Higher One Holdings, Inc.
Form DEFM14A
March 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

HIGHER ONE HOLDINGS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

HIGHER ONE HOLDINGS, INC.

115 Munson Street

New Haven, Connecticut 06511

March 8, 2016

Dear Fellow Stockholder:

A special meeting (the "Special Meeting") of the stockholders of Higher One Holdings, Inc. ("Higher One") will be held on April 4, 2016 at 9:00 a.m. local time at 115 Munson Street, New Haven, CT.

At the Special Meeting, you will be asked to consider and vote upon the following proposals:

1. To authorize the sale (the "Asset Sale") by Higher One, Inc., a wholly-owned subsidiary of Higher One, of substantially all of the assets, and the transfer of substantially all of the liabilities, exclusively related to or used in Higher One, Inc.'s refund disbursement business, pursuant to the Asset Purchase Agreement by and among Higher One, Higher One, Inc., Customers Bank and Customers Bancorp, Inc., dated December 15, 2015 (the "Asset Purchase Agreement"), as more fully described in the enclosed Proxy Statement (the "Asset Sale Proposal");

2. To approve, by non-binding, advisory vote, certain compensation arrangements, as described in the enclosed Proxy Statement, for a named executive officer of Higher One in connection with the Asset Sale (the "Compensation Proposal", and together with the "Asset Sale Proposal", the "Proposals"); and

3. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

After careful consideration, our board of directors determined that the Asset Sale and the terms and conditions of the Asset Purchase Agreement are desirable and in the best interests of Higher One and its stockholders. Our board of directors recommends that you vote **"FOR"** the authorization of the Asset Sale Proposal and approval of the Compensation Proposal.

The enclosed Notice of Special Meeting and Proxy Statement explain the Proposals and provide specific information concerning the Special Meeting. Please read these materials (including the annexes) carefully.

Your vote is very important, regardless of the number of shares you own. Only stockholders who owned shares of Higher One's common stock at the close of business on March 7, 2016, the record date for the Special Meeting, will be entitled to vote at the Special Meeting. To vote your shares, you may return your proxy card, submit a proxy via the Internet or by telephone or attend the Special Meeting and vote in person. Even if you plan to attend the Special Meeting, we urge you to promptly submit a proxy for your shares via the Internet, by telephone or by completing, signing, dating and returning the enclosed proxy card.

On behalf of your board of directors, thank you for your continued support.

Very truly yours,

Marc Sheinbaum
President and CEO

HIGHER ONE HOLDINGS, INC.

115 Munson Street

New Haven, Connecticut 06511

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD APRIL 4, 2016

To the Stockholders of Higher One:

A special meeting (the "Special Meeting") of the stockholders of Higher One Holdings, Inc., a Delaware corporation ("Higher One"), will be held on April 4, 2016 at 9:00 a.m. local time at 115 Munson Street, New Haven, CT, to consider and vote upon the following proposals:

1. To authorize the sale (the "Asset Sale") by Higher One, Inc., a wholly-owned subsidiary of Higher One, of substantially all of the assets, and the transfer of substantially all of the liabilities, exclusively related to or used in Higher One, Inc.'s refund disbursement business, pursuant to the Asset Purchase Agreement by and among Higher One, Higher One, Inc., Customers Bank and Customers Bancorp, Inc., dated December 15, 2015 (the "Asset Purchase Agreement"), as more fully described in the enclosed Proxy Statement (the "Asset Sale Proposal");

2. To approve, by non-binding, advisory vote, certain compensation arrangements, as described in the enclosed Proxy Statement, for a named executive officer of Higher One in connection with the Asset Sale (the "Compensation Proposal", and together with the "Asset Sale Proposal", the "Proposals"); and

3. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

After careful consideration, our board of directors determined that the Asset Sale and the terms and conditions of the Asset Purchase Agreement are desirable and in the best interests of Higher One and its stockholders. Our board of directors recommends that you vote **"FOR"** the authorization of the Asset Sale Proposal and approval of the Compensation Proposal.

Our board of directors has fixed March 7, 2016 as the record date for determining the stockholders entitled to notice of and to vote at the meeting. The Asset Sale may constitute the sale of substantially all of the property and assets of Higher One within the meaning of Section 271 of the Delaware General Corporation Law (the "DGCL"). Pursuant to the DGCL, the Asset Sale Proposal requires approval by the affirmative vote of holders of a majority of our common stock entitled to vote thereon.

Please read the enclosed Proxy Statement carefully. Whether or not you plan to attend the Special Meeting, please submit your proxy as promptly as possible by Internet, telephone, or by completing, dating, signing and returning the enclosed proxy card in the accompanying reply envelope. If you have Internet access, we encourage you to vote via the Internet. If you attend the Special Meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.

By Order of the Board of Directors,

/s/ Thomas D. Kavanaugh

Thomas D. Kavanaugh
Corporate Secretary
New Haven, Connecticut
March 8, 2016

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HIGHER ONE HOLDINGS, INC.
115 Munson Street

New Haven, Connecticut 06511

PROXY STATEMENT
FOR
SPECIAL MEETING OF STOCKHOLDERS

INTRODUCTION

This Proxy Statement is being furnished in connection with the solicitation of proxies by the board of directors of Higher One Holdings, Inc. (hereinafter "we," "us," "our," the "Company" or "Higher One") for use at a Special Meeting of the stockholders of Higher One to be held on April 4, 2016 (the "Special Meeting") at 9:00 a.m. local time at 115 Munson Street, New Haven, CT, and any postponements or adjournments thereof. This Proxy Statement was first made available to stockholders on or about March 8, 2016.

At the Special Meeting, our stockholders will consider and vote upon the following proposals:

1. To authorize the sale (the "Asset Sale") by Higher One, Inc. ("HOI"), a wholly-owned subsidiary of Higher One, of substantially all of the assets, and the transfer of substantially all of the liabilities, exclusively related to or used in HOI's business of disbursing student loan and other refunds for its higher education institutional clients and servicing student-oriented checking accounts for the students of those clients (excluding HOI's eRefund service) (collectively, the "Business" or the "Disbursements and OneAccount Business"), pursuant to the Asset Purchase Agreement by and among Higher One, HOI, Customers Bank and Customers Bancorp, Inc. (together with

Customers Bank, "Buyer"), dated December 15, 2015 (the "Asset Purchase Agreement"), as more fully described in this Proxy Statement (the "Asset Sale Proposal");

2. To approve, by non-binding, advisory vote, certain compensation arrangements, as described in this Proxy Statement, for a named executive officer of Higher One in connection with the Asset Sale (the "Compensation Proposal", and together with the "Asset Sale Proposal", the "Proposals"); and

3. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

After careful consideration, our board of directors ("Board") determined that the Asset Sale and the terms and conditions of the Asset Purchase Agreement are desirable and in the best interests of Higher One and its stockholders. Our Board recommends that you vote "**FOR**" the authorization of the Asset Sale Proposal and approval of the Compensation Proposal.

Only stockholders of record as of March 7, 2016 (the "Record Date") will be entitled to vote at the Special Meeting and any postponements or adjournments thereof. As of the Record Date, 48,280,322 shares of our common stock, par value $0.001 per share, were outstanding and eligible to be voted. The holders of common stock are entitled to one vote per share on any proposal presented at the Special Meeting. Stockholders may vote in person or by proxy. Execution of a proxy will not in any way affect a stockholder's right to attend the Special Meeting and vote in person. Any proxy may be revoked by a stockholder at any time before it is exercised by delivery of a written revocation or a later executed proxy to the Secretary of the Company or by attending the Special Meeting and voting in person by written ballot.

The costs of preparing, assembling and mailing this Proxy Statement and the other material enclosed and all clerical and other expenses of solicitation will be paid by Higher One. In addition to the solicitation of proxies by mailing, directors, officers and employees of Higher One, without receiving additional compensation, may solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. Higher One also will request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of common stock held of record by such custodians and will reimburse such custodians for their expenses in forwarding soliciting materials.

These transactions have not been approved or disapproved by the SEC, and the SEC has not passed upon the fairness or merits of these transactions nor upon the accuracy or adequacy of the information contained in this Proxy Statement. Any representation to the contrary is unlawful.

SUMMARY TERM SHEET

This summary highlights information included elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider before voting on the Proposals presented in this Proxy Statement. You should read the entire Proxy Statement carefully, including the annexes attached hereto. For your convenience, we have included cross references to direct you to a more complete description of the topics described in this summary.

The Asset Sale. Under the Asset Purchase Agreement, Buyer will acquire substantially all of the assets, and assume substantially all of the liabilities, exclusively related to or used in the Business for $37 million in cash payable as follows (x) $17 million on the closing date and (y) $10 million on each of the first two anniversaries of such date. In addition, during each of the three (3) years beginning in 2017, in the event the annual gross revenue generated by the Business exceeds $75 million, Buyer shall pay HOI an incentive payment of thirty-five percent (35%) of any such excess. We will retain all of our assets used in any of our businesses not related to the Asset Sale (the "Other Businesses"). We will also retain all of our other debts and liabilities, including expenses related to the Other Businesses and corporate functions, our remaining senior executives and professional advisors. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement."

Reasons for the Asset Sale. Our Board considered a number of factors before deciding to enter into the Asset Purchase Agreement, including, among other things, the price to be paid by Buyer, the strategic and financial benefits that the Asset Sale will provide to Higher One, the diligent sale process with respect to the Business that led to entering into the Asset Purchase Agreement, the future business prospects of the Business and the terms and conditions of the Asset Purchase Agreement. See "Proposal No. 1: The Asset Sale—Reasons for the Asset Sale."

Board Recommendation. Our Board has determined by unanimous vote of the directors present at the meeting (at which there was a quorum) that the Asset Sale Proposal is desirable and is in our best interests and the best interests of our stockholders and has directed that it be submitted to our stockholders for their approval. Our Board recommends that you vote FOR the Asset Sale Proposal. You should read "Proposal No. 1: The Asset Sale—Reasons for the Asset Sale" for a discussion of factors that our Board considered in deciding to recommend the approval of the Asset Sale Proposal.

Required Vote. Approval of the Asset Sale Proposal requires the affirmative vote of holders of a majority of shares of our common stock entitled to vote thereon.

Opinion of Higher One's Financial Advisor. At the December 13, 2015 meeting of the Board at which the members of the Board in attendance unanimously approved the Asset Purchase Agreement and the transactions contemplated thereby, representatives of Raymond James & Associates, Inc. ("Raymond James") rendered its oral opinion, which was subsequently confirmed by delivery of a written opinion to the Board, dated December 13, 2015, as to the fairness, as of such date, from a financial point of view, of the consideration to be received by the Company in the Asset Sale pursuant to the Asset Purchase Agreement (the "Consideration"), based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion. The full

text of the written opinion of Raymond James, dated December 13, 2015, which sets forth, among other things, the various qualifications, assumptions, and limitations on the scope of the review undertaken, is attached as *Annex B* to this Proxy Statement. **Raymond James provided its opinion for the information and assistance of the Board (solely in its capacity as such) in connection with, and for purposes of, its consideration of the Asset Sale and its opinion only addresses whether the Consideration was fair, from a financial point of view, to the Company. The opinion of Raymond James did not address any other term or aspect of the Asset Purchase Agreement or the Asset Sale contemplated thereby. The Raymond James opinion does not constitute a recommendation to the Board or any holder of the Company's common stock as to how the Board, such stockholder or any other person should vote or otherwise act with respect to the Asset Sale or any other matter.** Our Board encourages holders of our common stock to read the opinion carefully and in its entirety. See "Proposal No. 1: The Asset Sale—Opinion of Higher One's Financial Advisor" for a more detailed description of the opinion of Raymond James, and *Annex B* for the full text of such opinion.

Indemnification of Buyer. From and after the closing of the Asset Sale, HOI will indemnify and hold Buyer harmless from and against any and all losses incurred or sustained by, or imposed upon, Buyer based upon, arising out of, with respect to or by reason of (i) any inaccuracy in or breach of any of the representations or warranties of HOI contained in the Asset Purchase Agreement, (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by HOI pursuant to the Asset Purchase Agreement or (iii) any excluded asset or any excluded liability. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—Indemnification by HOI."

Use of Proceeds. The proceeds from the Asset Sale will be received by the Company, not our stockholders. The Company will use a portion of the proceeds to pay for transaction costs associated with the Asset Sale and for general working capital purposes. The remaining proceeds from the Asset Sale may be used, at the discretion of our Board (subject, as the case may be, to the approval of our lenders), to repay indebtedness, provide liquidity to the Company's stockholders through one or more special dividends or repurchases of outstanding shares of the Company's common stock, invest in our Other Businesses, or a combination thereof.

Nature of Our Business Following the Asset Sale. Following the Asset Sale, we will continue to be a public company operating under the name Higher One Holdings, Inc., and our Other Businesses will account for all of our revenues. See "Proposal No. 1: The Asset Sale—Activities of Higher One Following the Asset Sale."

Conditions to the Asset Sale. Completion of the Asset Sale requires (1) the approval of our stockholders, (2) obtaining certain third party consents and (3) completion of other customary closing conditions in the Asset Purchase Agreement. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—Closing Conditions."

Termination of the Asset Purchase Agreement. The Asset Purchase Agreement may be terminated by us or Buyer in certain circumstances, in which case the Asset Sale will not be completed. If the Asset Purchase Agreement is terminated due to a failure of our stockholders to approve the Asset Sale Proposal and a Seller Acquisition Proposal (as defined herein) was publicly disclosed or announced before the Special Meeting, we will be required to reimburse Buyer for certain fees and expenses not to exceed $500,000. If we terminate the Asset Purchase Agreement as a result of a Seller Subsequent Determination (as defined herein) prior to the Special Meeting, or if Buyer terminates the Asset Purchase Agreement as a result of a Seller Subsequent Determination or the decision by Higher One to pursue a Superior Proposal (as defined herein), then we must pay Buyer a $1,500,000 termination fee. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—Termination of the Asset Purchase Agreement" and "—Termination Fees."

U.S. Federal Income Tax Consequences. Our U.S. stockholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Asset Sale. See "Proposal No. 1: The Asset Sale—U.S. Federal Income Tax Consequences of the Asset Sale."

Risk Factors. The Asset Sale involves a number of risks, including:

- The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect our business.
- We cannot be sure if or when the Asset Sale will be completed.
- We cannot predict the timing, amount or nature of any distributions to our stockholders.

- If we do not complete the Asset Sale, we cannot be sure that we will receive the cooperation of Buyer should we attempt to sell the Business to another purchaser.

- One of our executive officers may have interests in the Asset Sale other than, or in addition to, the interests of our stockholders generally.

- Because the Business represented approximately 58% of our total revenues for fiscal year 2014, our business following the Asset Sale will be substantially different.

- If the Asset Sale disrupts our business operations and prevents us from realizing intended benefits, our business may be harmed.

- The Asset Sale may not be completed or may be delayed if the conditions to closing are not satisfied or waived.

- If we fail to complete the Asset Sale, our business may be harmed.

- The Asset Purchase Agreement limits our ability to pursue alternatives to the Asset Sale.

- We may not participate in a superior offer for the Business unless we pay a termination fee to Buyer.

- Because our business will be smaller following the sale of the Business, there is a possibility that our common stock may be delisted from the New York Stock Exchange if we fail to satisfy the continued listing standards of that market.

- We will continue to incur the expenses of complying with public company reporting requirements following the closing of the Asset Sale.

See "Risk Factors."

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE PROPOSALS

The following are some questions that you, as a stockholder of the Company, may have regarding the Special Meeting and the Proposals and brief answers to such questions. We urge you to carefully read this entire Proxy Statement, the annexes to this Proxy Statement and the documents referred to or incorporated by reference in this Proxy Statement because the information in this section does not provide all the information that may be important to you as a stockholder of the Company with respect to the Proposals. See "Where You Can Find More Information."

THE SPECIAL MEETING

Q. When and where will the Special Meeting take place?

A. The Special Meeting will be held on April 4, 2016 at 9:00 a.m. local time at 115 Munson Street, New Haven, CT.

Q. What is the purpose of the Special Meeting?

A. At the Special Meeting, you will be asked to vote upon: (1) the Asset Sale Proposal, (2) the Compensation Proposal and (3) such other business as may properly come before the Special Meeting and any postponements or adjournments thereof.

Q. What is the Record Date for the Special Meeting?

A. Holders of our common stock as of the close of business on March 7, 2016, the Record Date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting and any postponements or adjournments

thereof.

Q. What is the quorum required for the Special Meeting?

A. The representation in person or by proxy of holders of at least a majority of the issued and outstanding shares of our common stock entitled to vote at the Special Meeting is necessary to constitute a quorum for the transaction of business at the Special Meeting.

Q. What vote is required to approve the Proposals to be voted upon at the Special Meeting?

A. The Asset Sale Proposal requires the affirmative vote of holders of a majority of shares of our common stock entitled to vote thereon. The Compensation Proposal requires the affirmative vote of the holders of a majority in voting power of the shares of our common stock which are present in person or by proxy and entitled to vote thereon.

Q. What are the effects of not voting or abstaining? What are the effects of broker non-votes?

A. If you do not vote by virtue of not being present in person or by proxy at the Special Meeting, your shares will not be counted for purposes of determining the existence of a quorum. Abstentions and broker non-votes will be counted for the purpose of determining the existence of a quorum. Abstentions, but not broker non-votes, will be considered in determining the number of votes cast on the Proposals. Failures to vote, abstentions and broker non-votes will have the effect of a vote “AGAINST” the Asset Sale Proposal. Abstentions will have the effect of a vote “AGAINST” the Compensation Proposal and failures to vote and broker non-votes will have no effect.

Q. What does it mean if I received more than one proxy card?

A. If your shares are registered differently or in more than one account, you will receive more than one proxy card. Sign and return all proxy cards to ensure that all of your shares are voted.

Q. Who can help answer my other questions?

A. If you have more questions about the Proposals or how to submit your proxy, or if you need additional copies of this Proxy Statement or the enclosed proxy card or voting instructions, please contact Investor Relations, Higher One Holdings, Inc., Attn: Patrick Pearson, 115 Munson Street, New Haven, CT 06511, telephone number (203) 776-7776 x4421.

PROPOSAL NO. 1: ASSET SALE

Q. Why did the Company enter into the Asset Purchase Agreement?

A. In the course of reaching its decision to approve the Asset Purchase Agreement and recommend approval by the Company's stockholders of the Asset Sale, the Board consulted with senior management of the Company and the Company's financial and legal advisors. The Board considered a number of factors that the Board believed supported its decision, including, but not limited to, strategic and financial considerations. See "Proposal No. 1: The Asset Sale—Reasons for the Asset Sale."

Q. What will happen if the Asset Sale is authorized by our stockholders?

A. If the Asset Sale is authorized by the requisite stockholder vote and the other conditions to the consummation of the Asset Sale are satisfied or waived, Buyer would purchase substantially all of the assets, and assume substantially all of the liabilities, exclusively related to or exclusively utilized in connection with the Business for $37 million in cash. Additionally, during each of the three (3) years beginning in 2017, in the event the annual gross revenue generated by the Business exceeds $75 million, Buyer shall pay HOI an incentive payment of thirty-five percent (35%) of any such excess. The Asset Sale may constitute the sale of substantially all of our assets under Delaware law.

Q. What will happen if the Asset Sale is not authorized?

A. Pursuant to the terms of the Asset Purchase Agreement, if we fail to obtain a stockholder vote in favor of the Asset Sale Proposal, the Asset Purchase Agreement may be terminated by either party, and, in the event of such termination, the Asset Sale will not occur. If such a termination occurs and a Seller Acquisition Proposal was publicly disclosed or announced before the Special Meeting, HOI will be required to pay Buyer the lesser of (i) the amount of Buyer's actual and documented out of pocket expenses incurred in connection with due diligence,

negotiation and execution of the Asset Purchase Agreement and undertaking the transactions contemplated thereby, and (ii) $500,000. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—Termination of the Asset Purchase Agreement" and "—Termination Fees."

Q. What is the purchase price to be received by HOI?

A. Buyer will pay $37 million in cash for the acquired assets, payable as follows (x) $17 million on the closing date and (y) $10 million on each of the first two anniversaries of such date, plus the amount of any incentive payment that becomes due in accordance with the Asset Purchase Agreement, plus the assumption by Buyer of the assumed liabilities of HOI. During each of the three (3) years beginning in 2017, in the event the annual gross revenue generated by the Business exceeds $75 million, Buyer shall pay HOI an incentive payment of thirty-five percent (35%) of any such excess. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—Consideration to be Received by HOI."

