercises. There were fewer options exercised during the year ended December 31, 2014, which resulted in less proceeds related to the exercise and associated tax benefit of the options compared to the year ended December 31, 2013.

The net cash provided by financing activities in 2013 was primarily related to net proceeds from our October 2012 Facility. Funds borrowed under the October 2012 Facility was primarily used for our acquisition of the Campus Solutions business in May 2013. Repurchases of our common stock totaled $6.0 million during 2013, which was significantly less than the amount repurchased during the year ended December 31, 2012. The impact of stock option exercises also contributed to cash provided by financing activities; both cash received from the exercise of stock options and the tax benefit associated with certain stock option exercises. There were fewer options exercised during the year ended December 31, 2013, which resulted in less proceeds related to the exercise and associated tax benefit of the options.

The net cash used in financing activities in 2012 was primarily related to repurchases of our common stock, which totaled $115.7 million during 2012. A portion of the common stock purchases were financed through borrowings under our October 2012 Facility. Borrowings under our credit facility were also used to fund a portion of the purchase price of the acquisition of Campus Labs. The impact of stock option exercises also contributed to cash provided by financing activities; both cash received from the exercise of stock options and the tax benefit associated with certain stock option exercises.

We believe that our cash flow from operations, together with our existing liquidity sources, will be sufficient to fund our operations and anticipated capital expenditures over at least the next 12 months.

Supplemental Non-GAAP Financial and Operating Information

	Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
Adjusted EBITDA (1)	$ 59,568	$ 57,773	$ 68,267
Adjusted net income (2)	$ 28,385	$ 29,212	$ 38,750
Number of students enrolled at Refund Management client higher education institutions at end of period	5,078	5,000	4,642
Number of OneAccounts at end of period	2,135	2,192	2,004

(1) We define adjusted EBITDA as net income before interest, income taxes and depreciation and amortization, or EBITDA, further adjusted to remove the effects of the following items (which may not be applicable for all periods presented): (i) merger and acquisition charges related to our acquisition of Campus Labs in 2012 and Campus Solutions in 2013, (ii) stock-based compensation expense, (iii) litigation settlement costs in 2013 related to a series of class action lawsuits, (iv) non-recurring costs associated with our transition to a new bank partner relationship in 2013, (v) the receipt of a settlement amount from Sallie Mae, Inc. in 2014 related to our Campus Solutions acquisition and a related charge recorded after the receipt of the settlement amount, and (vi) the allowance for customer restitution recorded in 2014. 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. We prepare and present adjusted EBITDA to eliminate the effect of items that we do not consider indicative of our core operating performance.

We believe adjusted EBITDA is useful to our board of directors, management and investors in evaluating our operating performance for the following reasons:

- adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to certain items, such as interest expense, income tax expense, depreciation and amortization, stock-based expenses and certain other items, that can vary substantially from company to company and from period to period depending upon their financing and accounting methods, the book value of their assets, their capital structures and the method by which their assets were acquired;
- securities analysts use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies;
- because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time, stock-based customer acquisition expense and stock-based compensation expense are not key measures of our core operating performance;
- because merger and acquisition related costs, including adjustments to the fair value of our contingent consideration liability and settlements such as that which we received from Sallie Mae in 2014, are specific to an acquisition of a business, we believe that the costs related to such an acquisition do not reflect how our business is performing at any particular time;
- because the allowance for potential customer restitution recorded during 2014 does not reflect our current performance;
- the litigation settlement costs, which we incurred during 2013, were related to a series of class action lawsuits covering a long period of time and does not reflect our current performance; and
- the costs associated with our transition to a new bank partner relationship in 2013 is an item which we have not historically incurred when establishing a new bank partner relationship and do not expect to incur in the future.

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:

	Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
Net income	$ 14,967	$ 14,128	$ 36,870
Interest income	(92)	(88)	(109)
Interest expense	3,266	3,082	967
Income tax expense	9,675	9,352	22,024
Depreciation and amortization	19,072	14,620	10,250
EBITDA	46,888	41,094	70,002
Stock-based compensation expense	4,574	4,144	4,093
Merger and acquisition related	–	(4,791)	(5,828)
Litigation settlement and bank partner transition	–	17,326	–
Allowance for customer restitution	8,750	–	–
Campus Solutions settlement received, net of related expense	(644)	–	–
Adjusted EBITDA	$ 59,568	$ 57,773	$ 68,267

(2) 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, (i) stock-based compensation expense related to non-qualified stock option grants, (ii) merger and acquisition charges related to our acquisition of Campus Labs in 2012 and Campus Solutions in 2013, (iii) litigation settlement costs in 2013 related to a series of class action lawsuits, (iv) non-recurring costs associated with our transition to a new bank partner relationship in 2013, (v) the receipt of a settlement amount from Sallie Mae, Inc. in 2014 related to our Campus Solutions acquisition and a related charge recorded after the receipt of the settlement amount, (vi) the allowance for customer restitution recorded in 2014 and (vii) 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. We prepare and present adjusted net income to eliminate the effect of items that we do not consider indicative of our core operating performance.

We believe adjusted net income is useful to our board of directors, management and investors in evaluating our operating performance for the following reasons:

- because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time and stock-based compensation expense is not a key measure of our core operating performance;
- because merger and acquisition related costs, including adjustments to the fair value of our contingent consideration liability and settlements such as that which we received from Sallie Mae in 2014, are specific to an acquisition of a business, we believe that the costs related to such an acquisition do not reflect how our business is performing at any particular time;
- because the allowance for potential customer restitution recorded during 2014 does not reflect our current performance;
- amortization expenses can vary substantially from company to company and from period to period depending upon their financing and accounting methods, the fair value and average expected life of their acquired intangible assets, their capital structures and the method by which their assets were acquired;
- the litigation settlement costs, which we incurred during 2013, were related to a series of class action lawsuits covering a long period of time and does not reflect our current performance; and
- the costs associated with our transition to a new bank partner relationship in 2013 is an item which we have not historically incurred when establishing a new bank partner relationship and do not expect to incur in the future.

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

	Year Ended December 31,		
	2014	2013	2012
		(in thousands)	
Net income	$ 14,967	$ 14,128	$ 36,870
Merger and acquisition related	–	(4,791)	(5,828)
Litigation settlement and bank partner transition	–	17,326	–
Allowance for customer restitution	8,750	–	–
Campus Solutions settlement received, net of related expense	(644)	–	–
Stock-based compensation expense - incentive stock option grants	1,290	1,896	1,964
Stock-based compensation expense - non-qualified stock option grants	3,284	2,248	2,129
Amortization of acquired intangible assets	7,847	6,209	3,350
Amortization of deferred finance costs	484	452	213
Total pre-tax adjustments	21,011	23,340	1,828
Tax rate	38.5%	38.5%	38.2%
Less: tax adjustment (1)	7,593	8,256	(52)
Adjusted net income	$ 28,385	$ 29,212	$ 38,750

(1) We have tax effected 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 annual report on Form 10-K 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 agreement.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2014, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period					
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	5+ Years	All Other
	(in thousands)					
Long-term debt obligations (1)	$ 96,633	$ –	$ –	$ 89,000	$ 7,633	$ –
Interest payments on long-term debt obligations (1)	9,591	2,235	4,470	1,871	1,015	–
Operating lease obligations (2)	2,908	633	755	456	1,064	–
Purchase obligations (3)	8,454	2,718	5,736	–	–	–
Uncertain tax positions and related interest (4)	451	–	–	–	–	451
Total contractual obligations	$ 118,037	$ 5,586	$ 10,961	$ 91,327	$ 9,712	$ 451

(1) We have a variable rate senior secured revolving credit facility which matures on October 16, 2017, and a fixed rate loan payable which has a maturity date of 2041 and in which payments commence in 2019. Interest payments have been estimated assuming that the long-term debt is outstanding until maturity and the interest rate on our senior secured revolving credit facility remains consistent with our weighted average interest rate as of December 31, 2014.
(2) We lease certain property in various locations under non-cancelable operating leases.
(3) Purchase obligations include minimum amounts committed under contracts for services.
(4) We are unable to reasonably estimate the timing of such liability and interest payments in individual years due to uncertainties in the timing of the effective settlement of tax positions.

Off-Balance Sheet Arrangements

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

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 7A. 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. Our Credit Facility accrues interest at a rate equal to a base rate or Eurodollar rate plus an applicable margin (depending on Higher One, Inc.'s funded debt to EBITDA ratio). Based upon a sensitivity analysis at January 1, 2015, assuming average outstanding borrowings during the year ended December 31, 2014 of $94.4 million, a hypothetical 50 basis point increase in interest rates would result in an increase in interest expense of $0.5 million.

Item 8. Financial Statements and Supplementary Data

Information required by this item is contained in our consolidated financial statements, related footnotes and the report of PricewaterhouseCoopers LLP, which information follows the signature page to this annual report on Form 10-K and is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act and as required by Rule 13a-15(b) of the Exchange Act as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2014, these disclosure controls and procedures are effective to provide reasonable assurance that information is accumulated and communicated to our management, including our principal executive officer and principal 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 Securities and Exchange Commission's rules and forms.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included elsewhere in this annual report on Form 10-K.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to our executive officers is provided under the caption entitled "Executive Officers of the Registrant" in Part I of this annual report on Form 10-K and is incorporated by reference herein. The rest of the information required by this Item will be included in our Proxy Statement for the 2015 Annual Meeting of Stockholders set forth under the captions "General Information About the Board of Directors" and "Election of Directors," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item will be included in our Proxy Statement for the 2015 Annual Meeting of Stockholders set forth under the captions "Director Compensation," "Named Executive Officer Compensation," "Compensation Committee Report," and "Compensation Committee Interlocks and Insider Participation," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in our Proxy Statement for the 2015 Annual Meeting of Stockholders set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 13. Certain Relationships, Related Transactions and Director Independence

The information required by this Item will be included in our Proxy Statement for the 2015 Annual Meeting of Stockholders set forth under the caption "Certain Relationships and Related Transactions," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be included in our Proxy Statement for the 2015 Annual Meeting of Stockholders set forth under the headings "Fees Billed by Principal Accountant" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)

1. Financial Statements

The following financial statements are filed as part of this annual report on Form 10-K:

Document	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2014 and 2013	F-2
Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012	F-3
Consolidated Statements of Changes in Stockholder's Equity for years ended December 31, 2014, 2013 and 2012	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012	F-5
Notes to Consolidated Financial Statements	F-6

2. Financial Statement Schedules

Financial statement schedules are not submitted because they are not applicable, not required or the information is included in our consolidated financial statements.

3. Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this annual report on Form 10-K.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K for the year ended December 31, 2014 to be signed on their behalf by the undersigned, thereunto duly authorized.

Date:

Higher One Holdings, Inc.

/s/ Marc Sheinbaum

Marc Sheinbaum
Chief Executive Officer and President
(Duly authorized officer and principal executive officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Marc Sheinbaum Marc Sheinbaum	President, Chief Executive Officer and Director (principal executive officer)	March 5, 2015
/s/ Christopher Wolf Christopher Wolf	Chief Financial Officer (principal financial officer)	March 5, 2015
/s/ Paul Biddelman Paul Biddelman	Chairman of the Board of Directors	March 5, 2015
/s/ Thomas Anderson Thomas Anderson	Director	March 5, 2015
/s/ Samara Braunstein Samara Braunstein	Director	March 5, 2015
/s/ David Cromwell David Cromwell	Director	March 5, 2015
/s/ Robert Hartheimer Robert Hartheimer	Director	March 5, 2015
/s/ Miles Lasater Miles Lasater	Director	March 5, 2015
/s/ Patrick McFadden Patrick McFadden	Director	March 5, 2015
/s/ Lowell Robinson Lowell Robinson	Director	March 5, 2015
/s/ Mark Volchek Mark Volchek	Director	March 5, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Higher One Holdings, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Higher One Holdings, Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut
March 5, 2015

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2014 and 2013
(In thousands of dollars, except share and per share amounts)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 40,022	$ 6,268
Investments in marketable securities	249	247
Accounts receivable	8,929	8,747
Income receivable	9,053	6,680
Deferred tax assets	3,719	5,895
Prepaid expenses and other current assets	7,805	7,725
Restricted cash	-	250
Total current assets	69,777	35,812
Deferred costs	4,187	4,373
Fixed assets, net	46,768	49,888
Intangible assets, net	56,255	59,834
Goodwill	67,403	67,403
Loan receivable related to New Markets Tax Credit financing (Note 12)	7,633	7,633
Other assets	2,523	4,940
Restricted cash	2,725	2,500
Total assets	$ 257,271	$ 232,383
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,339	$ 3,787
Accrued expenses	25,872	30,322
Deferred revenue	25,174	22,392
Total current liabilities	54,385	56,501
Deferred revenue and other non-current liabilities	4,019	2,342
Loan payable and deferred contribution related to New Markets Tax Credit financing (Note 12)	8,871	9,181
Debt	94,000	89,000
Deferred tax liabilities	3,814	2,393
Total liabilities	165,089	159,417
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, $0.001 par value; 200,000,000 shares authorized; 59,570,839 shares issued and 47,657,813 shares outstanding at December 31, 2014; 59,028,810 shares issued and 47,115,784 shares outstanding at December 31, 2013	60	60
Additional paid-in capital	185,588	181,339
Treasury stock, 11,913,026 and 11,913,026 shares at December 31, 2014 and December 31, 2013, respectively	(137,899)	(137,899)
Retained earnings	44,433	29,466
Total stockholders' equity	92,182	72,966
Total liabilities and stockholders' equity	$ 257,271	$ 232,383

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

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
For the Years Ended December 31, 2014, 2013 and 2012
(In thousands of dollars, except shares and per share amounts)

	2014	2013	2012
Revenue:			
Account revenue	$ 131,053	$ 135,847	$ 150,715
Payment transaction revenue	58,231	41,109	23,168
Higher education institution revenue	38,667	33,155	21,016
Other revenue	910	1,012	2,821
Gross revenue	228,861	211,123	197,720
Less: allowance for customer restitution	(8,750)	–	–
Revenue	220,111	211,123	197,720
Cost of revenue	102,389	88,824	80,280
Gross margin	117,722	122,299	117,440
Operating expenses:			
General and administrative	65,292	58,555	46,321
Product development	7,194	9,305	5,221
Sales and marketing	18,098	17,058	12,284
Litigation settlement and related costs	–	16,320	–
Merger and acquisition related (income) expenses, net	–	(4,791)	(5,828)
Total operating expenses	90,584	96,447	57,998
Income from operations	27,138	25,852	59,442
Interest income	92	88	109
Interest expense	(3,266)	(3,082)	(967)
Other income	678	622	310
Net income before income taxes	24,642	23,480	58,894
Income tax expense	9,675	9,352	22,024
Net income	$ 14,967	$ 14,128	$ 36,870
Net income available to common stockholders:			
Basic	$ 14,967	$ 14,128	$ 36,870
Diluted	$ 14,967	$ 14,128	$ 36,870
Weighted average shares outstanding:			
Basic	47,209,780	46,717,359	53,877,879
Diluted	48,050,039	48,368,365	56,728,807
Net income available to common stockholders per common share:			
Basic	$ 0.32	$ 0.30	$ 0.68
Diluted	0.31	0.29	0.65

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

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2014, 2013 and 2012
(In thousands of dollars, except share amounts)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
Balance at December 31, 2011	56,615,683	$ 58	$ 161,268	$ (16,208)	$ (21,532)	$ 123,586
Stock-based compensation	–	–	4,287	–	–	4,287
Issuance of warrants	–	–	960	–	–	960
Tax benefit related to options	–	–	4,628	–	–	4,628
Repurchase of common stock	(10,324,500)	–	–	(115,695)	–	(115,695)
Cancellation of shares	(1,059,465)	(1)	–	–	–	(1)
Exercise of stock options	1,429,063	2	3,075	–	–	3,077
Net income	–	–	–	–	36,870	36,870
Balance at December 31, 2012	46,660,781	59	174,218	(131,903)	15,338	57,712
Stock-based compensation	–	–	4,305	–	–	4,305
Issuance of restricted stock	70,882	–	–	–	–	–
Tax benefit related to options	–	–	1,514	–	–	1,514
Repurchase of common stock	(528,403)	–	–	(5,996)	–	(5,996)
Exercise of stock options	912,524	1	1,302	–	–	1,303
Net income	–	–	–	–	14,128	14,128
Balance at December 31, 2013	47,115,784	60	181,339	(137,899)	29,466	72,966
Stock-based compensation	–	–	4,707	–	–	4,707,000
Issuance of restricted stock	360,228	–	–	–	–	-
Reversal of tax benefit related to options	–	–	(661)	–	–	(661)
Cancellation of shares	(4,375)	–	–	–	–	-
Exercise of stock options	186,176	–	203	–	–	203
Net income	–	–	–	–	14,967	14,967
Balance at December 31, 2014	47,657,813	$ 60	$ 185,588	$ (137,899)	$ 44,433	$ 92,182

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

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014, 2013 and 2012
(In thousands of dollars)

