

Higher One Holdings, Inc.
Form DEF 14A
May 05, 2014

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

SCHEDULE 14A

(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

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)

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(2) Aggregate number of securities to which transaction applies:

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(3) the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

HIGHER ONE HOLDINGS, INC.
115 Munson Street
New Haven, Connecticut 06511

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 11, 2014

To the Stockholders of Higher One Holdings, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders ("Annual Meeting") of Higher One Holdings, Inc., a Delaware corporation (the "Company"), will be held on June 11, 2014 at 9:00 a.m. local time at 115 Munson Street, New Haven, CT for the following purposes:

1. To elect three directors to hold office until the 2017 meeting of stockholders or until their successors are elected;
2. To approve an amendment to the Company's Amended and Restated Certificate of Incorporation to declassify the Board of Directors;
3. To ratify the selection, by the Audit Committee of the Board of Directors, of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2014;
4. To approve, on a non-binding advisory basis, the 2013 compensation of the Company's Named Executive Officers;
5. To approve the Company's Short Term Incentive Plan; and
6. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only stockholders who owned our common stock at the close of business on April 16, 2014 can vote at this meeting or any adjournments that take place.

Our Board of Directors recommends that you vote FOR the election of director nominees named in Proposal One of the proxy statement; FOR the approval of the Company's Amended and Restated Certificate of Incorporation; FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm; FOR the approval, on a non-binding advisory basis, of the 2013 compensation of the Company's Named Executive Officers; and FOR the approval of the Company's Short Term Incentive Plan.

The Proxy Statement accompanying this Notice provide the date, time and location of the Annual Meeting; the matters to be acted upon at the meeting and the Board of Directors' recommendation with regard to each matter; and information on how to attend the meeting and vote in person.

You are cordially invited to attend the Annual Meeting, but whether or not you expect to attend in person, you are urged to mark, date and sign your proxy card and return it by mail or follow the alternative voting procedures described in the proxy card.

By Order of the Board of Directors

Thomas D. Kavanaugh
Corporate Secretary
May 5, 2014

Important Notice Regarding Availability of Proxy Materials for the Annual Meeting to be held on June 11, 2014:
The Proxy Statement and the 2013 Annual Report to Shareholders are also available at <http://ir.higherone.com/>.

HIGHER ONE HOLDINGS, INC.

115 Munson Street
New Haven, Connecticut 06511

PROXY STATEMENT
FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS
June 11, 2014

The Board of Directors of Higher One Holdings, Inc. is soliciting your proxy to vote at the Annual Meeting of Stockholders to be held on June 11, 2014 at 9:00 a.m., local time, and any adjournment or postponement of that meeting (the "Annual Meeting"). The Annual Meeting will be held at 115 Munson Street, New Haven, Connecticut. We intend to mail this proxy statement and accompanying materials on or about May 8, 2014 to stockholders of record as of the April 16, 2014 (the "Record Date"). The only voting securities of the Company are shares of common stock, \$0.001 par value per share (the "common stock"), of which there were 47,224,716 shares outstanding as of the Record Date. We need the holders of a majority in voting power of the shares of common stock issued and outstanding and entitled to vote present in person or represented by proxy to hold the Annual Meeting.

In this proxy statement, we refer to Higher One Holdings, Inc. as the "Company," "Higher One," "we" or "us" and the Board of Directors as the "Board." When we refer to the Company's fiscal year, we mean the twelve-month period ending December 31 of the stated year.

The Company's annual report on Form 10-K for fiscal year 2013, which contains consolidated financial statements for fiscal 2013, and amendments thereto accompany this proxy statement and are also available in the "Investor Relations" section of our website at <http://ir.higherone.com/>. You also may obtain a copy of the Company's annual report on Form 10-K for fiscal year 2013 without charge by writing to Investor Relations at the Company's address above.

THE PROXY PROCESS AND STOCKHOLDER VOTING

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on April 16, 2014 will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, there were 47,224,716 shares of common stock issued and outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If, on April 16, 2014, your shares were registered directly in your name with Higher One's transfer agent, Computershare, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy over the telephone, on the Internet, or, if you received a paper copy of the proxy materials, by mail, as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If, on April 16, 2014, your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being

forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy card from your broker or other agent.

What am I being asked to vote on?

You are being asked to vote

FOR:

- The election of three Class I directors to hold office until our 2017 annual meeting of stockholders;
- The approval of an amendment of the Company's Amended and Restated Certificate of Incorporation to declassify the Board of Directors;
- The ratification of the selection by the Audit Committee of our Board of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;
- The approval, on a non-binding advisory basis, the 2013 compensation of the Company's Named Executive Officer; and
- The approval of the Company's Short Term Incentive Plan.

In addition, you are entitled to vote on any other matters that are properly brought before the Annual Meeting.

How do I vote?

You may vote by mail or follow any alternative voting procedure described on the proxy card. To use an alternative voting procedure, follow the instructions on each proxy card that you receive.

For Proposal One, you may either vote "For" the three nominees, "Withhold All" of the nominees or "For All Except" any nominee you specify. For Proposals Two, Three, Four and Five, you may either vote "For" or "Against" or "Abstain." The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting. Alternatively, you may vote by proxy by mail, over the Internet or by telephone. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. Even if you have submitted a proxy before the Annual Meeting, you may still attend the Annual Meeting and vote in person. In such case, your previously submitted proxy will be disregarded.

- To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

- To vote using a proxy card, simply complete, sign and date the proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

- To vote by proxy over the Internet, you may go to <http://www.proxyvote.com> to vote your shares. You will be required to provide the control number found on your proxy card.

- To vote by telephone, you may vote by proxy by calling the toll free number found on the proxy card.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a voting instruction card and voting instructions with these proxy materials from that organization rather than from us. Simply follow the instructions on the voting instruction card to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent, or contact your broker, bank or other agent to request a proxy form.

Who counts the votes?

Broadridge Financial Solutions, Inc. ("Broadridge") has been engaged as our independent agent to tabulate stockholder votes. Any executed proxy card will be returned directly to Broadridge for tabulation.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. 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 Annual Meeting. On the Record Date, there were 47,224,716 shares outstanding and entitled to vote. Accordingly, 23,612,359 shares must be represented by stockholders present at the Annual Meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the Annual Meeting. Abstentions and broker non-votes (so long as the broker votes on one proposal) will be counted towards the quorum requirement. If there is no quorum, either the chairperson of the Annual Meeting or a majority in voting power of the stockholders entitled to vote at the Annual Meeting, present in person or represented by proxy, may adjourn the Annual Meeting to another time or place.

What is a broker non-vote?

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, such as the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014 (Proposal Three). If a broker votes shares that are not voted by its clients for or against a "routine" proposal, those shares are considered present and entitled to vote at the Annual Meeting. Those shares will be counted towards determining whether or not a quorum is present and will be taken into account in determining the outcome of all of the proposals. Proposal Two is considered a "routine" proposal. 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 clients' 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 be considered present for purpose of determining whether or not a quorum is present (so long as the broker votes on one proposal), but would not be considered entitled to vote on the proposal. Depending upon the vote required for approval of the "non-routine" proposal, broker non-votes may or are not have an effect on the outcome of the proposals. Proposals One, Three, Four and Five are considered "non-routine" proposals.

Because brokers cannot vote "uninstructed" shares on behalf of their customers for "non-routine" matters, it is important that stockholders vote their shares.

What vote is required for each proposal and how are votes counted?

For Proposal One, directors will be elected by a plurality of the votes cast, which means that the three nominees receiving the highest number of "For" votes will be elected. Abstentions and broker non-votes will have no effect with regard to Proposal One, because approval of a percentage of shares present or outstanding is not required for this proposal.

To be approved, Proposal Two requires the affirmative vote of at least 80% of the voting power of the outstanding common stock. Abstentions and broker non-votes will have the same effect as an "Against" vote on the proposal. Any shares which are not voted and for which no proxy is executed will also have the same effect as an "Against" vote on the proposal.

To be approved, Proposal Three requires the affirmative vote of the holders of a majority in voting power of the shares of common stock which are present in person or by proxy and entitled to vote on the proposal. Abstentions will have the same effect as an "Against" vote on the proposal.

To be approved, Proposals Four and Five requires the affirmative vote of the holders of a majority in voting power of the shares of common stock which are present in person or by proxy and entitled to vote on the proposal. Abstentions will have the same effect as an "Against" vote on the proposal and broker non-votes will have no effect on the outcome of the vote.

Broadridge will separately count "For" and "Withhold" votes with respect to Proposal One, "For" and "Against" votes, abstentions and broker non-votes with respect to Proposals Two, Three and Four and "For" and "Against" votes and abstentions with respect to Proposal Three.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of April 16, 2014.

How do I vote via Internet or telephone?

You may vote by proxy via the Internet by following the instructions provided on the proxy card. You may also vote by proxy by calling the toll free number found on the proxy card. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible. The Internet and telephone voting facilities for eligible stockholders of record will close at 11:59 p.m. Eastern Time on June 10, 2014. The giving of such a telephonic or Internet proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly.

What if I return a proxy card but do not make specific choices?

If we receive a signed and dated proxy card and the proxy card does not specify how your shares are to be voted, your shares will be voted "For" each of the nominees under Proposal One and "For" Proposals Two, Three, Four and Five. If any other matter is properly presented at the Annual Meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. Directors, officers and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one set of materials?

If you receive more than one set of materials, your shares are registered in more than one name or are registered in different accounts. In order to vote all the shares you own, you must either sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the proxy cards you receive.

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Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual 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, Connecticut 06511, Attention: General Counsel and Secretary.

· You may attend the Annual Meeting and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

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

When are stockholder proposals due for next year's Annual Meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing no later than January 5, 2015 to Higher One Holdings, Inc., 115 Munson Street, New Haven, Connecticut 06511, Attention: General Counsel and Secretary. If you wish to submit a proposal to be voted on at next year's meeting that is not to be included in next year's proxy materials pursuant to the SEC's shareholder proposal procedures or to nominate a director, you must do so between January 5, 2015 and February 4, 2015. You are also advised to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How can I find out the results of the voting at the Annual Meeting?

Voting results will be announced by the filing of a current report on Form 8-K within four business days after the Annual Meeting. If final voting results are unavailable at that time, we will file an amended current report on Form 8-K within four business days of the day the final results are available.

PROPOSAL ONE

ELECTION OF DIRECTORS

We currently have ten directors. Our Board has determined all of our current directors and nominees (other than Messrs. Lasater, Sheinbaum and Volchek) meet the independence requirements of the New York Stock Exchange and the federal securities laws, although Stewart Gross may not meet certain independence requirements for service on our audit and compensation committees. Mr. Lasater, our former president, is currently chairman of the Board. Paul Biddelman is our lead independent director.