Q. What are the material terms of the Asset Purchase Agreement?

A. In addition to the cash consideration HOI will receive pursuant to the Asset Sale, the Asset Purchase Agreement contains other important terms and provisions, including:

from and after the closing of the Asset Sale, HOI will indemnify and hold Buyer harmless from and against any and all losses incurred or sustained by, or imposed upon, Buyer based upon, arising out of, with respect to or by reason of (i) any inaccuracy in or breach of any of the representations or warranties of HOI contained in the Asset Purchase Agreement, (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by HOI pursuant to the Asset Purchase Agreement or (iii) any excluded asset or any excluded liability;

prior to the completion of the Asset Sale, HOI has agreed to carry on the Business in the ordinary course of business consistent with past practice and to use commercially reasonable efforts to maintain and preserve intact the current organization, operations and franchise and preserve the rights, franchises, goodwill and relationships of its employees, customers, suppliers and others having relationships with the Business;

the obligations of Buyer and HOI to close the Asset Sale are subject to several closing conditions, including (i) the approval of the Company's stockholders, (ii) obtaining certain third party consents and (iii) completion of other customary closing conditions in the Asset Purchase Agreement;

for a period of four years after the closing of the Asset Sale, HOI will not be permitted to engage in certain activities competitive to the Business or to solicit certain employees of Buyer or certain individuals offered employment with Buyer pursuant to the Asset Sale;

for a period of one year after the closing of the Asset Sale, HOI and certain of its affiliates will provide Buyer with certain services on a transitional basis as agreed upon in a transition services agreement to be executed by HOI and Buyer in connection with the Asset Sale (the "Transition Services Agreement"). Subject to adjustment in accordance with the Transition Services Agreement, Buyer will pay a fee of $5 million for the transition services it receives during the term;

for a period of two years after the closing of the Asset Sale, HOI will provide consulting services to assist Buyer with respect to (i) relationships and contacts with educational institutions and the United States Department of Education (the "Department of Education"), (ii) strategic considerations for developing the Business, (iii) strategic considerations regarding technology matters, and (iv) consumer compliance matters;

in connection with the closing of the Asset Sale, HOI will enter into a lease agreement with Buyer pursuant to which Buyer will sublease from HOI a portion of the real property occupied by HOI and located at 115 Munson Street, New Haven, Connecticut;

in connection with the closing of the Asset Sale, HOI will also enter into a license agreement with Buyer pursuant to which Buyer will grant HOI a non-exclusive, royalty-free, fully paid-up, perpetual, irrevocable, worldwide license-back under certain intellectual property that Buyer will acquire through the Asset Sale for use in our Other Businesses, including their natural expansion or evolution over time;

the Asset Purchase Agreement may be terminated by HOI or Buyer in certain circumstances, in which case the Asset Sale will not be completed;

if the Asset Purchase Agreement is terminated by either party because the required approval of the stockholders of the Company was not obtained at the Special Meeting and a Seller Acquisition Proposal was publicly disclosed or announced prior to such meeting, HOI will be required to pay Buyer the lesser of (i) the amount of Buyer's actual and documented out of pocket expenses incurred in connection with due diligence, negotiation and execution of the Asset

Purchase Agreement and undertaking the transactions contemplated thereby and (ii) $500,000. In the event the Asset Purchase Agreement is terminated (1) by HOI as a result of a Seller Subsequent Determination prior to the Special Meeting, or (2) by Buyer as a result of a Seller Subsequent Determination or the decision by Higher One to pursue a Superior Proposal, HOI will be required to pay Buyer $1,500,000.

Q. How would the proceeds from the Asset Sale be used?

A. The proceeds from the Asset Sale will be received by the Company, not our stockholders. The Company will use a portion of the proceeds to pay for transaction costs associated with the Asset Sale and for general working capital purposes. The remaining proceeds from the Asset Sale may be used, at the discretion of our Board (subject, as the case may be, to the approval of our lenders), to repay indebtedness, provide liquidity to the Company's stockholders through one or more special dividends or repurchases of outstanding shares of the Company's common stock, invest in our Other Businesses, or a combination thereof.

Q. What does the Board recommend regarding the Asset Sale Proposal?

A. The Board has determined that the terms and conditions of the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, are desirable and in the best interests of Higher One and its stockholders. This determination was made by a unanimous vote of the members of the Board present at the meeting during which the Board voted on the Asset Sale. The Board recommends that our stockholders vote "FOR" the authorization of the Asset Sale Proposal.

Q. Do I have dissenters' rights in connection with the Asset Sale?

A. Stockholders may vote against the authorization of the Asset Sale Proposal, but under Delaware law dissenters' rights are not provided to stockholders in connection with the Asset Sale because it does not constitute a merger or consolidation.

Q. Are there any risks to the Asset Sale?

A. Yes. You should carefully read the section entitled "Risk Factors."

Q. What are the U.S. federal income tax consequences of the Asset Sale to U.S. stockholders?

A. The proposed Asset Sale by us is entirely a corporate action. Our U.S. stockholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Asset Sale. See "Proposal No. 1: The Asset Sale—U.S. Federal Income Tax Consequences of the Asset Sale."

Q. When is the closing of the Asset Sale expected to occur?

A. If the Asset Sale is authorized by our stockholders and all conditions to completing the Asset Sale are satisfied or waived prior to such authorization, the closing of the Asset Sale is expected to occur as promptly as practicable thereafter.

PROPOSAL NO. 2: THE COMPENSATION PROPOSAL

Q. Why am I being asked to cast a non-binding, advisory vote to approve the Compensation Proposal?

A. In accordance with the rules promulgated under Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are providing our stockholders with the opportunity to cast a non-binding, advisory vote on the compensation that will or may be payable to one of our named executive officers in connection with the Asset Sale.

Q. What will happen if stockholders do not approve the Compensation Proposal at the Special Meeting?

A. Approval of the Compensation Proposal is not a condition to the consummation of the Asset Sale. This non-binding proposal regarding certain Asset Sale-related executive compensation arrangements is merely an advisory vote which will not be binding on Higher One, our Board or Buyer. Further, the underlying plans and arrangements are contractual in nature and not, by their terms, subject to stockholder approval. Accordingly, regardless of the outcome of the advisory vote, if the Asset Sale is consummated, our named executive officer will be eligible to

receive various payments in accordance with the terms and conditions applicable to those payments.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

THIS PROXY STATEMENT CONTAINS STATEMENTS THAT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. HIGHER ONE'S PROJECTIONS AND EXPECTATIONS ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL PERFORMANCE TO DIFFER MATERIALLY FROM THAT PREDICTED OR IMPLIED. FORWARD-LOOKING STATEMENTS MAY BE IDENTIFIED BY THE USE OF WORDS SUCH AS "EXPECT," "ANTICIPATE," "BELIEVE," "ESTIMATE," "POTENTIAL," "SHOULD" OR SIMILA WORDS INTENDED TO IDENTIFY INFORMATION THAT IS NOT HISTORICAL IN NATURE. FORWARD-LOOKING STATEMENTS ARE BASED ON THE CURRENT BELIEFS AND EXPECTATIONS OF HIGHER ONE MANAGEMENT AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. THERE ARE A NUMBER OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY THE FORWARD-LOOKING STATEMENTS. THESE RISKS AND UNCERTAINTIES ARE SET FORTH IN THE SECTION ENTITLED "RISK FACTORS" IN THIS PROXY STATEMENT AND INCLUDE, BUT ARE NOT LIMITED TO, THE OCCURRENCE OF ANY EVENT, CHANGE OR OTHER CIRCUMSTANCES THAT COULD GIVE RISE TO THE TERMINATION OF THE ASSET PURCHASE AGREEMENT, THE INABILITY TO OBTAIN HIGHER ONE'S STOCKHOLDER APPROVAL OR THE FAILURE TO SATISFY OTHER CONDITIONS TO COMPLETION OF THE PROPOSED TRANSACTION, INDUSTRY COMPETITION, PRICING AND MACRO-ECONOMIC CONDITIONS AND HIGHER ONE'S FINANCIAL AND OPERATING PROSPECTS. THESE STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS PROXY STATEMENT, AND THE COMPANY DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE FORWARD-LOOKING INFORMATION TO REFLECT ACTUAL RESULTS OF OPERATIONS, CHANGES IN FINANCIAL CONDITION, CHANGES IN ESTIMATES, EXPECTATIONS OR ASSUMPTIONS, CHANGES IN GENERAL ECONOMIC OR INDUSTRY CONDITIONS OR OTHER CIRCUMSTANCES ARISING AND/OR EXISTING SINCE THE PREPARATION OF THIS PROXY STATEMENT OR TO REFLECT THE OCCURRENCE OF ANY UNANTICIPATED EVENTS, EXCEPT AS REQUIRED BY LAW. THE FORWARD-LOOKING STATEMENTS IN THIS PROXY STATEMENT DO NOT INCLUDE THE POTENTIAL IMPACT OF ANY ACQUISITIONS OR DIVESTITURES THAT MAY BE ANNOUNCED AND/OR COMPLETED AFTER THE DATE HEREOF. FOR FURTHER INFORMATION REGARDING RISKS ASSOCIATED WITH OUR BUSINESS, PLEASE REFER TO OUR FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING OUR MOST RECENT ANNUAL REPORT ON FORM 10-K AND SUBSEQUENTLY FILED QUARTERLY REPORTS ON FORM 10-Q AND CURRENT REPORTS ON FORM 8-K.

RISK FACTORS

In addition to the other information contained in this Proxy Statement, you should carefully consider the following risk factors when deciding whether to vote to approve the Proposals. You should also consider the information in our other reports on file with the Securities and Exchange Commission (the "SEC") that are incorporated by reference into this Proxy Statement. See "Where You Can Find More Information."

The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect our business.

The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect the trading price of our common stock, our business or our relationships with clients, customers, suppliers and employees. In addition, while the completion of the Asset Sale is pending we may be unable to attract and retain key personnel and our management's focus and attention and employee resources may be diverted from operational matters.

In the event that the Asset Sale is not completed, the announcement of the termination of the Asset Purchase Agreement may also adversely affect the trading price of our common stock, our business or our relationships with clients, customers, suppliers and employees.

We cannot be sure if or when the Asset Sale will be completed.

The consummation of the Asset Sale is subject to the satisfaction or waiver of various conditions, including the authorization of the Asset Sale by our stockholders. We cannot guarantee that the closing conditions set forth in the Asset Purchase Agreement will be satisfied. If we are unable to satisfy the closing conditions in Buyer's favor or if other mutual closing conditions are not satisfied, Buyer will not be obligated to complete the Asset Sale.

If the Asset Sale is not completed, our Board, in discharging its fiduciary obligations to our stockholders, may evaluate other strategic alternatives that may be available, which alternatives may not be as favorable to our stockholders as the Asset Sale. These may include retaining and operating the Business or pursuing an alternate sale transaction that would yield reduced consideration or involve significant delays. Any future sale of substantially all of the assets of the Company or other transactions may be subject to further stockholder approval.

We cannot predict the timing, amount or nature of any distributions to our stockholders.

Our credit and security agreement, as amended, with Bank of America, N.A. as administrative agent, currently prohibits distributions to our stockholders (other than distributions payable solely in our stock), and we do not currently intend to make any distributions of sale proceeds to our stockholders.

If we do not complete the Asset Sale, we cannot be sure that we will receive the cooperation of Buyer should we attempt to sell the Business to another purchaser.

If we do not complete the Asset Sale and instead seek to sell the Business to another purchaser, Buyer, in its capacity as a current bank partner of the Company, would need to cooperate in the transition of the Business to such purchaser (including, in particular, the transition of student accounts). We cannot be sure that such cooperation would be forthcoming, potentially hindering our ability to sell the Business to another purchaser.

One of our executive officers may have interests in the Asset Sale other than, or in addition to, the interests of our stockholders generally.

One of our executive officers may have interests in the Asset Sale that are different from, or are in addition to, the interests of our stockholders generally. Our Board was aware of these interests and considered them, among other matters, in approving the Asset Purchase Agreement.

In certain circumstances, one of our executive officers may receive cash payments and vesting of equity awards in connection with the Asset Sale and his employment with the Buyer and its affiliates following the closing. See “Proposal No. 1—Interests of Certain Persons in the Asset Sale.”

Because the Business represented approximately 58% of our total revenues for fiscal year 2014, our business following the Asset Sale will be substantially different.

The Business represented approximately 58% of our total revenues for the fiscal year 2014. Following the consummation of the Asset Sale, our results of operations and financial condition may be materially adversely affected if we fail to effectively reduce our overhead costs to reflect the reduced scale of our operations or we fail to grow our Other Businesses. Our smaller size may result in the recognition of less revenues from the operations of our Other Businesses, which may negatively affect our overall net earnings.

If the Asset Sale disrupts our business operations and prevents us from realizing intended benefits, our business may be harmed.

The Asset Sale may disrupt the operation of our business and prevent us from realizing the intended benefits of the Asset Sale as a result of a number of obstacles, such as the loss of key employees, customers or business partners, the failure to adjust or implement our business strategies, additional expenditures required to facilitate the Asset Sale transaction, and the diversion of management's attention from our day-to-day operations.

The Asset Sale may not be completed or may be delayed if the conditions to closing are not satisfied or waived.

The Asset Sale may not be completed or may be delayed because the conditions to closing, including approval of the transaction by our stockholders and consents from certain third parties, may not be satisfied or waived. If the Asset Sale is not completed, we may have difficulty recouping the costs incurred in connection with negotiating the Asset Sale, our relationships with our clients, customers, suppliers and employees may be damaged, and our business may be harmed.

The announcement of the Asset Sale may harm our business.

As a result of our announcement of the Asset Sale, third parties may be unwilling to enter into material agreements with respect to the Business or our Other Businesses. New or existing clients, customers and business partners may prefer to enter into agreements with our competitors who have not expressed an intention to sell their business because clients, customers and business partners may perceive that such new relationships are likely to be more stable. Additionally, employees working in the Business may become concerned about the future of the Business and lose focus or seek other employment.

If we fail to complete the Asset Sale, our business may be harmed.

If we fail to complete the Asset Sale, the failure to maintain existing business relationships or enter into new ones could adversely affect our business, results of operations, and financial condition including, but not limited to the Company's ability to maintain its bank partner relationships and contract with new bank partners to the extent necessary. If we fail to complete the Asset Sale and we retain the Business, we will consider alternatives including, but not limited to, an orderly shut-down of the Business. The potential for loss or disaffection of employees or customers of the Business following a failure to consummate the Asset Sale could have a material, negative impact on the value of our business.

In addition, if the Asset Sale is not consummated, our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction, and we will have incurred significant third party transaction costs, in each case, without any commensurate benefit, which may have a material and adverse effect on our stock price and results of operations.

The Asset Purchase Agreement limits our ability to pursue alternatives to the Asset Sale.

The Asset Purchase Agreement contains provisions that make it more difficult for us to sell the Business to any party other than Buyer. These provisions include the prohibition on our ability to solicit competing proposals and the requirement that we pay a termination fee of $1,500,000 if the Asset Purchase Agreement is terminated in specified circumstances. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—No Other Bids" and "—Termination Fees." These provisions could make it less advantageous for a third party that might have an interest in acquiring Higher One or all of or a significant part of the Business to consider or propose an alternative transaction, even if that party were prepared to pay consideration with a higher value than the consideration to be paid by Buyer.

We may not participate in a superior offer for the Business unless we pay a termination fee to Buyer.

The Asset Purchase Agreement requires us to pay Buyer a termination fee equal to $1,500,000 if we terminate the Asset Purchase Agreement prior to closing as a result of our determining to accept a Seller Acquisition Proposal that we determine to be a Superior Proposal. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—Termination Fees."

Because our business will be smaller following the sale of the Business, there is a possibility that our common stock may be delisted from New York Stock Exchange if we fail to satisfy the continued listing standards of that market.

Even though we currently satisfy the continued listing standards for the New York Stock Exchange, following the sale of the Business our business will be smaller and, therefore, we may fail to satisfy the continued listing standards of the New York Stock Exchange. In the event that we are unable to satisfy the continued listing standards of the New York Stock Exchange, our common stock may be delisted from that market. Any delisting of our common stock from the New York Stock Exchange could adversely affect our ability to attract new investors, decrease the liquidity of our outstanding shares of common stock, reduce our flexibility to raise additional capital, reduce the price at which our common stock trades and increase the transaction costs inherent in trading such shares with overall negative effects for our stockholders. In addition, delisting of our common stock could deter broker-dealers from making a market in or otherwise seeking or generating interest in our common stock, and might deter certain institutions and persons from investing in our securities at all. For these reasons and others, delisting could adversely affect the price of our common stock and our business, financial condition and results of operations.

We will continue to incur the expenses of complying with public company reporting requirements following the closing of the Asset Sale.

After the Asset Sale, we will continue to be required to comply with the applicable reporting requirements of the Exchange Act, even though compliance with such reporting requirements is economically burdensome.

THE SPECIAL MEETING

Time, Date and Place

The Special Meeting will be held on April 4, 2016 at 9:00 a.m. local time at 115 Munson Street, New Haven, CT.

Proposals

At the Special Meeting, holders of shares of our common stock as of the Record Date will consider and vote upon:

the Asset Sale Proposal;

the Compensation Proposal; and

such other matters as may properly come before the Special Meeting and any postponements or adjournments thereof.

Descriptions of the Proposals are included in this Proxy Statement. A copy of the Asset Purchase Agreement is attached as *Annex A* to this Proxy Statement.

Required Vote

Proposal No. 1: The Asset Sale Proposal

The authorization of the Asset Sale Proposal requires the affirmative vote of holders of a majority of shares of our common stock entitled to vote thereon. You may vote **"FOR," "AGAINST"** or **"ABSTAIN."** Failures to vote, abstentions and broker non-votes will have the effect of a vote **"AGAINST"** the Asset Sale Proposal.

Proposal No. 2: The Compensation Proposal

The non-binding, advisory approval of the Compensation Proposal requires the affirmative vote of the holders of a majority in voting power of the shares of our common stock which are present in person or by proxy and entitled to vote thereon. You may vote **"FOR," "AGAINST"** or **"ABSTAIN."** Abstentions will have the effect of a vote **"AGAINST"** the Compensation Proposal and failures to vote and broker non-votes will have no effect.

Recommendation of the Board

After careful consideration, our Board determined that the Asset Sale and the terms and conditions of the Asset Purchase Agreement are desirable and in the best interests of Higher One and its stockholders. Our Board recommends that you vote **"FOR"** the authorization of the Asset Sale Proposal and approval of the Compensation Proposal.

Record Date

Holders of our common stock as of the close of business on March 7, 2016, the Record Date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting and any postponements or adjournments of the Special Meeting. On the Record Date, there were 48,280,322 shares of common stock outstanding and entitled to vote at the Special Meeting and any postponements or adjournments of the Special Meeting; no other shares of capital stock were outstanding on such date.

Quorum and Voting

A quorum of stockholders is necessary to hold a valid meeting. Each share of common stock issued and outstanding on the Record Date is entitled to one vote. A quorum will be present if the holders of a majority in voting power of the shares of common stock issued and outstanding and entitled to vote are present in person or represented by proxy at the Special Meeting. On the Record Date, there were 48,280,322 shares outstanding and entitled to vote. Accordingly, 24,140,162 shares must be represented by stockholders present at the Special Meeting or by proxy to have a quorum.

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Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the Special Meeting. If there is no quorum, either the chairperson of the Special Meeting or a majority in voting power of the stockholders entitled to vote at the Special Meeting, present in person or represented by proxy, may adjourn the Special Meeting to another time or place.

Proxies; Revocation of Proxies

If you are unable to attend the Special Meeting, we urge you to submit your proxy by completing and returning the enclosed proxy card or vote your proxy via the Internet or by telephone. If your shares of common stock are held in "street name" (i.e., through a bank, broker or other nominee), you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you elect to vote in person at the Special Meeting and your shares are held by a broker, bank or other nominee, you must bring to the Special Meeting a legal proxy from the broker, bank or other nominee authorizing you to vote your shares of common stock.

Unless contrary instructions are indicated on the proxy card, all shares of common stock represented by valid proxies will be voted **"FOR"** the Asset Sale Proposal and **"FOR"** the Compensation Proposal and will be voted at the discretion of the persons named as proxies in respect of such other business as may properly be brought before the Special Meeting. As of the date of this Proxy Statement, our Board knows of no other business that will be presented for consideration at the Special Meeting other than the Proposals.

You can revoke your proxy at any time before the final vote at the Special Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date.
- You may send a written notice that you are revoking your proxy to Higher One Holdings, Inc., 115 Munson Street, New Haven, CT 06511, Attn: Corporate Secretary.
- You may attend the Special Meeting and vote in person. Simply attending the Special Meeting will not, by itself, revoke your proxy.

If your shares are held by your broker, bank or other nominee, you should follow the instructions provided by them.

Adjournments

The Special Meeting may be adjourned by the affirmative vote of a majority of the votes cast, in person or by proxy, at the Special Meeting by the holders of shares entitled to vote. The Special Meeting may be adjourned for any purpose, including for the purpose of obtaining a quorum or soliciting additional proxies if there are insufficient votes to authorize the Asset Sale, including, without limitation, adjourning the Special Meeting for the sole purpose of soliciting additional votes as to one proposal while closing the polls and registering the approval of the other proposal. Any adjournment may be made without notice (if a new record date is not fixed for the adjourned meeting), other than by an announcement made at the Special Meeting of the time, date and place of the adjourned meeting. Any adjournment will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the Special Meeting as adjourned.

Broker Non-Votes

Brokers who hold shares for the accounts of their clients may vote such shares either as directed by their clients or in the absence of such direction, in their own discretion if permitted by the stock exchange or other organization of which they are members. Members of the New York Stock Exchange are permitted to vote their clients' proxies in their own discretion as to certain "routine" proposals. However, where a proposal is not "routine," a broker who has received no instructions from its client generally does not have discretion to vote its client's uninstructed shares on that proposal. When a broker indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular proposal, the missing votes are referred to as "broker non-votes." Those shares would not be considered entitled to vote on the proposal. Because each proposal being considered at the Special Meeting is a non-routine matter, shares of our common stock as to which brokers have not received any voting instructions will not be permitted to vote on either of the Proposals. Broker non-votes will not be considered in determining the number of votes cast for either of the Proposals.

Solicitation of Proxies

This proxy solicitation is being made and paid for by Higher One on behalf of its Board. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid any additional compensation for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of our common stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses.

Questions and Additional Information

If you have more questions about the Proposals or how to submit your proxy, or if you need additional copies of this Proxy Statement or the enclosed proxy card or voting instructions, please contact Investor Relations, Higher One Holdings, Inc., Attn: Patrick Pearson, 115 Munson Street, New Haven, CT 06511, telephone number (203) 776-7776 x4421.