	2014	2013	2012
Cash flows from operating activities			
Net income	$ 14,967	$ 14,128	$ 36,870
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,072	14,620	10,250
Amortization of deferred finance costs	484	452	213
Stock-based compensation	4,574	4,144	4,093
Deferred income taxes	2,967	(6,587)	1,856
Income tax benefit related to exercise of stock options	(49)	(1,514)	(4,655)
Non-cash fair value adjustment of contingent consideration	–	(5,750)	(7,250)
Other income	(35)	(309)	(313)
Loss on disposal of fixed assets	118	28	44
Changes in operating assets and liabilities:			
Accounts receivable	(182)	(3,117)	1,220
Income receivable	(2,373)	786	(1,505)
Deferred costs	(2,250)	(1,392)	(903)
Prepaid expenses and other current assets	(3,548)	6,770	13,262
Other assets	(1,612)	(355)	(267)
Accounts payable	(528)	31	757
Accrued expenses	(4,776)	19,384	(3,256)
Deferred revenue	3,381	6,190	3,181
Net cash provided by operating activities	30,210	47,509	53,597
Cash flows from investing activities			
Purchases of available for sale investment securities	–	–	(11,230)
Proceeds from sales of available for sale investment securities	–	–	14,634
Proceeds from maturities of available for sale investment securities	–	–	12,094
Purchases of fixed assets, net of changes in payables of $1,278, $(163) and $(11,799), respectively	(3,487)	(6,761)	(23,495)
Cash paid for acquired businesses	–	(47,250)	(37,280)
Proceeds from development related subsidies	3,468	–	330
Additions to internal use software	(5,295)	(2,725)	(2,854)
Deposits to restricted cash, net	–	(1,250)	(2,250)
Proceeds from disposition of (investment in) equity method investment	3,581	(3,856)	–
Proceeds from escrow agent	25	2,000	–
Net cash used in investing activities	(1,708)	(59,842)	(50,051)
Cash flows from financing activities			
Tax benefit related to exercise of stock options	49	1,514	4,655
Proceeds from exercise of stock options	203	1,303	3,077
Repayments of line of credit	(10,000)	(43,000)	–
Proceeds from line of credit	15,000	52,000	80,000
Payment of deferred financing costs	–	(251)	(1,637)
Repurchase of common stock	–	(5,996)	(115,695)
Net cash provided by (used in) financing activities	5,252	5,570	(29,600)
Net change in cash and cash equivalents	33,754	(6,763)	(26,054)
Cash and cash equivalents at beginning of period	6,268	13,031	39,085
Cash and cash equivalents at end of period	$ 40,022	$ 6,268	$ 13,031
Supplemental information:			
Income tax paid	$ 9,549	$ 11,977	$ 4,483
Cash paid for interest	2,851	2,791	426

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

1. Nature of Business and Organization

Higher One Holdings, Inc., or HOH, is a leading provider of technology, data analytics and payment services to the higher education industry. HOH, through its subsidiaries, provides a comprehensive suite of disbursement, payment and data analytics solutions specifically designed for higher education institutions and their students. We have developed and acquired proprietary software-based solutions to provide these services. HOH is incorporated in Delaware and maintains its headquarters in New Haven, Connecticut. HOH 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. HOI and HOMI together own 99% of Higher One Financial Technology Private Limited, or HOFTPL. Real Estate Inc. has a 98% ownership interest in Higher One Real Estate SP, LLC, or Real Estate LLC. HOMI and HOFTPL perform certain of our 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 consolidated financial statements reflect the financial position and results of operations of HOH and our majority and wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 period. Estimates include those related to the contingent liabilities, valuation of deferred taxes, provision for operational losses, valuation of acquired intangible assets and assumptions used in the valuation of stock options. Actual results could differ from these estimates.

Cash and Cash Equivalents

We consider all short-term, highly-liquid investments, with an original maturity of three months or less, to be cash equivalents. Cash equivalents are recorded at cost which approximates their fair value.

Investments in Marketable Securities

Marketable securities that have a readily determinable fair value and that we do not intend to trade are classified as available for sale and carried at fair value. Unrealized holding gains and losses are recorded as other comprehensive income, a separate component of shareholders' equity, net of deferred income taxes. There are no unrealized holding gains or losses in the periods presented.

Accounts Receivable

Accounts receivable are recorded at face amounts less an allowance for doubtful accounts. We evaluate our accounts receivable and establish the allowance for doubtful accounts based on historical experience, analysis of past due accounts and other current available information.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, which include cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate fair value because of the short-term nature of these instruments.

Fair Value Measurements

We evaluate assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level to classify them for each reporting period.

We had no recorded unrealized gains or losses from investments as of either December 31, 2014 or 2013 and there is no difference between the amortized cost and fair value of the securities we held. The fair value of our cash equivalents as of December 31, 2014 and 2013 was valued based upon Level 1 inputs.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

Concentration of Credit Risk

Our potential concentration of credit risk consists primarily of trade accounts receivable from university clients. For the years ended December 31, 2014, 2013 and 2012, no university client individually accounted for more than 10% of trade accounts receivable or revenue.

Fixed Assets

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. We reflect grants, credits, and subsidies received in connection with our real estate development project, including capital-based investment grants and investment tax credits, as reductions in the net carrying value of the building.

Goodwill and Intangible Assets

Goodwill represents the excess of the fair value of consideration transferred over the fair values assigned to the underlying net identifiable assets of acquired businesses. We test goodwill for impairment annually on October 31, or whenever events or changes in circumstances indicate that impairment may have occurred, by comparing its fair value to its carrying value. Impairment may result from, among other things, deterioration in the performance of an acquired business, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of an acquired business, and a variety of other circumstances. If it is determined that impairment has occurred, we record a write-down of the carrying value and charge the impairment as an operating expense in the period the determination is made. We test intangible assets for impairment whenever events occur indicating that the carrying value may be impaired. No impairments of goodwill or intangible assets were recorded during the years ended December 31, 2014, 2013 and 2012.

The costs of defending and protecting patents are expensed. All costs incurred to the point when a patent application is to be filed are expensed as incurred.

Intangible assets are amortized using an estimate of the pattern in which the intangible asset's benefits are utilized, or the straight-line method if such a pattern cannot be determined, over the following estimated useful lives of the assets:

Completed technology	3 to 7 years
Customer relationships	4 to 12 years
Non-compete agreements	5 years
Tradenames	9 to 10 years

Impairment of Long-Lived Assets

We evaluate the recoverability of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of a long-lived asset to the sum of undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the difference between fair value of the asset compared to its carrying amount.

Capitalized Software

Computer software development costs incurred in the preliminary project stage for software to be used for internal use are expensed as incurred until the capitalization criteria have been met. The criteria for capitalization is defined as the point at which the preliminary project stage is complete, we commit to funding the computer software project, it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization ceases at the point that the computer software project is substantially complete and ready for its intended use. The capitalized costs are amortized using the straight-line method over the estimated economic life of the software, generally three years. During the years ended December 31, 2014, 2013 and 2012, approximately $5.4 million, $2.9 million and $3.0 million, respectively, of costs were capitalized. During the years ended December 31, 2014, 2013 and 2012, approximately $0.1 million, $0.2 million and $0.2 million, respectively, of the costs capitalized were from stock-based compensation.

Revenue Recognition and Deferred Revenue

We derive revenues from the delivery of services to higher education institution clients and their constituents such as students, faculty, staff and alumni. Revenues are recognized when persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. We enter into long-term (generally three- or five-year initial term) contracts with higher education institutions to provide payment and refund management disbursement services. Our contracts to provide data analytic services are usually one-year contracts. We categorize revenue as account revenue, payment transaction revenue, higher education institution revenue and other revenue. Deferred revenue consists of amounts billed to or received from clients prior to the performance of services. During 2014, we recorded an allowance for customer restitution which is recorded as a reduction of revenue. See Note 16 for further information.

Account Revenue

Account revenue is generated from deposit accounts opened and funded by students and other members of the campus community. We earn fees for services based on a fee schedule, including interchange fees charged to merchants, ATM fees, non-sufficient funds fees and other fees. Revenue on such transactions is recognized when the banking transaction is completed.

Payment Transaction Revenue

Payment transaction revenue is generated through convenience fees charged when students, parents or other payers make payments to higher education institution clients through one of our payment products using a credit or debit card or by students who establish a payment plan through us. Payment transaction revenue is recognized when the transaction giving rise to the convenience fee is processed, or ratably over the duration of the payment plan.

Higher Education Institution Revenue

Revenue from higher education institution clients is generated from fees charged for the services they purchase from us. For Refund Management disbursement services, clients are charged an annual fee and/or per-transaction fees for certain transactions. The annual fee is recognized ratably over the period of service and the transaction fees are recognized when the transaction is completed.

Revenues from payment services include subscription fees from clients accessing on-demand application services and other services which are billed based on transaction volume. Transaction-based service fees are recognized in the period in which the service is provided. Subscription fees are recognized ratably over the term of the subscription agreement, which generally ranges from 1 to 5 years and are renewable at the option of the customer. For certain payment transaction products, an implementation fee may be charged. This implementation fee is deferred and recognized over the longer of the estimated client relationship period, which we estimate is 5 years, or the contractual term of the agreement.

Revenues from data analytic services include subscription license fees from clients accessing on-demand application services. Subscription fees are recognized ratably over the term of the subscription agreement, which is generally 1 year and renew unless cancelled by the customer.

Other Revenue

Other revenue consists of two main components: (i) fees received from our current bank partners based on either the number of OneAccounts or prevailing interest rates and the total deposits held in accounts and (ii) for the period through June 30, 2012, a marketing incentive fee paid by MasterCard International Incorporated, or MasterCard, based on new debit card issuances. We recognize this revenue as it is earned in each period.

Cost of Revenues

Cost of revenue consists primarily of data processing expenses, interchange expenses related to online payment and ATM transactions, amortization of acquired technology, uncollectible fees and customer service expenses.

We incur set-up and other direct costs of implementation at the outset of certain contracts that are comprised primarily of employee labor costs. These costs are incremental and directly related to a contract. The costs are thus deferred and amortized to cost of revenue over the expected term of the contract, which is generally three to five years. In instances where a client terminates its contract before the end of the expected term of the contract, we modify the amortization period of the deferred costs of the related contract to equal the remaining period of time until termination of the service. See Note 6 for further information.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

Stock-based Compensation

We measure and recognize compensation expense for share-based awards based on the estimated fair value on the date of grant. We issue new shares upon the exercise of outstanding stock options. We estimate fair value of each option using the Black-Scholes option-pricing model with the following assumptions for stock options granted during the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Expected term	5.0 – 6.3 years	5.0 – 6.8 years	5.0 – 6.3 years
Expected volatility	47.2% – 54.2%	49.0% – 54.0%	47.8% – 51.7%
Risk-free rate	1.5% – 2.0%	0.9% – 2.1%	0.8% – 1.3%
Expected dividends	None	None	None

Expected term is the period of time that the equity grants are expected to remain outstanding. We calculate the expected life of the options using the "simplified method." We use the simplified method, because we do not yet have sufficient historical exercise data as a publicly traded company to provide a reasonable basis to estimate the expected term. We use the midpoint between the end of the vesting period and the contractual life of the grant to estimate option exercise timing. The simplified method was applied for all options granted during 2014, 2013 and 2012.

Expected volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. We have based our estimated volatility both on the historical volatility of a peer group of publicly traded companies which includes companies that are in the same industry or are our competitors and our own historical volatility. We use a blended rate of our actual historical volatility and the historical volatility of a peer group, because we do not yet have sufficient historical share volatility to provide a reasonable basis to estimate our expected volatility for the entire expected term.

Risk-free rate is the average U.S. Treasury rate at the time of grant having a term that most closely approximates the expected term of the option.

Expected dividends have not been assumed, because we have never declared or paid dividends on our common stock and do not anticipate paying dividends in the foreseeable future.

Restricted stock awards and units are stock awards which entitle the holder to receive shares of our common stock as the award vests over time. The fair value of each restricted stock award is estimated using the intrinsic value method which is based on the fair market value price on the date of grant. Compensation expense for restricted stock awards is recognized ratably over the vesting period on a straight-line basis.

Provision for OneAccount Losses

We have entered into agreements with third-party FDIC-insured banks to hold all deposit accounts of our accountholders. Although those deposit funds are held by the third-party banks, we are liable to the banks for any uncollectible accountholder overdrafts and any other losses due to fraud or theft. We provide reserves for our estimated overdraft liability and our estimated uncollectible fees to the third-party banks. The provision for these reserves is included within the cost of revenue on the accompanying consolidated financial statements. Such reserve is based upon an analysis of outstanding overdrafts and historical repayment rates. See Note 9 for further information. We also record an estimated liability for losses due to fraud or theft based on transactions that have been disputed by our accountholders but where such disputes have not been resolved as of the end of the reporting period based on our historical rate of loss on such transactions.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are also recognized for net operating loss and credit carry-forwards. These deferred tax assets and liabilities are measured using the currently enacted tax rates and laws. The realization of total deferred tax assets is contingent upon the generation of future taxable income. Valuation allowances are provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized.

Income tax provision or benefit includes U.S. federal, foreign and state and local income taxes and is based on pre-tax income or loss. In determining the estimated annual effective income tax rate, we analyze various factors, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local taxes and our ability to use tax credits and net operating loss carry-forwards.

We utilize a more-likely-than-not recognition threshold, based on the technical merits of the tax position taken, when we consider the need for a provision related to an uncertain tax provision. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of the tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. We recognize interest and penalties related to income tax matters in income tax expense.

Business Combinations

When we are the acquiring entity in a business combination, we recognize all of the assets acquired and liabilities assumed in the transaction at their fair value on the acquisition date. Contingent consideration, if any, is recognized and measured at fair value on the acquisition date. Transaction costs associated with an acquisition are expensed as incurred.

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, warrants 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 the company uses those proceeds to purchase common stock for treasury at the average price for the reporting period.

The following table provides a reconciliation of the amounts used in computing basic and diluted net income available to common stockholders per common share:

	2014	2013	2012
Net income available to common shareholders:			
Basic	$ 14,967	$ 14,128	$ 36,870
Diluted	$ 14,967	$ 14,128	$ 36,870
Weighted average shares outstanding:			
Basic	47,209,780	46,717,359	53,877,879
Stock awards	840,259	1,651,006	2,850,928
Diluted	48,050,039	48,368,365	56,728,807
Net income per common share:			
Basic	$ 0.32	$ 0.30	$ 0.68
Diluted	$ 0.31	$ 0.29	$ 0.65

The dilutive effect of stock options and warrants totaling 3,022,492, 2,161,583 and 1,091,876 were not included in the computation of diluted net income per common share for the years ended December 31, 2014, 2013 and 2012, respectively, because 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).

Treasury Stock

Treasury stock is recorded at cost.

Comprehensive Net Income

Comprehensive net income includes net income, combined with any unrealized gains and losses not included in earnings, and is reflected as a separate component of stockholders' equity. There were no differences between net income and comprehensive net income for the years ended December 31, 2014, 2013 and 2012.

Segment Information

We currently operate in one business segment, namely, providing technology, data analytics and payment services to the higher education industry. We provide products and services to two distinct, but related, target markets, higher education institutions and their students. We are not organized by product or market and we are managed and operated as one business. A single management team that reports to the chief operating decision maker comprehensively manages the entire business. We do not operate any material separate lines of business or separate business entities with respect to our products or product development. Accordingly, we do not accumulate discrete financial information with respect to separate product lines and we do not have separately reportable segments. All of our material identifiable assets and substantially all of our clients and customers are located in the United States.

Recent Accounting Pronouncements

There were no new accounting standards adopted during 2014 which had a material impact on our consolidated financial position, results of operations or liquidity.

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue From Contracts With Customers*, that outlines a single model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The ASU is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. The ASU becomes effective for us at the beginning of our 2017 fiscal year; early adoption is not permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*, which updated the accounting standards related to stock compensation. The update clarifies the accounting for share-based payments with a performance target that could be achieved after the requisite service period. Specifically, the update specifies the performance target should not be reflected in estimating the grant-date fair value of the award. Instead, the probability of achieving the performance target should impact vesting of the award. The standard is effective for interim and annual periods beginning after December 15, 2015 and early adoption is permitted. We are currently assessing the impact that this standard will have on our consolidated financial statements.

3. Acquisitions

Intellectual Property Acquisition

On June 9, 2008, we entered into a purchase agreement with one of the officers of EduCard, LLC to purchase certain intellectual property. The purchase price of 3,000,000 shares of our common stock issued to the individual was subject to restrictions and certain repurchase rights through December 31, 2011, based upon student enrollment at qualified educational institutions which converted to our platform as defined in the agreement. As of December 31, 2011, 1,051,878 shares reverted back to us, because certain of the required milestones were not met. These shares were cancelled during the year ended December 31, 2012.