Our Board is currently divided into three classes, denominated as classes I, II and III. Members of each class hold office for staggered three-year terms. At each annual meeting of stockholders, successors to the directors in the class whose term expires at that annual meeting are elected for three-year terms. Messrs. Volchek, Gross and Cromwell serve as class I directors with terms expiring at this Annual Meeting. Mr. Gross will not be standing for re-election and we are nominating Lowell Robinson for his seat, as indicated below. Messrs. Hartheimer, Lasater and McFadden serve as class II directors with terms expiring at the annual meeting of stockholders to be held in 2015. Mr. Sheinbaum, Mr. Biddelman, Ms. Braunstein and Mr. Moran serve as class III directors with terms expiring at the annual meeting of stockholders to be held in 2016. See Proposal Two below regarding amending our Certificate of Incorporation to eliminate our classified board structure.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Board may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve. Directors are elected by a plurality of the votes cast at the meeting.

The following table sets forth, for the class I nominees and our other current directors who will continue in office after the Annual Meeting, information with respect to their ages and positions/offices held with the Company:

Name	Age	Title
Marc Sheinbaum	56	President, Chief Executive Officer and Director
Mark Volchek	36	Director and Former President and Chief Executive Officer
Miles Lasater	36	Chairman of the Board of Directors
Paul Biddelman	68	Director
Samara Braunstein	44	Director
David Cromwell	69	Director
Robert Hartheimer	56	Director
Patrick McFadden	76	Director
Charles Moran	59	Director
Lowell Robinson	65	Director Nominee

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

Nominees for Election to a Three-Year Term Expiring at the 2017 Annual Meeting of Stockholders

Mark Volchek is one of our founders and currently serves as a director on our Board. Mr. Volchek served as our chief executive officer from July 2012 until January 2014 and as our president and chief executive officer from January

2014 until April 2014, when Mr. Sheinbaum was appointed to that role, Mr. Volchek will remain a full-time employee of the Company through May 16, 2014 and thereafter will become a part-time employee of the Company through the completion of a transition period. From 2002 until May 2012, he served as chairman of our Board, and from 2002 until June 2012, he served as our chief financial officer. From 2000 to 2002, he served as our chief executive officer. Mr. Volchek is a founding officer of the Yale Entrepreneurial Society, a not-for-profit organization that promotes entrepreneurship among Yale students, faculty and alumni and served on its board from 1999 to 2010. Since 2007, Mr. Volchek has been the chairman of the board of the Tweed New Haven Airport Authority. Other past civic roles have included positions on the New Haven Economic Development Commission and the Regional Growth Partnership strategic planning committee. Mr. Volchek holds a BA and an MA in economics from Yale University. Mr. Volchek, having cofounded and led the company as an executive over the course of the last 14 years, brings institutional knowledge to the Board, especially in regard to our finances and strategy, and therefore should serve on our Board.

David Cromwell has been a director of Higher One since 2001. Mr. Cromwell has been an adjunct professor of entrepreneurship at the Yale School of Management since 1996. Prior to that, he worked for 30 years in various positions at JPMorgan & Company in New York and London. From 2000 to 2009, Mr. Cromwell was chairman of the board and co-founder of CE University, Inc., an online provider of continuing education for insurance professionals. He helped found and serves as a faculty advisor to one of our early investors, Sachem Ventures, a student-run venture capital fund at the Yale School of Management. Mr. Cromwell has served as an advisor to numerous venture-backed and growth companies in Connecticut. Mr. Cromwell holds a BA in Economics from Ohio Wesleyan University and an MBA from New York University, Stern School of Business. We believe that Mr. Cromwell should serve on our Board as he brings to it substantial experience as an advisor to high-growth companies such as ours

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Lowell Robinson, a director nominee to our Board, served as the chief financial officer and chief operating officer of MIVA, Inc., an online advertising network, from August 2007 through March 2009. He joined MIVA in 2006 as chief financial officer and chief administrative officer. He was chief financial officer and chief administrative officer for HotJobs.com and Advo Inc. and held senior financial positions at Citigroup Inc. and Kraft Foods Inc. In addition, he was special counsel to the president (interim chief financial officer) for NYU/Polytechnic. He also previously served as the president of LWR Advisors. Mr. Robinson is on the board of ValueVision Media; served on the board of directors of The Jones Group from 2005-2014 where he chaired the audit committee; was on the board of Local.com Corporation from 2011 to 2012; the board of directors of International Wire Group Inc. from 2003-2009 and the board of directors of Independent Wireless One, Diversified Investment Advisors and Edison Schools Inc. He is a member of the Smithsonian Libraries advisory board, the board of the Metropolitan Opera Guild and was on the board of advisors for the University of Wisconsin Business School (2006-2010). Mr. Robinson earned a Bachelor of Arts in Economics from the University of Wisconsin and a Master of Business Administration from Harvard Business School. We believe Mr. Robinson should serve on our Board due to his vast finance, strategic, operational and governance experience having served as an executive and director of several other publically traded companies. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH NOMINEE NAMED ABOVE.

Directors Continuing in Office until the 2015 Annual Meeting of Stockholders

Miles Lasater is one of our founders and is currently chairman of our Board and a part-time employee. He served as our president from 2012 until early 2014 and as our chief operations officer from 2000 until 2013. Mr. Lasater serves on the boards of Yale New Haven Hospital, SeeClickFix and the Yale Humanist Community. He was a founding officer and board member of the Yale Entrepreneurial Society and has been a board member of the Yale Entrepreneurial Institute since 2008. Both are organizations at Yale University that promote entrepreneurship among Yale students, faculty and alumni. Mr. Lasater holds a BA in computer science from Yale University. Having served as an executive of the Company over the past 14 years, Mr. Lasater has been involved with every aspect of our business, including our marketing strategies and operations, and therefore we believe should serve on our Board.

Robert Hartheimer has been a director of Higher One since his appointment in January 2012. Mr. Hartheimer is the founder and CEO of Hartheimer LLC, based in Washington, D.C., which provides senior-level consulting services to banks, investment firms and financial services companies on financial, regulatory, strategic and governance matters. From 2002 to 2008, Mr. Hartheimer was a Managing Director at Promontory Financial Group, a preeminent regulatory consulting firm. In 1991, Mr. Hartheimer joined the Federal Deposit Insurance Corporation, where he and a small team created the Division of Resolutions to analyze and sell failed banks. He went on to serve as the director of that division. Mr. Hartheimer's other past positions include senior roles at investment banks, including Merrill Lynch, Smith Barney and Friedman Billings Ramsey. Mr. Hartheimer currently serves as a director of Sterling Financial Corporation and Sterling Bank and was previously a director of E*Trade Bank, E*Trade Savings Bank and United Medical Bank. Mr. Hartheimer received a Bachelor's degree from Hamilton College and a Master's of Business Administration from The Wharton School of the University of Pennsylvania. We believe that Mr. Hartheimer should serve on our Board because he brings to it his extensive experience in the financial services industry, the bank regulatory community and investment banking.

Patrick McFadden has been a director of Higher One since 2008. From 1987 to 2010, Mr. McFadden was the non-executive chairman and director of UIL Holdings Corporation and the United Illuminating Company, a regional utility company. Mr. McFadden has also been a director of Godspeed Opera in Haddam, Connecticut since 2007 and a director and the vice-chairman of the Yale-New Haven Health Services Corporation from 1984 through 2013. Mr. McFadden was also a director of Connecticut River Museum in Essex, Connecticut and previously served as a director of Citizen's Bank of Connecticut in New Haven and the South Central Connecticut Regional Water Authority. Mr. McFadden has also held executive positions at the Bank of New Haven, which was sold to Citizens Bank of Connecticut, the Connecticut National Bank and First National Bank. Mr. McFadden holds a BS in management from the University of Notre Dame and a graduate degree from the Stonier Graduate School of Banking. We believe that Mr. McFadden should serve on our Board due to the experience in executive management, corporate governance and risk management he has acquired through his service as an executive at numerous financial institutions and as the chairman of a public company.

Directors Continuing in Office until the 2016 Annual Meeting of Stockholders

Marc Sheinbaum has served as a president and chief executive officer of Higher One and a member of our Board since April 16, 2014. Mr. Sheinbaum is an experienced leader and general manager with over 25 years of consumer financial services experience. From 2007 to 2013, Mr. Sheinbaum served as President and CEO of JPMorgan Chase's auto and student loans business, and previously held the position of President and CEO of GE Money Services. Mr. Sheinbaum holds a BS from State University of New York at Albany and an MBA from New York University. We believe that Mr. Sheinbaum should serve on our Board because of his executive management experience and deep insight into the consumer finance industry.

Paul Biddelman has been a director of Higher One since 2002. Mr. Biddelman has been president of Hanseatic Corporation, a private investment company and the manager of our investor, Hanseatic Americas LDC, since 1997, where he has primary private investment responsibilities. He is also a director of Blue Ridge Real Estate Company and SystemOne Technologies, Inc. Mr. Biddelman has served on numerous boards of both public and private companies, including the boards of DocuSys, Inc. from 2001 to 2009 and Passlogix, Inc. from 2000 to 2009. Mr. Biddelman also served as chairman of the Lehigh University College of Arts & Sciences Dean's Advisory Board. Mr. Biddelman holds a BS from Lehigh University, a JD from Columbia Law School and an MBA from Harvard Business School. We believe that Mr. Biddelman's service on the boards of numerous public companies has provided him with valuable experience and insight into the issues faced by such companies which, together with the deep knowledge of our company derived from his long-standing relationship with us, leads us to believe he should serve on our Board.

Samara Braunstein has been a director of Higher One since 2013. Ms. Braunstein is a strategic marketing consultant, and the founder of HudsonView Group Associates, LLC. Prior to that, she was the Founder and Chief Executive Officer of Wellgate Products, LLC, an over-the-counter consumer healthcare products company with distribution nationwide and in Canada through many of the largest retail chains, from 2003 until 2008, when the business was acquired by a strategic buyer. Previously, she was a Director in Interactive Marketing at America Online, Inc. (then a subsidiary of AOL Time Warner Inc.), and held a variety of consumer marketing roles at Warner-Lambert Company and Revlon, Inc. She has also worked in private equity at Golder, Thoma & Cressey, and began her career in Mergers and Acquisitions at The First Boston Corporation. Ms. Braunstein is a member of the Dean's Advisory Committee and the Honors Alumni Council at the University of Michigan. Ms. Braunstein holds a BA in Economics from the University of Michigan. The Company believes that Ms. Braunstein's entrepreneurial experience, her experience in consumer marketing and media, and her finance background will contribute valuable perspective to the Board.