PROPOSAL NO. 1: THE ASSET SALE

The following discussion is a summary of the material terms of the Asset Sale. We encourage you to read carefully and in its entirety the Asset Purchase Agreement, which is attached to this Proxy Statement as Annex A, as it is the legal document that governs the Asset Sale.

General Description of the Asset Sale

If the Asset Sale is completed, Buyer would purchase substantially all of the assets, and assume substantially all of the liabilities, exclusively related to or exclusively utilized in connection with the Business for $37 million in cash. Additionally, during each of the three (3) years beginning in 2017, if annual gross revenue for the Business under Buyer exceeds $75 million, HOI will receive 35% of the excess revenue, payable in the subsequent year. The Asset Sale may constitute the sale of substantially all of our assets under Delaware law.

Parties to the Asset Sale

Higher One Holdings, Inc.

Higher One, Inc.
115 Munson Street
New Haven, Connecticut 06511

(203) 776-7776

We are a leading provider of technology-based refund disbursement and payment processing 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.

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.

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, 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, which performs certain operational functions. HOI also owns Higher One Real Estate, Inc., a Delaware corporation, and its subsidiary, Higher One Real Estate SP, LLC, a Delaware limited liability company, 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 Higher One Machines, Inc. collectively own 99%, to perform certain operational support functions.

We completed our initial public offering on June 17, 2010, and, prior to such date, our common stock was privately held and did not trade on any exchange. Our common stock is quoted on the New York Stock Exchange under the symbol "ONE." We file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the SEC. These reports, any amendments to these reports, proxy and information statements and certain other documents we file with the SEC are available through the SEC's website at www.sec.gov or free of charge on our website (http://ir.higherone.com) as soon as reasonably practicable after we file the documents with the SEC. The public may also read and copy these reports and any other materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Customers Bancorp, Inc.
Customers Bank

1015 Penn Avenue, Suite 103

Wyomissing, Pennsylvania 19610

(610) 933-2000

Customers Bancorp, Inc. ("Customers Bancorp") is a Pennsylvania corporation and, through its wholly owned subsidiary Customers Bank, provides financial products and services to small businesses, not-for-profits, and consumers through its branches and offices in Southeastern Pennsylvania (Bucks, Berks, Chester, Delaware and Philadelphia Counties), Rye Brook and New York, New York (Westchester and New York Counties), Hamilton, New Jersey (Mercer County), Providence, Rhode Island (Providence County) and Boston, Massachusetts (Suffolk County). Customers Bank also provides liquidity to the mortgage market nationwide through the operation of its loans to mortgage banking companies. At December 31, 2014, Customers Bancorp had total assets of $6.8 billion, including net loans (including held-for-sale loans) of $5.7 billion, total deposits of $4.5 billion, and stockholders' equity of $0.4 billion.

The primary customers of Customers Bank are privately held businesses, consumers, business customers, and not-for-profit organizations. Customers Bank also focuses on certain low-cost, low-risk specialty lending areas such as multi-family/commercial real estate lending and lending to mortgage banking businesses. Customers Bank's lending activities are funded by deposits from its branch model, which seeks higher deposit levels per branch than a typical bank, combined with lower branch operating expenses, without sacrificing exceptional customer service. Customers Bancorp was incorporated in Pennsylvania in April 2010 to facilitate a reorganization into a bank holding company structure pursuant to which Customers Bank became a wholly owned subsidiary of Customers Bancorp (the "Reorganization") on September 17, 2011. Pursuant to the Reorganization, all of the issued and outstanding shares of Voting Common Stock and Class B Non-Voting Common Stock of Customers Bank were exchanged on a one-for-three basis for shares of Voting Common Stock and Class B Non-Voting Common Stock, respectively, of Customers Bancorp. The deposits of Customers Bank, which was chartered as New Century Bank in 1994, are insured by the FDIC.

Background of the Asset Sale

The Board and the Company's senior management have from time to time evaluated and considered a variety of strategic alternatives and partnership relationships related to the Company, the Business and certain portions of the Business as part of a long-term strategy to increase shareholder value.

On February 12, 2015, at a regularly scheduled board meeting, members of senior management and the Board held discussions regarding a strategic review process for the Company and agreed to engage an investment bank to assist the Board evaluate various strategic options to increase shareholder value.

The Company entered into an engagement letter with Raymond James on April 6, 2015 to assist the Company in exploring strategic options, including the potential sale of the Company and one or more of its lines of business.

On April 24, 2015, Buyer submitted to the Company a non-binding indication of interest to assume responsibility of the Business. Buyer's indication of interest provided for no payment at closing and a potential earn-out/profit-sharing arrangement with financial terms to be discussed by the parties.

On April 29, 2015, at a regularly scheduled board meeting, members of senior management and the Board held discussions with representatives of Raymond James regarding the strategic review process which included a discussion of alternatives, including, but not limited to, the potential sale of the entire Company, the potential sale of the Business and other strategic alternatives for the Company and its various lines of business. A portion of the discussion focused on the implications of there being a relatively limited number of potential buyers for the Business due to the regulatory scrutiny on HOI, student banking and the student loan refund disbursement process. The discussion also included a review of key business considerations having implications for the sale of the Company and certain of its lines of business, including, but not limited to, (i) the need for the resolution of outstanding federal banking regulatory issues, (ii) the risk of a loss of current bank partners upon the announcement of a change of ownership of the Company or another strategic transaction that affects the Business or due to the ongoing regulatory scrutiny on the Company and (iii) the pending Department of Education rules. After an initial review of the Company's strategic alternatives and discussions with representatives of Raymond James and members of senior management, the Board determined that the highest shareholder value in a potential sale process would likely be achieved by the sale of individual business lines rather than a sale of the entire Company. The Board discussed each of the Company's lines of business and determined that each should be marketed to prospective bidders along with a potential sale of the entire Company and that the Company should explore various potential transaction structures that would enable the Company to realize the highest value available in a transaction for one, two or all three of the Company's businesses.

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At that meeting, the Board acknowledged the operational risk of a bank partner ending its relationship with the Company and not having other bank partners to replace it, and directed senior management and Raymond James to continue to pursue alternatives with the three identified interested potential buyers of the Business and any other potential interested bidders identified thereafter. The Board also directed senior management to continue to pursue potential referral relationships with bank partners that would provide the Company with an ongoing revenue stream while allowing it to exit the business of servicing student accounts.

In early May 2015, our Chief Executive Officer Marc Sheinbaum facilitated introductions between representatives of Raymond James and Buyer, Bidder A and Bidder B, respectively, and representatives of Raymond James commenced conversations with each of these three entities regarding the Company's intention to consider the potential sale of the entire Company or one or more of its lines of business.

On May 18, 2015, the Department of Education published its Notice of Proposed Rulemaking on program integrity and improvement issues in the Federal Register, which directly related to the Business as described below.

Between May and July 2015, the Company contacted three additional potential strategic bidders to determine their respective interest in acquiring the Business or portions of the Business and these parties indicated that they were not interested in acquiring the Business or portions of the Business or partnering with the Company. Additionally, during this time, Raymond James contacted more than sixty potential bidders regarding the potential sale of the entire Company or one or more of its various lines of business. After nearly all of the potential bidders executed non-disclosure agreements with the Company, the Board decided to focus on the divestitures of the Company's Business and HOI's data analytics line of business. After executing a satisfactory non-disclosure agreement, each of Buyer, Bidder A and Bidder B was provided a confidential information memorandum that marketed the Business to Buyer, Bidder A and Bidder B. Each of these parties responded prior to the regularly scheduled Board meeting held on June 3, 2015 with an offer for, or a strategic proposal related to, the Business.

On June 3, 2015, at a regularly scheduled board meeting, members of senior management and the Board held discussions with representatives of Raymond James regarding the strategic review process for the Company. At that meeting, members of senior management reviewed financial information related to the Business with the Board taking into account the primary changes associated with the proposed Department of Education rules, including the proposal that debit cards cannot be sent to students until after students open their respective bank accounts. The Board believed that any Department of Education rules substantially similar to those proposed could have a significant negative impact on the Business. Members of senior management described that there was limited interest among banks to partner with the Company, acquire the Business or enter into a strategic partnership for an account referral fee relationship in connection with the Business, beyond that expressed by Buyer, Bidder A and Bidder B. Representatives of Raymond James and members of senior management summarized the terms of the offers or strategic proposals, as applicable, received from Buyer, Bidder A and Bidder B.

In its proposal, Buyer proposed that it would initially assume responsibility for servicing the student account servicing business of the Company, acquire all assets related to the student account business and make offers of employment to all employees of the Company working in the student account business on or about August 1, 2015. Buyer proposed to make quarterly payments for one year, each equal to the after-tax U.S. generally accepted accounting principles ("GAAP") profits on this assumed student account business, less $500,000 per quarter. The proposal also included a plan to convert the student accounts to a to-be-developed account product on Buyer's systems on or about July 1, 2016, assume the ongoing obligations of the refund disbursement business on July 1, 2016 and pay the Company $20 for each existing student account customer who converts to a BankMobile VIP account at Buyer prior to July 1, 2020 in an amount not to exceed $40 million. Based on its analysis and the advice of members of senior management, the Board believed Buyer's proposal was worth further exploring despite the fact that Buyer would not assume responsibility for existing regulatory enforcement actions and despite challenges presented by its form, including the Company's inability to manage Buyer's cost expenditures related to the student account business.

Bidder A proposed acquiring the Business with a profit sharing for five (5) years based on a specified formula such that if contribution margin from the Business were to exceed 15%, Bidder A would pay 25% of any such excess to HOI. Bidder A's proposal included the assumption of all ongoing operating expenses, customer obligations, selling, general and administrative expenses and other one-time and ongoing costs. Bidder A proposed a closing date to be the later of a mutually agreeable resolution of all outstanding regulatory enforcement actions or July 1, 2016. Based on its analysis and the advice of members of senior management, the Board determined Bidder A's profit sharing proposal to likely result in the Company receiving minimal compensation for the Business.

Bidder B proposed a six-year referral relationship that would have provided the Company 50% of the revenue in excess of $55 per account and a potential additional referral fee for any auto loans, credit cards and other consumer products of Bidder B utilized by a student accountholder. Based on its analysis and the advice of members of senior management, the Board believed Bidder B's proposal to likely result in the Company receiving minimal compensation for the Business.

Among other strategic plans, the Board confirmed that management should continue to pursue strategic alternatives for the Business, including additional discussions with Buyer, Bidder A and Bidder B, in an effort to increase value to the shareholders and requested that management meet with representatives of Raymond James and the law firm of Cleary, Gottlieb, Steen and Hamilton LLP ("Cleary Gottlieb") to further discuss strategic alternatives that would increase shareholder value and optimize potential tax implications from various scenarios. The Board subsequently engaged Cleary Gottlieb as its legal advisor and the Company subsequently engaged Wiggin and Dana LLP as its outside legal advisor.

Between June 18, 2015 and July 9, 2015, the Board met three (3) times telephonically with members of senior management and each time discussed, among other things, the potential sale of the Business, including the status of discussions with Buyer, Bidder A, Bidder B and other potential bidders for the Business. At these meetings, the Board also discussed the previously identified lack of interest of other bidders and risks to the Company related to the ongoing operation of the Business, including the risk of loss of our bank partners. The discussions also included updates to the Board from various members of senior management regarding the tax implications of various strategic alternatives and other items related to the strategic processes being explored by the Company. The Board supported management's plan to continue to engage Buyer and other bidders in discussions related to the Business in an effort to increase value to the shareholders of the Company, including sending Buyer a letter related to the Company's strategy related to the Business. At the July 9, 2015 meeting, the Board also directed senior management to pursue this strategic alternative, rather than Raymond James, given senior management's developed relationships with the prospective bidders as well as their knowledge of the marketplace garnered through their management of the bank partner relationships and previous efforts in identifying potential new bank partners and strategic partners with a bank charter for the student account business.

On June 30, 2015, members of senior management held discussions with representatives of Raymond James and Cleary Gottlieb to discuss various strategic alternatives for the Company, including, but not limited to, the alternatives of selling the Company and the Business to a potential buyer. The members of senior management also discussed tax implications to the Company related to the various strategic scenarios with the representatives of Cleary Gottlieb.

On July 10, 2015, the Company provided a letter to Buyer related to the Business and a potential sale of the Business (i) requesting that Buyer also acquire the refund disbursement business at the same time as the student account business and (ii) encouraging Buyer to increase its offer related to the purchase price for the assets of the Business. This letter also requested an ongoing payment to the Company of $1.50 per account for each student banking customer per month for all accounts and $20 for each student banking customer that converts to a BankMobile VIP customer for a period of five (5) years.

On July 13, 2015, Buyer submitted a revised proposal letter and term sheet to the Company with an offer to pay the Company (i) approximately $7,000,000 for the net book value of the assets of the Business and (ii) 95% of the pre-tax net earnings of Buyer from the fees generated by the Business during the first six months of 2016. Buyer also offered for a period of three (3) years beginning on July 1, 2016 (i) to pay the Company 50% of any fees, other than interchange fees, collected by Buyer from student checking account activities and (ii) to enter into a marketing agreement under which Buyer would pay the Company $20 for each student banking customer that converts to a BankMobile VIP (or successor product) customer of Buyer and whose account remains funded and active for at least six (6) months after such conversion.

On July 16, 2015, members of senior management from each of the Company and Buyer met to discuss Buyer's current offer for the Business and agreed to a structure of certain fixed payments to the Company over a three (3) or four (4) year period from the closing date, as well as an incentive payable over a similar period of time should the Business achieve certain financial targets that the parties would negotiate prior to the signing of an asset purchase agreement. Buyer agreed to prepare a revised offer reflecting detailed terms consistent with this discussion.

On July 17, 2015, Buyer submitted a revised proposal letter and term sheet to the Company with an offer to pay the Company (i) approximately $7,000,000 for the net book value of the assets of the Business as well as (ii) the following: (a) $40,800,000 payable in four (4) equal annual installments for transition services, (b) $9,600,000 payable in equal monthly installments for four (4) years for consulting services and (c) $9,600,000 payable in equal monthly installments for four (4) years for non-competition and non-solicitation commitments by the Company. On July 21, 2015, Buyer updated its proposal letter and term sheet to provide for an incentive payment to the Company payable commencing on January 1, 2017 and calculated as follows: if annual operating pre-tax income (other than payment of contractual fees to HOI) of the student account servicing business and Buyer's BankMobile business exceeds 15% of revenue, and its return on equity for such businesses exceeds 15%, Buyer would pay 25% of any incremental operating earnings.

On July 30, 2015, members of senior management and the Board held discussions with representatives of Raymond James at a regularly scheduled meeting regarding the status of the process related to the sale of the Business. The representatives of Raymond James informed the Board that it had worked to further refine an asset transaction for the Business with Buyer and, separately, explore costs of wind down or shut down scenarios for the Business. The Board and members of senior management discussed various tax implications of potential strategic transactions for the Business. The Board, members of senior management and the representatives of Raymond James also discussed how bidders would likely value the Business in light of the pending Department of Education rules affecting the Business, the timing of strategic transactions for the Business and the importance of analyzing all of the alternatives within the framework of increasing shareholder value. The representatives of Raymond James explained that it was their belief based on discussions with prospective buyers of the Company and the Company's "payments" line of business that there is limited interest in a purchase of the Company while it owns the Business and limited interest in a purchase of the Business, beyond that of the bidders that were previously identified by the Company. After a further review of the Company's strategic alternatives and these additional discussions with representatives of Raymond James and members of senior management, the Board determined that the best value that could be realized by the Company in a potential sale process would likely be achieved by the sale of individual business lines rather than a sale of the entire Company. The Board further discussed the prospects of each of the Company's businesses and confirmed its view that each of the Company's businesses should be marketed to prospective bidders and that the Company should continue to explore various potential transaction structures that would enable the Company to realize the highest value available in a transaction for one or more of the Company's businesses. Later in the same meeting, representatives of Cleary Gottlieb joined the meeting to review with the Board its fiduciary duties in connection with the proposed transaction and the restrictions on management members from discussing their roles in post-acquisition entities. The Board supported senior management's plan to further negotiate Buyer's proposal by means of a revised term sheet.

On July 31, 2015, the Company provided Buyer with a revised term sheet for the sale of the Business, reflecting a transaction in which Buyer would pay (i) approximately $7,000,000 for the net book value of the assets of the Business and (ii) the following: (a) $40,800,000 payable in three (3) equal annual installments for transition services, (b) $9,600,000 payable in equal monthly installments for three (3) years for consulting services and (c) $9,600,000 payable in equal monthly installments for three (3) years for non-competition and non-solicitation commitments by the Company, as well as incentive payment to the Company payable commencing on January 1, 2017 and calculated as follows: if annual operating pre-tax income (after payment of contractual fees to the Company) of the student account servicing business and Buyer's BankMobile business exceeds 15%, Buyer would pay 25% of any incremental operating earnings, noting that the parties would further discuss this incentive payment.

On August 4, 2015, the Board held a telephonic meeting with members of senior management to discuss, among other things, the status of discussions related to the potential transaction with Buyer and indicated its support of management's plan to proceed with entering into a non-binding term sheet with Buyer.

On August 6, 2015, the Company and Buyer signed a non-binding term sheet in connection with the proposed sale of the Business, consistent with the Company's proposal of July 31. Buyer then continued its due diligence on the Business.

Between August 6 and December 15, 2015, the Company and representatives of Wiggin and Dana LLP negotiated the terms of the Asset Purchase Agreement and the Transition Services Agreement, among other agreements, with Buyer and its counsel. In the course of the negotiations, the parties agreed to changes in the proposed incentive payment. In the early stages of the negotiations, Buyer proposed that if revenues of the Business exceeded $100 million, Buyer would pay 25% of any incremental revenues to HOI for three years.

During the months of September and October 2015, the Board met four (4) times and discussed with members of senior management, among other things, the status of the proposed sale of the Business, including matters related to the Asset Purchase Agreement and the effect of the pending rules under Title IV of the Higher Education Act of 1965 (“Title IV”). Representatives of Raymond James and Cleary Gottlieb attended the last of the four meetings, the regularly scheduled meeting on October 29, to update the Board on the strategic plan related to commencing a process for the sale of the entire Company. During this time period, the Company also negotiated the sale of its data analytics line of business and entered into an agreement to sell that business on October 14.

At this same October 29, 2015 meeting of the Board, the Board, members of senior management and other key employees discussed the final rules (the "Final Rules") relating to Program Integrity and Improvement relating to Title IV Cash Management, which had been released by the Department of Education on October 27, 2015. The Final Rules included, among others, provisions related to (i) restrictions on the ability of higher education institutions and third party servicers like the Company to market financial products to students, including, but not limited to, sending unsolicited debit cards to students, (ii) prohibitions on the assessment of certain types of account fees on student accountholders and (iii) requirements related to ATM access for student accountholders that would become effective as of July 1, 2016. After discussion of the Final Rules with members of senior management and the other key employees, the Board determined that, although the impact of the Final Rules on the Business was unknown, there could be a significant negative impact on the Business. As a result of the potential financial impacts of the Final Rules and the heightened scrutiny on both the Company and its bank partners relating to the Company's discussions with the FDIC and the Federal Reserve regarding potential enforcement actions, the Board determined that the current model of being a third-party servicer of accounts held at the banks is not likely to be sustainable going forward. The Board considered the viability of the Business in the event either of the Company's current bank partners were to exit its relationship with the Company and the Company's ability to attract alternative banks to participate in our bank partner program going forward.

The Board indicated its continued support of management's strategy to further negotiate a sale of the Business with Buyer and each party's outside counsel and to continue to update a confidential information memorandum for the sale of the entire Company reflecting the pending sale of the Company's data analytics line of business.

On November 16, 2015, the Board held a telephonic meeting with members of senior management to discuss, among other things, the status of discussions related to the negotiation of the Asset Purchase Agreement with Buyer, including the expectation that Buyer would likely reduce its financial offer based on discussions between members of senior management from each of the Company and Buyer. The Board and members of senior management also discussed the potential interest of Bidder A to acquire either the Company or the Business. The Board indicated its support of management's strategy to (i) continue to negotiate a sale of the Business with Buyer and each party's outside counsel and (ii) further explore the interest of Bidder A in acquiring the Business in an effort to increase shareholder value.

On November 18, 2015, Buyer informed the Company that it was (i) decreasing its financial offer for the Business to $37 million, based on Buyer's revised projections for the Business assuming reduced account fee revenue resulting from Buyer's belief that it would be under a high degree of scrutiny for any bank account fees that it charges to student accountholders given the current regulatory environment and (ii) revising the proposed incentive payment such that if revenues of the Business exceed $65 million, Buyer would pay 35% of any incremental revenues to HOI for three years.

On November 21, 2015, the Board held a telephonic meeting with members of senior management to discuss, among other things, the status of discussions related to the negotiation with Buyer, including the reduction in the financial offer from Buyer and the level of interest of Bidder A in acquiring the Business or structuring an alternative

partnership relationship. During the course of the meeting, the directors discussed whether the Company should cease negotiations with Buyer. After discussion and the receipt of advice from members of senior management, the Board indicated its support of management's strategy to (i) continue to negotiate with Buyer and each party's outside counsel and (ii) further explore the interest of Bidder A in an effort to increase shareholder value.

In connection with the proposed lower purchase price and final negotiations of the terms of the Asset Purchase Agreement, the parties agreed, among other things, that Buyer would pay HOI $5 million for the transition services HOI would perform after closing and agreed to changes in the proposed incentive payment such that if revenues of the Business exceed $75 million, Buyer would pay 35% of any incremental revenues to HOI for three years.