Campus Labs, LLC Asset Acquisition

On August 7, 2012, we entered into an Asset Purchase Agreement with Campus Labs, LLC, or Campus Labs, and Eric Reich and Michael Weisman, as the members of Campus Labs, to purchase substantially all of the assets of Campus Labs for consideration consisting of the following:

(i) $37.3 million in cash;

(ii) warrants to purchase 150,000 shares of our common stock, which were valued at $1.0 million utilizing a Black-Scholes pricing model; and

(iii) a potential earn-out payment, calculated by multiplying the amount of 2013 revenues for the acquired business in excess of $12.5 million, if any, by 3.5 (subject to a maximum payment of $46.4 million). The amount recognized as of the acquisition date for the potential earn-out payment was $13 million. The estimated range of outcomes (undiscounted) for the payments due under the earn-out was between approximately $7 million and $23 million at the time of the acquisition; however there was no payment due at the end of the earn-out period.

We completed the acquisition on August 7, 2012, and used cash on hand and borrowings available under our credit facility to pay the cash portion of the purchase price and related transaction costs. Campus Labs offers specialized, comprehensive assessment programs that combine data collection, reporting, organization, and campus-wide integration for higher education institutions. The net assets and results of operations of the acquired assets of Campus Labs are included in our consolidated financial statements from August 7, 2012. Assets acquired and liabilities assumed were recorded at their fair values as of August 7, 2012.

Under the acquisition method of accounting, the total fair value of consideration transferred was allocated to Campus Lab's net tangible and intangible assets based on their estimated fair values as of August 7, 2012. The fair value of consideration transferred was allocated as follows as of August 7, 2012 (in thousands):

Assets acquired:		
Accounts receivable	$	2,408
Prepaid expenses		52
Fixed assets		577
Intangible assets		21,710
Goodwill		31,170
Total assets acquired		55,917
Liabilities assumed:		
Accounts payable and accrued liabilities		1,178
Deferred revenue		3,500
Total liabilities assumed		4,678
Total fair value of consideration transferred	$	51,239

The following methods and inputs were utilized to determine fair value for the respective items:

Item	Valuation technique	Inputs
Deferred revenue	Income approach	Estimated costs and associated profit margin to service our remaining obligations on contracts assumed as a result of the acquisition, discount rate
Contingent consideration	Income approach	Estimated range of revenues for 2013, discount rate
Non-compete agreements	Income approach – lost profits	Estimated probability of the associated individual leaving and competing, estimated future revenue impact of potential future competition
Completed technology	Income approach – relief from royalty	Estimated future revenue attributable to technology completed as of the acquisition date, royalty rate and discount rate
Tradename	Income approach – relief from royalty	Estimated future revenue, expected probability of utilizing the acquired tradenames in the future, discount rate.
Customer relationships	Income approach – excess earnings	Estimated future revenues attributable to existing higher education institution customers as of the acquisition date, estimated income associated with such revenue, royalty rate and discount rate

The acquired intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets (in thousands).

	Weighted-average amortization period (in years)	Amount
Customer relationships	12	$ 14,410
Completed technology	7	5,600
Tradename	9	700
Non-compete agreements	5	1,000
Total acquired intangible assets	10	$ 21,710

Goodwill represents the excess of the fair value of consideration transferred for an acquired business over the fair value of the net tangible and intangible assets acquired. Goodwill exists in the transaction as a result of value beyond that of the tangible and other intangible assets, attributable to synergies that exist in the combined business. Goodwill of $20.3 million is deductible for tax purposes.

Campus Labs did not constitute a separate operating segment. We integrated the Campus Labs business into our existing business. Our single operating segment does not have any components that constitute a separate business for which discrete information will be available. We operate the combined enterprise as one integrated business. Accordingly, the goodwill arising from the acquisition was assigned to our single operating segment and single reporting unit. We reported revenues totaling approximately $2.9 million from the Campus Labs acquisition from the acquisition date of August 7, 2012 through December 31, 2012.

Campus Solutions Acquisition

On May 7, 2013, we entered into an Asset Purchase Agreement with Sallie Mae, Inc., or Sallie Mae, to purchase substantially all of the assets of Sallie Mae's Campus Solutions business, or Campus Solutions, for consideration of approximately $47.3 million in cash, $5.2 million of which was deposited into escrow at closing. We recorded a contingently returnable escrow receivable of $3.3 million at the time of the acquisition related to the amount which was deposited into escrow at closing. All escrowed amounts have been released.

We completed the acquisition on May 7, 2013, and used borrowing available under our credit facility to pay the purchase price and related transaction costs. The Campus Solutions business provides refund disbursement and payment processing solutions, including tuition payment plans, to education institutions. The acquisition of the Campus Solutions business significantly increased the number of our higher education institution clients to whom we provide refund disbursement and payment processing services. The net assets and results of operations of the Campus Solutions business are included in our consolidated financial statements from May 7, 2013. Assets acquired and liabilities assumed were recorded at their fair values as of May 7, 2013.

During the year ended December 31, 2014, we recorded a measurement period adjustment which resulted in a change in the fair values attributed to the contingently returnable escrow receivable, intangible assets and goodwill. We have revised the comparative balance sheet as of December 31, 2013 to include the effect of the measurement period adjustment as if the accounting had been completed on the acquisition date. The fair value of the contingently returnable escrow receivable was reduced by $3.2 million and the fair values of intangible assets and goodwill were increased by $2.3 million and $0.9 million, respectively. The fair value of the contingently returnable escrow receivable decreased as a result of additional client contracts which were assigned to us, compared to our earlier assessments. The remaining disclosures related to the acquisition of Campus Solutions have been updated to reflect this measurement period adjustment.

During the year ended December 31, 2014, we received $1.6 million from the amounts that were deposited into escrow. The determination of the amount that we would receive did not occur until after the measurement period related to the Campus Solutions acquisition ended and was based on facts and circumstances negotiated after the end of the measurement period. Also during the year ended December 31, 2014, we recorded an expense of $1.0 million in order to reflect an obligation we assumed to ensure sufficient assets were available to satisfy liabilities associated with the Campus Solutions tuition payment plan line of business. The net effect of these two transactions resulted in other income of $0.6 million being recorded during the year ended December 31, 2014.

Under the acquisition method of accounting, the total fair value of consideration transferred was allocated to Campus Solution's net tangible and intangible assets based on their estimated fair values as of May 7, 2013. The fair value of consideration transferred was allocated as follows (in thousands):

Assets acquired:	**May 7, 2013**
Accounts receivable	$ 770
Contingently returnable escrow receivable	136
Fixed assets	92
Intangible assets	25,850
Goodwill	20,402
Total assets acquired and fair value of consideration transferred	$ 47,250

The following methods and inputs were utilized to determine fair value for the respective items:

Item	Valuation technique	Inputs
Contingently returnable escrow receivable	Probability-weighted future possible outcomes	Estimate of the contracts that will be assigned to us and the amount to be paid from escrow to us for each such contract
Completed technology	Income approach – relief from royalty	Estimated future revenue attributable to technology completed as of the acquisition date, royalty rate and discount rate
Customer relationships	Income approach – excess earnings	Estimated future revenues attributable to existing higher education institution clients as of the acquisition date, estimated income associated with such revenue, royalty rate and discount rate

The acquired intangible assets will be amortized each year based on a straight-line method over the estimated useful life of the asset.

	Weighted-average amortization period (in years)	Amount
Customer relationships	11	$ 23,130
Completed technology	3	2,720
Total acquired intangible assets	10	$ 25,850

Goodwill represents the excess of the fair value of consideration transferred for an acquired business over the fair value of the net tangible and intangible assets acquired. Goodwill exists in the transaction as a result of value beyond that of the tangible and other intangible assets, attributable to synergies that exist in the combined business, including a planned migration to a single technology platform. Goodwill of $20.2 million is deductible for tax purposes.

The Campus Solutions business does not constitute a separate operating segment. We have integrated the Campus Solutions business into our existing business. We have also concluded that our operating segment is a single reporting unit. Our single operating segment does not have any components that constitute a separate business for which discrete information will be available. We are operating the combined enterprise as one integrated business. Accordingly, the goodwill arising from the acquisition was assigned to our single operating segment and single reporting unit. We reported revenues totaling approximately $13.2 million from the Campus Solutions acquisition from the acquisition date of May 7, 2013 through December 31, 2013.

Pro Forma Financial Information (Unaudited)

The financial information in the table below summarizes the combined results of operations of Campus Labs, Campus Solutions and us on a pro forma basis. The financial information is presented as though the acquisition of Campus Labs occurred on January 1, 2011 and Campus Solutions occurred on January 1, 2012. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of each of the periods presented. The pro forma financial information for all periods presented also includes amortization expense from acquired intangible assets, adjustments to interest expense, interest income and related tax effects.

	Year Ended December 31,	
in thousands (other than share and per share information)	2013	2012
Revenues	$ 219,913	$ 227,132
Net income	$ 11,034	$ 26,380
Basic earnings per share	$ 0.24	$ 0.49
Basic weighted average number of common shares outstanding	46,717,359	53,877,879
Diluted earnings per share	$ 0.23	$ 0.47
Diluted weighted average number of common and common equivalent shares outstanding	48,368,365	56,728,807

4. Fair Value Measurements

The following table reflects the assets and liabilities carried at fair value measured on a recurring basis:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fair values at December 31, 2014				
Assets:				
Certificate of deposit	$ 249	$ -	$ 249	$ -
Fair values at December 31, 2013				
Assets:				
Certificate of deposit	$ 247	$ -	$ 247	$ -

A summary of the activity of the fair value of the measurements using unobservable inputs (Level 3 Assets and Liabilities) for the year ended December 31, 2013 is as follows (in thousands):

	Beginning Value of Level 3 Measurements	New Level 3 Measurements	Gain Recognized in Earnings	Settlements	Ending Fair Value of Level 3 Measurements
Year ended December 31, 2013:					
Contingently returnable escrow receivable asset	$ –	$ 136	$ –	$ (136)	$ –
Contingent consideration liability	$ 5,750	$ –	$ (5,750)	$ –	$ –

Our contingently returnable escrow receivable was valued using probability-weighted, future possible expected outcomes. The unobservable input utilized in the determination of this receivable is our estimation of which clients of Campus Solutions subject to the escrow agreement will agree to the assignment of their contracts to us (see "Note 3 – Business Combinations" for additional information related to this arrangement).

Our contingent consideration liability was valued using probability-weighted, future possible expected outcomes and an appropriate discount rate. The unobservable input utilized in the determination of this liability was our estimation of the range of revenues which were to be achieved by the Campus Labs business during 2013. During the year ended December 31, 2013, we reduced the range of revenues utilized to estimate the contingent consideration liability to reflect our estimates regarding the revenue to be earned by the Campus Labs business during 2013. The $5.8 million adjustment recognized in earnings during the year ended December 31, 2013 was recorded in the merger and acquisition related line item in the consolidated statement of operations. There was no payment due at the end of the earn-out period.

We had no unrealized gains or losses from investments as of December 31, 2014 and 2013, and there is no difference between the amortized cost and fair value of the securities we held.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

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. The carrying amount of our debt outstanding under our credit facility approximates fair value. Our loan receivable related to New Markets Tax Credit financing is a debt instrument that we classify as held to maturity and is recorded at amortized cost. The carrying value of both our loan receivable and loan payable related to New Markets Tax Credit financing approximates fair value as of December 31, 2014. The fair value of our loan payable and loan receivable related to New Markets Tax Credit financing was estimated using discounted cash flow analysis based on rates for similar types of arrangements.

5. Restricted Cash

During the years ended December 31, 2013 and 2012, we deposited various amounts of cash with our bank partners in connection with the deposit processing services that they provide to us. The amounts are reflected in both current and non-current portions of restricted cash as of December 31, 2014 and 2013.

In February 2011, we deposited $1.1 million into an escrow account to fulfill our obligations related to a sales and use tax agreement with the Connecticut Development Authority. This amount is reflected on the consolidated balance sheet as noncurrent restricted cash as of December 31, 2014 and 2013. See Note 12 for additional information.

We accept payments on behalf of educational institutions and subsequently remit these payments to the education institutions. The amounts received are maintained in segregated accounts for the benefit of either the institution or the payer. There were approximately $297.9 million and $199.1 million of such funds as of December 31, 2014 and 2013, respectively. These deposits are not our funds and therefore are not included in the accompanying condensed consolidated balance sheets.

6. Deferred Costs

Deferred costs consist of the following:

	December 31,	
	2014	2013
Deferred implementation costs	$ 13,016	$ 10,766
Deferred financing costs	2,880	2,880
Less: Accumulated amortization	(11,709)	(9,273)
Deferred costs, net	$ 4,187	$ 4,373

For the years ended December 31, 2014, 2013 and 2012, we deferred $2.2 million, $1.6 million and $2.5 million respectively, of such costs. Amortization of deferred costs for the years ended December 31, 2014, 2013 and 2012 was $2.4 million, $1.9 million and $1.7 million respectively. Amortization of deferred financing costs is charged to interest expense. Amortization of deferred implementation costs is charged to cost of revenue.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

7. Fixed Assets

Fixed assets consist of the following:

	Estimated Useful Life (in years)	December 31, 2014	December 31, 2013
Building and building improvements	10 or 39	$ 30,884	$ 29,606
Computers and software	3 – 10	25,228	20,413
Equipment	7	13,461	12,676
Furniture and fixtures	5	1,292	1,322
Leasehold improvements	5	508	508
Assets under construction		588	3011
		71,961	67,536
Less: Accumulated depreciation		(25,193)	(17,648)
Fixed assets, net		$ 46,768	$ 49,888

Depreciation and amortization of fixed assets for the years ended December 31, 2014, 2013 and 2012 was $8.0 million, $6.7 million and $5.5 million respectively.

See Note 12 for further information on our building and building improvements.

8. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following:

	Weighted Average Amortization Period (in years)	December 31, 2014	December 31, 2013
Goodwill		$ 67,403	$ 67,403
Completed technology	7	$ 15,324	$ 15,324
Internal use software	3	10,410	2,212
Contracts and customer lists	11	48,571	48,571
Tradenames and domain names	9	1,150	1,150
Covenants not to compete	5	5,016	5,016
Internal use software in development		2,144	4,811
		82,615	77,084
Less: Accumulated amortization		(26,360)	(17,250)
Intangible assets, net		$ 56,255	$ 59,834

The following table summarizes changes in goodwill:

Balance at December 31, 2012	$ 47,000
Acquisition of Campus Solutions	20,403
Balance at December 31, 2013	67,403
Balance at December 31, 2014	$ 67,403

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

Intangible assets from acquisitions are amortized over three to twelve years. Amortization expense related to intangible assets was approximately $9.1 million, $6.5 million and $3.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. Amortization related to completed technology is expensed to cost of revenues, while amortization of other intangibles is expensed to general and administrative and sales and marketing expenses.

Total estimated amortization expense, related to intangible assets, for each of the next five years, as of December 31, 2014, is expected to approximate:

Year Ending December 31,	
2015	$ 10,691
2016	10,816
2017	8,201
2018	5,999
2019	5,360

9. Provision for Operational Losses

Activity in the provision for operational losses for each of the last three years is as follows:

	December 31,		
	2014	2013	2012
Prepayment of operational losses, beginning	$ 805	$ 4,463	$ 3,796
Provision for operational losses	(4,425)	(5,948)	(12,009)
Payments to third party for losses	4,395	2,290	12,676
Prepayment of operational losses, ending	$ 775	$ 805	$ 4,463

The balance as of December 31, 2014 and 2013 is included within prepaid expenses and other current assets on the accompanying balance sheet.

10. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2014	2013
Litigation settlement and related costs	$ 9,278	$ 16,310
Compensation and benefits	4,214	4,053
Bank and payment processing expenses	5,977	3,118
Data processing	2,806	2,632
Other	3,597	4,209
Accrued expenses	$ 25,872	$ 30,322

11. Debt and Acquisition Payable

Credit Facilities

December 2010 Facility

On December 31, 2010, HOI entered into a senior secured revolving credit facility in an amount of $50.0 million, or the December 2010 Facility. Each of HOH, HOMI, Real Estate Inc. and Real Estate LLC, or together with HOI, the Loan Obligors, was a guarantor of HOI's obligations under the December 2010 Facility.

The December 2010 Facility was 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 Loan Obligor's tangible and intangible assets, other than intellectual property. Each of the Loan Obligors granted a negative pledge of the intellectual property of HOI and its subsidiaries to the administrative agent under the December 2010 Facility.

October 2012 Facility

On October 16, 2012, HOI terminated the December 2010 Facility and entered into a new five-year senior secured revolving credit facility in an amount of $200.0 million, or the October 2012 Facility. All amounts outstanding under the December 2010 Credit Facility, which was $30.0 million, was repaid in full using borrowings available under the October 2012 Facility. The October 2012 Facility permits the issuance of letters of credit of up to $20.0 million and swing line loans of up to $10.0 million to fund working capital needs. Loans drawn under the October 2012 Facility are payable in a single maturity on October 16, 2017.