Charles Moran has been a director of Higher One since 2009. Mr. Moran is the founder of SkillSoft PLC where since 1998 he has held various positions, including member of the board of directors, president, chief executive officer and, since November 2006, chairman of the board. SkillSoft PLC is a leading software-as-a-service provider of on demand e-learning and performance solutions for global enterprises, government, educational institutions and small-to-medium size businesses. Mr. Moran holds a BS in General Management from Boston College and an MBA from Suffolk University. We believe Mr. Moran is qualified to serve on our Board because of the skills and experience he has gained in his role as chairman and chief executive officer of a leading, formerly publicly traded technology company.

Executive Officers

The following is biographical information for our executive officers not discussed above.

Name	Age
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Christopher Wolf	
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Casey McGuane

Robert Reach See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
CORPORATE BONDS 67.7%		
CONSUMER DISCRETIONARY 19.4%		
Auto Components 1.2%		
Exide Technologies, 10.50%, 03/15/2013 - 144A	\$ 2,600,000	\$ 2,216,500
RJ Tower Corp., 12.00%, 06/01/2013 • (p)	1,245,000	666,075
Tenneco Automotive, Inc., 8.625%, 11/15/2014 - 144A	6,125,000	5,619,688
TRW Automotive, Inc., 10.125%, 02/15/2013	970,000	1,389,080
		<u>9,891,343</u>
Hotels, Restaurants & Leisure 6.1%		
Ameristar Casinos, Inc., 10.75%, 02/15/2009	6,000,000	6,555,000
Equinox Holdings, Inc., 9.00%, 12/15/2009 (p)	4,635,000	4,762,462
Gaylord Entertainment Co., 6.75%, 11/15/2014 144A	1,000,000	930,000
Herbst Gaming, Inc., 7.00%, 11/15/2014 144A	3,125,000	3,078,125
Inn of The Mountain Gods Resort & Casino, 12.00%, 11/15/2010 (p)	3,000,000	3,532,500
Isle of Capri Casinos, Inc., 7.00%, 03/01/2014	3,250,000	3,168,750
John Q. Hammons Hotels LP, Ser. B, 8.875%, 05/15/2012	6,000,000	6,420,000
La Quinta Corp., 8.875%, 03/15/2011	4,000,000	4,325,000
Las Vegas Sands Corp., 6.375%, 02/15/2015 (p) 144A	2,495,000	2,351,537
Mandalay Resort Group, Ser. B, 10.25%, 08/01/2007	5,000,000	5,512,500
MGM MIRAGE, Inc., 5.875%, 02/27/2014 (p)	1,950,000	1,835,438
Station Casinos, Inc.:		
6.50%, 02/01/2014	1,575,000	1,578,938
6.875%, 03/01/2016 (p)	1,575,000	1,598,625
Wynn Resorts, Ltd., 6.625%, 12/01/2014 144A	4,555,000	4,281,700
		<u>49,930,575</u>
Household Durables 0.8%		
Hovnanian Enterprises, Inc.:		
6.375%, 12/15/2014 (p)	1,600,000	1,568,000
7.75%, 05/15/2013	1,750,000	1,789,375
Meritage Homes Corp., 6.25%, 03/15/2015 144A	1,725,000	1,595,625

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Technical Olympic USA, Inc., 10.375%, 07/01/2012	2,000,000	2,110,000
		<u>7,063,000</u>
Leisure Equipment & Products 0.3%		
Riddell Bell Holdings, Inc., 8.375%, 10/01/2012 144A	2,485,000	2,516,062
Media 7.7%		
AMC Entertainment, Inc., 8.625%, 08/15/2012 144A	4,570,000	4,764,225
Cablevision Systems Corp., 8.00%, 04/15/2012 (p) 144A	7,000,000	6,938,750
CCO Holdings LLC, 8.75%, 11/15/2013 (p)	3,000,000	2,902,500
Charter Communications Holdings LLC, 8.625%, 04/01/2009 (p)	5,700,000	4,146,750
Cinemark USA, Inc.:		
9.00%, 02/01/2013	5,000,000	5,312,500
Sr. Disc. Note, Step Bond, 0.00%, 03/15/2014 †	2,975,000	2,060,187
Dex Media East LLC, 9.875%, 11/15/2009	5,500,000	6,050,000
Emmis Communications Corp., 6.875%, 05/15/2012	3,000,000	2,977,500
Houghton Mifflin Co., 9.875%, 02/01/2013 (p)	3,000,000	3,045,000
Marquee Holdings, Inc., Sr. Disc. Note, Step Bond, 0.00%, 08/15/2014 † 144A	5,100,000	3,213,000

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
CORPORATE BONDS continued		
CONSUMER DISCRETIONARY continued		
Media continued		
Mediacom LLC, 9.50%, 01/15/2013 (p)	\$ 6,200,000	\$ 5,967,500
PRIMEDIA, Inc., 8.875%, 05/15/2011	2,060,000	2,142,400
Sinclair Broadcast Group, Inc., 8.00%, 03/15/2012 (p)	3,000,000	2,992,500
Visant Corp., 7.625%, 10/01/2012	3,035,000	3,050,175
WMG Holdings Corp., 7.39%, 12/15/2011 144A	3,625,000	3,751,875
Young Broadcasting, Inc., 8.50%, 12/15/2008 (p)	4,000,000	4,282,680
		<u>63,597,542</u>
Multi-line Retail 0.8%		
J.C. Penney Co., Inc., 7.375%, 08/15/2008 (p)	6,000,000	6,390,000
Specialty Retail 1.3%		

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American Achievement Corp., 8.25%, 04/01/2012	1,845,000	1,904,963
CSK Auto, Inc., 7.00%, 01/15/2014	3,250,000	2,957,500
FTD, Inc., 7.75%, 02/15/2014	2,916,000	2,916,000
United Auto Group, Inc., 9.625%, 03/15/2012	3,000,000	3,135,000

10,913,463

Textiles, Apparel & Luxury Goods 1.2%

Norcross Safety Products LLC:		
11.75%, 01/01/2012 144A	800,000	816,000
Ser. B, 9.875%, 08/15/2011	6,000,000	6,360,000
The Warnaco Group, Inc., 8.875%, 06/15/2013	3,000,000	3,255,000

10,431,000

CONSUMER STAPLES 2.5%

Food & Staples Retailing 0.5%

Rite Aid Corp., 8.125%, 05/01/2010 (p)	4,000,000	3,920,000
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Food Products 0.6%

B&G Foods Holdings Corp., 8.00%, 10/01/2011 (p)	240,000	249,000
Chiquita Brands International, Inc., 7.50%, 11/01/2014	1,000,000	920,000
Del Monte Foods Co.:		
6.75%, 02/15/2015 144A	685,000	661,025
8.625%, 12/15/2012	2,858,000	3,072,350

4,902,375

Household Products 0.4%

Spectrum Brands, Inc., 7.375%, 02/01/2015 144A	3,435,000	3,349,125
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Personal Products 0.5%

Playtex Products, Inc., 8.00%, 03/01/2011	3,800,000	4,075,500
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Tobacco 0.5%

Commonwealth Brands, Inc., 10.625%, 09/01/2008 144A	4,000,000	4,200,000
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ENERGY 9.3%

Energy Equipment & Services 3.4%

Dresser, Inc., 9.375%, 04/15/2011	6,000,000	6,300,000
Grant Prideco, Inc., 9.625%, 12/01/2007 (p)	6,000,000	6,585,000

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
CORPORATE BONDS continued		
ENERGY continued		
Energy Equipment & Services continued		
Gulfmark Offshore, Inc., 7.75%, 07/15/2014 144A	\$1,675,000	\$ 1,700,125
Hornbeck Offshore Services, Ser. B, 6.125%, 12/01/2014	850,000	842,562
Parker Drilling Co.:		
9.625%, 10/01/2013 (p)	1,641,000	1,813,305
9.625%, 10/01/2013 144A	3,500,000	3,867,500
SESI LLC, 8.875%, 05/15/2011	6,000,000	6,450,000
		<u>27,558,492</u>
Oil, Gas & Consumable Fuels 5.9%		
Chesapeake Energy Corp.:		
6.875%, 01/15/2016	3,500,000	3,500,000
7.75%, 01/15/2015 (p)	4,425,000	4,679,437
9.00%, 08/15/2012	4,000,000	4,400,000
El Paso Corp.:		
7.75%, 01/15/2032 (p)	3,200,000	2,960,000
7.875%, 06/15/2012 (p)	3,025,000	2,972,063
El Paso Production Holding Co., 7.75%, 06/01/2013	4,500,000	4,556,250
Exco Resources, Inc., 7.25%, 01/15/2011	900,000	891,000
Overseas Shipholding Group, Inc., 8.25%, 03/15/2013	6,000,000	6,390,000
Pemex Project Funding Master Trust, 6.625%, 04/04/2010	2,500,000	3,561,770
Petroleum Helicopters, Inc., 9.375%, 05/01/2009	4,000,000	4,200,000
Premcor Refining Group, Inc., 9.50%, 02/01/2013	2,650,000	3,021,000
The Williams Companies, Inc.:		
7.50%, 01/15/2031	2,850,000	2,956,875
8.125%, 03/15/2012 (p)	4,150,000	4,565,000
		<u>48,653,395</u>
FINANCIALS 5.1%		
Consumer Finance 1.8%		
General Motors Acceptance Corp., 6.125%, 09/15/2006	6,000,000	5,966,148
Metris Companies, Inc., 10.125%, 07/15/2006	2,707,000	2,720,535
Terra Capital, Inc., 11.50%, 06/01/2010	2,600,000	2,977,000
Triad Financial Corp., 11.125%, 05/01/2013 144A	2,900,000	2,889,125
		<u>14,552,808</u>

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Diversified Financial Services 0.5%

Arch Western Finance LLC, 6.75%, 07/01/2013	3,000,000	3,022,500
Borden US Finance Corp., 9.00%, 07/15/2014 144A	870,000	874,350
		3,896,850

Insurance 0.6%

Crum & Forster Holdings Corp., 10.375%, 06/15/2013	5,000,000	5,450,000
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Real Estate 2.2%

Crescent Real Estate Equities Co., REIT, 9.25%, 04/15/2009	3,500,000	3,693,091
HMH Properties, Inc., Ser. B, 7.875%, 08/01/2008 (p)	669,000	685,725
Host Marriott Corp., Ser. J, REIT, 7.125%, 11/01/2013 (p)	5,525,000	5,621,687