On December 6, 2015, Bidder A submitted an acquisition proposal pursuant to which it would acquire the Business for a zero cash price, and hire only a limited number of personnel required to operate the Business.

On December 9, 2015, members of senior management and the Board held discussions with representatives of Raymond James, Cleary Gottlieb and Wiggin and Dana LLP at a regularly scheduled Board meeting regarding the proposed transaction with Buyer, a letter sent by Buyer to the Company on December 7, 2015 regarding the transaction and its ongoing bank partner role with the Company, and the acquisition proposal submitted by Bidder A. To facilitate discussions regarding the sale of the Business, copies of the draft Asset Purchase Agreement, along with a summary of the material terms of the Asset Purchase Agreement and certain ancillary agreements thereto, were distributed to the Board prior to the meeting. At the meeting, representatives of Cleary Gottlieb reviewed with the Board its fiduciary duties in connection with the proposed transactions and representatives of Wiggin and Dana LLP presented a summary of the material terms and open points regarding the draft Asset Purchase Agreement. The Board, among other things, reviewed and discussed the draft Asset Purchase Agreement and discussed the strategy of announcing publicly that the Company is exploring strategic options upon the announcement of entering into an agreement to sell the Business. The Board determined that such an announcement would be prudent. At the request of the Board, a representative of Raymond James discussed its process for preparing to render a fairness opinion. After further discussion and the receipt of advice from members of senior management, the Board indicated its support of concluding negotiations with Buyer, subject to its final approval and the delivery of a fairness opinion by Raymond James.

On December 11, 2015, Bidder A revised its recent offer for the Business to include a potential upfront fee in the range of $20,000,000 to $25,000,000, provided it is required to only hire certain employees.

On December 13, 2015, members of senior management and the Board held discussions on a telephonic Board call with representatives of Raymond James, Cleary Gottlieb and Wiggin and Dana LLP regarding the proposed transaction with Buyer. Mr. Sheinbaum reviewed for the Board the history of the Business, the anticipated effects of the new rules under Title IV on the Business, the strategic review process, and the current status of the Company's bank partner relationships. Mr. Sheinbaum also described the terms of the draft Asset Purchase Agreement, including, but not limited to, the ability for the Company to accept a superior offer for the Company or the Business upon the payment of a termination fee. The Board and senior management also discussed the feasibility of the Company maintaining the Business in its current form, the availability of additional bank partners and the revised offer for the Business provided to the Company by Bidder A. In analyzing the revised offer for the Business provided to the Company by Bidder A with members of senior management, the Board determined that Buyer's offer remained superior given, among other things, the inferior total purchase price offered by Bidder A for the Business, which would be further reduced by the costs associated with the severance payment obligations that would be necessary to certain employees of the Business as a result of the Bidder A's contingency that it was only going to make offers of employment to a limited number of employees of the Company. The Board also discussed the risk that Buyer would terminate its banking relationship with HOI if the Company pursued a transaction relating to the Business with another party and the substantial disruption to the Company such a termination would likely produce.

Representatives of Raymond James confirmed for the Board its lack of conflicts of interest related to the proposed transaction and then reviewed and discussed its analysis with respect to the Company and the proposed sale of the Business, including a summary of the process, transaction summary information, the valuation summary, the discounted cash flow analysis, estimated shut-down cost detail, residual value detail and other financial analysis supporting Raymond James's opinion. See "Proposal No. 1: The Asset Sale—Prospective Financial Information". At the request of the Board, a representative of Raymond James rendered Raymond James's oral opinion, as of December 13, 2015, and based upon and subject to the qualifications, assumptions, limitations and other matters set forth in Raymond James's written opinion, as to the fairness, from a financial point of view, to the Company of the Consideration.

The Board also discussed the ongoing operations of the Company following the signing of the Asset Purchase Agreement as well as following the sale of the Business. After further discussion, the members of the Board in attendance unanimously approved the Company entering into the Asset Purchase Agreement and consummating the transactions contemplated thereby.

On December 15, 2015, the Company and Buyer executed and delivered the Asset Purchase Agreement, substantially in the form approved by the Board. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement." That evening, the Company issued a press release and filed a Form 8-K current report with the SEC announcing the execution of the Asset Purchase Agreement.

Reasons for the Asset Sale

After careful consideration, the Board, at a meeting held on December 13, 2015, approved the Asset Purchase Agreement and the transactions contemplated thereby by a unanimous vote of the directors present at the meeting. In the course of reaching its decision to approve the Asset Purchase Agreement and recommend approval by the Company's stockholders of the Asset Sale, the Board consulted with senior management of the Company and the Company's financial and legal advisors and considered a number of factors that the Board believed supported its decision, including, but not limited to, the following factors:

Strategic and Financial Considerations. The Board's view that the Asset Sale will provide a number of strategic and financial benefits to the Company, which have the potential to create additional value for stockholders, including the following:

- the Board's view, based, in part, on advice from members of senior management, that the Asset Sale would generate greater stockholder value and be more favorable to stockholders than any other alternative reasonably available to the Company, including, among others, retaining and operating the Business and other potential acquisition or disposition transactions relating to the Business or the entire Company;

- the Board's views as to the prospects for the Business including the anticipated effect on the Business of the Final Rules in relation to the purchase price to be received at the closing of the Asset Sale; and

- the proceeds from the Asset Sale would better capitalize the Company and permit the directors to consider a broader range of options to provide value to the Company's stockholders, including considering all strategic options for the remaining business.

Opinion of Financial Advisor. The financial analysis reviewed and discussed with the Board by representatives of Raymond James, as well as the oral opinion Raymond James rendered on December 13, 2015, as of that date and based upon and subject to the qualifications, assumptions, limitations and other matters set forth in Raymond James's written opinion, as to the fairness, from a financial point of view, to the Company of the consideration of $37 million in cash to be received by the Company for the Business pursuant to the Asset Purchase Agreement.

Scope of Sale Process. The fact that the Company conducted a diligent sale process with respect to the Business, including communicating with sixty potential bidders regarding the potential sale of the entire Company or one or more of its various lines of business, executing confidentiality agreements with nearly all of these potential bidders, and receiving initial bids from 3 of the prospective bidders. In addition, the Board's view that the Buyer's proposal, as compared to the other proposal received for the Business, was more favorable than the alternatives available to the Company, including the other acquisition proposal submitted for the Business and the alternative of retaining the Business.

Familiarity with the Business. The Board's knowledge of the business, operations, financial condition, earnings, and prospects of the Business, including management's future projections for the Business including the anticipated effect on the Business of the final Department of Education rules governing Title IV cash management.

High Likelihood of Consummation. The Board's view that the Asset Sale has a high likelihood of being completed in a timely manner given the commitment of both parties to complete the Asset Sale pursuant to their respective obligations under the Asset Purchase Agreement and the absence of any significant closing conditions under the Asset Purchase Agreement, other than stockholder approval and the approval of certain third-party vendors, and the familiarity of the Buyer, in its capacity as a current bank partner of the Company, with the Business.

Terms and Conditions of the Asset Purchase Agreement. The Board's view that the following terms and conditions of the Asset Purchase Agreement were favorable to the Company:

- Buyer will assume certain liabilities exclusively relating to or arising out of the Business.

- The Company may terminate the Asset Purchase Agreement, under certain circumstances, in order to accept a Superior Proposal, and the Board may otherwise change its recommendation relating to the approval of the Asset Purchase Agreement in order to act in a manner consistent with its fiduciary duties (which, in the event of such acceptance of a Superior Proposal or change in the Board's recommendation, may require the Company to pay Buyer a $1.5 million termination fee).

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Not later than five days before the closing of the Asset Sale, Buyer or one of its affiliates is required to offer employment to all of the Company's employees who primarily perform services in respect of the Business on terms and conditions that, for one year after the closing, would provide the employees who accept the offer and remain employed with (i) base salary or hourly wages which are no less than the base salary or hourly wages provided by HOI immediately prior to the closing; (ii) target bonus opportunities consistent with Buyer's annual and long term bonus programs; (iii) retirement and welfare benefits that are no less favorable in the aggregate than those provided by Buyer to its employees; and (iv) severance benefits that are no less favorable than the practice, plan or policy of Buyer.

The Board also considered a variety of risks and other potentially negative factors concerning the Asset Purchase Agreement and the transactions contemplated thereby, including, among others, the following:

- the possibility that the Asset Sale may not be completed, or that completion may be delayed for reasons that are beyond the control of the Company, including the failure of the Company's stockholders to approve the sale of the Business, or the failure of the Company to obtain specified third-party consents that are a condition to the closing of the Asset Sale;

- the risks and contingencies relating to the announcement and pendency of the Asset Sale and the risk and costs to the Company if the Asset Sale is not completed, including the effect of an announcement of termination of the Asset Purchase Agreement on the trading price of the Company's common stock, business, and relationships with its clients, customers, vendors and employees;

- if the Asset Purchase Agreement is terminated under certain circumstances, the obligation of the Company to pay Buyer a termination fee of $500,000 or $1.5 million depending on the circumstances;

- the restrictions on the Company's operation of the Business between the date of the Asset Purchase Agreement and the consummation of the Asset Sale;

- the incurrence of significant costs and expenses in connection with completing the Asset Sale, including the substantial amount of management time and effort that will be devoted to consummating the Asset Sale, which may adversely affect the Company's Other Businesses;

- the greater concentration of the Company's operations, which will be significantly smaller and more dependent on fewer clients and customers, following the closing of the Asset Sale;

- the Board's view, based in part on advice from members of senior management and the Company's legal and financial advisors, that the heightened regulatory scrutiny on both the Company and the Company's bank partners makes the current model of being a third party servicer to banks unsustainable going forward and that if either of the Company's current bank partners were to exit the existing relationship, it would be doubtful the Company would be able to attract alternative banks to participate in the Business program going forward;

- the other factors described under "Risk Factors."

In addition to considering the factors described above, the Board considered the fact that one of the Company's executive officers has interests in the Asset Sale that are different from, or in addition to, the interests of the Company's stockholders generally, as discussed under "Interests of Certain Persons in the Asset Sale."

The above discussion of the factors considered by the Board is not intended to be exhaustive, but does set forth certain material factors considered by the Board. In view of the wide variety of factors considered in connection with its evaluation of the Asset Sale and the complexity of these matters, the Board did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative or specific weight or values to any of these factors, and individual directors may have held varied views of the relative importance of the factors considered. The Board viewed its position and recommendation as being based on an overall review of the totality of the information available to it, including discussions with the Company's senior management and legal and financial advisors, and overall considered these factors to be favorable to, and to support, its determination regarding the Asset Sale.

This explanation of the Board's reasons for the Asset Sale and other information presented in this section is forward-looking in nature and should be read in light of the "Cautionary Statement Regarding Forward-Looking Statements."

Recommendation of Our Board of Directors

The Board has determined that the terms and conditions of the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, are desirable and in the best interests of Higher One and its stockholders. This determination was made by a unanimous vote of the members of the Board present at the meeting during which the Board voted on the Asset Sale. The Board recommends that our stockholders vote **"FOR"** the authorization of the Asset Sale Proposal.

Opinion of Higher One's Financial Advisor

At the December 13, 2015 meeting of the Board, representatives of Raymond James rendered its oral opinion, which was subsequently confirmed by delivery of a written opinion to the Board, dated December 13, 2015, as to the fairness, as of such date, from a financial point of view, of the Consideration, based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion**.**

Higher One retained Raymond James as financial advisor on April 6, 2015. Pursuant to that engagement, the Board requested that Raymond James evaluate the fairness, from a financial point of view, of the Consideration.

The full text of the written opinion of Raymond James is attached as *Annex B* to this document. The summary of the opinion of Raymond James set forth in this document is qualified in its entirety by reference to the full text of such written opinion. Holders of the Company's common stock are urged to read this opinion in its entirety.

Raymond James provided its opinion for the information of the Board (solely in its capacity as such) in connection with, and for purposes of, its consideration of the Asset Sale and its opinion only addresses whether the Consideration was fair, from a financial point of view, to the Company. The opinion of Raymond James does not address any other term or aspect of the Asset Purchase Agreement or the Asset Sale contemplated thereby. The Raymond James opinion does not constitute a recommendation to the Board or to any holder of the Company's common stock as to how the Board, such stockholder or any other person should vote or otherwise act with respect to the Asset Sale or any other matter. Raymond James does not express any opinion as to the likely trading range of Higher One's common stock following the Asset Sale, which may vary depending on numerous factors that generally impact the price of securities or on the financial condition of Higher One at that time.

In connection with its review of the proposed Asset Sale and the preparation of its opinion, Raymond James, among other things:

reviewed the financial terms and conditions as stated in the draft of the Asset Purchase Agreement and the draft of the Transition Services Agreement;

reviewed certain information related to the historical, current and future operations, financial condition and prospects of the Business made available to Raymond James by the Company, including, but not limited to, financial projections prepared by the management of the Company relating to the Business for the annual periods ending December 31, 2016 and December 31, 2017, as approved for Raymond James's use by the Company (the "Projections");

reviewed information related to the potential liquidation of the Business, including an estimate of shut down costs, made available for Raymond James's use by the Company;

reviewed the Company's recent public filings and certain other publicly available information regarding the Company;

reviewed financial, operating and other information regarding the Business and the industry in which it operates;

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Raymond James deemed appropriate; and

discussed with members of the senior management of the Company certain information relating to the aforementioned and any other matters which Raymond James has deemed relevant to Raymond James's inquiry.

With the Company's consent, Raymond James assumed and relied upon the accuracy and completeness of all information supplied by or on behalf of the Company, or otherwise reviewed by or discussed with Raymond James, and Raymond James did not undertake any duty or responsibility to, nor did Raymond James, independently verify any of such information. Raymond James did not make or obtain an independent appraisal of the assets or liabilities (contingent or otherwise) of the Company. With respect to the Projections and any other information and data provided to or otherwise reviewed by or discussed with Raymond James, Raymond James, with the Company's consent, assumed that the Projections and such other information and data were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management of the Company and Raymond James relied upon the Company to advise Raymond James promptly if any information previously provided became inaccurate or was required to be updated during the period of its review. Raymond James expressed no opinion with respect to the Projections or the assumptions on which they were based. Raymond James relied upon and assumed, without independent verification, that the final form of the Asset Purchase Agreement would be substantially similar to the Asset Purchase Agreement reviewed by Raymond James in all respects material to its analysis, and that the Asset Sale would be consummated in accordance with the terms of the Asset Purchase Agreement without waiver of or amendment to any of the conditions thereto. Raymond James also assumed that the terms of the Asset Purchase

Agreement were the most favorable to the Company as could be negotiated under the circumstances. Furthermore, Raymond James assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Asset Purchase Agreement were true and correct and that each party will perform all of the covenants and agreements required to be performed by it under the Asset Purchase Agreement without being waived. Raymond James also relied upon and assumed, without independent verification, that (i) the Asset Sale would be consummated in a manner that complies in all respects with all applicable international, federal and state statutes, rules and regulations, and (ii) all governmental, regulatory or other consents and approvals necessary for the consummation of the Asset Sale would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would have an effect on the Asset Sale or the Company that would be material to its analysis or opinion.

Raymond James expressed no opinion as to the underlying business decision to effect the Asset Sale, the structure or tax consequences of the Asset Sale, or the availability or advisability of any alternatives to the Asset Sale. The Raymond James opinion is limited to the fairness, from a financial point of view, of the Consideration. Raymond James expressed no opinion with respect to any other reasons (legal, business, or otherwise) that may support the decision of the Board to approve or consummate the Asset Sale. Furthermore, no opinion, counsel or interpretation was intended by Raymond James on matters that require legal, accounting or tax advice. Raymond James assumed that such opinions, counsel or interpretations had been or would be obtained from appropriate professional sources. Furthermore, Raymond James relied, with the consent of the Company, on the fact that the Company was assisted by legal, accounting and tax advisors, and, with the consent of the Company relied upon and assumed the accuracy and completeness of the assessments by the Company and its advisors, as to all legal, accounting and tax matters with respect to Company and the Asset Sale.

In formulating its opinion, Raymond James considered only the Consideration, and Raymond James did not consider, and its opinion did not address, the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or such class of persons, in connection with the Asset Sale whether relative to the Consideration or otherwise. Without limiting the generality of the foregoing, the Opinion gives no consideration to the payments to be received, and services to be provided, under the Transition Services Agreement. Raymond James was not requested to opine as to, and its opinion did not express an opinion as to or otherwise address, among other things: (1) the fairness of the Asset Sale to the holders of any class of securities, creditors or other constituencies of the Company, or to any other party, except and only to the extent expressly set forth in the last sentence of its opinion or (2) the fairness of the Asset Sale to any one class or group of the Company's or any other party's security holders or other constituents vis-à-vis any other class or group of the Company's or such other party's security holders or other constituents (including, without limitation, the allocation of any consideration to be received in the Asset Sale amongst or within such classes or groups of security holders or other constituents). Raymond James expressed no opinion as to the impact of the Asset Sale on the solvency or viability of the Company or Buyer or the ability of the Company or Buyer to pay their respective obligations when they come due.

Material Financial Analyses

The following summarizes the material financial analyses reviewed by Raymond James with the Board at its meeting on December 13, 2015, which material was considered by Raymond James in rendering its opinion.

Discounted Cash Flow Analysis. Raymond James analyzed the discounted present value of the Company's projected free cash flows for the quarters ending June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017 on a standalone basis. Raymond James used unleveraged free cash flows, defined as earnings before interest, after taxes, plus depreciation, plus amortization, less capital expenditures, less investment in working capital.

The discounted cash flow analysis was based on the Projections. For purposes of the discounted cash flow analysis, Raymond James did not include periods within the Projections beyond the quarter ended March 31, 2017, in which projected free cash flows are negative as, at the direction of the Company, the Company would not anticipate operating the Business beyond this point in time. Raymond James used Q1 2017 as the final period for the analysis and compared three terminal scenarios: (i) wind-down and shut-down with the Company incurring management's estimates of $6.9 million of shut-down costs; (ii) divest for $0 residual value, but not requiring the Company to incur shut-down costs; and (iii) divest for positive residual value, in order to derive a range of terminal values for the Company in 2017.

The projected unleveraged free cash flows and terminal values were discounted using rates ranging from 20.0% to 24.0%, which reflected the weighted average after-tax cost of debt and equity capital associated with executing the Company's business plan. Raymond James reviewed the range of values derived in the discounted cash flow analysis and compared them to the Consideration. The results of the discounted cash flow analysis are summarized below:

	Enterprise Value
	($ in thousands)
Minimum	$ 26
Maximum	$ 29,102
Consideration	$ 37,000
Present Value of Consideration	$ 36,834

Additional Considerations. In addition to the discounted cash flow analysis, Raymond James concluded that there was not a reasonable basis to perform a comparable company analysis or precedent transaction analysis, nor any other analysis that would provide a reasonable measure of value for the Business. The preparation of a fairness opinion is a complex process and is not susceptible to a partial analysis or summary description. Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process underlying its opinion. In addition, Raymond James considered the results of all such analyses and did not assign relative weights to any of the analyses, but rather made qualitative judgments as to significance and relevance of each analysis and factor, so the ranges of valuations resulting from any particular analysis described above should not be taken to be the view of Raymond James as to the actual value of the Company.

In performing its analyses, Raymond James made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond the control of the Company. The analyses performed by Raymond James are not necessarily indicative of actual values, trading values or actual future results which might be achieved, all of which may be significantly more or less favorable than suggested by such analyses. Such analyses were provided to the Board (solely in its capacity as such) and were prepared solely as part of the analysis of Raymond James of the fairness, from a financial point of view, of the Consideration. The analyses do not purport to be appraisals or to reflect the prices at which companies may actually be sold, and such estimates are inherently subject to uncertainty. The opinion of Raymond James was one of many factors taken into account by the Board in making its determination to approve the Asset Sale. Neither Raymond James' opinion nor the analyses described above should be viewed as determinative of the Board's or Company management's views with respect to the Company, the Business, Buyer or the Asset Sale. Raymond James provided advice to the Company with respect to the proposed transaction, but Raymond James did not recommend a specific price at which the Asset Sale should be consummated. Raymond James did not recommend any specific amount of consideration to the Board or that any specific Consideration constituted the only appropriate consideration for the Asset Sale. The Company placed no limits on the scope of the analysis performed, or opinion expressed, by Raymond James.

The Raymond James opinion was necessarily based upon market, economic, financial and other circumstances and conditions existing and disclosed to it on December 11, 2015, and any material change in such circumstances and conditions may affect the opinion of Raymond James, but Raymond James does not have any obligation to update, revise or reaffirm that opinion. Raymond James relied upon and assumed, without independent verification, that there had been no change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects of the Company or the Business since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Raymond James that would be material to its analyses or its opinion, and that there was no information or any facts that would make any of the information reviewed by Raymond James incomplete or misleading in any material respect.

During the two years preceding the date of Raymond James' written opinion, Raymond James has been engaged by or otherwise performed services for the Company for which it was paid a fee (separately from any amounts that were paid to Raymond James under the engagement letter described in this Proxy Statement pursuant to which Raymond James was retained as a financial advisor to the Company to assist in reviewing strategic alternatives).

For services rendered in connection with the delivery of its opinion, the Company paid Raymond James a customary investment banking fee of $250,000 upon delivery of its opinion. The Company will indemnify Raymond James against certain liabilities arising out of its engagement.

Raymond James is actively involved in the investment banking business and regularly undertakes the valuation of investment securities in connection with public offerings, private placements, business combinations and similar transactions. In the ordinary course of business, Raymond James may trade in the securities of the Company and Buyer for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short

position in such securities. Raymond James may provide investment banking, financial advisory and other financial services to the Company and/or Buyer or other participants in the Asset Sale in the future, for which Raymond James may receive compensation.