Each of the Loan Obligors is a guarantor of HOI's obligations under the October 2012 Facility. Loans drawn under the October 2012 Facility are secured by a perfected first priority security interest in all of the capital stock of HOI and its domestic subsidiaries, and substantially all of each Loan Obligor's tangible and intangible assets, including intellectual property.

At our option, amounts outstanding under the October 2012 Facility accrue interest at a rate equal to either (i) the British Bankers Association LIBOR Rate, or BBA LIBOR, plus a margin of between 1.75% and 2.25% per annum (depending on our funded debt to EBITDA, as defined in the October 2012 Facility, ratio) or (ii) a fluctuating base rate tied to the federal funds rate, the administrative agent's prime rate and BBA LIBOR, subject to a minimum of 2%. Interest is payable on the last day of each interest period selected by us under the October 2012 Facility and, in any event, at least quarterly. We pay a commitment fee ranging from 0.25% and 0.375% on the daily average undrawn portion of revolving commitments under the October 2012 Facility, which accrues and is payable quarterly in arrears.

The October 2012 Facility contains certain affirmative covenants, including covenants to furnish the lenders with financial statements and other financial information and to provide the lenders notice of material events and information regarding collateral. The October 2012 Facility also contains certain negative covenants that, among other things, restrict our ability, subject to certain exceptions, to incur additional indebtedness, grant liens on our assets, undergo fundamental changes, make investments, sell assets, make restricted payments, change the nature of our business and engage in transactions with our affiliates. Acceleration of repayment of the October 2012 Facility could also occur upon a change of control or if we experience a material adverse change in our operations, condition or prospects. In addition, the October 2012 Facility contains certain financial covenants that require us to maintain EBITDA, as defined in the October 2012 Facility, on a consolidated basis for the prior four fiscal quarters of at least $50.0 million, a debt to EBITDA ratio of 2.50 to 1.00 or less, and a fixed charge coverage ratio of at least 1.25 to 1.00. We were in compliance with each of the applicable debt covenants in the October 2012 Facility, as amended, as of December 31, 2014.

We incurred financing costs of $0.3 million and $1.6 million during the years ended December 31, 2013 and 2012, respectively, relating to the October 2012 Facility. These financing costs are included in deferred costs on the accompanying consolidated balance sheets. As of December 31, 2014, we had $94.0 million outstanding under the October 2012 Facility at a weighted average interest rate of 2.42%.

Subsequent Event

We amended the October 2012 Facility in February 2015, or the February 2015 Amendment, which modified certain of the financial covenants and other terms of the agreement as follows:

- reduce the revolving credit facility to $140.0 million, with $35.0 million of such facility reserved only for the resolution of the certain regulatory matters, as defined. The revolving credit facility subsequently reduces to $130.0 million and $120.0 million as of December 31, 2015 and 2016, respectively;
- maintain a debt to consolidated EBITDA ratio of 2.75 to 1.00 or less for the evaluation periods from March 31, 2015 through September 30, 2016, and of 2.50 to 1.00 or less thereafter;
- requires us to maintain consolidated EBITDA, as defined in the October 2012 Facility, as amended, on a consolidated basis for the prior four fiscal quarters of at least the following amounts (i) $45.0 million as of March 31, 2015 and June 30, 2015, (ii) $40.0 million as of September 30, 2015 and December 31, 2015, and (iii) $35 million as of March 31, 2016 and all future evaluation periods;
- allow, at our option, amounts outstanding under the October 2012 Facility to accrue interest at a rate equal to either (i) the London Interbank Offered Rate, or LIBOR, plus a margin of 4% or (ii) a fluctuating base rate tied to the federal funds rate, the administrative agent's prime rate and LIBOR, plus a margin of 3%;
- allow for the payment of up to $75 million related to the settlement of certain regulatory matters, as defined;
- allow for the exclusion from the computation of consolidated EBITDA of up to $75 million of income statement charges related to certain regulatory matters, as defined;
- automatically and permanently reduce the revolving credit facility, dollar for dollar up to a maximum reduction in the revolving credit facility of $20.0 million, to the extent that the loss related to those certain regulatory matters is less than $70.0 million.

In connection with the February 2015 Amendment, we paid down the outstanding balance of the October 2012 Facility by $35 million and incurred financing costs of approximately $4.4 million in February 2015.

12. Real Estate Development Project and Related Transactions

Real Estate Development Project: As of December 31, 2014, we have incurred approximately $30.9 million, net of certain credits described below, on a project that developed two previously existing commercial buildings located in New Haven, Connecticut into our new corporate headquarters, to which we moved at the end of 2011. Real Estate LLC engaged Winchester Arms NH, LLC to develop the buildings and John Moriarty & Associates, or Moriarty, to be the general contractor for the project.

On February 18, 2011, Real Estate LLC signed a land lease with Science Park Development Corporation, or SPDC, which owns the property on which the two buildings reside, concerning the leasing, expansion and buyout of the land. The lease provides for a long term lease of the land at a nominal cost per year and includes a buyout option for a nominal amount after seven years.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

In connection with the real estate development project, we have received a number of grants, credits and subsidies which have reduced our basis in the building. Many of these programs have criteria that we must meet in order to prevent forfeiture or repayment of the grants and credits and also criteria that we must meet on an ongoing basis which are described below.

Name of program	Amount	Continuing criteria	Potential recapture or forfeiture
Federal Historic Preservation Tax Incentives Program	$ 5,705	We may not dispose of the building or reduce our ownership interest below a specified level for five years following the date the building is placed in service.	The recapture amount is reduced 20% of the total amount claimed each year.
Department of Economic and Community Development Urban Act Grant and Environmental Remediation Grant	5,500	We must (i) maintain corporate headquarters in Connecticut through 2021, (ii) maintain a specified minimum average employment level for the years 2015 – 2018 and (iii) adhere to other administrative criteria.	The full amount of the grant, plus 7.5%.
Connecticut Development Authority Sales and Use Tax Relief Program	1,000	We must (i) maintain corporate headquarters in Connecticut through 2021 and (ii) meet a specified minimum employment level as of March 31, 2015.	The full amount of benefit received from the program plus 7.5%.
Other contributions	5,423	None	None

All amounts, other than the Federal Historic Preservation Tax Incentives Program and $3.5 million of the other contributions, were received by us during 2011. The federal historic tax credits were received in 2012. As of December 31, 2013, $3.5 million was payable to us associated with state historic tax credits generated by the project. This amount was recorded within prepaid expenses and other current assets, along with an offsetting reduction to our fixed assets, in our consolidated balance sheet as of December 31, 2013. We received payment of the amounts receivable in January 2014.

We provided separate guarantees to each of two departments of the state of Connecticut. One guaranty relates to our obligation to repay a grant if we fail to meet certain criteria, including a specified minimum average employment level in Connecticut for the years 2015 – 2018. The other guaranty relates to our obligation to repay sales and use tax exemptions if we fail to meet certain criteria, including a minimum employment threshold. The maximum potential amount of repayments for these guarantees is approximately $7.0 million. During the year ended December 31, 2014, we recorded a liability, and corresponding increase in our fixed asset balance, totaling $1.3 million, which represents our best estimate of expected repayments resulting from these guarantees. The liability of $1.3 million is recorded within deferred revenue and other non-current liabilities ($1.1 million), as it would not be due until 2019, and accrued expenses ($0.2 million) in our condensed consolidated balance sheet as of December 31, 2014.

New Market Tax Credit Financing: In December 2011, we consummated a financing transaction related to the federal New Markets Tax Credit, or NMTC, program which provided funding for our real estate development project. The NMTC program is designed to encourage new or increased investments into operating businesses and real estate projects located in low-income communities. In connection with this transaction, HOI provided a loan of $7.6 to an unrelated third party. We consider this loan to be a debt instrument held to maturity which is recorded at amortized cost and the value as of December 31, 2014 approximates fair value. The loan bears interest at 1.0% which is payable quarterly and matures in December 2041. Repayments on the loan commence in December 2019.

Also in connection with this transaction, Real Estate LLC entered into a loan agreement and borrowed $7.6 million from an unrelated third party. Real Estate LLC's loan bears interest at approximately 1.1% which is payable quarterly and matures in December 2041. Repayments on the loan commence in December 2019. This loan is secured by the real estate development project. In addition to the loan agreement, Real Estate Inc. admitted a new member into Real Estate LLC. The new member contributed $2.2 of capital in exchange for a 2% interest in Real Estate LLC. We have presented this contribution on the consolidated balance sheet as a deferred contribution as a result of our expectation that we will re-acquire this interest in approximately seven years through the exercise of a put option for a nominal price by the counterparty to this agreement or through a fair value call option that we can exercise.

In connection with the NMTC transaction, we provided a guaranty related to our actions or inactions which cause either a NMTC disallowance or recapture event. 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 agreement. This guaranty remains in place through 2018. 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.

Investment in Winchester Lofts: In connection with the real estate project described above, we made an investment in FC Winchester Lofts Master Tenant, LLC, or the Master Tenant, which will maintain and operate a residential development project which is adjacent to our corporate headquarters. During the year ended December 31, 2014, we sold our interest in the Master Tenant and recorded a loss on the transaction of $0.3 million, which is reflected in other income (loss) on our accompanying statement of operations. As a result of the sale of our interest, we do not have any future obligations to the Master Tenant and we are no longer entitled to receive any cash flows generated by the project. When we contributed capital to the project, the power to direct the economically significant activities of the project was held by the other member of the Master Tenant, as such we were not the primary beneficiary of the Master Tenant. Accordingly, our investment in the Master Tenant was accounted for as an equity method investment. The equity investment totaled $3.9 million during the year ended December 31, 2013 and is included within other assets on the accompanying balance sheet as of December 31, 2013.

13. Capital Stock

Common Stock

We are authorized to issue up to 200,000,000 shares of Common Stock with a par value of $0.001 per share. Each share of Common Stock entitles the holder to one vote on all matters submitted to a vote of our stockholders. Common stockholders are not entitled to receive dividends unless declared by the board of directors.

In connection with the acquisition of Campus Labs, we issued warrants to the former owners of Campus Labs, LLC which allows the former owners to acquire an aggregate of 150,000 shares of our common stock at a price of $11.67 per share. The warrants are first exercisable in August 2017 and expire in August 2022.

Preferred Stock

We are authorized to issue 20,000,000 shares of Preferred Stock with a par value of $0.001 per share.

Treasury Stock

During the years ended December 31, 2013 and 2012, we purchased 528,403 and 10,324,500 shares of our common stock, respectively at a cost of $6.0 million and $115.7 million, respectively.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

14. Stock Based Compensation

Our board of directors adopted the 2000 Stock Plan on April 20, 2000. The 2000 Stock Plan, as amended, permitted the granting of stock options and restricted stock to employees and directors not to exceed in the aggregate 11,400,000 shares of Common Stock. Such options expire ten years from the date of grant and options are no longer able to be granted under the 2000 Stock Plan. On March 26, 2010, our Board of Directors adopted the 2010 Equity Incentive Plan, or 2010 Plan. The 2010 Plan was amended in May 2013. The 2010 Plan permits the granting of stock options, restricted stock and other stock-based awards to employees and directors not to exceed in the aggregate 5,760,000 shares of Common Stock. Options for our employees under the 2000 Plan and 2010 Plan vest over periods of up to five years, with the majority vesting as follows: one-fifth of the granted options vest one year from the date of grant; the remaining four-fifths vest at a rate of 1/48 per month over the remaining four years of the vesting period. We primarily grant incentive stock options, but occasionally grant nonqualified stock options to key members of management. We settle stock option exercises with newly issued common shares.

As of December 31, 2014, 2,235,630 and 5,318,990 shares of common stock were reserved for issuance under the 2000 Plan and 2010 Plan, respectively, of which 1,634,924 remain available for grant under the 2010 Plan. A summary of stock option and restricted stock activity under our stock plans for the years ended December 31, 2014, 2013 and 2012, and changes during the years then ended are as follows:

	Stock Options		Warrants		Restricted Stock		
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares		Weighted Average Grant Stock Price
Outstanding at December 31, 2011	6,190,466	$ 5.53	-	$ -	21,678		$ 10.80
Granted	858,000	13.19	150,000	11.67	-		-
Exercised	(1,429,063)	2.15	-	-	(7,044)	(1)	10.80
Forfeited / Canceled	(180,068)	11.15	-	-	(7,587)		10.80
Outstanding at December 31, 2012	5,439,335	$ 7.44	150,000	$ 11.67	7,047		$ 10.80
Granted	2,064,837	10.40	–	-	105,812		9.81
Exercised	(912,524)	1.43	–	-	(7,047)	(1)	10.80
Forfeited / Canceled	(162,414)	13.41	–	-	–		-
Outstanding at December 31, 2013	6,429,234	$ 9.09	150,000	$ 11.67	105,812		$ 9.81
Granted	383,436	5.87	–	-	1,340,822		4.65
Exercised	(186,176)	1.09	–	-	(79,134)	(1)	9.18
Forfeited / Canceled	(1,872,322)	11.30	–	-	(4,375)		8.00
Outstanding at December 31, 2014	4,754,172	$ 8.28	150,000	$ 11.67	1,363,125		$ 4.77
Intrinsic value							
Shares outstanding	$ 1,809,000		$ –		$ 5,739,000		
Shares vested	1,778,000		–				

(1) Represents restricted stock vested

The weighted-average grant-date fair value of options granted during the years ended December 31, 2014, 2013 and 2012 was $2.92, $5.17 and $6.23, respectively. The weighted-average grant-date fair value of options vested during the years ended December 31, 2014, 2013 and 2012 was $6.06, $6.15, and $4.67, respectively. The total grant-date fair value of options vested during the years ended December 31, 2014, 2013 and 2012 was $2.8 million, $3.8 million and $4.1 million, respectively. The weighted-average grant-date fair value of options forfeited in 2014, 2013 and 2012 was $5.57, $6.86 and $6.21, respectively.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

The following table summarizes information about stock options outstanding at December 31, 2014:

Options Outstanding and Expected to Vest			Options Exercisable		
Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
4,754,172	5.7	$ 8.28	3,302,102	4.6	$ 7.52

The total intrinsic value, the amount by which the stock price exceeds the exercise price of the option on the date of exercise, of stock options exercised for the years ended December 31, 2014, 2013 and 2012 was $0.9 million, $7.8 million and $16.2 million, respectively.

As of December 31, 2014, the total compensation cost related to non-vested options and restricted stock not yet recognized in the consolidated financial statements is approximately $10.0 million, net of estimated forfeitures. The cost is expected to be recognized through December 2018 with a weighted average recognition period of approximately 2.9 years.

The total income tax benefits recognized in the consolidated statements of operations related to stock options for the years ended December 31, 2013 and 2012 were approximately $0.1 million and $0.2 million, respectively.

15. Income Taxes

The components of income tax expense for the years ended December 31, 2014, 2013 and 2012, were as follows:

	2014	2013	2012
Current income tax expense			
Federal	$ 6,128	$ 14,839	$ 18,788
State and local	580	1,100	1,380
Total	6,708	15,939	20,168
Deferred income tax expense (benefit)			
Federal	2,860	(6,314)	1,992
State and local	107	(273)	(136)
Total	2,967	(6,587)	1,856
Income tax expense	$ 9,675	$ 9,352	$ 22,024

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

The reconciliation of expected income tax expense at the statutory federal income tax rate to the effective income tax rate is as follows:

	2014	2013	2012
Expected federal income tax expense	$ 8,625	$ 8,218	$ 20,613
Stock-based compensation	472	605	560
Non-deductible expenses	329	60	71
State tax expense, net of federal tax effect	484	442	761
Federal credits	(96)	(53)	-
Other	(139)	80	19
Income tax expense	$ 9,675	$ 9,352	$ 22,024

Deferred tax assets (liabilities) reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of net deferred tax (liabilities) assets are as follows:

	December 31,			
	2014		2013	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Class action settlement and allowance for customer restitution	$ 3,378	$ –	$ 6,034	$ –
Stock options	2,939	–	2,691	–
Tax credits	812	–	834	–
Intangible assets	–	(951)	–	(651)
Fixed assets	–	(6,475)	–	(5,400)
Other	1,611	–	1,122	(9)
Gross deferred tax assets and liabilities	8,740	(7,426)	10,681	(6,060)
Valuation allowance	(1,409)	–	(1,119)	–
Net deferred tax assets and liabilities	$ 7,331	$ (7,426)	$ 9,562	$ (6,060)

As of December 31, 2014, we had approximately $12.3 million of state net operating loss carry-forwards, which expire from 2020 through 2034. We also have approximately $1.1 million in state credit carry-forwards, layers of which expire from 2014 to 2034. State net operating loss carry-forwards of approximately $0.1 million are restricted under Section 382 of the Internal Revenue Code. As of December 31, 2014, we had federal net operating loss carry-forwards of approximately $0.1 million that expire in 2022 and federal credits carry-forwards of approximately $0.1 million that expire from 2020 to 2023. All federal net operating loss and credit carry-forwards are restricted under Section 382 of the Internal Revenue Code, which limits the utilization of net operating losses and credits when ownership changes, as defined by that section, occur. We have performed an analysis of our Section 382 ownership changes and determined that the utilization of certain of our net operating loss and credit carry-forwards may be limited with respect to the amount which can be utilized in a single tax year. We do not expect that Section 382 will limit the ultimate utilization of the net operating loss or credit carry-forwards. Valuation allowances have been established primarily for state tax credits and net state operating loss carry-forwards which we do not expect to utilize.

