

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

CARL GRIMSTAD and CORRIB CAPITAL MANAGEMENT L.P.,
individually and derivatively on behalf of nominal defendant IPAYMENT
HOLDINGS, INC.,

Plaintiffs,

v.

ANTHONY MELCHIORRE, *et al.*,

Defendants,

and

IPAYMENT HOLDINGS, INC., a Delaware corporation,
Nominal Defendant.

C.A. No. 12782-VCL

**NOTICE OF PENDENCY OF DERIVATIVE ACTION, PROPOSED SETTLEMENT OF DERIVATIVE ACTION,
SETTLEMENT HEARING AND RIGHT TO APPEAR**

***The Delaware Court of Chancery authorized this Notice.
This is not a solicitation from a lawyer.***

TO: ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF SHARES OF COMMON STOCK OF IPAYMENT HOLDINGS, INC. ("IPAYMENT") AS OF THE CLOSE OF BUSINESS ON APRIL 18, 2017 ("IPAYMENT STOCKHOLDERS").

IF YOU ARE A NOMINEE WHO OR WHICH HELD IPAYMENT COMMON STOCK AS OF THE CLOSE OF BUSINESS ON APRIL 18, 2017 FOR THE BENEFIT OF ANOTHER, PLEASE READ THE SECTION BELOW ENTITLED "NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS."

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.
YOUR RIGHTS WILL BE AFFECTED BY THIS LITIGATION.**

This Notice relates to a proposed settlement (the "Settlement") of the above-captioned action (the "Action"), which was brought by certain iPayment stockholders on behalf of and for the benefit of iPayment in the Court of Chancery of the State of Delaware (the "Court").

The complete terms of the Settlement, which remains subject to the approval of the Court, are set forth in a Stipulation and Agreement of Settlement, Compromise and Release, dated April 14, 2017 (the "Stipulation"), entered into by and among (i) plaintiffs Carl Grimstad ("Grimstad") and Corrib Capital Management L.P. ("Corrib," and together with Grimstad, "Plaintiffs"), individually and derivatively on behalf of iPayment; (ii) defendants David Jay Pecker, Feisal Alibhai, Evan Ratner, Eugene Davis, John Bode, and O.B. Rawls (collectively, the "Director Defendants"); Anthony Melchiorre, Leon G. Cooperman, and Devin Nomellini (collectively, together with the Director Defendants, the "Individual Defendants"); Chatham Asset Management, LLC, Chatham Fund, L.P., and Chatham Asset High Yield Master Fund, Ltd. (collectively, "Chatham"); AllianceBernstein L.P. ("AllianceBernstein"); and Omega Advisors, Inc., Omega Associates, LLC, Omega Charitable Partnership, L.P., and Omega Overseas Partners, Ltd. (collectively, "Omega," and together with Chatham and AllianceBernstein, the "Noteholder Defendants," and together with the Individual Defendants, "Defendants"); and (iii) Nominal Defendant iPayment Holdings, Inc. ("iPayment" or the "Company," and together with Plaintiffs and Defendants, the "Parties").¹

Because this Action was brought as a derivative action on behalf of and for the benefit of iPayment, the benefits from the Settlement will go directly to iPayment (and indirectly to iPayment Stockholders). Thus, iPayment Stockholders will not submit claims in connection with the Settlement.

WHAT IS THE PURPOSE OF THIS NOTICE?

1. The purpose of this Notice is to inform iPayment Stockholders about: (a) the pendency of the Action; (b) the proposed Settlement, subject to Court approval, on the terms and conditions set forth in the Stipulation; (c) iPayment Stockholders' rights with respect to the proposed Settlement; and (d) the hearing that the Court will hold on July 25, 2017, at 2:00 p.m., at the Court of Chancery of the State of Delaware, Leonard L. Williams Justice Center, 500 North King Street, Wilmington, Delaware, 19801, at which the Court will, among other things: (a) determine whether Plaintiffs and Plaintiffs' Counsel have adequately represented the interests of iPayment and its stockholders; (b) determine whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate to Plaintiffs, iPayment and iPayment's stockholders, and should be approved by the Court; (c) determine whether a Final Order and Judgment (as defined below) should be entered dismissing the Action with prejudice; (d) hear and consider any objections to the Settlement; and (e) consider any other matters that may properly be brought before the Court in connection with the Settlement.