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
CORPORATE BONDS continued		
FINANCIALS continued		
Real Estate continued		
Omega Healthcare Investors, Inc., REIT:		
6.95%, 08/01/2007	\$1,850,000	\$ 1,889,313
7.00%, 04/01/2014	550,000	533,500
Thornburg Mortgage, Inc., REIT, 8.00%, 05/15/2013	6,000,000	6,060,000
		18,483,316
HEALTH CARE 2.9%		
Health Care Equipment & Supplies 0.4%		
Universal Hospital Services, Inc., 10.125%, 11/01/2011	2,920,000	2,971,100
Health Care Providers & Services 2.5%		
Carriage Services, Inc., 7.875%, 01/15/2015 144A	1,540,000	1,555,400
HCA, Inc., 6.375%, 01/15/2015 (p)	3,225,000	3,252,761
IASIS Healthcare Corp., 8.75%, 06/15/2014	2,075,000	2,142,437
Select Medical Corp., 7.625%, 02/01/2015 144A	3,500,000	3,456,250
Service Corporation International, 6.75%, 04/01/2016 (p)	1,835,000	1,757,013
Team Health, Inc., 9.00%, 04/01/2012 (p)	3,400,000	3,400,000
Tenet Healthcare Corp., 9.875%, 07/01/2014	4,850,000	5,007,625

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		20,571,486
INDUSTRIALS 6.4%		
Aerospace & Defense 0.3%		
Argo-Tech Corp., 9.25%, 06/01/2011 (p)	665,000	714,875
Moog, Inc., 6.25%, 01/15/2015	1,910,000	1,900,450
		2,615,325
Commercial Services & Supplies 3.7%		
Allied Waste North America, Inc.:		
5.75%, 02/15/2011 (p)	1,750,000	1,544,375
6.375%, 04/15/2011 (p)	1,750,000	1,601,250
American Color Graphics, Inc., 10.00%, 06/15/2010 (p)	3,000,000	1,935,000
Clean Harbors, Inc., 11.25%, 07/15/2012 144A	2,000,000	2,230,000
Corrections Corporation of America, 6.25%, 03/15/2013 144A	1,500,000	1,455,000
Geo Group, Inc., 8.25%, 07/15/2013	6,000,000	6,045,000
JohnsonDiversey Holdings, Inc., Sr. Disc. Note, Step Bond, 0.00%, 05/15/2013 † (p)	6,000,000	4,770,000
NationsRent West, Inc., 9.50%, 10/15/2010	6,000,000	6,510,000
TriMas Corp., 9.875%, 06/15/2012	4,450,000	4,405,500
		30,496,125
Machinery 1.7%		
Case New Holland, Inc., 9.25%, 08/01/2011 144A	6,000,000	6,150,000
Douglas Dynamics LLC, 7.75%, 01/15/2012 144A	2,215,000	2,181,775
Dresser Rand Group, Inc., 7.375%, 11/01/2014 144A	2,575,000	2,523,500
Terex Corp., 7.375%, 01/15/2014	3,000,000	3,030,000
		13,885,275

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
CORPORATE BONDS continued		
INDUSTRIALS continued		

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Trading Companies & Distributors 0.7%		
United Rentals North America, Inc., 7.75%, 11/15/2013 (p)	\$6,175,000	\$ 5,819,937
INFORMATION TECHNOLOGY 2.9%		
Communications Equipment 0.7%		
Lucent Technologies, Inc., 6.45%, 03/15/2029 (p)	7,125,000	6,047,344
Electronic Equipment & Instruments 0.5%		
Da-Lite Screen Co., Inc., 9.50%, 05/15/2011	3,650,000	4,005,875
Internet Software & Services 0.8%		
UGS Corp., 10.00%, 06/01/2012 144A	5,740,000	6,170,500
IT Services 0.9%		
Computer Sciences Corp., 9.50%, 02/15/2013 144A	4,325,000	4,173,625
Stratus Technologies, Inc., 10.375%, 12/01/2008	3,585,000	3,513,300
		7,686,925
MATERIALS 12.5%		
Chemicals 3.9%		
Arco Chemical Co., 9.80%, 02/01/2020 (p)	1,635,000	1,814,850
Equistar Chemicals LP, 10.625%, 05/01/2011	5,700,000	6,384,000
Huntsman Advanced Materials LLC, 11.00%, 07/15/2010 144A	2,650,000	3,034,250
Huntsman International LLC:		
9.875%, 03/01/2009 (p)	3,000,000	3,240,000
11.50%, 07/15/2012 144A	3,300,000	3,811,500
Lyondell Chemical Co.:		
9.50%, 12/15/2008	3,000,000	3,213,750
10.50%, 06/01/2013	2,625,000	3,038,437
Millenium America, Inc., 9.25%, 06/15/2008	4,000,000	4,280,000
PQ Corp., 7.50%, 02/15/2013 144A	3,295,000	3,212,625
		32,029,412
Containers & Packaging 2.5%		
Graham Packaging Co., 9.875%, 10/15/2014 144A	3,010,000	2,889,600
Graphic Packaging International, Inc., 9.50%, 08/15/2013 (p)	6,000,000	6,000,000
Owens-Brockway Glass Containers, Inc.:		
8.25%, 05/15/2013	4,300,000	4,579,500
8.75%, 11/15/2012	4,050,000	4,434,750
Stone Container Corp., 9.75%, 02/01/2011	3,000,000	3,157,500
		21,061,350
Metals & Mining 3.4%		
Alaska Steel Corp., 7.75%, 06/15/2012 (p)	4,750,000	4,251,250

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Foundation Pennsylvania Coal Co., 7.25%, 08/01/2014	3,595,000	3,711,838
Freeport-McMoRan Copper & Gold, Inc., 6.875%, 02/01/2014 (p)	4,705,000	4,446,225
Oregon Steel Mills, Inc., 10.00%, 07/15/2009 (p)	4,350,000	4,687,125
Peabody Energy Corp., 5.875%, 04/15/2016 (p)	4,630,000	4,514,250
United States Steel Corp., 10.75%, 08/01/2008	5,433,000	6,139,290
		27,749,978
		27,749,978

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
CORPORATE BONDS continued		
MATERIALS continued		
Paper & Forest Products 2.7%		
Amscan Holdings, Inc., 8.75%, 05/01/2014	\$2,985,000	\$ 2,790,975
Boise Cascade LLC:		
6.02%, 10/15/2012 144A	1,500,000	1,492,500
7.125%, 10/15/2014 144A	1,500,000	1,432,500
Bowater, Inc., 6.50%, 06/15/2013 (p)	3,125,000	2,851,563
Buckeye Technologies, Inc., 8.50%, 10/01/2013 (p)	5,000,000	5,225,000
Georgia Pacific Corp.:		
8.00%, 01/15/2024	1,670,000	1,786,900
8.125%, 05/15/2011	6,000,000	6,592,500
		22,171,938
		22,171,938
TELECOMMUNICATION SERVICES 4.3%		
Diversified Telecommunication Services 2.1%		
Consolidated Communications, Inc., 9.75%, 04/01/2012 144A	6,000,000	6,330,000
Hawaiian Telecom Communications, Inc.:		
8.71%, 05/01/2013	2,250,000	2,238,750
9.75%, 05/01/2013 144A	1,750,000	1,747,813
Insight Midwest LP, 9.75%, 10/01/2009	3,750,000	3,937,500
Qwest Communications International, Inc., 7.875%, 09/01/2011 144A	3,000,000	3,060,000
		17,314,063
		17,314,063
Wireless Telecommunication Services 2.2%		

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Alamosa Holdings, Inc., 8.50%, 01/31/2012	1,500,000	1,560,000
Centennial Communications Corp., 10.125%, 06/15/2013	4,000,000	4,390,000
Horizon PCS, Inc., 11.375%, 07/15/2012 144A	1,500,000	1,665,000
Nextel Communications, Inc., 7.375%, 08/01/2015	6,000,000	6,420,000
Rural Cellular Co., 8.25%, 03/15/2012	580,000	590,150
UbiquiTel, Inc., 9.875%, 03/01/2011 (p)	1,500,000	1,631,250
US Unwired, Inc., Ser. B, 10.00%, 06/15/2012	1,500,000	1,653,750
		<hr/>
		17,910,150
		<hr/>
UTILITIES 2.4%		
Electric Utilities 0.7%		
Reliant Energy, Inc.:		
6.75%, 12/15/2014 (p)	3,250,000	2,892,500
9.25%, 07/15/2010	3,000,000	3,082,500
		<hr/>
		5,975,000
		<hr/>
Gas Utilities 0.5%		
SEMCO Energy, Inc., 7.75%, 05/15/2013	4,000,000	4,061,140
		<hr/>
Multi-Utilities 1.2%		
AES Corp., 7.75%, 03/01/2014 (p)	4,800,000	4,920,000
NRG Energy, Inc., 8.00%, 12/15/2013 144A	4,332,000	4,396,980
		<hr/>
		9,316,980
		<hr/>
<i>Total Corporate Bonds (cost \$561,727,318)</i>		557,634,749
		<hr/>

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
FOREIGN BONDS-CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) 21.7%		
CONSUMER DISCRETIONARY 1.3%		
Automobiles 0.1%		
Renault SA, 6.125%, 06/26/2009 EUR	500,000 \$	715,828
		<hr/>

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Hotels, Restaurants & Leisure 0.7%

McDonald's Corp., 5.625%, 10/07/2009 EUR	1,000,000	1,425,737
Sodexo Alliance SA, 5.875%, 03/25/2009 EUR	3,300,000	4,653,769
		<hr/>
		6,079,506

Internet & Catalog Retail 0.1%

Great University Stores, 5.625%, 12/12/2013 GBP	500,000	943,843
		<hr/>

Multi-line Retail 0.2%

Woolworths Group plc, 8.75%, 11/15/2006 GBP	750,000	1,477,663
		<hr/>

Specialty Retail 0.2%

LVMH Moet Hennessy-Louis Vuitton SA, 6.125%, 06/25/2008 EUR	1,000,000	1,412,549
		<hr/>

CONSUMER STAPLES 0.9%

Beverages 0.2%

Canandaigua Brands, Inc., 8.50%, 11/15/2009 GBP	750,000	1,502,708
		<hr/>

Food Products 0.3%

Cadbury Schweppes plc, 4.25%, 06/30/2009 EUR	2,000,000	2,681,250
		<hr/>

Tobacco 0.4%

Imperial Tobacco plc, 6.50%, 11/13/2008 GBP	1,500,000	2,970,352
		<hr/>

ENERGY 0.1%

Oil, Gas and Consumable Fuels 0.1%

Transco plc, 7.00%, 12/15/2008 AUD	1,000,000	805,002
		<hr/>

FINANCIALS 15.9%

Capital Markets 1.3%

Deutsche Bank AG, FRN, 2.71%, 08/09/2007 CAD	6,200,000	4,911,509
Merrill Lynch & Co., Inc., FRN, 2.39%, 02/09/2009 EUR	4,350,000	5,603,925
		<hr/>