In general, we are no longer subject to state examinations for tax years prior to 2011. Years prior to 2011 are subject to examination in a limited number of states in which the statute of limitations period exceeds three years or net operating losses have been utilized in recent periods. We are no longer subject to examination for federal purposes for tax years prior to 2011. All of our unrecognized tax benefit/liability would affect our effective tax rate if recognized.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Balance at January 1	$ 426	$ 345	$ 342
Additions for tax positions related to the current year	–	76	17
Additions for tax positions of prior years	24	29	18
Reductions for tax positions of prior years	(12)	–	(10)
Settlements	–	–	–
Reduction due to statute of limitation expiration	(114)	(24)	(22)
Balance at December 31	$ 324	$ 426	$ 345

16. Commitments and Contingencies

Operating Leases, Purchase Obligations and Other Commitments

We lease facilities with varying terms, renewal options and expiration dates. Aggregate future minimum lease payments under non-cancelable operating leases are as follows:

2015	$ 539
2016	482
2017	331
2018	252
2019	329
Thereafter	790
Total payments	$ 2,723

Rent expense under non-cancelable operating leases for the years ended December 31, 2014, 2013 and 2012 was $0.7 million, $0.7 million and $1.2 million, respectively.

We also have certain purchase obligations which include minimum amounts committed for contracts for services through 2017. The minimum payments due for these services are as follows:

2015	$ 2,817
2016	2,919
2017	2,492
Total	$ 8,228

Litigation and Regulatory

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.

Regulatory Examinations and Other Matters

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 responded to the FDIC's notification and 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. On August 8, 2012, we received a Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty, or the Consent Order, dated August 7, 2012, issued by the FDIC to settle such alleged violations. Pursuant to the terms of the Consent Order, we neither admitted nor denied any charges when agreeing to the terms of the Consent Order. Under the terms of the Consent Order, we were required to, among other things, review and revise our compliance management system and, to date, we have substantially revised our compliance management system. Additionally, the Consent Order provided for restrictions on the charging of certain fees. The Consent Order further provided that we shall make restitution to less than 2% of our customers since 2008 for fees previously assessed, which restitution has been completed through the voluntary customer credit plan described above, and we paid a civil money penalty of $0.1 million. We remain subject to the jurisdiction and examination of the FDIC and further action could be taken to the extent we do not comply with the terms of the Consent Order or if the FDIC were to identify additional violations of certain applicable laws and regulations.

The Federal Reserve Bank of Chicago notified us and a former bank partner of potential violations of the Federal Trade Commission Act relating to marketing and disclosure practices related to the OneAccount during the period it was offered by such former bank partner. On May 9, 2014, the Federal Reserve Banks of Chicago (the responsible Reserve Bank for a former bank partner) and Philadelphia (the responsible Reserve Bank for a current bank partner) notified us that the Staff of the Board of Governors of the Federal Reserve System intended to recommend that the Board of Governors of the Federal Reserve System, or the Board of Governors, seek an administrative order against us with respect to asserted violations of the Federal Trade Commission Act. The cited violations relate to our activities with both a former and current bank partner and our marketing and disclosure practices related to the process by which students may select the OneAccount option for financial aid refund. We are in discussions with the Staff of the Board of Governors and the Reserve Banks on this matter. The Staff of the Board of Governors has asserted that any administrative order may seek damages, including customer restitution and civil money penalties, totaling as much as $35 million, and changes to certain of our business practices.

Approximately 55% of the OneAccounts are held at our bank partner regulated by the FDIC and we will need to consider voluntarily providing restitution to those OneAccounts held at that bank partner. In the event we do provide restitution to these OneAccounts on the same basis as an order from the Board of Governors or if the FDIC were to elect to seek a similar administrative action against us as has been proposed by the staff of the Board of Governors, it is reasonably possible that our loss related to this matter will increase accordingly and increase our total exposure by an additional restitution amount of approximately $35 million, or approximately $70 million in total.

During the year ended December 31, 2014, we recorded a liability of $8.75 million related to this matter, which is shown as a reduction of revenue on our consolidated statement of operations. While we believe that it is probable that we will have a loss related to this regulatory matter, in view of the inherent difficulty of predicting the outcomes of regulatory matters, we cannot predict the eventual outcome of this pending matter, the timing of the ultimate resolution of this matter or an exact amount of loss associated with this matter. The liability reflects the minimum amount we expect to pay related to this matter, although, there is a reasonable possibility that the liability will increase in future periods. The ultimate amount of restitution or civil money penalties is subject to many uncertainties and therefore impossible to predict. As disclosed in "Note 11 – Credit Facility" of our consolidated financial statements, we amended our Credit Facility in February 2015. The amendment allows, among other things, for the payment of up to $75 million in connection with the resolution of the regulatory matters described above.

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 the next twelve months. However, we may be required to pay material customer restitution and civil money penalties related to certain regulatory proceedings as described above. While the ultimate amounts of customer restitution or civil money penalties are subject to many uncertainties and therefore are impossible to predict, we believe that our cash flows from operations and liquidity sources available through our October 2012 Facility, as amended, will allow us to pay such customer restitution and civil money penalties.

Consumer Class Action

HOI and HOH were defendants in a series of putative class action lawsuits filed in 2012. The Judicial Panel on Multidistrict Litigation transferred all of these cases to the District of Connecticut for coordinated or consolidated pretrial proceedings. The proceedings are referred to as the "In re Higher One OneAccount Marketing and Sales Practices Litigation" or the "MDL." Plaintiffs filed a consolidated amended complaint in the MDL that generally alleged, among other things, violations of state consumer protection statutes (predicated, in part, on alleged violations of ED rules and violations of the federal Electronic Funds Transfer Act) and various common law claims. On April 22, 2013, we filed a motion to dismiss the case, which the court denied as moot on March 11, 2014 in light of the parties' settlement, discussed below.

In October 2013, we reached an agreement in principle on the key terms of a settlement that would resolve all of the above class action litigation that was filed against us in 2012. In February 2014, we executed a settlement agreement, the terms of which included a payment of $15.0 million to a settlement fund, an agreement to pay the cost of notice to the class, and an agreement to make and/or maintain certain practice changes. We made the payment of $15.0 million to the settlement fund in February 2014. On June 2, 2014, the court issued an order preliminarily approving the settlement, directing that notice of the settlement be sent to the class, setting relevant filing deadlines, and scheduling a final fairness hearing for November 24, 2014. On December 15, 2014, the Court granted final approval of the settlement. The Court also entered judgment on that day. No appeals of the judgment were filed, and the settlement has now become final.

During the year ended December 31, 2013, we recorded an accrual of $16.3 million to reflect the estimated cost of the resolution, inclusive of additional legal and other administrative costs, based on the agreement in principle. This estimate is consistent with our current cost estimate based on the final, approved settlement agreement.

Securities Class Action

On May 27, 2014, a putative class action captioned Brian Perez v. Higher One Holdings, Inc., No. 3:14-cv-755-AWT, was filed by HOH shareholder Brian Perez in the United States District Court for the District of Connecticut. On December 17, 2014, Mr. Perez was appointed lead plaintiff. On January 20, 2015, Mr. Perez filed an amended complaint. HOH former shareholder Robert Lee was added as a named plaintiff in the amended complaint. HOH and certain employees and board members have been named as defendants. Mr. Perez and Mr. Lee generally allege that HOH and the other named defendants made certain misrepresentations in public filings and other public statements in violation of the federal securities laws and seek an unspecified amount of damages. Mr. Perez and Mr. Lee seek to represent a class of any person who purchased HOH securities between August 7, 2012 and August 6, 2014. For each defendant that has been served the deadline to respond to the complaint currently is March 20, 2015. HOH intends to vigorously defend itself against these allegations. HOH is currently unable to predict the outcome of this lawsuit and therefore cannot determine the likelihood of loss nor estimate a range of possible loss.

Cybersecurity subpoena

The SEC has informed us that it opened an investigation on January 20, 2015 into the adequacy of our disclosures of cybersecurity risks. In connection with this investigation into the adequacy of our disclosures, the SEC issued us a subpoena, on January 22, 2015, seeking documents related to our cybersecurity, including, among other things, documents related to cybersecurity policies, procedures, practices and training materials; risk assessments, audits, tests or reviews; monetary and other resources allocated to cybersecurity; any cybersecurity incidents and any costs or damages associated with cybersecurity incidents; and insurance policies that cover or mitigate our cybersecurity risk. We are complying with the subpoena and are producing responsive documents to the SEC. We are not aware of any issue or event that caused the SEC to open the investigation, but responding to an investigation of this type can be both costly and time-consuming and at this time we are unable to estimate either the likelihood of a favorable or unfavorable outcome of this matter or our potential cost or exposure.

TouchNet

In February 2009 and September 2010, Higher One, Inc. filed 2 separate complaints 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 2 of our patents. In the complaints, we sought judgments that TouchNet has infringed 2 of our patents, a judgment that TouchNet pay damages and interest on damages to compensate us for infringement, an award of our costs in connection with these actions and an injunction barring TouchNet from further infringing our patents. TouchNet answered the complaint and asserted a number of defenses and counterclaims, including that it does not infringe our patent, that our patent is invalid or unenforceable and certain allegations of unfair competition and state and federal antitrust violations. In addition, TouchNet's counterclaims sought dismissal of our claims with prejudice, declaratory judgment that TouchNet does not infringe our patent and that our patent is invalid or unenforceable, as well as an award of fees and costs related to the action, and an injunction permanently enjoining us from suing TouchNet regarding infringement of our patent. The parties are currently in the discovery stage of the proceeding. We intend to pursue the matter vigorously. There can be no assurances of our success in these proceedings.

(In thousands of dollars, except share and per share amounts or if the context indicates otherwise)

17. Quarterly Results (unaudited)

Our quarterly results for the years ended December 31, 2014 and 2013 are as follows:

	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Revenue	$ 66,556	$ 36,727	$ 59,775	$ 57,053
Gross margin	38,962	15,625	31,593	31,542
Income from operations	16,585	(6,865)	8,844	8,574
Net income before income taxes	15,859	(5,942)	7,838	6,887
Net income	9,710	(3,771)	2,922	4,112
Basic net income per share	0.21	(0.08)	0.10	0.09
Diluted net income per share	0.20	(0.08)	0.10	0.09

	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Revenue	$ 57,380	$ 40,023	$ 57,112	$ 56,608
Gross margin	35,080	22,129	32,113	32,977
Income from operations	16,343	6,488	(7,991)	11,012
Net income before income taxes	15,810	5,820	(8,423)	10,273
Net income	9,802	3,559	(5,494)	6,261
Basic net income per share	0.21	0.08	(0.12)	0.13
Diluted net income per share	0.20	0.07	(0.12)	0.13

Exhibit Index

Exhibit No.		Description
2.1	(1)	Asset Purchase Agreement dated as of June 9, 2008 by and among Higher One, Inc., EduCard, LLC and the members listed therein.
2.2	(1)	Intellectual Property Purchase Agreement dated as of June 9, 2008 by and between Kevin Jones and Higher One, Inc. (the "Intellectual Property Purchase Agreement").
2.3	(1)	First Amendment to the Intellectual Property Purchase Agreement dated as of May 7, 2009 by and between Kevin Jones and Higher One, Inc.
2.4	(1)	Second Amendment to the Intellectual Property Purchase Agreement dated as of August 21, 2009 by and between Kevin Jones and Higher One, Inc.
2.5	(1)	Stock Purchase Agreement dated as of November 19, 2009 by and among Higher One, Inc. and the shareholders of Informed Decisions Corporation listed thereto.
2.6	(4)	Third Amendment to the Intellectual Property Purchase Agreement dated as of May 5, 2010 by and between Kevin Jones and Higher One, Inc.
2.7	(4)	Fourth Amendment to the Intellectual Property Purchase Agreement dated as of December 10, 2010 by and between Kevin Jones and Higher One, Inc.
2.8	(4)	Fifth Amendment to the Intellectual Property Purchase Agreement dated as of February 3, 2010 by and between Kevin Jones and Higher One, Inc.
2.9	(5)	Sixth Amendment to the Intellectual Property Purchase Agreement dated as of April 15, 2011 by and between Kevin Jones and Higher One, Inc.
2.10	(5)	Seventh Amendment to the Intellectual Property Purchase Agreement dated as of April 20, 2011 by and between Kevin Jones and Higher One, Inc.
2.11	(7)	Eighth Amendment to the Intellectual Property Purchase Agreement dated as of December 21, 2011 by and between Kevin Jones and Higher One, Inc.
2.12	(10)	Asset Purchase Agreement dated August 7, 2012 between Campus Labs, LLC, the members of the Campus Labs, LLC and Higher One, Inc.
2.13	(11)	Ninth Amendment to the Intellectual Property Purchase Agreement dated as of June 1, 2012 by and between Kevin Jones and Higher One, Inc.
2.14	(11)	First Amendment to the Asset Purchase Agreement dated August 7, 2012 between Campus Labs, LLC, the members of the Campus Labs, LLC and Higher One, Inc.
3.1	(2)	Second Amended and Restated Certificate of Incorporation of the Registrant filed with the Secretary of State of the State of Delaware on June 18, 2010.
3.2	(2)	Bylaws of the Registrant effective as of June 16, 2010.
10.1	(1)	Amended and Restated Investor Rights Agreement dated as of August 26, 2008 by and among Higher One Holdings, Inc. and the shareholders listed thereto.
10.2	(1)	Services Agreement dated as of May 9, 2008 by and between The Bancorp, Inc. and Higher One, Inc.**
10.3	(1)	Lease Agreement dated as of November 1, 2007 by and between WE 150 Munson LLC and Higher One, Inc (the "New Haven Lease").
10.4	(1)	Amendment No. 1 to the New Haven Lease dated as of June 5, 2009 by and between WE 150 Munson LLC and Higher One, Inc.
10.5	(1)	Amendment No. 2 to the New Haven Lease dated December 1, 2009 by and between WE 150 Munson LLC and Higher One, Inc.
10.6	(1)	Higher One Holdings, Inc. 2000 Stock Incentive Plan dated as of April 20, 2000, as amended on August 3, 2006.
10.7	(1)	Form of Higher One Holdings, Inc. Incentive Stock Option Agreement.
10.8	(1)	Form of Higher One Holdings, Inc. Non-Qualified Stock Option Agreement.
10.9	(1)	Form of Higher One Holdings, Inc. Stock Restriction Agreement.
10.10	(1)	Higher One Holdings, Inc. Short Term Incentive Plan, dated as of March 26, 2010
10.11	(1)	Higher One Holdings, Inc. 2010 Equity Incentive Plan, dated as of March 26, 2010
10.12	(1)	Form of Higher One Holdings, Inc. Stock Option Grant Agreement.
10.13	(3)	Credit Agreement, dated as of December 31, 2010, by and among Higher One, Inc., and Bank of America, N.A.
10.14	(4)	Guaranty dated as of December 31, 2010 by Higher One Holdings, Inc. in favor of Bank of America, N.A., as administrative agent.
10.15	(4)	Guaranty dated as of December 31, 2010 by Higher One Payments, Inc. in favor of Bank of America, N.A., as administrative agent.
10.16	(4)	Guaranty dated as of December 31, 2010 by Higher One Real Estate, Inc. in favor of Bank of America, N.A., as administrative agent.
10.17	(4)	Guaranty dated as of December 31, 2010 by Higher One Real Estate SP, LLC in favor of Bank of America, N.A., as administrative agent.
10.18	(4)	Guaranty dated as of December 31, 2010 by Higher One Machines, Inc. in favor of Bank of America, N.A., as administrative agent.
10.19	(4)	Stock Pledge Agreement dated as of December 31, 2010 by and between Higher One Holdings, Inc. and Bank of America, N.A., as administrative agent.
10.20	(4)	Lease Agreement dated as of May 21, 2010 by and between Higher One Payments, Inc. and GSR II, LLC and LM Swan Way, LLC
10.21	(6)	Termination to Amended and Restated Investor Rights Agreements dated as of August 22, 2011 by and among Higher One Holdings, Inc. and the shareholders listed thereto.
10.22	(7)	Deposit Processing Services Agreement between Urban Trust Bank and Higher One, Inc., dated December 23, 2011.**
10.23	(7)	Deposit Processing Services Agreement between Wright Express Financial Services Corporation and Higher One, Inc., dated January 11, 2012.**
10.24	(8)	Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated March 29, 2012**