¹ All capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings provided in the Stipulation. A copy of the Stipulation is available for review at the following website: https://www.ipaymentinc.com/Investor-Center/DE_Settlement.

WHAT IS THIS CASE ABOUT?

THE FOLLOWING DESCRIPTION OF THIS CASE HAS BEEN PREPARED BY COUNSEL FOR THE PARTIES. THE COURT HAS MADE NO FINDINGS WITH RESPECT TO SUCH MATTERS, AND THIS NOTICE IS NOT AN EXPRESSION OR STATEMENT BY THE COURT OF ANY FINDINGS OF FACT.

2. On or about August 18, 2016, John Bode was appointed to iPayment's board of directors (the "Board") and was qualified by the Board as an independent director.

3. On or about August 26, 2016, Eugene Davis was appointed to the Board and was qualified by the Board as an independent director.

4. On or about September 9, 2016, a special committee of the Board (the "Special Committee"), comprising Messrs. Bode and Davis, was appointed in order to explore certain potential transactions involving the 9.50% Senior Secured Notes due 2019 issued by the Company's subsidiary, iPayment, Inc. (the "9.50% Notes") in connection with the potential refinancing of the Company's senior secured revolver and term loan that were set to mature in February 2017 and May 2017, respectively.

5. On September 20, 2016, Grimstad made a demand, in his capacity as a director of iPayment, to inspect certain books and records of iPayment pursuant to 8 *Del. C.* § 220. iPayment produced certain documents in response to the September 20, 2016 demand. The documents produced to Grimstad were produced subject to an agreement by Grimstad that neither he nor the counsel he shared with Corrib in the Action would disclose non-public information contained in the documents to Corrib (the "Use Restriction Agreement").

6. On September 29, 2016, Plaintiffs filed their Verified Complaint in the Action (the "Original Complaint"). Plaintiffs alleged in the Original Complaint that certain Director Defendants, who are or were members of the Board, certain Noteholder Defendants, and Melchiorre (an individual affiliated with Chatham) had breached their fiduciary duties to iPayment and to its stockholders by favoring their own interests over the interests of the Company and the non-Defendant stockholders.

7. On October 21, 2016, Chatham moved to dismiss the Original Complaint. Thereafter, all other Defendants named in the Original Complaint moved to dismiss the Original Complaint.

8. Also on October 21, 2016, Company A approached iPayment and expressed interest in acquiring it. Early iterations of Company A's proposal contemplated a purchase of iPayment for an amount which would first be used to pay off iPayment's debt, with any residual amount flowing to iPayment's common stockholders. The proposal purportedly included financing commitments, albeit subject to a "due diligence" condition, and did not include a specific performance remedy in the event of a financing failure.

9. On November 1, 2016, Grimstad made a second demand, in his capacity as a director of iPayment, to inspect certain other books and records of iPayment pursuant to 8 *Del. C.* § 220, including certain communications related to potential transactions, iPayment's debt and equity, communications with Company A, and other matters presented to the Executive Committee of the Board.

10. On November 9, 2016, Grimstad filed a separate action, pursuant to 8 *Del. C.* § 220, in his capacity as a director of iPayment, seeking to inspect certain books and records of iPayment, which iPayment had refused to produce in response to his earlier demands.

11. On November 22, 2016, iPayment agreed to produce certain books and records, subject to the existing Use Restriction Agreement. iPayment produced certain books and records to Grimstad between December 1, 2016 and January 16, 2017.