Prospective Financial Information

Higher One does not as a matter of course make public projections as to future revenues, gross margins, operating income or other results due to, among other reasons, business volatility and the uncertainty of the underlying assumptions and estimates. However, Higher One is including selected prospective financial information for the Business in this Proxy Statement to provide our stockholders with access to certain non-public unaudited projected financial information that was made available to the Board and Raymond James in connection with the Asset Sale.

The unaudited prospective financial information was not prepared with a view toward public disclosure, and the inclusion of this information should not be regarded as an indication that either Higher One or Raymond James or any other recipient of this information considered, or now considers, it to be predictive of actual future results. Higher One does not assume any responsibility for the accuracy of this information. The selected prospective financial information is not being included in this Proxy Statement to influence a Higher One stockholder's decision whether to vote in favor of Asset Sale Proposal, but because it represents prospective financial information prepared by management of Higher One that was used for purposes of the financial analyses performed by our financial advisor.

The unaudited prospective financial information was not prepared with a view toward complying with GAAP, the published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Accordingly, the unaudited prospective financial information is not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. This non-GAAP financial data should be considered in addition to, not as a substitute for or a more appropriate indicator of, operating results, cash flows, or other measures of financial performance prepared in accordance with GAAP. Neither Higher One's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Higher One's Current Report on Form 8-K filed with the SEC on February 3, 2016, (as amended by Form 8-K/A filed March 8, 2016) which is incorporated by reference into this Proxy Statement and includes the report of Higher One's independent registered public accounting firm, relates to Higher One's historical financial information. Such report does not extend to the unaudited prospective financial information and should not be read to do so.

The unaudited prospective financial information relied upon by Raymond James in connection with its opinion rendered to the Board on December 13, 2015 does not take into account any circumstances or events occurring after December 9, 2015, the date such information was prepared. Higher One has made publicly available its actual results of operations for its fiscal year ended December 31, 2014 and its fiscal quarters ended March 31, 2015, June 30, 2015 and September 30, 2015. Stockholders are urged to read Higher One's Form 8-K filed with the SEC on February 3, 2016 (as amended by Form 8-K/A filed March 8, 2016) and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015, which are incorporated by reference into this Proxy Statement, to obtain this information. The unaudited prospective financial information does not give effect to the Asset Sale.

The following table presents selected unaudited pro forma prospective financial information of the Business prepared by Higher One as of December 9, 2015 for the fiscal quarters ending March 31, 2016 through March 31, 2017 provided to Raymond James in connection with the opinion rendered to the Board on December 13, 2015:

	Q1 2016E	**Q2 2016E**	**Q3 2016E**	**Q4 2016E**	**Q1 2017E**
	(in $ millions)				
Revenue	$30.6	$ 20.0	$ 24.4	$ 23.6	$ 27.5
EBITDA	7.1	(0.9)	1.7	2.7	3.3
Unlevered Free Cash Flow	*	0.3	1.8	2.5	2.8

* information not prepared

The following table presents additional selected unaudited pro forma prospective financial information of the Business prepared by Higher One as of December 9, 2015 for the fiscal quarters ending June 30, 2017 through December 31, 2017 provided to, but not utilized by, Raymond James in connection with the opinion rendered to the Board on December 13, 2015:

	Q2 2017E	**Q3 2017E**	**Q4 2017E**
	(in $ millions)		
Revenue	$17.9	$ 19.6	$ 19.0
EBITDA	(3.9)	(3.9)	(2.6)

EBITDA is a non-GAAP financial performance measure that represents pre-tax income, plus non-cash charges such as depreciation, amortization and stock-based compensation. Unlevered free cash flow is a non-GAAP financial performance measure that represents net income, plus non-cash charges such as depreciation, amortization and stock-based compensation, less investments in working capital and capital expenditures.

Although presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions with respect to the markets in which the Company operates, the opportunities for revenue growth, economic conditions both generally and specifically within our lines of business, the demand for Higher One's services, and matters specific to Higher One's business, in particular as it relates to the number of OneAccounts, all of which are difficult to predict and many of which are beyond Higher One's control. The unaudited prospective financial information was prepared solely for internal use and is subjective in many respects. As a result, although this information was prepared by management of Higher One based on estimates and assumptions that management believed were reasonable at the time, there can be no assurance that the prospective results would be realized or that actual results would not be significantly higher or lower than estimated. Since the unaudited prospective financial information covers multiple quarters, such information by its nature becomes less predictive with each successive quarter.

Readers of this Proxy Statement are cautioned not to place undue reliance on the unaudited prospective financial information set forth above. Stockholders are urged to review Higher One's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015 and future SEC filings for a description of risk factors with respect to Higher One's business. See "Cautionary Statement Regarding Forward-Looking Statements" and "Where You Can Find More Information." No representation is made by Higher One, Buyer or any other person to any stockholder regarding the ultimate performance of Higher One compared to the unaudited prospective financial information. No representation was made by Higher One to Buyer in the Asset Purchase Agreement concerning this information.

The prospective financial information included in this Proxy Statement has been prepared by, and is the responsibility of, the Company's management. The Company and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

PricewaterhouseCoopers has neither examined, compiled, nor performed any procedures with respect to the prospective financial information contained herein and, accordingly, PricewaterhouseCoopers does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers assumes no responsibility for and denies any association with the prospective financial information.

The PricewaterhouseCoopers report included in this Proxy Statement refers exclusively to the Company's historical financial statements. It does not extend to the prospective financial information and should not be read to do so.

Except as required by applicable securities laws, Higher One does not intend to update or otherwise revise the prospective financial information to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying such prospective financial

information are no longer appropriate.

Activities of Higher One Following the Asset Sale

Among its reasons for approving the Asset Sale, the Board believes that divesting the Business creates a path forward on which to operate the Company's remaining payments business. The Board believes that the payments business is a valuable business and being able to narrow the Company's focus will help that payments business continue to grow and unlock additional value for the Company's stockholders. The Board will continue to review the Company's ongoing strategy, business plan and long-term forecasts for the payments business, as well as the Company's strategic alternatives prior to and following the consummation of the Asset Sale. Following the Asset Sale, the Company will continue to be a public company operating under the name Higher One Holdings, Inc., and the payments business will account for all of the Company's revenues and income from operations, aside from the payments related to the Asset Sale.

U.S. Federal Income Tax Consequences of the Asset Sale

The following discussion is a general summary of the anticipated U.S. federal income tax consequences of the Asset Sale. This summary is based upon existing United States federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. In addition, this summary does not discuss any non-United States, alternative minimum tax, state, or local tax considerations.

The proposed Asset Sale by us is entirely a corporate action. Our U.S. stockholders will not realize any gain or loss for U.S. federal income tax purposes as a result of the Asset Sale.

The proposed Asset Sale will be treated as a sale of corporate assets in exchange for cash and the assumption of certain liabilities. As a result of the structure of the proceeds of the Asset Sale, we expect the disposition to be treated as an installment sale. The proposed Asset Sale is a taxable transaction for U.S. federal income tax purposes, and we anticipate that we will realize a gain for U.S. federal income tax purposes as a result of the Asset Sale. If we realize any gain as a result of the Asset Sale to the extent the gain exceeds available net operating losses or tax credits, if any, we expect to incur a U.S. federal income tax liability as a result of the proposed Asset Sale. As an installment sale, any tax liability we incur will be reported over time as we receive proceeds from the disposition.

Accounting Treatment of the Asset Sale

The Asset Sale will be accounted for as a "sale" by Higher One, as that term is used under GAAP, for accounting and financial reporting purposes.

Government Approvals

We believe we are not required to make any material filings or obtain any material governmental consents or approvals before the consummation of the Asset Sale. If any approvals, consents or filings are required to consummate the Asset Sale, we will seek or make such consents, approvals or filings as promptly as possible.

There can be no assurance that Buyer or Higher One will obtain the regulatory approvals, if any, necessary to consummate the Asset Sale or that the granting of these approvals will not involve the imposition of conditions to the consummation of the Asset Sale or require changes to the terms of the Asset Sale. These conditions or changes could result in the conditions to the Asset Sale not being satisfied prior to July 1, 2016, which would allow Buyer to terminate the Asset Purchase Agreement. See "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement—Termination of the Asset Purchase Agreement."

No Dissenters' Rights

Stockholders may vote against the authorization of the Asset Sale Proposal, but under Delaware law dissenters' rights are not provided to stockholders in connection with the Asset Sale because it does not constitute a merger or consolidation.

Interests of Certain Persons in the Asset Sale

As described below, our Chief Operating Officer, Casey McGuane, may have interests in the Asset Sale that are different from, or are in addition to, the interests of our stockholders generally. Our Board was aware of these interests and considered them, among other matters, in approving the Asset Purchase Agreement.

Severance Policy

On August 6, 2015, the Board approved the Higher One Executive Severance Policy (the "Severance Policy") to provide certain severance payments to designated officers and other key executives and employees of the Company in the event of a qualifying termination of employment. In the event a participant's employment at the Company is terminated (i) by the Company without cause (other than as a result of death or disability) or (ii) by the participant for good reason (in each case a "qualifying termination"), the participant will continue to receive his or her base salary, payable in equal monthly installments over the next 12 months, a prorated annual bonus and reimbursement of COBRA payments (if applicable) for 12 months following termination (the "severance payments"). The severance payments are conditioned upon the participant's execution of a general release of the Company and compliance with certain confidentiality, nonsolicitation, noncompetition and nondisparagement covenants (the "release and covenant conditions"). In the event of a participant's qualifying termination within 75 days prior to or 12 months following a change in control of the Company, the participant's unvested equity awards will immediately vest and be settled as set forth in their grant agreements and stock options will remain outstanding until the earlier of (i) the 12 month anniversary of the termination of the participant's employment with the Company and (ii) the tenth anniversary date of the option grant and the participant will receive the severance payments, in each case, subject to satisfaction of the release and covenant conditions. In the event of a sale of assets of the Company in connection with which the participant ceases to be employed by the Company, depending upon the participant's employment with the acquirer of the assets upon and for 12 months following the sale (or lack of employment at such time or during such period), the participant may receive accelerated vesting of Company equity awards and/or severance payments as described in the Severance Policy and his stock options may remain outstanding until the earlier of (i) the 12 month anniversary of the termination of the participant's employment with the Company and (ii) the tenth anniversary date of the option grant.

All of our executive officers named in our proxy statement for our 2015 annual meeting of stockholders (our "named executive officers"), including Mr. McGuane, are participants in the Severance Policy. Certain of our other named executive officers have employment or separation agreements or equity awards that have provisions for payments or vesting acceleration upon a change in control of the Company and/or termination of employment. However, the Asset Sale will not constitute a change in control of the Company for purposes of the Severance Policy or such other employment or separation agreements or equity awards and neither the employment nor compensation of any of our named executive officers (other than Mr. McGuane) will be affected by the Asset Sale.

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Pursuant to the Asset Purchase Agreement, Mr. McGuane will be offered employment by the Buyer or one of its affiliates as of the closing date of the Asset Sale. Under the Severance Policy, in the event Mr. McGuane accepts employment by the Buyer or any of its affiliates, (A) Mr. McGuane shall receive any base salary earned but not yet paid as of the date his employment with the Company ceases (his "Termination Date"), any accrued vacation pay payable pursuant to the Company's policies, and any documented accrued and unreimbursed business expenses in accordance with the Company's policies, in each case payable in a lump sum within thirty (30) days following the Termination Date, (B) each of his then unvested options to purchase shares of common stock of the Company will immediately become exercisable as of his Termination Date and all of his stock options will continue to remain outstanding until the earlier of (x) the twelve (12) month anniversary of his Termination Date and (y) the tenth anniversary date of the option grant, (C) to the extent that Mr. McGuane continues to be employed by the Buyer or its affiliates for twelve (12) months following his Termination Date or is terminated (x) by the Buyer or its affiliates without cause (other than as a result of death or disability) or (y) by Mr. McGuane for good reason, all of Mr. McGuane's then unvested restricted stock unit awards will vest and be settled in accordance with the terms of their respective grant agreements as of the twelve (12) month anniversary of his Termination Date and (D) to the extent that within twelve (12) months following his Termination Date, Mr. McGuane's employment with the Buyer or its affiliates is terminated without cause by the Buyer or its affiliates or by Mr. McGuane for good reason, upon Mr. McGuane's execution of an acceptable general release and waiver, he shall receive (I) an amount equal to one (1) year of then-current base salary, (II) a prorated portion of his annual incentive under the Company's Short Term Incentive Plan (or any replacement plan or program) that would have become payable based on actual performance of the Company against the target(s) set by the Compensation Committee (the "Compensation Committee") of the Board (subject to any downward discretion exercised by the Compensation Committee in respect of the annual incentives paid to the Company's executive officers) in respect of the year of termination had his employment continued, with such award prorated based on the number of days during the year of termination which preceded his termination of employment and (III) subject to his or his eligible dependents', as applicable, timely election of continuation coverage under COBRA, reimbursement on a monthly basis for the COBRA premiums paid by him each month for twelve calendar months. In the event Mr. McGuane does not accept employment by the Buyer and its affiliates, he will receive only his base pay and his equity awards will be governed solely by the terms of their grant agreements.

In addition, pursuant to the Asset Purchase Agreement, in the event Mr. McGuane accepts employment with the Buyer and its affiliates, he will benefit from the provisions of such agreement described under "Proposal No. 1: The Asset Sale—The Asset Purchase Agreement – Employee Matters" in this Proxy Statement.

Impact of Severance Policy on Equity Awards

As described above, under the Severance Policy, upon his employment by the Buyer and its affiliates at the closing of the Asset Sale, all of Mr. McGuane unvested stock options will become fully vested and all of his stock options will continue to remain outstanding until the earlier of (i) the twelve (12) month anniversary of the termination of his employment with the Company and (ii) the tenth anniversary date of the option grant. The following table sets forth the unvested stock options held by Mr. McGuane as of February 29, 2016.

	Number of Unvested Stock Options (Exercise Price)
Casey McGuane	3,701 ($15.28)
	300,000 ($10.52)

In the event the Asset Sale does not occur, subject to Mr. McGuane's continued employment with Company, the stock options set forth above would vest in the ordinary course as follows: 3,701 in approximately equal monthly installments over the next 12 months and 300,000, subject to the satisfaction of certain Company performance conditions by December 31, 2016.

In addition, under the Severance Policy, as described above, all of Mr. McGuane's unvested restricted stock unit awards will vest on the twelve (12) month anniversary of the termination of his employment with the Company, in the event Mr. McGuane is employed by the Buyer or its affiliates on such date or his employment has been terminated prior to such date by the Buyer or its affiliates without cause (other than as a result of death or disability) or by Mr. McGuane for good reason. Each restricted stock unit ("RSU") represents the right to receive one share of our common stock. The following table sets forth the unvested RSUs held by Mr. McGuane as of February 29, 2016.

	Number of Unvested RSUs
Casey McGuane	141,913

In the event the Asset Sale does not occur, subject to Mr. McGuane's continued employment with Company, the RSUs set forth above would vest in the ordinary course as follows: 24,743 on March 2, 2016, 46,213 on March 31, 2016, 24,744 on March 2, 2017 and 46,213 on March 31, 2017.

All other equity incentive compensation awards held by Mr. McGuane are fully vested with the exception of the cash-settled RSU grant discussed below.

Cash-Settled RSU Award

On February 22, 2016, Mr. McGuane was granted an award of cash-settled restricted stock units ("cash-settled RSUs") in connection with the Company's annual equity incentive program. Each cash-settled RSU represents the right to receive an amount in cash equal to the fair market value of a share of our common stock as set forth in the grant agreement. In the event that Mr. McGuane is offered and accepts employment by the Buyer or its affiliates, upon the closing of the Asset Sale, the Company will cause a portion of the unvested cash-settled RSUs to vest and be settled. Such vested portion will be equal to the number of unvested cash-settled RSUs multiplied by a fraction the numerator of which is the number of months between the date of award grant and the date of the closing of the Asset Sale (inclusive of the months in which such dates occur) and the denominator of which is 24 and the remaining unvested portion of RSUs shall be immediately forfeited by the Participant. In the event that Mr. McGuane is offered and does not accept employment by the Buyer or its affiliates in connection with the Asset Sale, any unvested cash-settled RSUs shall be immediately forfeited. The following table sets forth the unvested cash-settled RSUs held by Mr. McGuane as February 29, 2016.

	Number of Unvested Cash-Settled RSUs
Casey McGuane	54,216

In the event the Asset Sale does not occur, subject to Mr. McGuane's continued employment with Company, the cash-settled RSUs set forth above would vest in the ordinary course as follows: 27,108 on February 22, 2017 and 27,108 on February 22, 2018.

Quantification of Potential Compensation Payments in Connection with the Asset Sale

As stated above, for purposes of the Severance Policy and other compensatory plans, arrangements or agreements of the Company, the Asset Sale will not constitute a change in control of the Company and, other than Mr. McGuane, none of our executive officers (including Messrs. Sheinbaum, Wolf and Reach) have any compensation that may be payable to them based on or otherwise relating to the Asset Sale. As a result, we have not included any executive officers in the table below other than Mr. McGuane. We have included in the table below the estimated amounts of compensation that are based on or otherwise relate to the Asset Sale and that may be payable to Mr. McGuane in accordance with Item 402(t) of Regulation S-K. The amounts for Mr. McGuane have been calculated assuming the Asset Sale is consummated on February 29, 2016, and, where applicable, Mr. McGuane's employment with the Buyer or its affiliates was terminated without cause by the Buyer or its affiliates or by Mr. McGuane for good reason as of that date. The amounts indicated below are estimates of amounts that would be payable to Mr. McGuane and the estimates are based on multiple assumptions that may or may not actually occur, including assumptions described herein. Some of the assumptions are based on information not currently available and as a result the actual amounts, if any, received by Mr. McGuane may differ in material respects from the amounts set forth below.

Golden Parachute Compensation

Name	Cash(1)	Equity(2)	Pension / Non-Qualified Deferred Compensation	Perquisites / Benefits(3)	Tax Reimbursement	Other	Total(4)
Casey McGuane	$402,000	$445,491	$ —	$ 21,615	$ —	$ —	$869,106

(1) Cash. Represents the value of cash severance payments that could be payable under the Severance Policy. The amount of severance payments includes one (1) year of current base salary and two months' accrued bonus for 2016 (calculated based on target performance). The severance payments are subject to execution and nonrevocation of a general release and waiver of claims against the Company and compliance with certain confidentiality, nonsolicitation, noncompetition and nondisparagement covenants.

(2) Equity. Represents the value of accelerated vesting of Mr. McGuane's RSUs that could occur under the Severance Policy or cash-settled RSU grant agreement as more fully described above. The values shown are based on a per-share value of $3.09, the average closing price of a share of the Company's common stock over the first five business days following the first public announcement of the proposed Asset Sale transaction on December 15, 2015, which is the

amount that Regulation S-K requires that we use for purposes of this table (the "current per Company share price"). All of the stock options accelerated upon Mr. McGuane's acceptance of employment with the Buyer and its affiliates upon the closing have exercise prices greater than the current per Company share price and, as a result, no amounts are set forth in the table above in connection with such stock options.

(3) Perquisites/Benefits. Represents the value of COBRA reimbursements payable under the Severance Policy as more fully described above.

(4) Total. Item 402(t) requires the disclosure of the amounts of compensation which are single trigger or double trigger in nature. For this purpose, Item 402(t) defines double trigger amounts as amounts triggered by a transaction for which payment is conditioned upon the executive officer's termination without cause or resignation for good reason within a limited time period following the transaction and single trigger amounts as amounts triggered by a transaction for which payment is not conditioned upon such a termination or resignation. As all of the amounts (other than $6980 relating to the cash-settled RSUs) set forth above are triggered by Mr. McGuane ceasing to be employed by the Company in connection with the Asset Sale, none of them are truly single trigger amounts (other than $6980 relating to the cash-settled RSUs). However, for the sake of clarity, the amounts shown in the "Cash" column and in the "Perquisites/Benefits" column will only be paid in the event that Mr. McGuane's employment is terminated by the Buyer and its affiliates without cause or by Mr. McGuane for good reason within 12 months following the closing of the Asset Sale. The amounts in the "Equity" column (other than $6980 relating to the cash-settled RSUs) will be received by Mr. McGuane in connection with his RSUs so long as he remains employed with the Buyer and its affiliates for 12 months following the closing of the Asset Sale. All of the stock options accelerated upon Mr. McGuane's acceptance of employment with the Buyer and its affiliates upon the closing have exercise prices greater than the current per Company share price and, as a result, no amounts are set forth in the table above in connection with such stock options.

The Asset Purchase Agreement

Below and elsewhere in this Proxy Statement is a summary of the material terms of the Asset Purchase Agreement, a copy of which is attached to this Proxy Statement as *Annex A* and which we incorporate by reference into this Proxy Statement. We encourage you to carefully read the Asset Purchase Agreement in its entirety, because the summaries contained herein may not contain all of the information about the Asset Purchase Agreement that is important to you.

The Asset Purchase Agreement has been included to provide you with information regarding its terms, and we recommend that you carefully read it in its entirety. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with respect to the Asset Sale, we do not intend for its text to be a source of factual, business or operational information about us. The Asset Purchase Agreement contains representations, warranties and covenants that are qualified and limited, including by information in the disclosure schedule referenced in the Asset Purchase Agreement that the parties delivered in connection with the execution of the Asset Purchase Agreement. Representations and warranties may be used as a tool to allocate risks between the respective parties to the Asset Purchase Agreement, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to standards of materiality applicable to the contracting parties, which may differ from standards applicable to stockholders. These representations may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this Proxy Statement. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Asset Purchase Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this Proxy Statement. You should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of HOI or any of our affiliates.