Exhibit No.		Description
10.25	(9)	Credit Agreement, dated as of October 16, 2012 among Higher One, Inc., its subsidiaries, Bank of America, N.A., other lenders party thereto and Merrill Lynch, Pierce Fenner & Smith, Incorporated.
10.26	(11)	First Amendment to the Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated May 3, 2012
10.27	(11)	Second Amendment to the Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated June 20, 2012
10.28	(11)	Third Amendment to the Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated July 26, 2012
10.29	(11)	Fourth Amendment to the Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated August 30, 2012
10.30	(11)	Fifth Amendment to the Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated November 30, 2012
10.31	(11)	Sixth Amendment to the Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated February 8, 2012
10.32	(12)	Master Reaffirmation and Amendment No. 1 to Loan Documents dated as of March 28, 2013 among Higher One, Inc., its subsidiaries, Bank of America, N.A., other lenders party thereto and Merrill Lynch, Pierce Fenner & Smith, Incorporated.
10.33	(13)	Higher One Holdings, Inc. Amended And Restated 2010 Equity Incentive Plan, approved May 23, 2013
10.34	(14)	Asset Purchase Agreement between Sallie Mae, Inc. and Higher One, Inc. dated May 7, 2013
10.35	(14)	Deposit Processing Services Agreement between Customers Bank and Higher One, Inc., dated July 12, 2013 **
10.36	(14)	Seventh Amendment to the Deposit Processing Services Agreement between Cole Taylor Bank and Higher One, Inc., dated July 12, 2013
10.37	(15)	Employment Agreement between Higher One Holdings, Inc. and Miles Lasater, dated January 9, 2014
10.38	(15)	Severance Protection Agreement between Higher One Holdings, Inc. and Christopher Wolf, dated January 14, 2014
10.39	(16)	Employment Agreement between Higher One Holdings, Inc. and Marc Sheinbaum, dated April 16, 2014
10.40	(16)	Employment Agreement between Higher One Holdings, Inc. and Mark Volchek, dated May 7, 2014
10.41	(17)	Form of Higher One Holdings, Inc. Cash Award Agreement
10.42	(17)	Form of Higher One Holdings, Inc. Restricted Stock Unit Grant Agreement
10.43	(18)	Amendment to Deposit Processing Services Agreement between Customers Bank and Higher One, Inc., dated September 22, 2014
10.44	*	Master Reaffirmation and Amendment No. 3 to Loan Documents dated as of February 12, 2015 among Higher One, Inc., its subsidiaries, Bank of America, N.A., other lenders party thereto and Merrill Lynch, Pierce Fenner & Smith, Incorporated
21.1	*	List of Subsidiaries of Higher One Holdings, Inc.
23.1	*	Consent of PricewaterhouseCoopers LLP
31.1	*	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	*	Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	*	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	*	Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	*(19)	XBRL Instance Document
101.SCH	*(19)	XBRL Taxonomy Extension Schema
101.CAL	*(19)	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	*(19)	XBRL Taxonomy Extension Definition Linkbase
101.LAB	*(19)	XBRL Taxonomy Extension Label Linkbase
101.PRE	*(19)	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith

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

(1) Incorporated by reference to exhibit filed with Registrant's registration statement on Form S-1 (File No. 333-165673), as amended.

(2) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending June 30, 2010.

(3) Incorporated by reference to exhibit filed with Registrant's Report on Form 8-K filed on January 5, 2011.

(4) Incorporated by reference to exhibit filed with Registrant's Annual Report on Form 10-K for the period ending December 31, 2010.

(5) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 2011.

(6) Incorporated by reference to exhibit filed with Registrant's Report on Form 8-K filed on August 23, 2011.

(7) Incorporated by reference to exhibit filed with Registrant's Annual Report on Form 10-K for the period ending December 31, 2011.

(8) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 2012.

(9) Incorporated by reference to exhibit filed with Registrant's Report on Form 8-K filed on October 18, 2012.

(10) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 2012.

(11) Incorporated by reference to exhibit filed with Registrant's Annual Report on Form 10-K for the period ending December 31, 2012.

(12) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 2013.

(13) Incorporated by reference to exhibit filed with Registrant's Report on Form 8-K filed on May 29, 2013.

(14) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending June 30, 2013.

(15) Incorporated by reference to exhibit filed with Registrant's Report on Form 8-K filed on January 15, 2014.

(16) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 2014.

(17) Incorporated by reference to exhibit filed with Registrant's Report on Form 8-K filed on August 19, 2015.

(18) Incorporated by reference to exhibit filed with Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 2014.

(19) Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibits 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

EXHIBIT 10.44

MASTER REAFFIRMATION AND
AMENDMENT NO. 3 TO LOAN DOCUMENTS

THIS MASTER REAFFIRMATION AND AMENDMENT NO. 3 TO LOAN DOCUMENTS (this "Amendment") is made as of the 12 day of February, 2015, by and among **HIGHER ONE, INC.**, a Delaware corporation (the "Borrower"), the Guarantors, the Lenders, and **BANK OF AMERICA, N.A.**, as Administrative Agent, Swingline Lender and L/C Issuer (the "Agent"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement described below.

W I T N E S S E T H:

WHEREAS, the Borrower, the Guarantors, the Agent and the Lenders are parties to that certain Credit Agreement, dated as of October 16, 2012 (the "Original Credit Agreement"), as amended by that certain Master Reaffirmation and Amendment No. 1 to Loan Documents, dated as of March 28, 2013 (the "First Amendment"), and as further amended by that certain Master Reaffirmation and Amendment No. 2 to Loan Documents, dated as of November 4, 2013 (the "Second Amendment" and, together with the Original Credit Agreement and the First Amendment, collectively, as the same may be amended, modified, extended, restated, replaced or otherwise supplemented from time to time, the "Credit Agreement");

WHEREAS, as collateral security for all Obligations to the Lenders, the Borrower and each Guarantor has granted to the Agent for the ratable benefit of the Secured Parties a lien on and security interest in all of their respective assets pursuant to, and as more particularly described in, the Collateral Documents;

WHEREAS, the Borrower and the Guarantors (collectively, the "Obligors") have requested that the Agent and the Lenders amend certain provisions of the Credit Agreement; and

WHEREAS, the Required Lenders are willing to make such amendments to the Credit Agreement, in accordance with and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and agreements set forth herein (which are incorporated herein as though fully set forth below, by this reference thereto) and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned agrees as follows:

1. Acknowledgments, Affirmations and Representations and Warranties.

(a) The Obligors acknowledge, affirm, represent and warrant that:

(i) All of the statements contained herein are true and correct and that each understands that the Lenders and the Agent are relying on the truth and completeness of such statements to enter into this Amendment.

(ii) The Obligors are legally and validly indebted to the Lenders by virtue of the Facility and the Loan Documents to which they are a party and there is no defense, offset or counterclaim with respect to any of the Obligations of the Obligors under the Loan Documents or independent claim or action against the Lenders or the Agent of any kind or nature with respect to the Obligations existing as of the date hereof or any of the Loan Documents to which they are a party, any action previously taken or not taken by the Lenders or the Agent with respect thereto, or any Lien on Collateral in connection therewith to secure the Obligations.

(iii) Each of the Obligors has the power and authority to enter into, and has taken all necessary corporate or company action to authorize, this Amendment and the transactions contemplated hereby, and this Amendment has been duly executed and delivered by each Obligor and is a valid and binding obligation of each Obligor, enforceable against each Obligor in accordance with its terms.

(iv) All representations, warranties and covenants contained in, and schedules and exhibits to, the Credit Agreement, the Guaranty and the other Loan Documents are true and correct in all material respects (without duplication of any materiality standard set forth in any such representation, warranty or covenant) on and as of the date hereof, except to the extent that such representations and warranties specifically relate to an earlier date, in which case they shall be true and correct in all material respects (without duplication of any materiality standard set forth in any such representation, warranty or covenant) as of such earlier date, and are incorporated herein by reference and are hereby remade and reaffirmed.

(v) No Event of Default (howsoever defined) currently exists under the Credit Agreement, the Guaranty or any of the other Loan Documents and no condition exists which would constitute a default or an event of default (howsoever defined) under the Credit Agreement or any of the other Loan Documents but for the giving of notice or passage of time, or both.

(vi) Except for matters specifically addressed in this Amendment, there has been no event or circumstance since the date of the closing of the Credit Agreement on October 16, 2012 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect.

(vii) The consummation of the transactions contemplated hereby is not prevented or limited by, nor does it conflict with or result in a breach of terms, conditions or provisions of any Obligor's Organization Documents or any evidence of indebtedness, agreement or instrument of whatever nature to which any Obligor is a party or by which it is bound, does not constitute a default under any of the foregoing and does not violate any federal, state or local law, regulation or order or any order of any court or agency which is binding upon any Obligor.

(viii) No consents, licenses or approvals are required in connection with the execution, delivery and performance by any of the Obligors and the validity against any of the Obligors of this Amendment other than those already obtained.

(ix) The Obligors are not in default in the payment or performance of any other obligations or liabilities relating to Indebtedness to any other Person, including, without limitation, any other financial institution, and all payments due to any other creditors of any of the Obligors are current and not past due.

2. Amendments to Credit Agreement and Other Loan Documents.

(a) Any and all references in any Loan Document to the Credit Agreement (howsoever defined) shall mean the Credit Agreement, as amended and modified by this Amendment.

(b) The Preliminary Statements of the Credit Agreement are hereby amended by deleting the first WHEREAS clause appearing therein and by substituting the following in lieu thereof:

"**WHEREAS**, the Loan Parties (as hereinafter defined) have requested that the Lenders, the Swingline Lender and the L/C Issuer make loans and other financial accommodations to the Loan Parties; and"

(c) Section 1.01 of the Credit Agreement, entitled "**Defined Terms**," is hereby amended by deleting the definitions of "Cost of Acquisition," "Permitted Acquisition," "Permitted Initial Share Repurchases" and "Permitted Subsequent Share Repurchases" in their entirety.

(d) Section 1.01 of the Credit Agreement, entitled "**Defined Terms**," is hereby amended by deleting the definitions of "Agreement," "Applicable Rate," "Base Rate," "Commitment," "Consolidated EBITDA," "Consolidated Fixed Charge Coverage Ratio," "Eurodollar Rate," "Loan Notice," "Responsible Officer" and "Swingline Loan Notice" in their entirety and by replacing them with the respective replacement definitions set forth below:

"Agreement" means this Credit Agreement, as amended, modified, extended, restated, replaced or otherwise supplemented from time to time.

"Applicable Rate" means: (a) for Base Rate Loans, a rate per annum equal to 3.00%, (b) for Eurodollar Rate Loans, a rate per annum equal to 4.00%, and (c) for Letter of Credit Fees, a rate per annum equal to 4.00%.

"Base Rate" means for any day a fluctuating rate of interest per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," and (c) the Eurodollar Rate plus 1.00%; and if the Base Rate shall be less than zero (0), such rate shall be deemed zero (0) for purposes of this Agreement. The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Commitment" means, as to each Lender, its obligation to (a) make Revolving Loans to the Borrower pursuant to Section 2.01, (b) purchase participations in L/C Obligations, and (c) purchase participations in Swingline Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1.01(b) under the caption "Commitment" applicable for such date or opposite such caption in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. Subject to any other adjustments set forth in this Agreement, including, without limitation, any Facility Reduction described in Section 2.16 hereof, the Commitment of all of the Lenders shall be: (i) $140,000,000 on the Amendment No. 3 Effective Date through December 31, 2015; (ii) $130,000,000 on January 1, 2016 through December 31, 2016; and (iii) $120,000,000 on January 1, 2017 through the Maturity Date. For the avoidance of doubt, any Facility Reduction shall be in addition to the reductions in the Commitment described in the immediately preceding sentence.

"Consolidated EBITDA" means, for any period, the sum of the following as determined on a Consolidated basis, the sum of (a) Consolidated Net Income, less (b) the sum of the following to the extent included in calculating such Consolidated Net Income (without duplication) (i) income from discontinued operations, (ii) interest income and (iii) the Income Adjustment component of the Campus Solutions Adjustment, plus (c) the sum of the following to the extent deducted in calculating such Consolidated Net Income (without duplication) (i) loss from discontinued operations, (ii) any extraordinary items, (iii) non-cash items related to earn-outs and similar obligations, (iv) income taxes, (v) any non-cash charges which result from any change in accounting principles or methods which are permitted under this Agreement, (vi) Consolidated Interest Charges, (vii) non-cash equity compensation-related expenses, (viii) depreciation, depletion, amortization and impairment charges (including intangible assets, fixed assets and goodwill), (ix) an income statement expense recorded in connection with an expected Permitted Settlement, which expense shall be recorded in conformity with GAAP, provided that, for the avoidance of doubt, the aggregate amount of any of such recorded expense shall not exceed the Permitted Settlement Amount, and (x) the Expense Adjustment component of the Campus Solutions Adjustment.

"Consolidated Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (a) (i) Consolidated EBITDA, plus (ii) to the extent not already included in the determination of Consolidated EBITDA, Pro Forma EBITDA, if any, less (iii) Restricted Payments paid in cash less (iv) Consolidated Maintenance Capital Expenditures less (v) income taxes paid in cash, to (b) the sum of, without duplication (i) Consolidated Interest Charges to the extent paid in cash, (ii) the aggregate principal amount of all redemptions or similar acquisitions for value of outstanding debt for borrowed money or regularly scheduled principal payments due within the applicable Measurement Period in respect of all Consolidated Funded Indebtedness (exclusive of Total Outstandings as of such date of determination), and (iii) Capital Lease obligations due within the applicable Measurement Period.

"Consolidated Funded Indebtedness" means, as of any date of determination, for Holdings, the Borrower and their Subsidiaries on a Consolidated basis, without duplication, all outstanding liabilities for borrowed money and other interest-bearing liabilities required to be recorded as a capital lease in accordance with GAAP, including current and long term liabilities, all FAS 150 Liabilities, and the current portion of Subordinated Liabilities, and in the case of Borrower includes Total Outstandings, but shall exclude the loan payable of up to $7,632,500 from Higher One Real Estate SP, LLC to Consortium America XLII, LLC.

"Eurodollar Rate" means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the London Interbank Offered Rate ("LIBOR"), or a comparable or successor rate which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) (in such case, the "LIBOR Rate") at or about 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period;

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to the LIBOR Rate, at or about 11:00 a.m., London time, two (2) Business Days prior to such date for Dollar deposits with a term of one (1) month commencing that day;

provided, that: (i) to the extent a comparable or successor rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent, and (ii) if the Eurodollar Rate shall be less than zero (0), such rate shall be deemed zero (0) for purposes of this Agreement

"Loan Notice" means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit F or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer, vice president of finance or controller of a Loan Party, and solely for purposes of the delivery of incumbency certificates pursuant to Section 4.01, the secretary or any assistant secretary of a Loan Party and, solely for purposes of notices given pursuant to Article II, any other officer of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer or employee of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. To the extent requested by the Administrative Agent, each Responsible Officer will provide an incumbency certificate and to the extent requested by the Administrative Agent, appropriate authorization documentation, in form and substance satisfactory to the Administrative Agent.

"Swingline Loan Notice" means a notice of a Swingline Borrowing pursuant to Section 2.04(b), which shall be substantially in the form of Exhibit J or such other form as approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent pursuant), appropriately completed and signed by a Responsible Officer of the Borrower.

(e) Section 1.01 of the Credit Agreement, entitled "**Defined Terms**," is hereby amended by deleting the last sentence appearing in the definition of "Applicate Percentage" in its entirety and by substituting the following in lieu thereof: "The Applicable Percentage of each Lender in respect of the Facility is set forth opposite the name of such Lender on Schedule 1.01(b) or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable."

(f) Section 1.01 of the Credit Agreement, entitled "**Defined Terms**," is hereby amended by deleting subsection (b) appearing in the definition of "Change of Control" in its entirety and by substituting the following in lieu thereof:

"(b) during any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of Holdings ceases to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors); or"

(g) Section 1.01 of the Credit Agreement, entitled "**Defined Terms**," is hereby amended by adding the following new definitions in their appropriate alphabetical order:

"Amendment No. 3" means that certain Master Reaffirmation and Amendment No. 3 to Loan Documents, dated as of February 12, 2015, by and among the Borrower, the Guarantors, the Lenders party thereto and Bank of America, as Administrative Agent, Swingline Lender and L/C Issuer.

"Amendment No. 3 Effective Date" has the meaning specified in Amendment No. 3.

"Campus Solutions Adjustment" means the $1,604,000 of income recorded in the second quarter of 2014 (the "Income Adjustment") and the $960,000 of expense recorded in the fourth quarter of 2014 (the "Expense Adjustment"), both of which are associated with a settlement related to the Campus Solutions acquisition and will be deducted from the calculation of Consolidated EBITDA.

"Facility Reduction" has the meaning specified in Section 2.16.

"Facility Reduction Amount" has the meaning specified in Section 2.16.

"Monetary Restitution" has the meaning specified in the definition of "Permitted Settlement."

"Notice of Loan Prepayment" means a notice of prepayment with respect to a Loan, which shall be substantially in the form of Exhibit Q or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer.