12. On January 17, 2017, iPayment announced that it had entered into an agreement (the "Support Agreement") with certain Noteholder Defendants and that it intended to launch a debt-for-equity exchange offer (the "Exchange Offer") which would provide holders of the 9.50% Notes the opportunity to exchange their 9.50% Notes for equity in iPayment. The proposed terms of the Exchange Offer would have resulted in a substantial dilution of iPayment's existing equity, but those terms would have provided each existing holder of iPayment common stock (except for those parties to the Support Agreement that agreed to tender their 9.50% Notes) the option to tender 100% of the holder's stock in exchange for a cash payment based on a notional \$25 million equity value for iPayment, which iPayment management indicated was equivalent to approximately \$0.88 per share (the "Equity Cash-Out Option").

13. On January 18, 2017, Company A submitted a revised proposal to acquire all of the common stock of iPayment at a price of \$1.40 per share in cash (approximately \$40 million in the aggregate according to Company A's calculations). This revised proposal from Company A was the first such proposal from Company A to contemplate the purchase of iPayment's equity at a specified price per share. The revised proposal reflected the payoff of the iPayment's outstanding debt at par but did not include payment of any call premiums that would be due on certain of iPayment's senior notes in connection with a transaction.

14. On January 20, 2017, Company A submitted a revised proposal to acquire all of the common stock of the Company for a price of \$1.24 per share in cash (approximately \$35 million in the aggregate according to Company A's calculations). The proposal reflected the payoff of iPayment's outstanding debt and payment of any applicable call premiums. In response to requests from the Board that the proposal include a specific performance remedy, Company A proposed a reverse termination fee instead.

15. On January 31, 2017, iPayment announced that it had received a revised offer from certain holders of the 9.50% Notes, including certain Noteholder Defendants, which, among other changes, increased the notional equity value implied by the Equity Cash-Out Option to \$36 million, which the parties to the Support Agreement later determined to equate to \$1.31 per share, and which

would allow the holders of the existing common stock of the Company to retain a greater proportion of the outstanding equity of the Company upon the consummation of the Exchange Offer.

16. On February 3, 2017, iPayment announced that an amendment to the Support Agreement, incorporating the terms of the revised Exchange Offer, had been executed by iPayment and by parties holding 57% of iPayment's common stock and 90% of the outstanding principal amount of the 9.50% Notes.

17. On February 13, 2017, Company A met with representatives of Chatham and AllianceBernstein, with representatives of iPayment's financial and legal advisors and management present, to discuss a potential transaction in which Company A would acquire all of the outstanding equity in the Company for cash. Company A offered \$37 million. Chatham, AllianceBernstein, and Company A did not reach agreement on the terms of a transaction that Chatham and AllianceBernstein would be willing to accept, including a specific performance term and/or the size of a reverse termination fee, and Chatham and AllianceBernstein expressed concern regarding the certainty of Company A's bids in light of iPayment's and its subsidiary's near-term debt maturities.

18. Later on February 13, 2017, Company A advised iPayment's financial advisor that it had determined to withdraw its proposal and abandon any further negotiations.

19. On February 16, 2017, iPayment announced the launch of the Exchange Offer and the tender offer for iPayment's common stock, pursuant to the Equity Cash-Out Option, at a value of \$1.31 per share (the "Tender Offer"). The Exchange Offer and Tender Offer were set to expire at 11:59 p.m. on March 16, 2017. iPayment issued an Offer to Exchange and Consent Solicitation Statement (the "Solicitation Statement") in connection with the launch.

20. On February 17, 2017, Company A presented an offer to acquire all of the common stock of the iPayment for a price of \$1.77 per share in cash (approximately \$50 million in the aggregate). The revised proposal reflected the payoff of iPayment's outstanding debt at par as well as the payment of any call premiums and payment of the fee payable by iPayment to its financial advisor in connection with the proposed transaction. The proposal included a \$30 million reverse termination fee payable in connection with a financing failure, which reverse termination fee would be funded into escrow at signing of definitive agreements.