10,515,434

Commercial Banks 8.1%

Banco Santander-Chile, 4.00%, 09/10/2010 EUR	7,700,000	10,383,743
Bank Nederlandse Gemeenten NV, MTN, 4.875%, 04/21/2010 GBP	1,920,000	3,672,354
BOS International Australia, 3.50%, 01/22/2007 CAD	5,000,000	3,983,501
BSCH Issuances, Ltd., 5.125%, 07/06/2009 EUR	2,000,000	2,788,943
DnB NOR ASA, MTN, 2.82%, 12/08/2008 CAD	4,000,000	3,176,172
Eurofima, MTN, 6.50%, 08/22/2011 AUD	5,000,000	4,059,313
European Investment Bank:		
4.00%, 04/15/2009 SEK	5,000,000	731,554
4.25%, 12/07/2010 GBP	1,950,000	3,627,222
8.50%, 12/12/2007 ZAR	7,000,000	1,185,852

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FRN, 2.83%, 08/16/2013 GBP 800,000 1,708,590

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
FOREIGN BONDS-CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) continued		
FINANCIALS continued		
Commercial Banks continued		
European Investment Bank:		
MTN:		
5.75%, 09/15/2009 AUD	5,470,000	\$ 4,293,307
8.00%, 10/21/2013 ZAR	51,430,000	8,438,753
Kreditanstalt Für Wiederaufbau:		
3.50%, 04/17/2009 EUR	1,300,000	1,722,490
MTN, 4.75%, 12/07/2010 GBP	1,900,000	3,616,335
Landwirtschaftliche Rentenbank, 6.00%, 09/15/2009 AUD	7,100,000	5,600,664
Rabobank Australia, Ltd., 6.25%, 11/22/2011 NZD	725,000	519,556
Rabobank Nederland:		
4.25%, 01/05/2009 CAD	3,030,000	2,450,414
FRN, 2.73%, 06/18/2007 CAD	5,000,000	3,966,447
Royal Bank of Canada, FRN, 5.02%, 04/08/2010 GBP	630,000	1,202,555
		<u>67,127,765</u>
Diversified Financial Services 3.0%		
British American Tobacco plc, 4.875%, 02/25/2009 EUR	1,000,000	1,364,750
Cedulas TDA, 3.25%, 06/19/2010 EUR	6,000,000	7,840,170
General Electric Capital Corp.:		
FRN, 2.19%, 03/31/2008 EUR	1,000,000	1,286,393
MTN:		
5.25%, 12/10/2013 GBP	1,880,000	3,627,416
6.625%, 02/04/2010 NZD	12,000,000	8,759,005
JSG Funding plc, 10.125%, 10/01/2012 EUR	1,130,000	1,563,758
Network Rail Finance plc, FRN, 2.14%, 02/27/2007 EUR	300,000	386,111
		<u>24,827,603</u>
Insurance 0.3%		

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Aegon NV, 4.625%, 04/16/2008 EUR	1,000,000	1,354,779
Travelers Insurance Co., 6.00%, 04/07/2009 AUD	1,000,000	782,852
		2,137,631

Thriffs & Mortgage Finance 3.2%

Canada Mortgage & Housing Corp., Canada Housing Trust, Ser. 5, 3.70%, 09/15/2008 CAD	7,488,000	5,985,411
Nykredit:		
4.00%, 10/01/2020 DKK	35,160,324	6,137,030
6.00%, 10/01/2022 DKK	10,686,588	1,916,531
Realkredit Danmark, 6.00%, 10/01/2022 DKK	5,281,711	946,993
Totalkredit:		
6.00%, 07/01/2022 DKK	2,953,755	528,067
FRN, 2.65%, 01/01/2015 DKK	63,500,000	11,027,590
		26,541,622

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
FOREIGN BONDS-CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) continued		
INDUSTRIALS 1.5%		
Commercial Services & Supplies 0.6%		
Agbar International, 6.00%, 11/12/2009 EUR	3,290,000	\$ 4,760,733
Construction & Engineering 0.4%		
ABB International Finance, Ltd., 6.50%, 11/30/2011 EUR	2,360,000	3,365,954
Electrical Equipment 0.3%		
Fimep SA, 11.00%, 02/15/2013 EUR	1,550,000	2,405,634
Machinery 0.2%		
Harsco Corp., 7.25%, 10/27/2010 GBP	1,000,000	2,089,861
INFORMATION TECHNOLOGY 0.3%		
Office Electronics 0.3%		

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Xerox Corp., 9.75%, 01/15/2009 EUR	1,800,000	2,742,688
TELECOMMUNICATION SERVICES 1.0%		
Diversified Telecommunication Services 1.0%		
France Telecom, FRN, 2.38%, 01/23/2007 EUR	2,018,000	2,600,542
Telecom Italia SpA, FRN, 2.46%, 10/29/2007 EUR	4,000,000	5,152,720
		<hr/>
		7,753,262
UTILITIES 0.7%		
Electric Utilities 0.7%		
Electricidade De Portugal, 6.40%, 10/29/2009 EUR	2,000,000	2,932,405
International Endesa BV, 4.375%, 06/18/2009 EUR	2,000,000	2,708,527
		<hr/>
		5,640,932
		<hr/>
<i>Total Foreign Bonds-Corporate (Principal Amount Denominated in Currency Indicated) (cost \$168,010,837)</i>		178,497,820
		<hr/>

**FOREIGN BONDS-GOVERNMENT (PRINCIPAL AMOUNT
DENOMINATED IN CURRENCY INDICATED) 13.7%**

Australia, 5.32%, 08/20/2015 AUD	12,846,000	14,894,631
British Columbia Province, 6.375%, 08/23/2010 CAD	3,288,000	2,922,583
France, 1.60%, 07/25/2015 EUR	3,950,000	5,196,619
Hong Kong, 3.52%, 03/22/2010 HKD	71,000,000	9,267,562
Mexico, 8.00%, 12/19/2013 MXN	56,000,000	4,367,620
New Zealand, 6.50%, 04/15/2013 NZD	9,606,000	7,325,011
Norway:		
5.00%, 05/15/2015 NOK	3,150,000	549,072
6.50%, 05/15/2013 NOK	82,030,000	15,576,391
Ontario Province:		
4.50%, 04/17/2008 CAD	5,250,000	4,286,577
6.50%, 12/01/2005 CAD	178,000	144,178
Quebec Province, 5.625%, 06/21/2011 EUR	800,000	1,172,807

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
<hr/>		
FOREIGN BONDS-GOVERNMENT (PRINCIPAL AMOUNT		

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DENOMINATED IN CURRENCY INDICATED) continued

Sweden:

3.80%, 12/01/2015 SEK	77,875,000	\$ 14,131,243
4.00%, 12/01/2009 SEK	36,700,000	5,405,155
5.25%, 03/15/2011 SEK	70,000,000	10,994,019
United Kingdom, 6.41%, 08/23/2011 GBP	3,250,000	16,304,140

*Total Foreign Bonds-Government (Principal Amount Denominated in
Currency Indicated) (cost \$107,995,120)*

112,537,608

YANKEE OBLIGATIONS-CORPORATE 6.5%

CONSUMER DISCRETIONARY 1.1%

Hotels, Restaurants & Leisure 0.3%

Intrawest Corp., 7.50%, 10/15/2013	\$ 3,025,000	3,025,000
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Media 0.8%

IMAX Corp., 9.625%, 12/01/2010 (p)	6,000,000	6,375,000
------------------------------------	-----------	-----------

CONSUMER STAPLES 0.7%

Food & Staples Retailing 0.7%

The Jean Coutu Group (PJC), Inc., 8.50%, 08/01/2014 (p)	6,000,000	5,685,000
---	-----------	-----------

FINANCIALS 0.5%

Commercial Banks 0.0%

UBS Luxem SA, 4.92%, 10/24/2006	260,000	263,822
---------------------------------	---------	---------

Consumer Finance 0.1%

Stone Container Finance Co., 7.375%, 07/15/2014 (p)	675,000	624,375
---	---------	---------

Diversified Financial Services 0.4%

Ship Finance International, Ltd., 8.50%, 12/15/2013	3,455,000	3,299,525
---	-----------	-----------

INDUSTRIALS 0.2%

Transportation Infrastructure 0.2%

Sea Containers, Ltd., 10.50%, 05/15/2012	1,520,000	1,596,000
--	-----------	-----------

INFORMATION TECHNOLOGY 0.6%

Electronic Equipment & Instruments 0.4%

Celestica, Inc., 7.875%, 07/01/2011 (p)	3,175,000	3,175,000
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Semiconductors & Semiconductor Equipment 0.2%

Magnachip Semiconductor SA:

6.875%, 12/15/2011 144A	700,000	644,000
FRN, 6.26%, 12/15/2011 144A	700,000	658,000

1,302,000

MATERIALS 2.7%**Containers & Packaging 1.6%**

Acetex Corp., 10.875%, 08/01/2009	6,000,000	6,360,000
Crown European Holdings, 10.875%, 03/01/2013	6,000,000	6,885,000
		13,245,000

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

	Principal Amount	Value
YANKEE OBLIGATIONS-CORPORATE continued		
MATERIALS continued		
Metals & Mining 0.8%		
Gerdau Ameristeel Corp., 10.375%, 07/15/2011	\$ 497,000	\$ 544,215
Novelis, Inc., 7.25%, 02/15/2015 144A	6,300,000	6,126,750
		6,670,965
Paper & Forest Products 0.3%		
Abitibi Consolidated, Inc., 6.00%, 06/20/2013 (p)	1,775,000	1,464,375
Tembec Industries, Inc., 7.75%, 03/15/2012	780,000	592,800
		2,057,175
TELECOMMUNICATION SERVICES 0.7%		
Diversified Telecommunication Services 0.3%		
Northern Telecom, Ltd., 6.875%, 09/01/2023 (p)	3,000,000	2,760,000
Wireless Telecommunication Services 0.4%		
Rogers Wireless, Inc.:		
6.375%, 03/01/2014 (p)	1,390,000	1,337,875
7.50%, 03/15/2015	1,750,000	1,804,687
		3,142,562
		53,221,424
<i>Total Yankee Obligations-Corporate (cost \$54,306,738)</i>		<i>53,221,424</i>

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	Shares	Value
SHORT-TERM INVESTMENTS 17.3%		
MUTUAL FUND SHARES 17.3%		
Evergreen Institutional Money Market Fund ø ##	12,117,715	12,117,715
Navigator Prime Portfolio (p)(p)	130,143,108	130,143,108
		<hr/>
<i>Total Short-Term Investments (cost \$142,260,823)</i>		142,260,823
		<hr/>
Total Investments (cost \$1,327,599,999) 162.4%		1,337,532,345
Other Assets and Liabilities and Preferred Shares (62.4%)		(513,974,169)
		<hr/>
Net Assets Applicable to Common Shareholders 100.0%		\$ 823,558,176
		<hr/>

When-issued or delayed delivery security

All or a portion of this security has been segregated for when-issued or delayed delivery securities.