"Permitted Settlement" means, collectively, any and all final and non-appealable consents, orders, formal agreements or other commitments that are enforceable in writing (each, a "Settlement") by and between the Borrower on the one hand, and any or all of the Persons listed on Schedule 1.01(d) on the other hand, that (a) relates to the matters more fully described on Schedule 1.01(e), and (b) requires the payment by the Borrower of monetary restitution or civil money penalties in a specific maximum dollar amount, or in the case of monetary restitution, pursuant to

specified requirements that permit the calculation of a specific maximum dollar amount of monetary restitution; provided, that notwithstanding anything to the contrary contained herein, a Permitted Settlement (A) shall not in any event when combined with all other Permitted Settlements exceed the Permitted Settlement Amount, and (B) shall not include any one or more non-monetary Settlements that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. For purposes of this Amendment, "Permitted Settlement" also means a voluntary payment of monetary restitution in connection with the Borrower's financial consumer activities conducted through or with the support of Customers Bank and/or WEX Bank, each an insured depository institution, that is (1) in a fixed dollar amount, and (2) approved in writing in advance by the Administrative Agent, in its sole and absolute discretion (a "Monetary Restitution").

"Permitted Settlement Amount" means the aggregate amount required to be paid by the Borrower pursuant to the terms of the Permitted Settlement, plus fees and expenses incurred in connection therewith; provided that such Permitted Settlement Amount (inclusive of any Monetary Restitution and any legal fees and other costs and expenses that the Borrower incurs in connection with the Permitted Settlement or otherwise that the Borrower may be required to pay in connection with the foregoing) shall not exceed $75,000,000 in the aggregate.

"Permitted Settlement Date" means the date a Settlement which is a Permitted Settlement becomes effective.

"Permitted Settlement Payment" means each payment to be made by the Borrower pursuant to the terms of the Permitted Settlement, so long as the aggregate of all such Permitted Settlement Payments does not exceed the Permitted Settlement Amount.

"Permitted Settlement Reduction Amount" has the meaning specified in Section 2.16.

"Reserve Draw Request" has the meaning specified in Section 2.17.

"Settlement" has the meaning specified in the definition of "Permitted Settlement."

"Settlement Reserve Amount" means $35,000,000.

(h) Section 2.02 of the Credit Agreement, entitled "**Borrowings, Conversions and Continuations of Loans**," is hereby amended by deleting the first three sentences appearing therein and by substituting the following in lieu thereof:

"Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by: (i) telephone, or (ii) a Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Administrative Agent of a Loan Notice. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three (3) Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, and (ii) on the requested date of any Borrowing of Base Rate Loans."

(i) Section 2.04 of the Credit Agreement, entitled "**Swingline Loans**," is hereby amended by deleting the first sentence appearing in subsection (b) therein and by substituting the following in lieu thereof:

"Each Swingline Borrowing shall be made upon the Borrower's irrevocable notice to the Swingline Lender and the Administrative Agent, which may be given by: (i) telephone or (ii) a Swingline Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Swingline Lender and the Administrative Agent of a Swingline Loan Notice."

(j) Section 2.05 of the Credit Agreement, entitled "**Prepayments**," is hereby amended by deleting the first sentence appearing in subsection (a)(i) therein and substituting the following in lieu thereof:

"The Borrower may, upon notice to the Administrative Agent pursuant to delivery to the Administrative Agent of a Notice of Loan Prepayment, at any time or from time to time voluntarily prepay Revolving Loans in whole or in part without premium or penalty; provided that (A) such notice must be received by the Administrative Agent not later than 11:00 a.m. (1) three (3) Business Days prior to any date of prepayment of Eurodollar Rate Loans and (2) on the date of prepayment of Base Rate Loans; (B) any prepayment of Eurodollar Rate Loans shall be in a principal amount of $100,000 or a whole multiple of $100,000 in excess thereof; and (C) any prepayment of Base Rate Loans shall be in a principal amount of $200,000 or a whole multiple of $100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding."

(k) Section 2.05 of the Credit Agreement, entitled "**Prepayments**," is hereby amended by deleting the first sentence appearing in subsection (a)(ii) therein and by substituting the following in lieu thereof:

"The Borrower may, upon notice to the Swingline Lender pursuant to delivery to the Swingline Lender of a Notice of Loan Prepayment (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swingline Loans in whole or in part without premium or penalty; provided that, unless otherwise agreed by the Swingline Lender, (A) such notice must be received by the Swingline Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (B) any such prepayment shall be in a minimum principal amount of $100,000 or a whole multiple of $100,000 in excess hereof (or, if less, the entire principal thereof then outstanding)."

(l) Section 2.09 of the Credit Agreement, entitled "**Fees**," is hereby amended by deleting the first sentence appearing in subsection (a) therein and by substituting the following in lieu thereof:

"The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a commitment fee equal to .500% multiplied by the actual daily amount by which the Aggregate Commitments exceed the sum of (A) the Outstanding Amount of Revolving Loans, and (B) the Outstanding Amount of L/C Obligations, subject to adjustment as provided in Section 2.15."

(m) Section 2.10 of the Credit Agreement, entitled "**Computation of Interest and Fees; Retroactive Adjustments of Applicable Rate**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**2.10 Computation of Interest and Fees.** All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the Eurodollar Rate) shall be made on the basis of a year of three hundred sixty-five (365) or three hundred sixty-six (366) days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a three hundred sixty-five (365) day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to

Section 2.12(a), bear interest for one (1) day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error."

(n) Section 2.16 of the Credit Agreement, entitled "**Increase in Facility**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**2.16 Decrease in Facility.** If the Permitted Settlement Amount is less than $70,000,000, then the Facility shall be automatically and permanently reduced dollar for dollar (the "Facility Reduction") by a dollar amount equal to the difference between $70,000,000 and the actual Permitted Settlement Amount (the "Facility Reduction Amount"); provided that the Facility Reduction Amount shall not exceed $20,000,000. If the Facility is decreased in accordance with this Section 2.16, the Facility Reduction shall be effective on the completion of the Permitted Settlement, as determined in the sole and absolute discretion of the Agent, and each Lender's Commitment shall be permanently reduced pro rata in accordance with the aggregate Facility Reduction Amount.

(o) Article II of the Credit Agreement, entitled "**COMMITMENTS AND CREDIT EXTENSIONS**," is hereby amended by adding the following new section at the end of such Article II (immediately after Section 2.16):

"**2.17 Facility Reserve.** Notwithstanding anything to the contrary contained herein, the Total Outstandings shall not exceed at any time the then applicable maximum Facility amount minus the Settlement Reserve Amount; provided, however, that on or after a Permitted Settlement Date, and subject to the other terms and conditions set forth herein, the Borrower may request that the Administrative Agent authorize the Borrower to make a draw on the Settlement Reserve Amount, which request shall be made by delivery to the Administrative Agent of a written Loan Notice specifying, among other things, that the applicable Borrowing is a request to draw on the Settlement Reserve Amount (a "Reserve Draw Request"). Subject to the terms and conditions set forth herein, the Administrative Agent shall authorize a Reserve Draw Request so long as (a) the Borrower shall have delivered to the Administrative Agent a certificate in substantially the form of Exhibit R hereto certifying as to matters related to the applicable Settlement, (b) the applicable Settlement constitutes a Permitted Settlement hereunder, as determined by the Administrative Agent and confirmed in writing to the Borrower, and (c) the requested amount of the Reserve Draw Request shall not exceed the Permitted Settlement Payment to be made in connection with the applicable Settlement."

(p) Section 5.24 of the Credit Agreement, entitled "**Proposed Settlements**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**5.24 Settlements.** Neither the Proposed Settlement nor the Permitted Settlement will have a Material Adverse Effect."

(q) Section 6.03 of the Credit Agreement, entitled "**Notices**," is hereby amended by (i) deleting the text "; and" at the end of subsection (c) therein and by replacing such text with a semicolon, (ii) deleting the period at the end of subsection (d) therein and by replacing it with a semicolon, and (iii) inserting the following new subsections at the end of such Section 6.03 (immediately after subsection (d) therein):

"(e) of any material change in the status of the Permitted Settlement including, without limitation, with respect to any increase in the proposed settlement amount;

(f) of any material change in the status of any Settlement that is not a Permitted Settlement, or any other action, suit, proceeding, claim or dispute pending or, to the knowledge of the Loan Parties, threatened or contemplated, at law, equity, in arbitration or before any Governmental Authority, by or against any Loan Party or any Subsidiary, unless providing such notice is prohibited by Law;

(g) of any non-adversary regulatory actions or activities that could reasonably be expected to have a Material Adverse Effect on the financial condition, business and/or operations of any Loan Party or any Subsidiary; and

(h) of any actual or threatened private action, suit, proceeding, claim or litigation that is in any way based on or related to bank regulatory proceedings and could reasonably be expected to have a Material Adverse Effect on the financial condition, business and/or operations of any Loan Party or any Subsidiary."

(r) Section 6.11 of the Credit Agreement, entitled "**Use of Proceeds**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**6.11 Use of Proceeds.** Use the proceeds of the Credit Extensions for general corporate purposes not in contravention of any Law or of any Loan Document, and to partially fund the Permitted Settlement, as and to the extent permitted herein."

(s) Section 6.14 of the Credit Agreement, entitled "**Covenant to Give Security**," is hereby amended by deleting subsection (c) appearing therein in its entirety and by substituting the following in lieu thereof:

"(c) Account Control Agreements. None of the Loan Parties shall open, maintain or otherwise have any deposit or other accounts (including securities accounts) at any bank or other financial institution, or any other account where money or securities are or may be deposited or maintained with any Person, other than (a) deposit accounts that are maintained at all times with depository institutions as to which the Administrative Agent shall have received a Qualifying Control Agreement, (b) securities accounts that are maintained at all times with financial institutions as to which the Administrative Agent shall have received a Qualifying Control Agreement, and (c) deposit accounts established solely as payroll and other zero balance accounts and such accounts are held at Bank of America; provided, however, that notwithstanding the forgoing, so long as no Default or Event of Default shall have occurred and be continuing, the Loan Parties shall not be required to provide Qualifying Control Agreements with respect to any Low Balance Account or any US Bank Deposit Accounts."

(t) Section 6.16 of the Credit Agreement, entitled "**Use of Share Repurchase Accounts**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**Section 6.16 Closing of Share Repurchase Accounts.** On or before February 20, 2015, Holdings (and each other Loan Party, if applicable) shall close all Share Repurchase Accounts, and any and all amounts in any Share Repurchase Account shall be immediately transferred to a deposit account or a securities account which satisfies the requirements of clause (a) or (b) of Section 6.14(c), as applicable."

(u) Section 7.01 of the Credit Agreement, entitled "**Liens**," is hereby amended by (i) deleting the text "; and" at the end of subsection (i) therein and by replacing such text with a semicolon, (ii) deleting the period at the end of subsection (j) therein and by replacing it with "; and", and (iii) inserting the following new subsection at the end of such Section 7.01 (immediately after subsection (j) therein):

"(k) Liens in the interests of Higher One Real Estate, Inc. ("HO Real Estate") in that certain payment in the amount of $892,531 payable to HO Real Estate pursuant to the certain Membership Interest Purchase and Modification Agreement between HO Real Estate, U.S. Bancorp Community Development Corporation and FC Winchester Lofts Manager, Inc., dated September 4, 2014, which Liens arise out of that certain Collateral Pledge and Security Agreement between HO Real Estate and Consortium Structured Investments, LLC, dated as of September 4, 2014."

(v) Section 7.02 of the Credit Agreement, entitled "**Indebtedness**," is hereby amended by deleting subsection (h) appearing therein in its entirety and by substituting the following in lieu thereof: "[Intentionally Omitted.]"

(w) Section 7.02 of the Credit Agreement, entitled "**Indebtedness**," is hereby further amended by deleting subsection (i) appearing therein in its entirety and by substituting the following in lieu thereof:

"(i) other unsecured Indebtedness in an aggregate principal amount of not more than $15,000,000 outstanding at any time (other than: (i) Intercompany Debt which Indebtedness is covered by Section 7.02(e), and (ii) Indebtedness incurred with respect to Guarantees of Indebtedness of a Foreign Subsidiary which are covered by Section 7.02(d))."

(x) Section 7.03 of the Credit Agreement, entitled "**Investments**," is hereby amended by deleting subsection (f) appearing therein in its entirety and by substituting the following in lieu thereof: "[Intentionally Omitted.]"

(y) Section 7.06 of the Credit Agreement, entitled "**Restricted Payments**," is hereby amended by deleting subsection (e) appearing therein in its entirety and by substituting the following in lieu thereof: "[Intentionally Omitted.]"

(z) Section 7.11 of the Credit Agreement, entitled "**Financial Covenants**," is hereby amended by deleting subsection (a) appearing therein in its entirety and by substituting the following in lieu thereof:

"(a) Minimum EBITDA. Permit the Consolidated EBITDA as of the end of any Measurement Period ending as of the end of any fiscal quarter of the Borrower set forth below to be less than the amount set forth below opposite such period:

Measurement Period Ending	Minimum EBITDA
March 31, 2015	$ 45,000,000
June 30, 2015	$ 45,000,000
September 30, 2015	$ 40,000,000
December 31, 2015	$ 40,000,000
March 31, 2016 and each fiscal quarter thereafter	$ 35,000,000

(aa) Section 7.11 of the Credit Agreement, entitled "**Financial Covenants**," is hereby amended by deleting subsection (b) appearing therein in its entirety and by substituting the following in lieu thereof:

"(b) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as of the end of any Measurement Period ending as of the end of any fiscal quarter of the Borrower set forth below to be greater than the ratio set forth below opposite such period:

Measurement Period Ending	Maximum Consolidated Leverage Ratio
Closing Date through September 30, 2016	2.75-to-1.00
December 31, 2016 and each fiscal quarter thereafter	2.50-to-1.00

(bb) Section 7.16 of the Credit Agreement, entitled "**Share Repurchase Accounts and US Bank Deposit Accounts**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**Section 7.16. US Bank Deposit Accounts.** At any time, with regard to the US Bank Deposit Accounts, (i) permit the balances in either of the US Bank Deposit Accounts as disclosed in the Perfection Certificate of Higher One Real Estate SP, LLC dated as of October 16, 2012 to be increased, or (ii) permit any Loan Party to advance, deposit or otherwise transfer any additional funds into the US Bank Deposit Accounts, provided, however, that upon satisfaction of the obligations owing to Consortium America XLII, LLC which are secured by the US Bank Deposit Accounts, (x) the applicable Loan Parties shall provide to the Administrative Agent a Qualifying Control Agreement with respect to the US Bank Deposit Accounts or (y) all amounts in the US Bank Deposit Accounts shall be immediately transferred to a deposit account or a securities account which satisfies the requirements of clause (a) or (b) of Section 6.14(c), as applicable."

(cc) Article VII of the Credit Agreement, entitled "**NEGATIVE COVENANTS**," is hereby amended by adding the following new section at the end of such Article VII (immediately after Section 7.16):

"**Section 7.17 Permitted Settlement Payments.** Make any Permitted Settlement Payment if: (a) after giving effect to such Permitted Settlement Payment, the aggregate Permitted Settlement Payments shall exceed the Permitted Settlement Amount; (b) there exists a Default or an Event of Default; or (c) an Event of Default would exist after giving effect to such Permitted Settlement Payment."

(dd) Section 8.01 of the Credit Agreement, entitled "**Events of Default**," is hereby amended by deleting subsection (h) appearing therein in its entirety and substituting the following in lieu thereof:

"(h) Judgments. There is entered against any Loan Party or any Subsidiary thereof (i) one or more final non-appealable judgments, orders or settlements for the payment of money in an aggregate amount (as to all such judgments, orders and settlements) exceeding $10,000,000 (to the extent not covered by independent third-party insurance as to which the insurer is rated at least "A" by A.M. Best Company, has been notified of the potential claim and does not dispute coverage), or (ii) any one or more non-monetary final judgments, orders or settlements that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of thirty (30) consecutive days during which a

stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; provided, however, subject to and so long as the Loan Parties are in strict compliance with the terms and conditions of this Agreement and the other Loan Documents, and there otherwise exists no Event of Default on or before the applicable Permitted Settlement Date and no Event of Default would exist after giving effect to the terms of the Permitted Settlement, the Permitted Settlement shall not constitute an Event of Default under this Section 8.01(h). For the avoidance of doubt, the making of any Permitted Settlement Payment in violation of any provision of this Agreement (including, without limitation, Section 7.17 hereof) shall constitute an Event of Default hereunder."

(ee) Section 10.09 of the Credit Agreement, entitled "**Appointment of Borrower**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**10.09 Appointment of Borrower.** Each of the Loan Parties hereby appoints the Borrower to act as its agent for all purposes of this Agreement, the other Loan Documents and all other documents and electronic platforms entered into in connection herewith and agrees that (a) the Borrower may execute such documents and provide such authorizations on behalf of such Loan Parties as the Borrower deems appropriate in its sole discretion and each Loan Party shall be obligated by all of the terms of any such document and/or authorization executed on its behalf, (b) any notice or communication delivered by the Administrative Agent, L/C Issuer or a Lender to the Borrower shall be deemed delivered to each Loan Party, and (c) the Administrative Agent, L/C Issuer or the Lenders may accept, and be permitted to rely on, any document, authorization, instrument or agreement executed by the Borrower on behalf of each of the Loan Parties."