21. On February 24, 2017, iPayment received a letter from Chatham, on behalf of itself and AllianceBernstein and Omega, stating that such holders owned 42% of the existing common stock of iPayment and expressing concern about Company A's offer in respect of the certainty of Company A's debt financing, the timing risk of such offer given the near-term maturity of iPayment's and its subsidiary's debt facility and the proportionately small amount of cash equity capital provided in such offer.

22. On February 22, 2017, Plaintiffs filed a verified amended complaint in the Action (the "Amended Complaint").

23. The Amended Complaint asserted derivative claims on behalf of iPayment challenging, among other things, the Exchange Offer, iPayment's response to the proposals received from Company A, the Solicitation Statement, and the process relating to the foregoing. The Amended Complaint alleged that the Noteholder Defendants, Cooperman, Melchiorre, and Nomellini breached their fiduciary duties as controllers of iPayment, and that the Director Defendants breached their fiduciary duties as directors of iPayment. The Amended Complaint also asserted direct claims on behalf of Plaintiffs as stockholders. In the Amended Complaint, Plaintiffs named Leon G. Cooperman, Devin Nomellini, Eugene Davis, John Bode, O.B. Rawls, and Omega Advisors, Inc. as defendants for the first time.

24. On the same day, Plaintiffs filed a Motion for Expedited Proceedings and a Motion for Preliminary Injunction, seeking to block consummation of the Exchange Offer.

25. On February 22, 2017, Defendants advised the Court that they would not contest Plaintiffs' Motion for Expedited Proceedings.

26. On February 23, 2017, the Court scheduled a hearing on Plaintiffs' Motion for Preliminary Injunction for March 16, 2017.

27. Between February 23, 2017 and March 6, 2017, the Parties engaged in expedited discovery.

28. On March 3, 2017, Company A withdrew its \$1.77 per share proposal. In light of the withdrawal, Defendants requested that the Court remove the hearing of Plaintiffs' Motion for Preliminary Injunction from the Court's calendar. During a teleconference on the afternoon of March 3, 2017, the Court declined Defendants' request and confirmed that the Court would hear arguments on Plaintiffs' Motion for Preliminary Injunction on March 16, 2017.

29. Between March 3, 2017 and March 5, 2017, the parties exchanged document discovery and responded to interrogatories. By March 5, 2017, Defendants and Nominal Defendant iPayment had produced a total of 10,838 documents consisting of 75,516 pages. Plaintiffs had produced another 2,710 documents consisting of 13,926 pages.

30. Beginning on March 5, 2017, certain of the Parties engaged in arm's-length discussions to assess whether a settlement of the Action could be achieved. On March 5, 2017, certain of the Parties and their counsel met in person in New York City to discuss the allegations set forth in the Amended Complaint and Defendants' defenses. On March 6, 2017, the Parties entered into a memorandum of understanding, contemplating the settlement of the Action on the terms set forth herein (the "Settlement").

31. On April 24, 2017, the Court entered the Scheduling Order in connection with the Settlement. The Scheduling Order authorized this Notice to be provided to iPayment Stockholders and scheduled the Settlement Hearing to consider whether to grant final approval of the Settlement.

WHAT ARE THE TERMS OF THE SETTLEMENT?

32. In consideration of the full settlement, satisfaction, compromise and release of the Released Plaintiffs' Claims and the dismissal with prejudice of the Action, Defendants (i) increased the price paid in connection with the Equity Cash-Out option from \$1.31 to \$1.55 per share of iPayment common stock and (ii) permitted any existing holder of shares of common stock of iPayment to tender all, or any portion of, the shares of common stock of iPayment held by such holder, including all, or any portion of, the shares held by such holder's managed funds or accounts and/or affiliates, in connection with such holder's exercise of the Equity Cash-Out Option. Apart from the consideration identified in the preceding sentence, Defendants have no further obligations to Plaintiffs, iPayment or iPayment's stockholders in connection with the Action, the Settlement, or the Released Claims.