(p) All or a portion of this security is on loan.

144A Security that may be sold to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. This security has been determined to be liquid under guidelines established by the Board of Trustees.

• Security which has defaulted on payment of interest and/or principal. The Fund has stopped accruing interest on this security.

† Security initially issued in zero coupon form which converts to coupon form at a specified rate and date. An interest rate is applied to recognize interest income daily for the bond. This rate is based on total expected interest to be earned over the life of the bond which consists of the aggregate coupon-interest payments and discount on acquisition. The rate shown is the stated rate at the current period end.

ø Evergreen Investment Management Company, LLC is the investment advisor to both the Fund and the money market fund.

(p)(p) Represents investment of cash collateral received from securities on loan.

See Notes to Financial Statements

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SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

Summary of Abbreviations

AUD Australian Dollar

CAD Canadian Dollar

DKK Danish Krone

EUR Euro

FHLMC Federal Home Loan Mortgage Corp.

FNMA Federal National Mortgage Association

FRN Floating Rate Note

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GBP	Great British Pound
GNMA	Government National Mortgage Association
HKD	Hong Kong Dollar
MTN	Medium-Term Note
MXN	Mexican Peso
NOK	Norwegian Krone
NZD	New Zealand Dollar
REIT	Real Estate Investment Trust
SEK	Swedish Krona
TBA	To Be Announced
ZAR	South African Rand

The following table shows the percent of total long-term investments by geographic location as of April 30, 2005:

United States	73.4%
Canada	4.9%
Sweden	2.6%
United Kingdom	2.0%
France	2.0%
Luxembourg	2.0%
Denmark	1.7%
Australia	1.7%
Norway	1.6%
Germany	1.6%
Netherlands	1.6%
Spain	1.5%
Hong Kong	0.8%
New Zealand	0.6%
Italy	0.4%
Bermuda	0.4%
Mexico	0.4%
Switzerland	0.3%
Portugal	0.2%
Cayman Islands	0.2%
Ireland	0.1%
	<hr/>
	100.0%
	<hr/>

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

April 30, 2005 (unaudited)

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The following table shows the percent of total bonds by credit quality based on Moody's and Standard & Poor's ratings as of April 30, 2005:

AAA	39.7%
AA	3.4%
A	2.6%
BBB	3.0%
BB	14.9%
B	33.4%
CCC	2.9%
NA	0.1%
	<hr/>
	100.0%
	<hr/>

The following table shows the percent of total bonds by maturity as of April 30, 2005:

1 to 3 year(s)	17.9%
3 to 5 years	25.3%
5 to 10 years	50.1%
10 to 20 years	5.7%
20 to 30 years	1.0%
	<hr/>
	100.0%
	<hr/>

See Notes to Financial Statements

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STATEMENT OF ASSETS AND LIABILITIES

April 30, 2005 (unaudited)

Assets

Investments in securities, at value (cost \$1,315,482,284)	
including \$126,925,552 of securities loaned	\$ 1,325,414,630
Investments in affiliates, at value (cost \$12,117,715)	12,117,715
Receivable from broker	6,720,001
Foreign currency, at value (cost \$7,570,001)	7,554,022
Receivable for securities sold	16,482,317
Principal paydown receivable	1,134,930
Interest receivable	20,128,850
Unrealized gains on open forward foreign currency exchange contracts	3,683,026
Receivable for securities lending income	23,902
Unrealized gains on interest rate swap transactions	4,706,689

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Total assets	1,397,966,082
Liabilities	
Dividends payable	4,907,819
Payable for securities purchased	35,476,498
Payable for closed forward foreign currency exchange contracts	3,059,444
Payable for securities on loan	130,143,108
Payable for offering costs	272,437
Advisory fee payable	55,334
Due to other related parties	5,030
Accrued expenses and other liabilities	218,843
Total liabilities	174,138,513
Preferred shares at redemption value	
\$25,000 liquidation value per share applicable to 16,000 shares, including dividends payable of \$269,393	400,269,393
Net assets applicable to common shareholders	\$ 823,558,176
Net assets applicable to common shareholders represented by	
Paid-in capital	\$ 797,137,238
Undistributed net investment income	1,122,777
Accumulated net realized gains on securities, foreign currency related transactions and interest rate swap transactions	15,688,905
Net unrealized gains on securities, foreign currency related transactions and interest rate swap transactions	9,609,256
Net assets applicable to common shareholders	\$ 823,558,176
Net asset value per share applicable to common shareholders	
Based on \$823,558,176 divided by 42,055,000 common shares issued and outstanding (100,000,000 common shares authorized)	\$ 19.58

See Notes to Financial Statements

STATEMENT OF OPERATIONS

Six Months Ended April 30, 2005 (unaudited)

Investment income

Interest (net of foreign withholding taxes of \$40,898) \$ 36,786,465

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Income from affiliates	115,759
Securities lending income	128,419
<hr/>	
Total investment income	37,030,643
<hr/>	
Expenses	
Advisory fee	3,441,514
Administrative services fee	312,865
Transfer agent fees	26,518
Trustees' fees and expenses	35,518
Printing and postage expenses	100,581
Custodian and accounting fees	267,478
Professional fees	21,555
Auction agent fees	487,755
Other	21,118
<hr/>	
Total expenses	4,714,902
Less: Expense reductions	(4,040)
Expense reimbursements	(168)
<hr/>	
Net expenses	4,710,694
<hr/>	
Net investment income	32,319,949
<hr/>	
Net realized and unrealized gains or losses on securities, foreign currency related transactions and interest rate swap transactions	
Net realized gains or losses on:	
Securities	12,401,344
Foreign currency related transactions	4,066,023
Interest rate swap transactions	(919,634)
<hr/>	
Net realized gains on securities, foreign currency related transactions and interest rate swap transactions	15,547,733
Net change in unrealized gains or losses on securities, foreign currency related transactions and interest rate swap transactions	(37,727,751)
<hr/>	
Net realized and unrealized gains or losses on securities, foreign currency related transactions and interest rate swap transactions	(22,180,018)
Dividends to preferred shareholders from net investment income	(5,072,065)
<hr/>	
Net increase in net assets applicable to common shareholders resulting from operations	\$ 5,067,866
<hr/>	

See Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended	Year Ended
	April 30, 2005	October 31, 2004
	(unaudited)	
Operations		
Net investment income	\$ 32,319,949	\$ 63,114,733
Net realized gains on securities, foreign currency related transactions and interest rate swap transactions	15,547,733	8,864,347
Net change in unrealized gains or losses on securities, foreign currency related transactions and interest rate swap transactions	(37,727,751)	35,892,661
Dividends to preferred shareholders from net investment income	(5,072,065)	(5,556,148)
Net increase in net assets applicable to common shareholders resulting from operations	5,067,866	102,315,593
Distributions to common shareholders from net investment income	(30,636,226)	(68,136,670)
Total increase (decrease) in net assets applicable to common shareholders	(25,568,360)	34,178,923
Net assets applicable to common shareholders		
Beginning of period	849,126,536	814,947,613
End of period	\$ 823,558,176	\$ 849,126,536
Undistributed net investment income	\$ 1,122,777	\$ 2,207,619

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)**1. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles in the United States of America, which require management to make estimates and assumptions that affect amounts reported in the financial statements. Results could differ from these estimates.

a. Valuation of investments

Portfolio debt securities acquired with more than 60 days to maturity are fair valued using matrix pricing determined by an independent pricing service which takes into consideration such factors as similar securities yields, maturities, liquidity and ratings. Securities for which valuations are not readily available from an independent pricing service may be valued by brokers which use prices provided by market makers or estimates of market value obtained from yield data relating to investments or securities with similar characteristics.

Short-term securities with remaining maturities of 60 days or less at the time of purchase are valued at a price which approximates market value.

Investments in other mutual funds are valued at net asset value. Securities for which market quotations are not available or not reflective of current market value are valued at fair value as determined in good faith, and the procedures approved by the Board of Trustees.

b. Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the time of valuation. Purchases and sales of portfolio securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and income items arising from changes in market prices of securities held. Such fluctuations are included with the net realized gains or losses on securities.

c. Forward foreign currency contracts

A forward foreign currency contract is an agreement between two parties to purchase or sell a specific amount of a foreign currency at an agreed-upon price at a future date. The Fund enters into forward foreign currency contracts to facilitate the purchase of foreign-denominated securities and to attempt to minimize the risk to the Fund from adverse changes in exchange rates between currencies. Forward foreign currency contracts are recorded at the forward rate and marked-to-market. When the contracts are closed, realized gains and losses arising from such transactions are recorded as realized gains or losses on foreign currency related transactions. The Fund could be exposed to risks if the counterparties are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

d. When-issued and delayed delivery transactions

The Fund records when-issued or delayed delivery securities as of trade date and maintains security positions. Sufficient liquid assets will be available to make payment for the securities.