The Asset Sale

Acquired Assets

Subject to the terms and conditions set forth in of the Asset Purchase Agreement, including the satisfaction of the closing conditions, Buyer will purchase the following assets, properties and rights of HOI, to the extent such assets, properties and rights exist as of the closing date and exclusively relate to or are exclusively utilized in connection with the Business (such assets are referred to in this Proxy Statement as the "acquired assets"):

- all accounts or notes receivable of the Business;
- all consumer contracts and vendor contracts exclusively related to the Business;
- all intellectual property assets owned by HOI that are used in connection with the Business;
- all furniture, fixtures, equipment, supplies, and other tangible personal property used exclusively in connection with the Business;
- to the extent transferable, all permits held by HOI and required for the conduct of the Business as currently conducted or for the ownership and use of the acquired assets;
- all prepaid expenses, credits, advance payments, security, deposits, charges, sums and fees related exclusively to the Business;
- all rights, to the extent transferable, under warranties, indemnities and all similar rights against third parties to the extent related to any acquired assets;

all books and records, including books of account, ledgers and general, financial and accounting records, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any governmental authority), sales material and records, strategic plans, internal financial statements and marketing and promotional surveys, material and research, that exclusively relate to the Business or the acquired assets; and
all goodwill associated with any of the assets described in the foregoing clauses.

Excluded Assets

Buyer will not purchase any assets or properties of HOI other than the acquired assets, and HOI will retain all of such other assets, including the following:

all cash and cash equivalents, bank accounts and securities;
all contracts that do not exclusively relate to the Business;
all intellectual property assets that do not relate to the Business;
the corporate seals, organizational documents, minute books, stock books, tax returns, books of account or other records having to do with the corporate organization of HOI, all employee-related or employee benefit-related files or records (other than personnel files of employees who accept employment with Buyer) and any other books and records which HOI is prohibited from disclosing or transferring under applicable law;
all insurance policies and all rights to applicable claims and proceeds thereunder;
all benefit plans and trusts or other assets attributable thereto, except as otherwise provided in the Asset Purchase Agreement;
all tax assets (including duty and tax refunds, rebates and prepayments) of HOI or any of its affiliates;
all rights to any action, suit or claim of any nature available to or being pursued by HOI;
all assets, properties and rights used by HOI in its businesses other than the Business;
all assets, properties and rights specifically relating to HOI's eRefund service; and
the rights which accrue or will accrue to HOI under the Asset Purchase Agreement and other transaction documents.

Assumed Liabilities

Subject to the terms and conditions set forth in the Asset Purchase Agreement, Buyer will assume and agree to pay, perform and discharge when due any and all liabilities and obligations of HOI arising out of or relating to the Business or the acquired assets other than the excluded liabilities discussed below. The assumed liabilities shall include the following:

all trade accounts payable of HOI to third parties in connection with the Business that remain unpaid as of the closing date;
all liabilities and obligations arising under or relating to the contracts included in the acquired assets;

all liabilities and obligations of HOI or its affiliates relating to employee benefits, compensation or other arrangements with respect to any employee who accepts employment with Buyer arising on or after the date she or he accepts such employment, except as otherwise provided in the Asset Purchase Agreement;
all liabilities and obligations for taxes relating to the operation of the Business or ownership or use of the acquired assets attributable to periods after the closing date and transfer and related taxes incurred in connection with the Asset Purchase Agreement or the other transaction documents; and
all liabilities and obligations related to HOI's OneAccounts and refund service including, but not limited to, losses as a result of fraud, overdrawn accounts, or similar dispute losses and write-offs.

Excluded Liabilities

Buyer will not assume or have any responsibility to pay, perform or discharge any of the following liabilities or obligations of HOI:

any liabilities or obligations of HOI, other than the assumed liabilities described above;
any liabilities or obligations for (i) taxes relating to the operation of the Business or ownership or use of the acquired assets on or prior to the closing date and (ii) any other taxes of HOI or any stockholders or affiliates of HOI (other than transfer and related taxes incurred in connection with the Asset Purchase Agreement or the other transaction documents);
except as specifically provided in the Asset Purchase Agreement, any liabilities or obligations of HOI relating to or arising out of (i) the employment, or termination of employment, (A) of any employee prior to the closing, or (B) of any employees who are not transferred employees, after the closing, or (ii) workers' compensation claims of any employee which relate to events occurring prior to the closing date;
any liabilities or obligations of HOI arising or incurred in connection with the negotiation, preparation, investigation and performance of the Asset Purchase Agreement, the other transaction documents and the transactions contemplated thereby, including fees and expenses of counsel, accountants, consultants, advisers and others;

any liabilities and obligations of the Company relating to specific material regulatory and litigation matters relating to the Business that have been disclosed in Higher One reports filed with the SEC and any additional liabilities and obligations substantially similar to such matters that arise between the date of the Asset Purchase Agreement and the closing date; and

any fee or payment due to Raymond James in connection with the Asset Purchase Agreement or the transactions contemplated thereby.

Shared Assets

The parties acknowledge that there are certain material assets of HOI utilized in connection with the Business on a non-exclusive basis, including contracts that are not assigned contracts ("shared contracts"), and acquired assets that cannot be transferred to Buyer following the closing. The parties agree to provide, pursuant to the Transition Services Agreement, or use commercially reasonable efforts to enter into such arrangements (such as subleasing, sublicensing or subcontracting) to provide, to the parties the economic and, to the extent permitted under applicable law, operational equivalent of the transfer of such shared contracts or acquired assets to Buyer as of the closing and the performance by Buyer of its obligations with respect thereto; provided that Buyer acknowledges that certain human resources, travel, corporate development, commercial banking, legal, accounting, finance, vendor management, insurance and tax-related functions provided to the Business by HOI will be taken over by Buyer at the closing. Buyer shall, as agent or subcontractor for HOI, pay, perform and discharge fully the liabilities and obligations of HOI thereunder from and after the closing date. To the extent permitted under applicable law, HOI shall, at Buyer's expense, hold in trust for and pay to Buyer promptly upon receipt thereof, all income, proceeds and other monies received by HOI to the extent related to such shared contracts or acquired assets, provided that the parties have agreed to share revenues from certain shared contracts. HOI shall be permitted to set off against such amounts all direct costs associated with the retention and maintenance of such shared contracts or acquired assets. Following the closing, HOI and Buyer shall use commercially reasonable efforts to obtain the agreement of the counterparties to any shared contracts to enter into new, separate shared contracts relating to the services of the respective businesses of Buyer and HOI.

Consideration to be Received by HOI

Buyer will pay $37 million in cash for the acquired assets, payable as follows (x) $17 million on the closing date and (y) $10 million on each of the first two anniversaries of such date, plus the amount of any incentive payment that becomes due in accordance with the Asset Purchase Agreement as described below in this paragraph, plus the assumption by Buyer of the assumed liabilities of HOI. During each of the three (3) years beginning in 2017, in the event the annual gross revenue generated by the Business exceeds $75,000,000, Buyer shall pay HOI thirty-five percent (35%) of any such excess.

Buyer shall place in escrow at the closing the $20 million due to HOI on the first two anniversaries of such date. The escrow amount, which may be used in order to satisfy any and all claims made by Buyer against HOI pursuant to the

Asset Purchase Agreement, shall be held and distributed in accordance with the terms of an escrow agreement to be executed by HOI, Buyer and the escrow agent at the closing.

Indemnification by Buyer

Subject to the terms and conditions of the Asset Purchase Agreement, Buyer will indemnify, hold harmless and reimburse HOI from and against and in respect of any and all out-of-pocket losses, damages, liabilities, costs, or expenses (including reasonable attorneys' fees), collectively referred to herein as "indemnity losses," which may be incurred or sustained by, or imposed upon HOI based upon, arising out of, with respect to or by reason of:

- any inaccuracy in or breach of any of the representations or warranties of Buyer contained in the Asset Purchase Agreement;
- any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to the Asset Purchase Agreement; or
- the assumed liabilities.

Indemnification by HOI

Subject to the terms and conditions of the Asset Purchase Agreement, HOI will indemnify and hold Buyer harmless from and against, any and all indemnity losses incurred or sustained by, or imposed upon, Buyer based upon, arising out of, with respect to or by reason of:

- any inaccuracy in or breach of any of the representations or warranties of HOI contained in the Asset Purchase Agreement;
- any breach or non-fulfillment of any covenant, agreement or obligation to be performed by HOI pursuant to the Asset Purchase Agreement; or
- any excluded asset or any excluded liability.

Limitations on Indemnity Obligations

The maximum aggregate liability of HOI or Buyer for indemnity claims relating to inaccuracy in or breach of its representations and warranties shall not exceed ten percent (10%) of the purchase price under the Asset Purchase Agreement. Neither HOI nor Buyer shall be liable (a) until the aggregate amount of all indemnity losses exceeds two percent (2%) of the purchase price (the "deductible"), in which event it shall only be required to pay or be liable for indemnity losses in excess of the deductible, or (b) for any individual or series of related indemnity losses which do not exceed $100,000 (which indemnity losses shall not be counted toward the deductible).

Payments by any indemnifying party in respect to any loss shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment received or reasonably expected to be received by the indemnified party in respect of any such claim. Payments by any indemnifying party in respect of any loss shall be reduced by an amount equal to the tax benefit realized or reasonably expected to be realized as a result of such loss by the indemnified party. The indemnifying party shall not be liable for any indemnity losses based upon or arising out of any inaccuracy in or breach of any of its representations or warranties contained in the Asset Purchase Agreement if the indemnified party had knowledge of such inaccuracy or breach prior to the closing. Except for intentional fraud, indemnification pursuant to the Asset Purchase Agreement is the sole and exclusive remedy of the parties with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth in, or otherwise relating to the subject matter of, the Asset Purchase Agreement. In no event shall any indemnifying party be liable to any indemnified party for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, loss of business reputation or opportunity relating to the breach or alleged breach of the Asset Purchase Agreement, or diminution of value or any damages based on any type of multiple.

Representations and Warranties

The Asset Purchase Agreement contains certain representations and warranties made by HOI regarding, among other things:

- its corporate organization, qualification and good standing, and its corporate power and authority to operate its properties and assets and conduct its business;
- its corporate power and authority to enter into and perform the Asset Purchase Agreement and the execution, delivery and enforceability of the Asset Purchase Agreement;
- the absence of conflicts with or defaults under its organizational documents, other contracts and applicable law, except as otherwise provided in the Asset Purchase Agreement;
- the determination by the Board that the sale of the acquired assets and the transfer of the assumed liabilities on the terms and subject to the conditions of the Asset Purchase Agreement are expedient and in the best interests of HOI;
- the approval of the Asset Purchase Agreement and the transactions contemplated thereby by the Board;

- the resolution by the Board to recommend the approval of the Asset Sale by the stockholders of the Company;
- that the financial statements of the Business provided to Buyer have been extracted from the books and records of HOI and fairly present, in all material respects, the financial position and the results of the operations of the Business as of the respective dates, or for the respective periods, indicated in such statements;
- the absence of certain material adverse changes or events affecting the Business since June 30, 2015;
- HOI's material contracts relating to the Business, including materiality requirements and thresholds related thereto;
- title to, or valid leasehold interest in, all tangible personal property included in the acquired assets;
- that the acquired assets, taken together with the services, assets and rights to be provided under the Transition Services Agreement, constitute all assets necessary to operate the Business after the closing of the Asset Sale as currently conducted, provided that Buyer acknowledges that certain functions provided to the Business by HOI will be taken over by Buyer at closing;
- real property, including leased property, used exclusively in connection with the Business;
- intellectual property, used exclusively in connection with the Business;
- legal proceedings and government orders;
- compliance with any applicable laws and validity of required permits;
- broker, finder or investment banker fees and expenses;
- employment and employee benefits matters;
- tax compliance and related matters, with respect to the Business and the acquired assets; and
- the disclaimer of any other representations or warranties, express or implied.

In addition, Buyer made certain representations and warranties regarding, among other things:

- corporate organization and good standing of Buyer;

its corporate power and authority to enter into and perform the Asset Purchase Agreement and the execution, delivery and enforceability of the Asset Purchase Agreement;
the absence of conflicts with or defaults under Buyer's organizational documents, other contracts and applicable law;
broker, finder or investment banker fees and expenses;
sufficiency of funds;
solvency;
legal proceedings; and
its independent investigation, review and analysis of the Business and acquired assets and acknowledgment as to the absence of any express or implied representations or warranties other than those made by HOI in the Asset Purchase Agreement.

Many of HOI's representations and warranties contained in the Asset Purchase Agreement are qualified by materiality or possess a Material Adverse Effect standard. For purposes of HOI's representations and warranties in the Asset Purchase Agreement, "Material Adverse Effect" is defined to mean any event, occurrence, fact, condition or change that, individually or in the aggregate, together with all related events, occurrences, facts, conditions or changes, is materially adverse to:

the business, results of operations, financial condition or assets of the Business, taken as a whole; or
the ability of HOI to consummate the transactions contemplated by the Asset Purchase Agreement;

provided, *however*, that Material Adverse Effect shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to:

general economic or political conditions;
conditions generally affecting the industries in which the Business operates;
any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates;
acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof;
any action required or permitted by the Asset Purchase Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Buyer;
any matter of which Buyer is aware on the date of the Asset Purchase Agreement;
any changes in applicable laws or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof;
the announcement, pendency or completion of the transactions contemplated by the Asset Purchase Agreement, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with HOI and the Business;
any natural or man-made disaster or acts of God; or
any failure by the Business to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded).

Covenants Relating to the Conduct of the Business Prior to Closing

We have agreed in the Asset Purchase Agreement that prior to the closing of the transactions contemplated by the Asset Purchase Agreement, we will, and will cause our affiliates, to carry on the Business in the ordinary course of business consistent with past practice and use commercially reasonable efforts to maintain and preserve intact the current organization, operations and franchise and preserve the rights, franchises, goodwill and relationships of its employees, customers, suppliers and others having relationships with the Business.

Without limiting the generality of the foregoing, except as otherwise provided in the Asset Purchase Agreement, prior to the closing of the transactions contemplated by the Asset Purchase Agreement, HOI will not without the prior written consent of Buyer (which consent shall not be unreasonably withheld or delayed):

- enter into any contract relating to the Business outside the ordinary course of business involving aggregate payments in excess of $250,000 per year from the date of the Asset Purchase Agreement to the closing;
- divest, sell, lease, assign, or license to any person or otherwise transfer, except as otherwise provided in the Asset Purchase Agreement, or create or incur any encumbrance (other than permitted encumbrances) on, any acquired asset;
- enter into any agreement or arrangement that limits or otherwise restricts in any material respect the conduct of the Business or any successor thereto or that would reasonably be expected to, after the closing date, limit, restrict or curtail in any material respect the Business or Buyer or any of its affiliates from engaging or competing in the business, in any location or with any person or from soliciting or engaging any clients;

(A) grant or increase any severance or termination pay to (or amend any existing arrangement with) any transferred employee; (B) increase benefits payable under any existing severance or termination pay policies or employment agreements with any transferred employee (other than annual increases made in the ordinary course of business consistent with past practice); (C) enter into any employment, deferred compensation, or other similar agreement (or amend any such existing agreement) with any transferred employee; (D) establish, adopt, or amend (except as required by applicable law) any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, stock option, restricted stock, or other benefit plan or arrangement covering any transferred employee; (E) increase compensation, bonus, or other benefits payable to any transferred employee (other than annual increases made in the ordinary course of business consistent with past practice); or (F) hire or terminate without cause any transferred employee or transfer any transferred employee in or out of the Business, except in each case in the ordinary course of business;

initiate, settle, or offer or propose to settle any proceeding against, involving or affecting the Business for an amount in excess of $250,000, except as otherwise provided in the Asset Purchase Agreement;

enter into any contract, which would constitute an assigned contract if it existed as of the date of the Asset Purchase Agreement, except for any contract containing terms and conditions that are substantially similar in the aggregate to the terms and conditions of reasonably similar assigned contracts, and any contract involving aggregate payments less than or equal to $50,000 per year;

to the extent relating to the acquired assets or the Business, or otherwise having a material adverse effect on the acquired assets or the Business: (A) fail to file any tax return or pay any material taxes when due; (B) make or change any uncontested material tax election; (C) change any annual accounting period; (D) adopt or change any material tax accounting method or procedure, other than as required by law; (E) file any amended tax return; (F) enter into any closing agreement with respect to taxes; (G) settle any material tax claim or tax assessment; (H) consent to any extension or waiver of the limitation period applicable to any material tax claim or assessment; and (I) take any other similar action relating to the filing of any material tax return or payment of any material tax; or agree, authorize, resolve, or commit to do any of the foregoing.

Access to Information

Prior to the closing, HOI shall, subject to certain limitations (a) afford Buyer and its representatives reasonable access to and the right to inspect all of the properties, assets, premises, books and records, assigned contracts and other documents and data constituting acquired assets; (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Business as Buyer or any of its representatives may reasonably request; and (c) instruct the representatives of HOI to cooperate with Buyer in its investigation of the business; *provided, however,* that any such investigation shall be conducted during normal business hours upon reasonable advance notice to HOI, under the supervision of HOI's personnel and in such a manner as not to interfere with the conduct of the Business or any Other Businesses.

Buyer acknowledges that the confidentiality agreement between the parties remains in full force and effect and covenants and agrees to keep confidential, in accordance with the provisions of the confidentiality agreement, information provided to Buyer pursuant to the Asset Purchase Agreement.

Employee Matters

Buyer has agreed to make offers of employment to all of the employees of HOI who primarily perform services for, or with respect to, the Business as of the closing date of the Asset Sale and are listed on a schedule to the Asset Purchase Agreement. For a period of one year following the closing of the Asset Sale, Buyer will cause (i) each transferred employee who remains in the employment of Buyer or any of its affiliates to receive base salary or hourly wages which are no less than the base salary or hourly wages provided by HOI immediately prior to the closing; (ii) target bonus opportunities consistent with Buyer's annual and long term bonus programs; (iii) retirement and welfare benefits that are no less favorable in the aggregate than those provided by Buyer to its employees; and (iv) severance benefits that are no less favorable than the practice, plan or policy of Buyer.

With respect to any employee benefit plan maintained by Buyer or an affiliate of Buyer for the benefit of any transferred employee, Buyer will, or will cause its affiliate to, recognize all service of the transferred employees or other transferred employees with HOI, as if such service were with Buyer, for vesting, eligibility and accrual purposes. Buyer will waive any eligibility waiting periods and evidence of insurability requirements under any health plan of Buyer or an affiliate of Buyer extended to transferred employees and their eligible dependents, and shall fully credit each transferred employee with all deductible payments, co-payments and other out-of-pocket expenses paid by such employee under the health benefit plans of HOI prior to the closing with respect to the plan year in which the closing occurs for purposes of determining the extent to which any such employee and his or her dependents have satisfied his, her or their deductible and/or reached an out of pocket maximum under any health benefit plan of Buyer (or affiliate of Buyer) extended to transferred employees.

Buyer and HOI intend that the transactions contemplated by the Asset Purchase Agreement should not result in a payment of severance under either Buyer's or HOI's severance plan or policy with respect any employee who receives an employment offer by Buyer that is consistent with the requirements of the Asset Purchase Agreement and, accordingly, Buyer and HOI will, prior to closing, take all actions necessary or advisable to amend their severance policies or plans to so provide.

Governmental Approvals and Consents

HOI and Buyer will each use its reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all governmental authorities that may be or become necessary for its execution and delivery of the Asset Purchase Agreement and the performance of its obligations pursuant to the Asset Purchase Agreement and the other transaction documents. Each party shall cooperate fully with the other party and its affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals.

Buyer will use its reasonable best efforts and to take any and all steps necessary to avoid or eliminate each and every impediment under any antitrust, competition or trade regulation law that may be asserted by any governmental authority or any other party so as to enable the parties to close the transactions contemplated by the Asset Purchase Agreement as promptly as possible, including proposing, negotiating, committing to and effecting, by consent decree, hold separate orders, or otherwise, the sale, divestiture or disposition of any of its assets, properties or businesses or of the assets, properties or businesses to be acquired by it pursuant to the Asset Purchase Agreement as are required to be divested in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any suit or proceeding, which would otherwise have the effect of materially delaying or preventing the consummation of the transactions contemplated by the Asset Purchase Agreement. Buyer will use its reasonable best efforts to defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any governmental order (whether temporary, preliminary or permanent) that would prevent the consummation of the closing.

HOI and Buyer shall use commercially reasonable efforts to give all notices to, and obtain all consents from, certain third parties that provide services to the Business; provided, however, that HOI shall not be obligated to pay any consideration therefor to any third party from whom consent or approval is requested, except for a de minimis review fee or similar fee.

No Other Bids and Related Matters

Except as otherwise expressly permitted in the Asset Purchase Agreement, HOI shall not, and shall cause each of its affiliates and their respective officers, directors, employees, investment bankers, financial advisors, attorneys,

accountants, consultants, affiliates and other agents not to, directly or indirectly, (i) initiate, solicit, induce or encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes or could reasonably be expected to lead to a Seller Acquisition Proposal; (ii) respond to any inquiry relating to a Seller Acquisition Proposal; (iii) recommend or endorse a Seller Acquisition Proposal or Seller Acquisition Transaction (as defined below); (iv) participate in any discussions or negotiations regarding any Seller Acquisition Proposal or furnish, or otherwise afford access, to any person (other than Buyer) any non-public information or data with respect to the Business or otherwise relating to a Seller Acquisition Proposal; (v) release any person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which HOI is a party; or (vi) enter into any agreement, agreement in principle or letter of intent with respect to any Seller Acquisition Proposal or approve or resolve to approve any Seller Acquisition Proposal or any agreement, agreement in principle or letter of intent relating to a Seller Acquisition Proposal. HOI shall notify Buyer promptly if any such discussions or negotiations are sought to be initiated with HOI by any person other than Buyer or if any such requests for information, inquiries, proposals or communications are received from any person other than Buyer.