WHY ARE THE PARTIES SETTLING?

33. Plaintiffs and Plaintiffs' Counsel thoroughly considered the facts and law underlying the claims asserted in the Action. Although Plaintiffs and Plaintiffs' Counsel believe that the claims asserted have merit, the Court could have adopted the Defendants' view of the applicable legal standard or of the underlying evidence, and could enter judgment for the Defendants, either dismissing the Action prior to trial or after trial. Plaintiffs and Plaintiffs' Counsel also considered the expense and length of continued proceedings necessary to pursue their claims against the Defendants through trial, as well as the uncertainty of appeals.

34. In light of the substantial monetary recovery included in the Settlement, and on the basis of information available to them, including publicly available information and discovery obtained from certain Defendants, Plaintiffs and Plaintiffs' Counsel have determined that the proposed Settlement is fair, reasonable, adequate, and in the best interests of iPayment and iPayment's stockholders. The Settlement provides substantial immediate benefits to iPayment and its stockholders without the risk that continued litigation could result in obtaining similar or lesser relief for iPayment and its stockholders after continued extensive and expensive litigation, including trial and the appeals that were likely to follow.

35. Defendants, who believe they have substantial defenses to the claims alleged against them in the Action, have denied and continue to deny the allegations of wrongdoing, liability, and violation of any laws and the existence of any damages asserted in or arising from the Action, but have nevertheless concluded that further litigation in connection with the Action would be time consuming and expensive, and after weighing the costs, disruption, and distraction of continued litigation, have determined that the Action should be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation.

WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED? WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

36. If the Settlement is approved, the Court will enter a final order and judgment (the "Final Order and Judgment"). Pursuant to the Final Order and Judgment, upon the Effective Date of the Settlement, the Action will be dismissed with prejudice and the following releases will occur:

Release of Claims by Plaintiffs and iPayment: iPayment, Plaintiffs, and each and every iPayment Stockholder derivatively on behalf of iPayment, and their respective heirs, executors, administrators, predecessors, successors, and assigns, in their capacities as such only, by operation of the Stipulation and the Final Order and Judgment and to the fullest extent permitted by law, shall completely, fully, finally and forever release, relinquish, settle and discharge each and all of the Released Defendant Parties (defined below) from any and all of the Released Plaintiffs' Claims (defined below). In addition, Plaintiffs agree not to initiate, prosecute, assist in, or facilitate the prosecution of any other claims arising out of the same nucleus of operative facts giving rise to the Action.

"Released Plaintiffs' Claims" means any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, judgments, defenses, counterclaims, offsets, decrees, matters, issues and controversies of any kind, nature or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims, which Plaintiffs asserted or could have asserted on behalf of themselves or any iPayment Stockholder in the Original Complaint or the Amended Complaint, or which could have been asserted on behalf of iPayment, or which iPayment or Plaintiffs could have asserted directly, in any court, tribunal, forum or proceeding, whether based on state, local, foreign, federal, statutory, regulatory, common or other law or rule, and which are based upon, arise out of, or involve, directly or indirectly (i) iPayment or any of its affiliates, (ii) the actions, inactions, deliberations, discussions, decisions, votes or any other conduct of any kind of Released Defendant Parties, relating to any transaction, occurrence, conduct, fact, disclosure, or non-disclosure alleged or set forth in the Original Complaint or the Amended Complaint, (iii) the defense or settlement of the Action, (iv) the Exchange Offer and any transactions contemplated thereunder or related thereto, including, without limitation, the tender offer and refinancing transactions, (v) the proposals received by iPayment from Company A, (vi) the Solicitation Statement (or any amendments or supplements thereto), (vii) the actions, inactions, deliberations, discussions, decisions, votes, or any other conduct of any kind of Released Defendant Parties, relating to each of the foregoing clauses (i)-(vi), or (viii) the aiding and abetting by any other Person of any of the foregoing conduct described in the foregoing clauses (i)-(vii); provided, however, that the Released Plaintiffs'