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NOTES TO FINANCIAL STATEMENTS (unaudited) continued

purchased. Securities purchased on a when-issued or delayed delivery basis are marked-to-market daily and earn interest on the settlement date. Losses may occur on these transactions due to changes in market prices or the failure of counterparties to perform under the contract.

e. Securities lending

The Fund may lend its securities to certain qualified brokers in order to earn additional income. The Fund receives compensation in the form of fees or interest earned on the investment of any cash collateral received. The Fund continues to receive interest and dividends on the securities loaned. The Fund receives collateral in the form of securities with a market value at least equal to the market value of the securities on loan, including accrued interest. In the event of default or bankruptcy by the borrower, the Fund could experience delays and costs in recovering the securities or in gaining access to the collateral. The Fund has the right under the lending agreement to demand the securities from the borrower on demand.

f. Dollar roll transactions

The Fund may enter into dollar roll transactions with respect to mortgage-backed securities. In a dollar roll transaction, the Fund sells mortgage-backed securities to financial institutions and simultaneously agrees to accept similar (same type, coupon and maturity) securities at a later date at an agreed upon price. The Fund will use the proceeds generated from the transactions to invest in short-term investments, which may enhance the Fund's yield and total return. The Fund accounts for dollar roll transactions as purchases and sales. The Fund is exposed to risks if the counterparty defaults on its obligation to perform under the terms of the agreement, if the Fund receives inferior securities in comparison to what was sold to the counterparty at redelivery or if there are variations in

speed between the mortgage-related pools.

g. Interest rate swaps

The Fund may enter into interest rate swap agreements to manage the Fund's exposure to interest rates. An interest rate swap agreement is an exchange of cash payments between the Fund and another party based on a notional principal amount. Cash payments or receipts are recorded as realized gains or losses. The value of the swap agreements is marked-to-market daily based upon quotations from market makers and any change in value is recorded as a gain or loss. The Fund could be exposed to risks if the counterparty defaults on its obligation to perform or if there are unfavorable changes in the fluctuation of interest rates.

h. Security transactions and investment income

Security transactions are recorded on trade date. Realized gains and losses are computed using the specific identification method for securities sold. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums. Foreign income and capital gains realized on some securities may be subject to foreign taxes, which are accrued as applicable.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

i. Federal taxes

The Fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income, including any net capital gains (which have already been offset by available capital loss carryovers). Accrual of a provision for federal taxes is required.

j. Distributions

Distributions to common shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

k. Reclassifications

Certain amounts in previous years' financial statements have been reclassified to conform to the current presentation.

2. ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Evergreen Investment Management Company, LLC ("EIMC"), an indirect, wholly-owned subsidiary of Wachovia Corporation ("Wachovia"), is the investment advisor to the Fund and is paid an annual fee of 0.55% of the Fund's average daily total assets applicable to common shareholders. Total assets consists of the net assets of the Fund plus or other leverage for investment purposes to the extent excluded in calculating net assets. The advisory fee is equivalent to 0.82% of the Fund's average daily net assets applicable to common shareholders if the fund is leveraged through the issuance of preferred shares and/or other borrowings. For the six months ended April 30, 2005, the Fund had preferred shares issued and outstanding.

Evergreen International Advisors, an indirect, wholly-owned subsidiary of Wachovia, is the investment manager of the foreign debt securities portion of the Fund and is paid by EIMC for its services to the Fund.

From time to time, EIMC may voluntarily or contractually waive its fee and/or reimburse expenses in order to reduce operating expenses. During the six months ended April 30, 2005, EIMC reimbursed other expenses in the amount of \$168.

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Evergreen Investment Services, Inc. ("EIS"), an indirect, wholly-owned subsidiary of Wachovia, is the administrator of the Fund. As administrator, EIS provides the Fund with facilities, equipment and personnel and is paid a fee at an annual rate of 0.05% of the Fund's average daily total assets.

3. CAPITAL SHARE TRANSACTIONS

The Fund has authorized capital of 100,000,000 common shares with no par value. For the six months ended April 30, 2005 and for the year ended October 31, 2004, the Fund did not issue any common shares.

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NOTES TO FINANCIAL STATEMENTS (unaudited) continued

4. SECURITIES TRANSACTIONS

Cost of purchases and proceeds from sales of investment securities (excluding short-term securities) were as follows for the six months ended April 30, 2005:

Cost of Purchases		Proceeds from Sales	
U.S. Government	Non-U.S. Government	U.S. Government	Non-U.S. Government
\$201,319,185	\$437,229,936	\$125,401,809	\$413,757,091

At April 30, 2005, the Fund had forward foreign currency exchange contracts outstanding as follows:

Forward Foreign Currency Exchange Contracts to Sell:

Exchange Date	Contracts to Deliver	U.S. Value at April 30, 2005	In Exchange for Japanese Yen	U.S. Value at April 30, 2005	Unrealized Gain
06/22/2005	28,449,605 EUR	\$36,660,184	3,950,000,000 JPY	\$37,844,913	\$1,184,729
07/07/2005	63,054,152 EUR	81,288,992	8,733,000,000 JPY	83,787,289	2,498,297

During the six months ended April 30, 2005, the Fund loaned securities to certain brokers. At April 30, 2005, the value of securities on loan and the value of collateral amounted to \$126,925,552 and \$130,143,108, respectively.

At April 30, 2005, the Fund had the following open interest rate swap agreements:

Notional	Cash Flows Paid by the	Cash Flows Received	Unrealized
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Expiration	Amount	Counterparty	Fund	by the Fund	Gain
11/27/2006	\$168,000,000	JPMorgan Chase & Co.	Fixed-2.790%	Floating-2.85% ¹	\$2,660,477
11/26/2008	112,000,000	JPMorgan Chase & Co.	Fixed-3.582%	Floating-2.85% ¹	2,046,212

¹This rate represents the 1 month USD London InterBank Offered Rate (LIBOR) effective for the period of April 2005 through May 26, 2005.

On April 30, 2005, the aggregate cost of securities for federal income tax purposes was \$1,331,514,876. Unrealized appreciation and depreciation on securities based on tax cost was \$25,651,452 and \$19,633,900, with a net unrealized appreciation of \$6,017,469.

5. AUCTION MARKET PREFERRED SHARES

The Fund has issued 16,000 Auction Market Preferred Shares ("Preferred Shares") consisting of five series. Each series has a liquidation value of \$25,000 plus accumulated but unpaid dividends (whether or not earned or declared). Each series of Preferred Shares are cumulative at a rate which is reset based on the result of an auction. The dividend rate was 2.54% during the six months ended April 30, 2005. The Fund will not declare, pay or set aside for payment any dividend to its common shareholders unless the Fund has declared and paid or contemporaneously declared and pays full cumulative dividends on each series of Preferred Shares through its most recent dividend payment date.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

Each series of Preferred Shares is redeemable, in whole or in part, at the option of the Fund on any dividend payment date at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared). Preferred Shares is also subject to mandatory redemption at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared) if the requirement relating to the asset coverage with respect to outstanding Preferred Shares would be less than 200%.

The holders of Preferred Shares have voting rights equal to the holders of the Fund's common shares and vote together with holders of common shares as a single class. Holders of Preferred Shares, voting as a separate class, are entitled to elect two of the Fund's Trustees.

6. EXPENSE REDUCTIONS

Through expense offset arrangements with the Fund's custodian, a portion of fund expenses has been reduced.

7. DEFERRED TRUSTEES' FEES

Each Trustee of the Fund may defer any or all compensation related to performance of their duties as Trustees. Trustees' deferred balances are allocated to deferral accounts, which are included in the accrued expenses of the Fund. The investment performance of the deferral accounts are based on the investment performance of certain investment funds. Any gains earned or losses incurred in the deferral accounts are reported in the Fund's Trustees' compensation expenses. At the election of the Trustees, the deferral account will be paid either in one lump sum or in quarterly installments for up to ten years.

8. CONCENTRATION OF RISK

The Fund may invest a substantial portion of its assets in an industry, sector or foreign country and, therefore, may be more affected by changes in that industry, sector or foreign country than would be a comparable mutual fund that is not heavily weighted in any industry, sector or foreign country.

9. REGULATORY MATTERS AND LEGAL PROCEEDINGS

Since September 2003, governmental and self-regulatory authorities have instituted numerous ongoing investigations of various practices in the mutual fund industry, including investigations relating to revenue sharing, market timing, trading and record retention, among other things. The investigations cover investment advisors, distributors, agents to mutual funds, as well as other firms. EIMC, EIS and Evergreen Services Company, LLC (collectively, "Evergreen") have received subpoenas and other requests for documents and testimony relating to these investigations and are endeavoring to comply with those requests, and are cooperating with the investigations. Evergreen is conducting its own internal review of policies, practices, procedures and personnel, and is taking remedial action where appropriate.

In connection with one of these investigations, on July 28, 2004, the staff of the Securities and Exchange Commission ("SEC") informed Evergreen that the staff intends to recommend to the

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NOTES TO FINANCIAL STATEMENTS (unaudited) continued

SEC that it institute an enforcement action against Evergreen. The SEC staff's proposed allegations relate to an arrangement pursuant to which a broker at one of EIMC's affiliated broker-dealers had been authorized, through an EIMC officer (no longer with EIMC), to engage in short-term trading, on behalf of a client, in Evergreen Mid Cap Growth Fund (formerly Evergreen Emerging Growth Fund and prior to that, known as Evergreen Small Cap Growth Fund) during the period from December 2000 through April 2003, in excess of the limitations set forth in the fund's prospectus, (ii) short-term trading from September 2001 through January 2003, by a former Evergreen portfolio manager, of Evergreen Precious Metals Fund, a fund he managed at the time, (iii) the sufficiency of system monitoring exchanges and enforcing exchange limitations as stated in the fund's prospectuses, and (iv) the e-mail retention practices. In connection with the activity in Evergreen Mid Cap Growth Fund, EIMC received \$378,905, plus an additional \$25,242, representing what EIMC calculated at that time to be the client's net gain and the fees earned by EIMC and the expenses incurred by this fund on the client's account. In connection with the activity in Evergreen Precious Metals Fund, EIMC reimbursed the fund \$70,878, plus an additional \$3,075, representing what EIMC calculated at that time to be the portfolio manager's net gain and the fees earned by EIMC and expenses incurred by the fund on the portfolio manager's account. Evergreen is currently engaged in discussions with the SEC concerning its recommendation.

Any resolution of these matters with regulatory authorities may include, but not be limited to, sanctions, injunctions regarding Evergreen, restitution to mutual fund shareholders and/or other financial penalties, changes in the governance or management of Evergreen's mutual fund business. Any penalties or restitution would be borne by Evergreen and not by the Evergreen funds.

From time to time, EIMC is involved in various legal actions in the normal course of business. In EIMC's normal course of business, it is involved in any legal actions that will have a material effect on its ability to provide services to the Fund.

Although Evergreen believes that neither the foregoing investigations nor any pending or threatened legal actions will have a material adverse impact on the Evergreen funds, there can be no assurance that these matters or any other matters surrounding or resulting from them will not result in reduced sales or increased redemptions of Evergreen funds, which could increase Evergreen fund transaction costs or operating expenses, or have other adverse consequences on the Evergreen funds.

10. SUBSEQUENT DISTRIBUTIONS

On April 18, 2005, the Fund declared distributions from net investment income of \$0.1167 per share, payable to shareholders of record on May 16, 2005.

On May 20, 2005, the Fund declared distributions from net investment income of \$0.1167 per share, payable to shareholders of record on June 15, 2005.

NOTES TO FINANCIAL STATEMENTS (unaudited) continued

On June 16, 2005, the Fund declared distributions from net investment income of \$0.1167 per share, payable on July 1, 2005 to shareholders of record on July 13, 2005.

These distributions are not reflected in the accompanying financial statements.