Notwithstanding the above, HOI may take certain of the actions described above if, but only if, (i) HOI has received a bona fide unsolicited Seller Acquisition Proposal; (ii) the Board determines in good faith, after consultation with and having considered the advice of its outside legal counsel and its independent financial advisor, that such Seller Acquisition Proposal constitutes or is reasonably likely to lead to a Superior Proposal; (iii) HOI provides Buyer with notice of such determination within forty eight (48) hours thereafter; and (iv) prior to furnishing or affording access to any nonpublic information or data with respect to the Business or otherwise relating to such Seller Acquisition Proposal, HOI receives from such person a confidentiality agreement with terms no less favorable to Buyer in the aggregate than those contained in the confidentiality agreement between HOI and Buyer and provides a copy of the same to Buyer. HOI shall promptly provide to Buyer any non-public information regarding HOI or any HOI affiliate provided to any other person pursuant to the foregoing sentence that was not previously provided to Buyer.

For purposes of the Asset Purchase Agreement: "Seller Acquisition Proposal" means any inquiry, offer or proposal (other than from Buyer), whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to, a Seller Acquisition Transaction; and "Seller Acquisition Transaction" means (A) an acquisition of the Business or all or substantially all of the acquired assets, in either case independent of the acquisition of any other business or assets of HOI, in a single transaction or series of transactions involving any merger, consolidation, purchase of assets, recapitalization, purchase or exchange or equity interests, liquidation, dissolution or similar transaction involving the Business or all or substantially all of the acquired assets, in either case independent of the acquisition of any other business or assets of HOI or (B) any transaction which is similar in form, substance and purpose to the transactions provided for and contemplated by the Asset Purchase Agreement. Notwithstanding the foregoing, (i) "Seller Acquisition Transaction" does not include (x) the acquisition of the Business or all or substantially all of the acquired assets together with any other business of HOI (an "Exempt Sale") or (y) the acquisition of any other business of HOI independent of the acquisition of the Business or all or substantially all of the acquired assets, in each case whether by merger, consolidation, purchase of assets, recapitalization, purchase or exchange or equity interests, liquidation, dissolution or similar transaction, and (ii) HOI shall not be in breach of these provisions by virtue of taking any actions in furtherance of an Exempt Sale, including preparing and distributing a confidential information memorandum (or similar document), even if a third party makes a Seller Acquisition Proposal in connection therewith.

For purposes of the Asset Purchase Agreement, "Superior Proposal" means any bona fide written proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into a Seller Acquisition Transaction on terms that the Board determines in its good faith judgment, after consultation with and having considered the advice of its outside legal counsel and financial advisor is more favorable to the stockholders of Higher One than the transactions contemplated by the Asset Purchase Agreement taking into account all legal, financial, regulatory and other aspects of the proposal, including the likelihood of completing the transaction.

HOI shall promptly notify Buyer in writing of (i) any Seller Acquisition Proposal received by HOI or (ii) any request for nonpublic information related to a Seller Acquisition Proposal. Such notice shall indicate the name of the person making such Seller Acquisition Proposal or information request and the material terms and conditions of such proposal (and any written materials delivered in connection with such proposal or information request, unless (i) such materials constitute confidential information of the party making such offer or proposal under an effective confidentiality agreement, (ii) disclosure of such materials jeopardizes the attorney-client privilege, or (iii) disclosure of such materials contravenes any law, rule, regulation, order, judgment or decree.) HOI agrees that it shall keep Buyer informed, on a reasonably prompt basis, of the status and terms of any such proposal, information request, negotiations or discussions (including any amendments or modifications to such proposal, offer or request).

Except as provided otherwise in the Asset Purchase Agreement, neither the Board nor any committee thereof shall (i) withdraw, qualify or modify, or publicly propose to withdraw, qualify or modify, in a manner adverse to Buyer in connection with the transactions contemplated by the Asset Purchase Agreement, the Board's recommendation to approve the Asset Sale; (ii) approve or recommend, or publicly propose to approve or recommend, any Seller Acquisition Proposal; or (iii) enter into (or cause HOI or any HOI affiliate to enter into) any letter of intent, agreement in principle, acquisition agreement or other agreement (A) related to any Seller Acquisition Transaction (other than a confidentiality agreement entered into in accordance with the provisions of the Asset Purchase Agreement) or (B)

requiring HOI to abandon, terminate or fail to consummate the sale of the Business to Buyer and the other transactions contemplated by the Asset Purchase Agreement.

Notwithstanding anything in the Asset Purchase Agreement to the contrary, at any time prior to the Special Meeting, the Board may approve or recommend to the stockholders of Higher One a Superior Proposal and withdraw, qualify or modify the Board's recommendation to approve the Asset Sale (a "Seller Subsequent Determination") after the fifth (5th) business day following the receipt by Buyer of a notice from HOI advising Buyer that the Board has determined that a Seller Acquisition Proposal is a Superior Proposal (it being understood that HOI shall be required to deliver a new notice in respect of any revised Superior Proposal from such third party or its affiliates that HOI proposes to accept and the subsequent notice period shall be five (5) business days) if, but only if, (i) the Board determines in good faith, after consultation with and having considered the advice of outside legal counsel and its financial advisor, that the failure to take such actions would be inconsistent with its fiduciary duties to its stockholders under applicable law and (ii) at the end of such five (5) business day period, after taking into account any adjusted, modified or amended terms as may have been committed to in writing by Buyer since its receipt of such notice, the Board has again determined in good faith that such Seller Acquisition Proposal constitutes a Superior Proposal.

Notwithstanding anything in the Asset Purchase Agreement to the contrary, at any time prior to the Special Meeting, the Board may effect a Seller Subsequent Determination in connection with the receipt by HOI of a bona fide written proposal made by a third party to enter into an Exempt Sale transaction on terms that the Board determines in its good faith judgment, after consultation with and having considered the advice of its outside legal counsel and financial advisor, is more favorable to its stockholders than the transactions contemplated by the Asset Purchase Agreement, taking into account all legal, financial, regulatory and other aspects of the proposal, including the likelihood of completing the transaction, after the fifth (5th) business day following the receipt by Buyer of a notice from HOI advising Buyer that the Board has determined to take such action.

Public Announcements

Unless otherwise required by applicable law or stock exchange requirements (based upon the reasonable advice of counsel), no party to the Asset Purchase Agreement shall make any public announcements in respect of the Asset Purchase Agreement or the transactions contemplated thereby or otherwise communicate with any news media without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed), and the parties shall cooperate as to the timing and contents of any such announcement.

Post-Closing Covenants

Services to be Provided by HOI

From the closing date until the two (2)-year anniversary of such date, HOI shall provide consulting services to assist Buyer as reasonably needed and reasonably requested, to the extent HOI employs as of the closing and continues to employ after the closing personnel with applicable expertise capable of providing such services. The consulting services shall include the following: (i) assistance with relationships and contacts with educational institutions and the Department of Education, (ii) strategic considerations for developing the Business, (iii) strategic considerations regarding technology matters, and (iv) assistance with consumer compliance matters.

Books and Records

Buyer shall, for a period of five (5) years after the closing, (i) retain books and records that constitute acquired assets relating to periods prior to the closing in a manner reasonably consistent with the prior practices of HOI; and (ii) upon reasonable notice, afford HOI's representatives reasonable access during normal business hours, to such books and records.

HOI shall, for a period of five (5) years after the closing, (i) retain books and records of HOI that are not acquired assets and which relate to the Business and its operations for periods prior to the closing; and (ii) upon reasonable notice, afford Buyer's representatives reasonable access during normal business hours, to such books and records.

Neither party shall be obligated to provide the other party with access to any books or records pursuant to these provisions where such access would violate any law.

Non-competition; Non-solicitation

The Asset Purchase Agreement provides that for four (4) years after the closing, HOI and its subsidiaries will not, and will not permit any person that is an affiliate of HOI as of the date of the Asset Purchase Agreement to, directly or indirectly:

- engage in or assist others in engaging in the Business in the United States;
- have an interest in any person that engages directly or indirectly in the Business in the United States in any capacity, including as a partner, stockholder, member, employee, principal, agent, trustee or consultant; or
- cause, induce or encourage any actual or prospective client, customer, supplier or licensor of the Business (including any existing or former client or customer of HOI and any person that becomes a client or customer of the Business after the closing), or any other person who has a business relationship with the Business, to terminate or modify adversely any such actual or prospective relationship,

provided, *however*, that nothing above shall limit HOI or any affiliate of HOI from selling or providing HOI's eRefund Service (as modified from time to time) to any person within or outside of the United States or owning directly or indirectly, solely as an investment, securities of any person traded on any national securities exchange if HOI is not a controlling person of, or a member of a group which controls, such person and does not, directly or indirectly, own 5% or more of any class of securities of such person.

During the four-year restricted period, HOI will not, and will not permit any of its affiliates to, directly or indirectly, hire or solicit any person who is offered employment by Buyer pursuant to the Asset Purchase Agreement or is or was employed by Buyer or its affiliates during the restricted period, or encourage any such employee to leave such employment or hire any such employee who has left such employment, except pursuant to a general solicitation which is not directed specifically to any such employees; *provided, that* the foregoing restrictions will not prevent HOI or any of its affiliates from hiring (i) any employee whose employment has been terminated by Buyer or (ii) after 180 days from the date of termination of employment, any employee whose employment has been terminated by the employee.

For the avoidance of doubt, the foregoing restrictions will not apply with respect to any person that becomes an affiliate of HOI after the date of the Asset Purchase Agreement, but who or which is not an affiliate of HOI as of such date.

Further Assurances

Following the closing, each of the parties shall, and shall cause their respective affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions of and give effect to the transactions contemplated by the Asset Purchase Agreement and the other transaction documents.

Closing Conditions

HOI and Buyer will not be obligated to complete the Asset Sale unless a number of conditions are satisfied or waived. These mutual closing conditions include:

- no governmental authority will have enacted, issued, promulgated, enforced or entered any governmental order that has the effect of making the Asset Sale illegal or otherwise restraining such transactions or causing any of the transactions under the Asset Purchase Agreement to be rescinded following completion thereof;
- HOI shall have received consents from certain third parties that provide services to HOI, in each case, in form and substance reasonably satisfactory to Buyer and HOI, and no such consent shall have been revoked; and
- the stockholders of Higher One, the sole stockholder of HOI, shall have approved the terms of the Asset Purchase Agreement and the transactions contemplated thereby.

In addition, the obligation of Buyer to effect the Asset Sale is subject to the satisfaction or waiver of additional closing conditions, including:

- the representations and warranties of HOI contained in the Asset Purchase Agreement shall have been true and correct in all respects as of the closing date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date), except where the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect;
- HOI shall have duly performed and complied in all material respects with (i) all agreements, covenants and conditions required by the Asset Purchase Agreement and each of the other transaction documents to be performed or complied with by it prior to or on the closing date, and (ii) any order or directive of any governmental authority relating to the regulatory and litigation matters that are to remain liabilities of HOI and are set forth on the schedules to the Asset Purchase Agreement; and
- HOI shall have delivered to Buyer duly executed counterparts to the other transaction documents and such other documents and deliveries set forth in the Asset Purchase Agreement.

In addition, the obligation of HOI to effect the Asset Sale is subject to the satisfaction or waiver of additional closing conditions, including:

- the representations and warranties of Buyer contained in the Asset Purchase Agreement shall be true and correct in all respects as of the closing date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date), except where the failure of such representations and warranties to be true and correct would not have a material adverse effect on Buyer's ability to consummate the transactions contemplated thereby;
- Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Asset Purchase Agreement and each of the other transaction documents to be performed or complied with by it prior to or on the closing date;
- Buyer shall have delivered to HOI cash in the amount of $17 million, duly executed counterparts to the transaction documents (other than the Asset Purchase Agreement) and such other documents and deliveries set forth in the Asset Purchase Agreement;
- Buyer shall have delivered cash in the amount of $20 million to the escrow agent pursuant to the Asset Purchase Agreement;
- HOI shall have obtained all necessary consents of the lender parties to its credit facility in connection with the transactions contemplated by the Asset Purchase Agreement.

Termination of the Asset Purchase Agreement

The Asset Purchase Agreement may be terminated at any time prior to the closing of the Asset Sale as follows:

- by the mutual written consent of HOI and Buyer;
- by Buyer by written notice to HOI if:
  - Buyer is not then in material breach of any provision of the Asset Purchase Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by HOI pursuant to the Asset Purchase Agreement that would give rise to the failure of any of the conditions specified in the Asset Purchase Agreement and such breach, inaccuracy or failure cannot be cured by HOI by July 1, 2016;

- any of the closing conditions set forth in the Asset Purchase Agreement shall not have been fulfilled by July 1, 2016, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions thereof to be performed or complied with by it prior to the closing; or
- if HOI or Higher One has received a Superior Proposal, and in accordance with the Asset Purchase Agreement, the Board has entered into any letter of intent, agreement in principle or acquisition agreement with respect to the Superior Proposal, withdrawn its recommendation of the Asset Purchase Agreement or failed to make such recommendation at any time a recommendation is required to be made under the Asset Purchase Agreement or modified or qualified such recommendation in a manner adverse to Buyer, or has otherwise made a determination to accept such Superior Proposal, or if HOI has effected a Seller Subsequent Determination.

by HOI by written notice to Buyer if:

- HOI is not then in material breach of any provision of the Asset Purchase Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to the Asset Purchase Agreement that would give rise to the failure of any of the conditions specified in the Asset Purchase Agreement and such breach, inaccuracy or failure cannot be cured by Buyer by July 1, 2016;
- any of the conditions set forth in the Asset Purchase Agreement shall not have been fulfilled by July 1, 2016, unless such failure shall be due to the failure of HOI to perform or comply with any of the covenants, agreements or conditions thereof to be performed or complied with by it prior to the closing; or
- prior to obtaining the approval of the stockholders of Higher One, HOI shall have effected a Seller Subsequent Determination.

by Buyer or HOI in the event that:

- there shall be any law that makes consummation of the transactions contemplated by the Asset Purchase Agreement illegal or otherwise prohibited; or
- any governmental authority shall have issued a governmental order restraining or enjoining the transactions contemplated by the Asset Purchase Agreement, and such governmental order shall have become final and non-appealable.

Termination Fees

In the event (1) the Asset Purchase Agreement is terminated by either party because the required approval of the stockholders of Higher One was not obtained at the Special Meeting and (2) a Seller Acquisition Proposal was publicly disclosed or announced prior to such meeting, HOI will be required to pay Buyer the lesser of (i) the amount of Buyer's actual and documented out-of-pocket expenses incurred in connection with due diligence, negotiation and execution of the Asset Purchase Agreement and undertaking the transactions contemplated thereby, and (ii) $500,000.

In the event the Asset Purchase Agreement is terminated (1) by HOI as a result of a Seller Subsequent Determination prior to the Special Meeting, or (2) by Buyer as a result of a Seller Subsequent Determination or the decision by Higher One to pursue a Superior Proposal, HOI will be required to pay Buyer $1,500,000.

Amendment and Waiver

The Asset Purchase Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party thereto. No waiver by any party of any of the provisions thereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from the Asset Purchase Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Specific Performance

The parties agree that irreparable damage would occur if any provision of the Asset Purchase Agreement were not performed in accordance with the terms thereof and that the parties shall be entitled to specific performance of the terms thereof, in addition to any other remedy to which they are entitled at law or in equity.

Expenses

Except as otherwise expressly provided in the Asset Purchase Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with the Asset Purchase Agreement and the transactions contemplated therein shall be paid by the party incurring such costs and expenses, whether or not the closing shall have occurred; provided that Buyer shall be responsible for all filing and other similar fees payable in connection with any filings or submissions under the HSR Act.

Law and Jurisdiction

The Asset Purchase Agreement is governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction). Any legal suit, action or proceeding arising out of or based upon the Asset Purchase Agreement or the transactions contemplated thereby may be instituted in the Federal Courts of the United States of America or the Courts of the State of New York in each case located in the City of New York and County of New York.

Escrow Agreement

In connection with the closing of the Asset Sale, HOI will enter into an escrow agreement with Buyer and a mutually agreed upon escrow agent. Under the Asset Purchase Agreement, Buyer will deposit $20,000,000 of the purchase price with the escrow agent at the closing, which the escrow agent will hold and distribute in accordance with the terms of the escrow agreement and which will be used in order to satisfy any and all claims made by Buyer (or any other indemnified party) against HOI under Article VIII of the Asset Purchase Agreement.

Lease Agreement

In connection with the closing of the Asset Sale, HOI will enter into a lease agreement with Buyer under which Buyer will sublease from HOI a portion of the real property occupied by HOI and located at 115 Munson Street, New Haven, Connecticut.

License Agreement

In connection with the closing of the Asset Sale, HOI will enter into a license agreement with Buyer under which Buyer will grant HOI a non-exclusive, royalty-free, fully paid-up, perpetual, irrevocable, worldwide license to use certain intellectual property transferred to Buyer as part of the Asset Sale for use in any Other Businesses.

Transition Services Agreement

After the closing, HOI and certain of its affiliates shall provide Buyer certain services on a transitional basis as agreed upon in the Transition Services Agreement. Subject to adjustment in accordance with the Transition Services Agreement, Buyer shall pay fees of $5,000,000, payable in twelve (12) equal monthly installments of $416,666.67, for the transition services it receives during the term. Buyer shall pay for any additional transition services on the timetable and in the amount agreed by the parties and set out in the executed amendment of the Transition Services Agreement. The term of the Transition Services Agreement shall commence on the closing and continue until the one (1)-year anniversary of the closing date, unless otherwise specified in the Transition Services Agreement or as mutually agreed by the parties in writing.

RECOMMENDATION

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" PROPOSAL NO. 1 TO AUTHORIZE THE ASSET SALE.

UNAUDITED FINANCIAL INFORMATION

Unaudited Pro Forma Condensed Consolidated Financial Information

We have prepared unaudited pro forma condensed consolidated financial statements to assist you in understanding the nature and effects of the Asset Sale and the further effects of the sale of the Campus Labs business (collectively, the "Asset Sales").

The accompanying unaudited pro forma condensed consolidated statements of operations for the years ended December 31, 2014, 2013 and the nine months ended September 30, 2015 are presented as if the sale of Campus Labs and the Business had occurred on January 1, 2013. The accompanying unaudited pro forma condensed consolidated balance sheet as of September 30, 2015 is presented as if the sale of Campus Labs and the Business had occurred on September 30, 2015. The pro forma adjustments related to the sale of Campus Labs and the Business do not reflect the final purchase price or final asset and liability balances of the Campus Labs business or the Business and are based on available information and assumptions that management believes are (1) directly attributable to the disposal; (2) are factually supportable and (3) with respect to the statement of operations, expected to have a continuing impact on the consolidated results. The pro forma adjustments may differ from those that will be calculated to report discontinued operations in future filings. The unaudited pro forma financial information is not necessarily indicative of the results of operations or financial position that might have been achieved for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position that may occur in the future.

The following is a brief description of the amounts recorded under each of the column headings in the unaudited pro forma consolidated statements of operations and balance sheet. This unaudited pro forma condensed consolidated financial information should be read in conjunction with our historical audited financial statements and notes thereto as included in our Current Report on Form 8-K filed with the SEC on February 3, 2016 (as amended by Form 8-K/A filed March 8, 2016).

Historical Higher One

This column reflects our historical audited operating results for the years ended December 31, 2014 and 2013 and the historical unaudited operating results of continuing operations and financial condition as of and for the nine months ended September 30, 2015 prior to any adjustment for the sale of Campus Labs or the Business described above.

Sale of Campus Labs Business

This column reflects the elimination of the historical operating results of the Campus Labs business for the years ended December 31, 2014 and 2013 and the nine months ended September 30, 2015 at the amounts that have been reflected in our consolidated statements of operations for those periods, as well as the impact the sale of Campus Labs had on our credit facility. The disposition column on the unaudited pro forma consolidated balance sheet as of September 30, 2015 reflects the value of the assets and liabilities included in the Campus Labs business as of that date, as well as the impact of such disposition on our credit facility. As a direct result of the disposition of Campus Labs, we amended the credit facility. The amendment to the credit facility required that $30.0 million of the purchase price be used to pay down the balance of our credit facility; the size of the credit facility was also reduced. An estimated non-recurring gain of $34.3 million, net of tax, has not been included in the unaudited pro forma statement of income, but will be reflected in the historical income statement when the transaction is consummated.

Sale of Disbursements and OneAccount Business

This column reflects the elimination of the historical operating results of the Business for the years ended December 31, 2014 and 2013 and the nine months ended September 30, 2015 at the amounts that have been reflected in our consolidated statements of operations for those periods. The disposition column on the unaudited pro forma consolidated balance sheet as of September 30, 2015 reflects the value of the assets and liabilities included in the Business as of that date, which would be transferred with the sale of that business. Certain assets and liabilities of the Business will not be included with the sale of the Business, including cash balances and the accrual for potential customer restitution. The accrual for customer restitution was $30.6 million as of September 30, 2015. An estimated non-recurring gain of $4.9 million, net of tax, has not been included in the unaudited pro forma statement of income, but will be reflected in the historical income statement when the transaction is consummated.