Claims shall not include (x) any claims to enforce this Stipulation or the Settlement, (y) any claims that are or could be asserted in connection with the New York Action by the parties to the New York Action (defined below) as of the date hereof against one another, or (z) any surviving rights or obligations under (1) any agreement between Grimstad, iPayment and/or iPayment, Inc., including but not limited to the Employment Agreement, dated as of December 29, 2014, between Grimstad, iPayment and iPayment, Inc., as modified by the Release by Carl A. Grimstad, dated December 5, 2016, (2) any entity's board resolutions or certificate of incorporation, bylaws, or other organizational documents or (3) any insurance policy.

"Released Defendant Parties" means, whether or not each or all of the following persons or entities were named, served with process, or appeared in the Action, (i) David Jay Pecker, Feisal Alibhai, Evan Ratner, Eugene Davis, John Bode, O.B. Rawls, Anthony Melchiorre, Leon G. Cooperman, Devin Nomellini, Chatham Asset Management, LLC, Chatham Fund, L.P., and Chatham Asset High Yield Master Fund, Ltd, AllianceBernstein L.P., Omega Advisors, Inc., Omega Associates, LLC, Omega Charitable Partnership, L.P., Omega Overseas Partners, Ltd., iPayment Holdings, Inc., iPayment, Inc., and the Special Committee; (ii) all past and present officers and directors of iPayment; and (iii) for each and all of the Persons identified in the foregoing clauses (i) and (ii) (but only to the extent such Persons are released as provided above), any and all of their respective past or present family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, insurers, reinsurers, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, parents, subsidiaries, divisions, direct or indirect affiliates, associated entities, stockholders, principals, officers, managers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys, personal or legal representatives, accountants and associates (including, without limitation, Houlihan Lokey Capital, Inc.).

Release of Claims by the Settling Defendants:

(a) Defendants, Nominal Defendant iPayment, and their respective heirs, executors, administrators, predecessors, successors, and assigns, in their capacities as such only, by operation of the Stipulation and the Final Order and Judgment and to the fullest extent permitted by law, shall completely, fully, finally and forever release, relinquish, settle and discharge each and all of the Released Plaintiff Parties (defined below) from any and all of the Released Defendants' Claims (defined below). In addition, Defendants and iPayment agree not to initiate, prosecute, assist in, or facilitate the prosecution of any other claims arising out of the same nucleus of operative facts giving rise to the Action.

(b) Defendants, Nominal Defendant iPayment, and their respective heirs, executors, administrators, predecessors, successors, and assigns, in their capacities as such only, by operation of the Stipulation and the Final Order and Judgment and to the fullest extent permitted by law, shall completely, fully, finally and forever release, relinquish, settle and discharge each other and all of the other Released Defendant Parties (defined above) from any and all of the Released Defendants' Claims (defined below), and shall forever be enjoined from prosecuting the Released Defendants' Claims (defined below).