(ff) Section 11.02 of the Credit Agreement, entitled "**Notices; Effectiveness; Electronic Communications**," is hereby amended by deleting the parenthetical appearing in the first sentence of subsection (e) therein and by substituting the following in lieu thereof: "(including telephonic or electronic Loan Notices, Letter of Credit Applications, Notices of Loan Prepayment and Swingline Loan Notices)".

(gg) Section 11.07 of the Credit Agreement, entitled "**Treatment of Certain Information; Confidentiality**," is hereby amended by deleting subsection (a)(vi)(A) appearing therein in its entirety and by substituting the following in lieu thereof: "(A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement or".

(hh) Section 11.10 of the Credit Agreement, entitled "**Counterparts; Integration; Effectiveness**," is hereby amended by inserting the following text at the end of the first sentence appearing therein: ", but all of which when taken together shall constitute a single contract."

(ii) Section 11.18 of the Credit Agreement, entitled "**Electronic Execution of Assignments and Certain Other Documents**," is hereby amended by deleting it in its entirety and by substituting the following in lieu thereof:

"**11.18 Electronic Execution of Assignments and Certain Other Documents.** The words "delivery," "execute," "execution," "signed," "signature," and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it; provided, further without limiting the foregoing, upon the request of the Administrative Agent, any electronic signature shall be promptly followed by such manually executed counterpart."

(jj) The Credit Agreement is hereby amended by deleting Schedule 1.01(b) in its entirety and by substituting therefor the schedule attached hereto as Schedule 1.01(b).

(kk) The Credit Agreement is hereby amended by deleting Schedule 1.01(d) in its entirety and by substituting therefor the schedule attached hereto as Schedule 1.01(d).

(ll) The Credit Agreement is hereby amended by adding as Schedule 1.01(e) thereto a copy of Schedule 1.01(e) attached hereto.

(mm) The Credit Agreement is hereby amended by deleting Exhibit F in its entirety.

(nn) The Credit Agreement is hereby amended by adding as Exhibit Q thereto a copy of Exhibit Q attached hereto.

(oo) The Credit Agreement is hereby amended by adding as Exhibit R thereto a copy of Exhibit R attached hereto.

3. Reaffirmation of Obligors; Representations of Obligors. The Obligors, as makers, debtors, assignors, obligors, guarantors, or in other similar capacity in which they incur obligations to the Agent or the Lenders under any of the Loan Documents or otherwise, hereby ratify and reaffirm all of their respective payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which they are a party and, to the extent they granted liens or mortgages on or security interests in any of their properties pursuant to any Collateral Document as security for the Obligations under or with respect to the Credit Agreement and the other Loan Documents, hereby ratify and reaffirm such grant of liens, mortgages and security interests and confirm and agree that with respect to liens and security interests on any right, title and interest of the Obligors in any personal property granted pursuant to a security agreement or otherwise, such liens and security interests hereafter secure all of the Obligations, including without limitation, the Obligations arising under the Revolving Loans, in each case as if each reference in such Collateral Document to the obligations secured thereby are construed to hereafter mean and refer to such Obligations (including, without limitation, the Revolving Loans) under the Credit Agreement and other Loan Documents, as hereby amended. Each Guarantor acknowledges, affirms and agrees that all Obligations of the Borrower to the Lenders and the Agent have been guaranteed by such Guarantors pursuant to the terms of the Guaranty, including, without limitation, those Obligations arising under the Revolving Loans. The Obligors acknowledge that each of the Loan Documents to which they are a party remain in full force and effect, continue to apply to the Obligations, including, without limitation, the Obligations arising under the Revolving Loans, and are hereby ratified and confirmed. The execution of this Amendment shall not operate as a novation, waiver of any right, power or remedy of the Lenders or the Agent nor constitute a waiver of any provision of any of the Loan Documents. The Obligors agree and acknowledge that this Amendment shall be deemed a Loan Document.

4. Conditions to Effectiveness. This Amendment shall be deemed effective as of the day and year set forth above (the "Amendment Effective Date") upon

satisfaction (or waiver) of the following conditions (in each case, in form and substance reasonably acceptable to the Agent) on or prior to February 12, 2015:

(a) The Agent shall have received a copy of this Amendment duly executed by each Obligor, the Required Lenders and the Agent, in form and substance reasonably satisfactory to the Agent.

(b) The representations and warranties of the Obligors contained herein shall be true and correct in all material respects unless qualified by materiality in which case such representations and warranties shall be true and correct.

(c) There shall exist no Default or Event of Default.

(d) The Borrower shall have paid-down the principal balance of the outstanding Revolving Loans by an amount equal to $35,000,000.

(e) The Agent shall have received from the Borrower, for the account of the Approving Lenders (as defined below) (including Bank of America), the Upfront Fee.

(f) The Agent shall have received from the Borrower such other fees and expenses that are payable in connection with the consummation of the transactions contemplated hereby and Agent's counsel shall have received from the Borrower payment of all outstanding fees and expenses previously incurred and all fees and expenses incurred in connection with this Amendment.

(g) The Agent shall have received an opinion or opinions of counsel for the Obligors, dated as of the Amendment Effective Date and addressed to the Agent and the Lenders, which shall be in form and substance satisfactory to the Agent.

(h) The Obligors shall have delivered to the Agent such other supporting documents and certificates as the Agent, the Lenders or their respective counsel may reasonably request.

(i) All other documents, legal and regulatory matters in connection with the transactions contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Agent and its counsel.

For purposes of determining compliance with the conditions specified in this Section 4, the Agent's and any Lender's execution and delivery of this Amendment shall be deemed to constitute their approval and acceptance of, or its satisfaction with, each document or other matter required under this Section 4 to be approved by or acceptable or satisfactory to the Agent and/or any such Lender.

5. FATCA. For purposes of determining withholding Taxes imposed under FATCA, from and after the Amendment Effective Date, the Borrower and the Agent shall treat (and the Lenders hereby authorize the Agent to treat) the Credit Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

6. Upfront Fee. In consideration of the agreement by each of the undersigned Lenders (the "Approving Lenders") to enter into this Amendment and extend other accommodations contemplated hereunder, the Borrower shall pay to the Agent, for the account of each Approving Lender (including Bank of America), in addition to other fees payable under the Credit Agreement and the other Loan Documents, an amendment fee equal to 1.00% of the aggregate Commitments of all of the Approving Lenders immediately prior to giving effect to this Amendment (the "Upfront Fee"). For the avoidance of doubt, each Approving Lender's ratable portion of the Upfront Fee shall be equal to 1.00% of such Approving Lender's Commitment with respect to the existing $200,000,000 credit facility. The Upfront Fee shall be deemed fully earned as of the Amendment Effective Date and shall be nonrefundable for any reason whatsoever.

7. Expenses, Etc. Without limitation of the amounts payable by the Loan Parties under the Credit Agreement and other Loan Documents, the Obligors agree to pay all legal fees and expenses of the Agent and the Lenders incurred in connection with the preparation, negotiation and execution of this Amendment and the other documents executed and/or delivered in connection herewith.

8. Successors and Assigns. This Amendment shall be binding upon the Obligors and upon their respective heirs, administrators, successors and assigns, and shall inure to the benefit of the Lenders and the Agent and their respective successors and assigns. The successors and assigns of such Persons shall include, without limitation, their respective receivers, trustees, or debtors-in-possession.

9. Further Assurances. The Obligors hereby agree from time to time, as and when requested by the Agent or any of the Lenders, to execute and deliver or cause to be executed and delivered all such documents, instruments and agreements and to take or cause to be taken such further or other action as the Agent or any of the Lenders may reasonably deem necessary or desirable in order to carry out the intent and purposes of this Amendment and the Loan Documents.

10. Severability. Wherever possible, each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Amendment.

11. Entirety. This Amendment and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereto.

12. Execution in Counterparts; Electronic Execution. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment or any other document required to be delivered hereunder, by fax transmission or e-mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Amendment. Without limiting the foregoing, upon the request of any party, such fax transmission or e-mail transmission shall be promptly followed by such manually executed counterpart.

13. No Actions, Claims, Etc. As of the date hereof, each of the Obligors hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Agent, the Lenders, or the Agent's or the Lenders' respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

14. Section Headings. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the

provisions hereof.

15. Governing Law. THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

16. Consent to Jurisdiction; Service of Process; Waiver of Jury Trial. The jurisdiction, service of process and waiver of jury trial provisions set forth in Sections 11.14 and 11.15 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

17. General Release. In consideration of the Agent's willingness to enter into this Amendment, on behalf of the Lenders, each Obligor hereby releases and forever discharges the Agent, the L/C Issuer, the Swingline Lender, the Lenders and the Agent's, the L/C Issuer's, the Swingline Lender's, and the Lender's respective predecessors, successors, assigns, officers, managers, directors, employees, agents, attorneys, representatives, and affiliates (hereinafter all of the above collectively referred to as the "Bank Group"), from any and all known claims, counterclaims, demands, damages, debts, suits, liabilities, actions and causes of action of any nature whatsoever, including, without limitation, all claims, demands, and causes of action for contribution and indemnity, whether arising at law or in equity, whether liability be direct or indirect, liquidated or unliquidated, whether absolute or contingent, foreseen or unforeseen, and whether or not heretofore asserted, which any Obligor may have or claim to have against any of the Bank Group in any way related to or connected with the Loan Documents and the transactions contemplated thereby.

18. Consent and Waiver.

(a) Reference is hereby made to that certain Membership Interest Purchase and Modification Agreement among Higher One Real Estate, Inc. ("HO Real Estate"), U.S. Bancorp Community Development Corporation (U.S. Bancorp"), and FC Winchester Lofts Manager, Inc., dated September 4, 2014 (the "Purchase Agreement"), pursuant to which HO Real Estate has sold to U.S. Bancorp all of HO Real Estate's membership interests in FC Winchester Lofts Master Tenant, LLC (the "Membership Interests"). The Loan Parties hereby agree and acknowledge that: (i) pursuant to the Loan Documents, the Loan Parties were required to obtain the written consent of the Required Lenders prior to the sale of the Membership Interests (the "Required Consent"), (ii) such Required Consent was not obtained, and (iii) the sale of the Membership Interests and the failure to obtain the Required Consent constitutes an Event of Default under the Loan Documents (the "Collateral Disposition Default"). At the request of the Loan Parties, by signing below, the Lenders party hereto hereby agree to waive the Collateral Disposition Default and hereby consent to the sale by HO Real Estate of the Membership Interests. For avoidance of doubt, the waiver of the Collateral Disposition Default shall not be construed or interpreted, directly or by implication, to be a waiver of any other default that has or may arise under the Credit Agreement or any other Loan Document as a direct or indirect result of the sale of the Membership Interests.

(b) Reference is also made to that certain Collateral Pledge and Security Agreement between HO Real Estate and Consortium Structured Investments, LLC ("CSI"), dated as of September 4, 2014 (the "Consortium Security Agreement"), pursuant to which HO Real Estate has granted to CSI a lien on and security interest in the Collateral, as such term is defined in the Consortium Security Agreement (as so defined, the "Consortium Collateral"). The Loan Parties have requested and, by signing below, the Lenders party hereto hereby: (i) consent to the liens and security interests granted by HO Real Estate to CSI in the Consortium Collateral, but no amendments thereto; (ii) waive any breaches of representations or warranties, covenants, Defaults or Events of Default under the Loan Documents caused by HO Real Estate entering into and performing its obligations under the Consortium Security Agreement; and (iii) hereby release all liens and security interests in the Consortium Collateral, and only such Consortium Collateral, and agree that such Consortium Collateral shall no longer be considered Collateral under the Loan Documents, provided that there shall be no modification of any of the terms of the Consortium Security Agreement, including, without limitation, with respect to the definition of Consortium Collateral and the amount secured thereby.

(c) The Loan Parties agree and acknowledge that the waivers specified above are one-time waivers and that the execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Agent and the Lenders under the Credit Agreement or any of the other Loan Documents, nor constitute or be construed or interpreted, directly or by implication, as a waiver of or an amendment or modification to any other obligation of any Loan Party to the Agent and/or the Lenders under the Credit Agreement or any of the other Loan Documents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Amendment has been duly executed by each of the undersigned as of the day and year first set forth above.

HIGHER ONE, INC., as the Borrower

By: /s/ Christopher Wolf
Name: Christopher Wolf
Title: Chief Financial Officer

HIGHER ONE HOLDINGS, INC., as a Guarantor

By: /s/ Christopher Wolf
Name: Christopher Wolf
Title: Chief Financial Officer

HIGHER ONE REAL ESTATE, INC., as a Guarantor

By: /s/ Christopher Wolf
Name: Christopher Wolf
Title: Chief Financial Officer

HIGHER ONE REAL ESTATE SP, LLC, as a Guarantor

By: /s/ Christopher Wolf
Name: Christopher Wolf
Title: Chief Financial Officer

HIGHER ONE MACHINES, INC., as a Guarantor

By: /s/ Christopher Wolf
Name: Christopher Wolf
Title: Chief Financial Officer

BANK OF AMERICA, N.A., as
Administrative Agent

By: /s/ Christine Trotter
Name: Christine Trotter
Title: Assistant Vice President

BANK OF AMERICA, N.A., as a Lender, L/C Issuer and Swingline Lender

By: /s/ Christopher T. Phelan
Name: Christopher T. Phelan
Title: Senior Vice President

CITIZENS BANK, N.A., formerly known as RBS Citizens, N.A., as a Lender

By: /s/ Jamie D. Garcia
Name: Jamie D. Garcia
Title: Vice President

BANK OF MONTREAL – CHICAGO BRANCH, as a Lender

By: /s/ Scott Ferris
Name: Scott Ferris
Title: Managing Director

WEBSTER BANK, N.A., as a Lender

By: /s/ Michele L. Lynch
Name: Michele L. Lynch
Title: Vice President

WELLS FARGO BANK, N.A., as a Lender

By: /s/ Barbara A. Keegan
Name: Barbara A. Keegan
Title: Senior Vice President

FIFTH THIRD BANK, as a Lender

By: /s/ Scott E. Brod
Name: Scott E. Brod
Title: Vice President

[Signature Page (8) to Master Reaffirmation and Amendment No. 3 to Loan Documents]

SANTANDER BANK, N.A., formerly known as Sovereign Bank, N.A., as a Lender

By: /s/ Paul Larsen
Name: Paul Larsen
Title: Senior Vice President

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Michelle Latzoni
Name: Michelle Latzoni
Title: Authorized Signatory

BARCLAYS BANK PLC, as a Lender

By: /s/ Luke Syme
Name: Luke Syme
Title: Assistant Vice President

FIRST NIAGARA BANK, N.A., as a Lender

By: /s/ Dante Fazzina
Name: Dante Fazzina
Title: Vice President

EXHIBIT 21.1

SUBSIDIARIES OF HIGHER ONE HOLDINGS, INC.

Subsidiary	Jurisdiction of Incorporation
Higher One, Inc.(1)	Delaware
Higher One Machines, Inc.(2)	Delaware
Higher One Real Estate, Inc. (2)	Delaware
Higher One Real Estate SP, LLC (3)	Delaware
Higher One Financial Technology Private Limited (4)	India

(1) 100% owned by Higher One Holdings, Inc.

(2) 100% owned by Higher One, Inc.

(3) 98% owned by Higher One Real Estate, Inc.

(4) 99% owned by Higher One, Inc. and Higher One Machines, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-168549) of Higher One Holdings, Inc. of our report dated March 5, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut
March 5, 2015

EXHIBIT 31.1

CERTIFICATE OF CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER)

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc Sheinbaum, Chief Executive Officer of Higher One Holdings, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: March 5, 2015

By: /s/ Marc Sheinbaum
Marc Sheinbaum
Chief Executive Officer (principal executive officer)

EXHIBIT 31.2

CERTIFICATE OF CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER)

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher Wolf, Chief Financial Officer of Higher One Holdings, Inc., certify that:

1. I have reviewed this Annual 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: March 5, 2015

By: /s/ Christopher Wolf
Christopher Wolf
Chief Financial Officer (principal financial officer)

EXHIBIT 32.1

CERTIFICATE OF CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER)
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Higher One Holdings, Inc. (the "Company") on Form 10-K for the period ending December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc Sheinbaum, 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: March 5, 2015

By: /s/ Marc Sheinbaum
Marc Sheinbaum
Chief Executive Officer (principal executive officer)

EXHIBIT 32.2

CERTIFICATE OF CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER)
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Higher One Holdings, Inc. (the "Company") on Form 10-K for the period ending December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Wolf, 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: March 5, 2015

By: /s/ Christopher Wolf
Christopher Wolf
Chief Financial Officer (principal financial officer)