The unaudited pro forma condensed consolidated financial statements do not purport to be indicative of the results of operations or the financial position which would have actually resulted if the Asset Sales had been completed on the dates indicated, or which may result in the future. We did not account for or report the Campus Labs business or the Business as separate, stand-alone entities or subsidiaries for financial reporting purposes. The unaudited pro forma condensed consolidated financial statements do not purport to represent, and are not necessarily indicative of, what our actual financial position and results of operations would have been had the Asset Sales occurred on the dates indicated.

We have prepared the unaudited pro forma financial information based upon assumptions deemed appropriate by our management. An explanation of certain assumptions is set forth under the Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

The unaudited pro forma financial information should be read in conjunction with our historical Consolidated Financial Statements and Notes thereto contained in the Form 8-K filed on February 3, 2016 (as amended by Form 8-K/A filed March 8, 2016) and the Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, as filed with the SEC, each of which is incorporated herein by reference. The unaudited pro forma financial information should also be read in conjunction with the financial statements of the Business and Notes thereto appearing elsewhere in this Proxy Statement.

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Balance Sheet
as of September 30, 2015
(in thousands)

	Historical Higher One	Sale of Campus Labs Business		Pro Forma without Campus Labs Business	Sale of Disbursements and OneAccount Business		Pro Forma without Campus Labs and Disbursements and OneAccount Businesses
Assets							
Cash	$27,785	$51,207	(a), (c)	$78,992	$ 16,000	(g)	$ 94,992
Other current assets	38,202	(3,688)	(b)	34,514	(6,043)	(h)	28,471
Fixed assets, net	43,374	(426)	(b)	42,948	(6,090)	(h)	36,858
Intangible assets, net	51,637	(18,588)	(b)	33,049	(14,248)	(h)	18,801
Goodwill	67,403	(14,380)	(b)	53,023	(11,080)	(h)	41,943
Other non-current assets	19,586	1,865	(c)	21,451	18,903	(i)	40,354
Total assets	$247,987	$15,990		$263,977	$ (2,558)		$ 261,419
Liabilities and Stockholders' Equity							
Current liabilities:							
Accounts payable	$2,044	$-		$2,044	(471)	(h)	$ 1,573
Accrued expenses	50,423	21,695	(d)	72,118	(5,930)	(j)	66,188
Deferred revenue	31,930	(12,023)	(b)	19,907	(2,157)	(h)	17,750
Total current liabilities	84,397	9,672		94,069	(8,558)		85,511
Debt	59,000	(30,000)	(c)	29,000	-		29,000
Other non-current liabilities	14,042	(296)	(b)	13,746	(230)	(h)	13,516
Total liabilities	157,439	(20,624)		136,815	(8,788)		128,027
Stockholders' equity:							
Common stock	60	-		60	-		60
Additional paid-in capital	189,746	472	(e)	190,218	3,594	(k)	193,812
Treasury stock	(137,899)	-		(137,899)	-		(137,899)
Retained earnings	38,641	36,142	(f)	74,783	2,636	(l)	77,419
Total stockholders' equity	90,548	36,614		127,162	6,230		133,392
Total liabilities and stockholders' equity	$247,987	$15,990		$263,977	$ (2,558)		$ 261,419

See the accompanying notes which are an integral part of these unaudited pro forma condensed consolidated financial statements.

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statements of Operations
For the Nine Months Ended September 30, 2015
(in thousands, except per share data)

	Historical Higher One		Sale of Campus Labs Business		Pro Forma without Campus Labs Business		Sale of Disbursements and OneAccount Business		Pro Forma without Campus Labs and Disbursements and OneAccount Businesses	
Revenue	$145,589		$(12,618)	(m)	$132,971		$ (71,050)	(p)	$ 61,921	
Cost of revenue	77,479		(1,432)	(m)	76,047		(45,298)	(p)	30,749	
Gross margin	68,110		(11,186)		56,924		(25,752)		31,172	
Operating expenses	73,749		(7,532)	(m)	66,217		(41,048)	(p)	25,169	
Income (loss) from operations	(5,639)		(3,654)		(9,293)		15,296		6,003	
Interest income	63		-		63		-		63	
Interest expense	(3,894)		1,818	(n)	(2,076)		-		(2,076)	
Other income	1,357		-		1,357		(1,125)	(p)	232	
Net income (loss) before income taxes	(8,113)		(1,836)		(9,949)		14,171		4,222	
Income tax expense (benefit)	(2,321)		(698)	(o)	(3,019)		5,385	(r)	2,366	
Net income (loss)	$(5,792)		$(1,138)		$(6,930)		$ 8,786		$ 1,856	
Net income (loss) available to common stockholders:										
Basic	$(5,792)				$(6,930)				$ 1,856	
Diluted	$(5,792)				$(6,930)				$ 1,856	
Weighted average shares outstanding:										
Basic	47,605,164				47,605,164				47,605,164	
Diluted	47,605,164				47,605,164				47,932,311	(s)
Net income (loss) available to common stockholders per common share:										
Basic	$(0.12)				$(0.15)			(s)	$ 0.04	
Diluted	$(0.12)				$(0.15)			(s)	$ 0.04	

See the accompanying notes which are an integral part of these unaudited pro forma condensed consolidated financial statements.

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statements of Operations
For the Year Ended December 31, 2014
(in thousands, except per share data)

	Historical Higher One	Sale of Campus Labs Business	Pro Forma without Campus Labs Business	Sale of Disbursements and OneAccount Business	Pro Forma without Campus Labs and Disbursements and OneAccount Businesses
Revenue	$220,111	$(14,448) (m)	$205,663	$(127,970) (p)	$77,693
Cost of revenue	102,389	(1,782) (m)	100,607	(61,540) (p)	39,067
Gross margin	117,722	(12,666)	105,056	(66,430)	38,626
Operating expenses	90,584	(7,636) (m)	82,948	(49,802) (p)	33,146
Merger and acquisition related, net	-	-	-	-	-
Income from operations	27,138	(5,030)	22,108	(16,628)	5,480
Interest income	92	-	92	244 (q)	336
Interest expense	(3,266)	988 (n)	(2,278)	-	(2,278)
Other income	678	-	678	-	678
Net income before income taxes	24,642	(4,042)	20,600	(16,384)	4,216
Income tax expense (benefit)	9,675	(1,536) (o)	8,139	(6,226) (r)	1,913
Net income	$14,967	$(2,506)	$12,461	$(10,158)	$2,303
Net income available to common stockholders:					
Basic	$14,967		$12,461		$2,303
Diluted	$14,967		$12,461		$2,303
Weighted average shares outstanding:					
Basic	47,209,780		47,209,780		47,209,780
Diluted	48,050,039		48,050,039		48,050,039
Net income available to common stockholders per common share:					
Basic	$0.32		$0.26	(s)	$0.05
Diluted	$0.31		$0.26	(s)	$0.05

See the accompanying notes which are an integral part of these unaudited pro forma condensed consolidated financial statements.

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statements of Operations
For the Year Ended December 31, 2013
(in thousands, except per share data)

	Historical Higher One	Sale of Campus Labs Business		Pro Forma without Campus Labs Business	Sale of Disbursements and OneAccount Business		Pro Forma without Campus Labs and Disbursements and OneAccount Businesses	
Revenue	$211,123	$(11,157)	(m)	$199,966	$ (140,893)	(p)	$ 59,073	
Cost of revenue	88,824	(1,810)	(m)	87,014	(57,410)	(p)	29,604	
Gross margin	122,299	(9,347)		112,952	(83,483)		29,469	
Operating expenses	101,238	(8,287)	(m)	92,951	(64,842)	(p)	28,109	
Merger and acquisition related, net	(4,791)	5,293	(m)	502	-		502	
Income from operations	25,852	(6,353)		19,499	(18,641)		858	
Interest income	88	-		88	482	(q)	570	
Interest expense	(3,082)	-		(3,082)	-		(3,082)	
Other income	622	-		622	-		622	
Net income (loss) before income taxes	23,480	(6,353)		17,127	(18,159)		(1,032)	
Income tax expense (benefit)	9,352	(2,414)	(o)	6,938	(6,900)	(r)	38	
Net income (loss)	$14,128	$(3,939)		$10,189	$ (11,259)		$ (1,070)	
Net income (loss) available to common stockholders:								
Basic	$14,128			$10,189			$ (1,070)	
Diluted	$14,128			$10,189			$ (1,070)	
Weighted average shares outstanding:								
Basic	46,717,359			46,717,359			46,717,359	
Diluted	48,368,365			48,368,365			46,717,359	
Net income (loss) available to common stockholders per common share:								
Basic	$0.30			$0.22		(s)	$ (0.02)	
Diluted	$0.29			$0.21		(s)	$ (0.02)	

See the accompanying notes which are an integral part of these unaudited pro forma condensed consolidated financial statements.

HIGHER ONE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Planned asset sale of the Business and completed asset sale of the Campus Labs business

On December 15, 2015, Higher One and HOI entered into an Asset Purchase Agreement with Buyer under which Buyer agreed to purchase substantially all of the assets and assume certain of the liabilities of the Business. Certain assets and liabilities of the Business will not be included with the sale of the Business, including cash (and restricted cash) balances, deferred tax assets and the accrual for potential customer restitution. The accrual for customer restitution was $30.6 million as of September 30, 2015. Buyer is a current bank partner of HOI. The Business facilitates the distribution of financial aid and other refunds to students through an ACH transfer to any bank account, via paper check or through a direct deposit to a OneAccount, an FDIC-insured deposit account serviced by HOI and provided by our bank partners.

Under the terms of the Asset Purchase Agreement, Buyer agreed to acquire the Business for an aggregate purchase price of $37.0 million, payable as follows (x) $17.0 million on the closing date and (y) $10.0 million on each of the first two anniversaries of such date.

In addition, on October 14, 2015, HOI entered into an Asset Purchase Agreement (the “Campus Labs Asset Purchase Agreement”) with CL NewCo, Inc. (“NewCo”), an affiliate of Leeds Equity Partners, for the sale of substantially all of the assets of HOI’s data analytics business, referred to as Campus Labs, as disclosed in the Current Report on Form 8-K filed with the SEC on October 19, 2015. On November 25, 2015, HOI completed the sale of the Campus Labs business to NewCo. Pursuant to the terms of the Campus Labs Asset Purchase Agreement, the parties agreed upon a purchase price of $91.0 million, subject to adjustment to reflect changes in certain working capital items prior to the closing. At the closing, the purchase price was reduced by $4.0 million to reflect estimated closing date net working capital.

At the time of closing of the Campus Labs sale, (1) HOI received total cash consideration of approximately $55.2 million, (2) NewCo paid $30 million on HOI’s behalf to reduce the amount outstanding under HOI’s credit facility, and (3) NewCo placed $1.9 million into an escrow account for potential indemnification claims and a future working capital adjustment.

Following the sale of both of the Campus Labs business and the Business, HOI will continue to operate its remaining Payments business which enables higher education institutions to accept online payments, automate certain billing and processing functions and offer tuition payment plans. In addition, HOI will also be responsible for providing certain transition services to Buyer for a period of up to 12 months after the closing of the Asset Sale pursuant to the terms of the Transition Services Agreement, for which it will receive $5.0 million (subject to adjustment as set forth in the

Transition Services Agreement). Our receipt of $5.0 million for transition services has been excluded from the pro forma condensed consolidated statements of operations because it is non-recurring in nature.

2. Unaudited pro forma adjustments (in thousands)

The following pro forma adjustments are included in the unaudited pro forma condensed consolidated balance sheet and/or the unaudited pro forma condensed consolidated statements of operations.

(a) Proceeds from sale of Campus Labs of $91,000, less working capital adjustment of $3,973, less $30,000 which was paid directly to our lenders by the buyer to reduce the amount outstanding under our credit facility, less $1,865 which was deposited into escrow (reflected as an addition to other current assets) and net of transaction related expenses of $3,955

(b) Elimination of assets and liabilities attributable to the Campus Labs business

(c) Paydown of credit facility ($30,000) required in connection with credit facility amendment to allow for sale of the Campus Labs business and an associated reduction in our deferred financing costs of $1,875 as a result of the reduction in borrowing capacity from the credit facility amendment

(d) The following amounts comprise the adjustment of accrued expenses:

Total accrued expenses associated with the Campus Labs business	$(457)
Taxes on gain of the Campus Labs business at the combined federal and state statutory rate of 38%	22,331
Tax effect of acceleration of stock-based compensation expense at the combined federal and state statutory rate of 38% (refer to (e) below)	(179)
Total adjustment of accrued expenses	$21,695

Taxes on gain of the Campus Labs business is based on an estimated gain on sale of $58,776.

(e) Reflects the stock-based compensation expense related to acceleration of unvested options to purchase shares of common stock of the Company and unvested restricted stock unit awards as a result of the termination of various employees of Higher One that supported the Campus Labs business

(f) Gain on sale of the Campus Labs Business, net of tax, adjusted for the impact of the acceleration of the stock-based compensation expense (refer to (e) above)

Purchase price	$91,000
Less working capital and escrow adjustments	(5,838)
Less estimated transaction related expenses	(3,955)

Less payment to reduce amount outstanding under our credit facility	(30,000)
Net proceeds	51,207
Assets of the Campus Labs business	(37,082)
Liabilities of the Campus Labs business	12,776
Repayment of credit facility	30,000
Escrow balance receivable	1,865
Pre-tax gain on sale of the Campus Labs business	58,766
Taxes on gain of the Campus Labs business at the combined federal and state statutory rate of 38%	(22,331)
After-tax gain on sale of the Campus Labs business	36,435
Acceleration of stock-based compensation expense	(472)
Tax effect of acceleration of stock-based compensation expense at the combined federal and state statutory rate of 38%	179
Net impact on retained earnings	$36,142

(g) Proceeds from sale of the Business of $17,000, net of transaction related expenses of $1,000. Cash related to the Business of $350 is not eliminated as that asset will not be acquired pursuant to the Asset Purchase Agreement.

(h) Elimination of assets and liabilities included in the Asset Purchase Agreement and attributable to the Business. Current deferred tax assets of $11,027, other non-current deferred tax assets of $2,299 and non-current restricted cash of $1,501 are not eliminated as they represent assets that will not be acquired.

(i) Deferred proceeds from sale of the Business totaling $19,274. Non-current receivable relates to payments of $10,000 to be received on each of the first two anniversary dates of the closing of the Asset Sale, which have been discounted at 2.5%. Less elimination of assets associated with the Business

Receivable related to deferred payments, discounted at 2.5%	$19,274
Elimination of deferred costs associated with the Disbursements and OneAccount business	(257)
Elimination of other assets associated with the Disbursements and OneAccount business	(114)
Total adjustment of other non-current assets	$18,903

(j) The following amounts comprise the adjustment of accrued expenses:

Total accrued expenses associated with the Disbursements and OneAccount business	$	(38,177)
Plus accrued expenses not eliminated as they represent liabilities that will not be assumed by Buyer		30,630
Plus tax on estimated gain on sale of business (refer to (l) below)		2,982
Less tax effect of acceleration of stock-based compensation expense (refer to (k) below)		(1,365)
Total adjustment of accrued expenses	$	(5,930)

Each of the tax adjustments above are reflected at the combined federal and state statutory rate of 38%

(k) Reflects the stock-based compensation expense related to Mr. McGuane’s automatic acceleration of unvested options to purchase shares of common stock of the Company and his unvested restricted stock unit awards as of his termination date, pursuant to the terms of the Severance Policy and assuming his employment by the Buyer

(l) Gain on sale of the Business, net of tax, adjusted for the impact of the acceleration of the stock-based compensation expense (refer to (j) above)

Purchase price associated with sale of the Disbursements and OneAccount business	$37,000
Less discount associated with deferred payment of $10,000 per year, at 2.5%	(726)
Less estimated transaction expenses	(1,000)
Net proceeds	35,274
Assets of the Disbursements and OneAccount business	(37,832)
Liabilities of the Disbursements and OneAccount business	10,405
Pre-tax gain on sale of the Disbursements and OneAccount business	7,847
Taxes on gain of the Disbursements and OneAccount business at the combined federal and state statutory rate of 38%	(2,982)
After-tax gain on sale of the Disbursements and OneAccount business	4,865
Acceleration of stock-based compensation expense	(3,594)
Tax effect of acceleration of stock-based compensation expense at the combined federal and state statutory rate of 38%	1,365
Net impact on retained earnings	$2,636

(m) Reflects the elimination of revenue, cost of revenue and operating expenses attributable to the Campus Labs business

(n) Reflects the reduction of interest expense due to the use of proceeds from the sale of the Campus Labs business to repay $30,000 of the credit facility at the interest rate in effect for the period presented (3.8% for the nine months ended September 30, 2015 and 2.4% for the year ended December 31, 2014) and reduction of interest expense related to deferred financing costs as a result of the reduction in borrowing capacity from the credit facility amendment

(o) Reflects the income tax effect of the pro-forma adjustments, using the historical combined federal and state statutory rate of 38%

(p) Reflects the elimination of revenue, cost of revenue, operating expenses and other income attributable to the Business

(q) Interest income related to the accretion of $10,000 to be received on each of the first two anniversary dates of the sale of the Business

(r) Reflects the income tax effect of the pro-forma adjustments, using the historical combined federal and state statutory rate of 38%

(s) The calculation of pro forma basic and diluted earnings per share for the respective periods presented is as follows:

	Nine Months Ended September 30, 2015	**Years Ended December 31, 2014**	**2013**
Basic and diluted net earnings per share			
Numerator:			
Net earnings (loss) from continuing operations	$1,856	$2,303	$(1,070)
Denominator:			
Weighted-average shares outstanding	47,605,164	47,209,780	46,717,359
Weighted-average shares outstanding with dilution	47,932,311	48,050,039	46,717,359
Basic earnings per share	$0.04	$0.05	$(0.02)
Diluted earnings per share	$0.04	$0.05	$(0.02)

Pro forma earnings per share is presented utilizing the pro forma calculated net earnings from continuing operations and computing against the originally disclosed weighted-average share calculation for both basic and diluted shares outstanding in the periods presented as such shares were calculated using the treasury method which assumed conversion of options and restricted share units. For the nine months ended September 30, 2015, adjustments have

been made to the historical weighted-average shares outstanding used in the computation of diluted earnings per share to present pro forma net income after giving effect to the pro forma adjustments of the Asset Sales compared to our reported net loss.

The estimated gains on the Asset Sales have been included as an adjustment to retained earnings but have not been reflected in the pro forma statements of operations as the gains are non-recurring in nature. Furthermore, it is estimated that the Asset Sales will result in income taxes payable as described above; however such amounts are subject to further refinement and adjustment based on a more comprehensive tax analysis and review. Such income taxes payable are reflected as an adjustment in the pro forma condensed consolidated balance sheet as of September 30, 2015; however, such amount is not reflected in the pro forma statements of operations for any period presented as the charge is non-recurring.

Unaudited Combined Financial Statements for the Business as of December 31, 2014 and 2013 and for the Years Ended December 31, 2014 and 2013

HOI has prepared unaudited combined financial statements for the Business. The Unaudited Combined Statements of Operations and the Unaudited Combined Statements of Cash Flows were prepared for the fiscal years ended December 31, 2014 and 2013. The Unaudited Combined Balance Sheets were prepared as of December 31, 2014 and 2013.

The Disbursements and OneAccount Business

Unaudited Combined Balance Sheets

(In thousands of dollars)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 350	$ 350
Restricted cash	-	250
Accounts receivable	500	984
Income receivable	1,940	1,977
Deferred tax assets	3,378	6,035
Prepaid expenses and other current assets	4,106	2,750
Total current assets	10,274	12,346
Deferred costs	417	587
Fixed assets, net	6,902	7,488
Intangible assets, net	16,089	16,389
Goodwill	11,080	11,080
Other assets	234	248
Deferred tax assets, non-current	2,564	4,145
Restricted cash	1,500	1,250
Total assets	$ 49,060	$ 53,533
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,902	$ 1,907
Accrued expenses	15,899	20,953
Deferred revenue	1,686	1,601
Total current liabilities	19,487	24,461
Deferred revenue and other non-current liabilities	455	759
Total liabilities	19,942	25,220
Commitments and contingencies (Note 13)		
Net parent investment	29,118	28,313
Total liabilities and net parent investment	$ 49,060	$ 53,533

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

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The Disbursements and OneAccount Business

Unaudited Combined Statements of Operations

(In thousands of dollars)

	Year Ended December 31,	
	2014	**2013**
Revenue:		
Gross revenue	$136,720	$140,893
Less: allowance for customer restitution	(8,750)	-
Net revenue	127,970	140,893
Cost of revenue	61,540	57,410
Gross margin	66,430	83,483
Operating expenses:		
Selling, general and administrative	47,766	45,969
Product development	2,036	2,553
Litigation settlement	-	16,320
Total operating expenses	49,802	64,842
Income before income taxes	16,628	18,641
Income tax expense	6,303	6,981
Net income	$10,325	$11,660

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

The Disbursements and OneAccount Business

Unaudited Statements of Changes in Net Parent Investment

(In thousands of dollars)

Balance at December 31, 2012	$22,178
Net income	11,660
Contribution of assets related to Campus Solutions acquisition	22,765
Net transfers to parent	(28,290)
Balance at December 31, 2013	28,313
Net income	10,325
Net transfers to parent	(9,520)
Balance at December 31, 2014	$29,118

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

The Disbursements and OneAccount Business

Unaudited Combined Statements of Cash Flows

(In thousands of dollars)

	Year Ended December 31,	
	2014	**2013**
Cash flows from operating activities		
Net income	$10,325	$11,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,583	2,851
Deferred income taxes	4,238	(5,249)
Loss on disposal of fixed assets		