ADDITIONAL INFORMATION (unaudited)

On February 18, 2005, the Annual Meeting of shareholders of the Fund was held to consider the election of trustees. As of December 15, 2004, the record date of the meeting, the Fund had 16,000 shares outstanding, of which 9,512 (59.45%) were represented at the meeting.

The votes recorded at the meeting were as follows:

Proposal 1- Election of Trustees:

	Shares voted "For"	Shares voted "Withheld"
Charles A. Austin III	8,969	170
Shirley L. Fulton	8,972	167
Gerald M. McDonnell	8,970	169
Richard J. Shima	8,961	178

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AUTOMATIC DIVIDEND REINVESTMENT PLAN (unaudited)

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan ("the Plan"). If a shareholder elects to participate in the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital distributions are automatically reinvested by EquiServe Trust Company, N.A., as agent for shareholders of the Fund in the Plan ("Plan Agent"), in additional common shares of the Fund. Whenever the Fund declares an ordinary dividend or a capital gain dividend (collectively referred to as "dividends") payable either in shares or in cash, non-participants in the Plan will receive cash, and participants in the Plan will receive the equivalent in shares of the Fund. The shares are acquired by the Plan Agent for the participant's account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares of the Fund ("newly issued common shares") or (ii) by purchase of outstanding common shares on the open market (open-market purchases) on the American Stock Exchange or elsewhere. If, on the payment date for any dividend distribution, the net asset value per share of the common shares is equal to or less than the market price per share plus estimated brokerage commissions ("market premium"), the Plan Agent will invest the amount of the dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares credited to the participant's account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value or market premium ("market discount"), the Plan Agent will invest the dividend or distribution in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage commissions with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with the Plan Agent's open-market purchases in connection with the reinvestment of dividends. The automatic

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dividends and distributions will not relieve participants of any federal, state or local income tax that may be required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Administrator at P.O. Box 43010, Providence, Rhode Island 02940-3010.

TRUSTEES AND OFFICERS

TRUSTEES1

Charles A. Austin III

Trustee

DOB: 10/23/1934

Term of office since: 1991

Other directorships: None

Principal occupations: Investment Counselor, Anchor Capital Advisors, Inc. (investment management); Former Director, The Andover Companies (insurance); Trustee, Arthritis Foundation of America; Former Director, The Francis Ouimet Society; Former Director, Health Development Centers (fitness-wellness centers); Former Director, Mentor Income Fund, Inc.; Former Director, Mentor Funds and Cash Resource Trust; Former Investment Counselor, Appleton Financial Services (investment advice); Former Director, Executive Vice President and Treasurer, Research & Management Company (investment advice)

Shirley L. Fulton

Trustee

DOB: 1/10/1952

Term of office since: 2004

Other directorships: None

Principal occupations: Partner, Tin, Fulton, Greene & Owen, PLLC (law firm); Former Partner, Helms, Henderson & Fulton, P.A. (law firm); Retired Senior Resident Superior Court Judge, 26th Judicial District, Charlotte, NC

K. Dun Gifford

Trustee

DOB: 10/23/1938

Term of office since: 1974

Other directorships: None

Principal occupations: Chairman and President, Oldways Preservation and Exchange Foundation (education); Trustee, Treasurer and Chairman of the Finance Committee, Cambridge University; Former Chairman of the Board, Director, and Executive Vice President, The Lorillard Company (leather goods purveyor); Former Director, Mentor Income Fund, Inc.; Former Director, Mentor Funds and Cash Resource Trust

Dr. Leroy Keith, Jr.

Trustee

DOB: 2/14/1939

Term of office since: 1983

Other directorships: Trustee, The Phoenix Group of Mutual Funds

Principal occupations: Partner, Stonington Partners, Inc. (private equity firm); Trustee, The Phoenix Group of Mutual Funds; Director, Obagi Medical Products Co.; Director, Diversapack Co.; Former Director, Lincoln Educational Services; Former Chairman and Chief Executive Officer, Carson Products Company (manufacturing); Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust

Gerald M. McDonnell

Trustee

DOB: 7/14/1939

Term of office since: 1988

Other directorships: None

Principal occupations: Manager of Commercial Operations, SMI Steel Co. (steel producer); Former Sales and Marketing Manager, Nucor Steel Company; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust

William Walt Pettit

Trustee

DOB: 8/26/1955

Principal occupations: Vice President, Kellam & Pettit, P.A. (law firm); Director, Packaging Corp.; Director, National Kidney Foundation of North Carolina, Inc.; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust

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Term of office since: 1984

Other directorships: None

David M. Richardson

Trustee

DOB: 9/19/1941

Term of office since: 1982

Other directorships: None

Principal occupations: President, Richardson, Runden LLC (executive recruitment development/consulting company); Consultant, Kennedy Information, Inc. (executive recruitment information and research company); Consultant, AESC (The Association of Executive Search Consultants); Director, J&M Cumming Paper Co. (paper merchant); Former Trustee, NDI Technologies, LLP (communications); Former Vice Chairman, International, Inc. (executive recruitment); Former Director, Mentor Income Fund; Former Trustee, Mentor Funds and Cash Resource Trust

Dr. Russell A. Salton III

Trustee

DOB: 6/2/1947

Term of office since: 1984

Other directorships: None

Principal occupations: President/CEO, AccessOne MedCard; Former Medical Director, Healthcare Resource Associates, Inc.; Former Medical Director, U.S. Health Care Services; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust

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TRUSTEES AND OFFICERS continued**Michael S. Scofield**

Trustee

DOB: 2/20/1943

Term of office since: 1984

Other directorships: None

Principal occupations: Director, Branded Media Corporation (multi-media branding); Attorney, Law Offices of Michael S. Scofield; Former Director, Mentor Income Fund; Former Trustee, Mentor Funds and Cash Resource Trust

Richard J. Shima

Trustee

DOB: 8/11/1939

Term of office since: 1993

Other directorships: None

Principal occupations: Independent Consultant; Director, Trust Company of CT; Trustee, Saint Joseph College (CT); Director, Hartford Hospital; Trustee, Greater Hartford Foundation; Former Director, Enhance Financial Services, Inc.; Former Director, Old State Bank; Former Director of CTG Resources, Inc. (natural gas); Former Director, Mentor Income Fund; Former Trustee, Mentor Funds and Cash Resource Trust

Richard K. Wagoner, CFA²

Trustee

DOB: 12/12/1937

Term of office since: 1999

Other directorships: None

Principal occupations: Member and Former President, North Carolina Securities Association; Member, Financial Analysts Society; Former Consultant to the Board of the Evergreen funds; Former Trustee, Mentor Funds and Cash Resource Trust

OFFICERS**Dennis H. Ferro³**

President

DOB: 6/20/1945

Principal occupations: President and Chief Executive Officer, Evergreen Investment Inc. and Executive Vice President, Wachovia Bank, N.A.; former Chief Investment Officer, Evergreen Investment Company, Inc.

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Term of office since: 2003

Carol Kosel⁴

Treasurer

DOB: 12/25/1963

Term of office since: 1999

Principal occupations: Senior Vice President, Evergreen Investment Services, Inc.

Michael H. Koonce⁴

Secretary

DOB: 4/20/1960

Term of office since: 2000

Principal occupations: Senior Vice President and General Counsel, Evergreen Investment Services, Inc.; Senior Vice President and Assistant General Counsel, Wachovia Corporation

James Angelos⁴

Chief Compliance Officer

DOB: 9/2/1947

Term of office since: 2004

Principal occupations: Chief Compliance Officer and Senior Vice President, Evergreen Investment Services, Inc.; Former Director of Compliance, Evergreen Investment Services, Inc.

¹The Board of Trustees is classified into three classes of which one class is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Trustee oversees 89 Evergreen funds. Correspondence from any Trustee may be sent to Evergreen Board of Trustees, P.O. Box 20083, Charlotte, NC 28202.

²Mr. Wagoner is an "interested person" of the Fund because of his ownership of shares in Wachovia Corporation, the parent company of the Fund's investment advisor.

³The address of the Officer is 401 S. Tryon Street, 20th Floor, Charlotte, NC 28288.

⁴The address of the Officer is 200 Berkeley Street, Boston, MA 02116.

Additional information about the Fund's Board of Trustees and Officers can be found in the Statement of Additional Information. This information is available upon request without charge by calling 800.343.2898.

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Item 2 - Code of Ethics

(a) The Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal financial officer, and principal accounting officer.

(b) During the period covered by this report, there were no amendments to the provisions of the code of ethics adopted in 2.(a) above.

(c) During the period covered by this report, there were no implicit or explicit waivers to the provisions of the code of ethics adopted in 2.(a) above.

Item 3 - Audit Committee Financial Expert

Charles A. Austin III and K. Dun Gifford have been determined by the Registrant's Board of Trustees to be independent and qualified as committee financial experts within the meaning of Section 407 of the Sarbanes-Oxley Act. These financial experts are independent of management.

Items 4 ☐ Principal Accountant Fees and Services

Applicable for annual reports only.

Items 5 ☐ Audit Committee of Listed Registrants

If applicable, not applicable at this time. Applicable for annual reports covering periods ending on or after the compliance date for the listing standards applicable to the particular issuer. Listed issuers must be in compliance with the new listing rules by the earlier of the registrant's first annual shareholders meeting after January 15, 2004, or January 31, 2004.

Item 6 ☐ [Reserved]

Item 7 ☐ Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

If applicable, not applicable at this time. Applicable for annual reports filed on or after July 1, 2003.

Item 8 ☐ [Reserved]

Item 9 - Controls and Procedures

(a) The Registrant's Principal Executive Officer and Principal Financial Officer have evaluated the Registrant's controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the Registrant in Form N-CSR was recorded, processed, summarized, and reported timely.

(b) There were no significant changes in the Registrant's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to identified deficiencies and material weaknesses.

Item 10 - Exhibits

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to which the registrant intends to satisfy the Item 2 requirements through filing of an exhibit.

(b)(1) Separate certifications for the Registrant's principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached as EX99.CERT.

(b)(2) Separate certifications for the Registrant's principal executive officer and principal financial officer pursuant to Section 1350 of Title 18 of United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(b) under the Investment Company Act of 1940, are attached as EX99.906CERT. The certifications furnished pursuant to this paragraph are not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certifications are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates them by reference.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Evergreen Managed Income Fund

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By:

Dennis H. Ferro,
Principal Executive Officer

Date: June 30, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has caused this report to be signed below by the following persons on behalf of the Registrant and in the capacities and on behalf of the Registrant as indicated.

By:

Dennis H. Ferro,
Principal Executive Officer

Date: June 30, 2005

By:

Carol A. Kosel
Principal Financial Officer

Date: June 30, 2005