"Released Defendants' Claims" means any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, judgments, defenses, counterclaims, offsets, decrees, matters, issues and controversies of any kind, nature or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims (defined below), which were or which could have been asserted by iPayment, any of its affiliates, or any of the Defendants in any court, tribunal, forum or proceeding, whether based on state, local, foreign, federal, statutory, regulatory, common or other law or rule, and which are based upon, arise out of, or involve, directly or indirectly (i) iPayment or any of its affiliates, (ii) the actions, inactions, deliberations, discussions, decisions, votes, or any other conduct of any kind of Released Parties, relating to any transaction, occurrence, conduct, fact, disclosure, or non-disclosure alleged or set forth in the Original Complaint or the Amended Complaint, (iii) the commencement, prosecution, defense, or settlement of the Action, (iv) the Exchange Offer and any transactions contemplated thereunder or related thereto, including, without limitation, the tender offer and refinancing transactions, (v) the proposals received by iPayment from Company A, (vi) the Solicitation Statement (or any amendments or supplements thereto), (vii) the actions, inactions, deliberations, discussions, decisions, votes, or any other conduct of any kind of Released Parties, relating to each of the foregoing clauses (i)-(vi), or (viii) the aiding and abetting by any other Person of any of the foregoing conduct described in clauses (i)-(vii); provided, however, that the Released Defendants' Claims shall not include (x) any claims to enforce this Stipulation or the Settlement, (y) any claims that are or could be asserted in connection with the action styled *iPayment Holdings, Inc. v. Grimstad*, No. 650925/2017 (N.Y. Sup. Ct.) (the "New York Action") by the parties to the New York Action as of the date hereof against one another, or (z) any surviving rights or obligations under (1) the Employment Agreement, dated as of December 29, 2014, between Grimstad, iPayment and iPayment, Inc., as modified by the Release by Carl A. Grimstad, dated December 5, 2016, (2) any entity's board resolutions or certificate of incorporation, bylaws or other organizational documents or (3) any insurance policy.

"Released Plaintiff Parties" means Plaintiffs, Plaintiffs' Counsel, and any and all of their respective past or present family members, spouses, agents, attorneys, fiduciaries, employees, assigns, partners, corporations, direct or indirect affiliates, consultants, bankers, representatives, estates, insurers, reinsurers, and advisors.

"Unknown Claims" means any Released Claims that a Person granting a Release hereunder does not know or suspect to exist in his, her or its favor at the time of the Release, including without limitation those which, if known, might have affected the decision to enter into or object to the Settlement. With respect to any and all Released Claims, the Parties stipulate and agree that upon the Effective Date, Plaintiffs and Defendants shall have expressly waived, and iPayment shall be deemed to have, and by operation of the Final Order and Judgment by the Court shall have, waived, relinquished and released any and all provisions, rights and benefits conferred by or under California Civil Code § 1542 or any law or principle of common law of the United States or any state or territory of the United States which is similar, comparable or equivalent to California Civil Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Plaintiffs and Defendants acknowledge, and iPayment by operation of law shall be deemed to have acknowledged, that they may discover facts in addition to or different from those now known or believed to be true with respect to the Released Claims, but that it is the intention of Plaintiffs, Defendants, and iPayment and all iPayment Stockholders by operation of law, to completely, fully, finally and forever extinguish any and all Released Claims, known or unknown, suspected or unsuspected, which now exist, heretofore existed or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. Plaintiffs and Defendants acknowledge, and iPayment and all iPayment Stockholders by operation of law shall be deemed to have acknowledged, that this waiver and the inclusion of "Unknown Claims" in the definition of "Released Claims" was separately bargained for and was a material element of the Settlement and was relied upon by each and all of the Parties in entering into the Stipulation and agreeing to the Settlement.

37. Pending final determination by the Court of whether the Settlement should be approved, all proceedings in the Action other than proceedings necessary to carry out or enforce the terms and conditions of the Stipulation, have been stayed. By order of the Court, pending final determination of whether the Settlement should be approved, Plaintiffs and all other iPayment Stockholders are barred and enjoined from commencing, instituting or prosecuting any of the Released Plaintiffs' Claims against any of the Released Defendant Parties.

WHEN AND WHERE WILL THE SETTLEMENT HEARING BE HELD? DO I HAVE RIGHT TO APPEAR AT THE SETTLEMENT HEARING?

38. The Court will consider the Settlement and all matters related to the Settlement at the Settlement Hearing. The Settlement Hearing will be held before The Honorable J. Travis Laster, Vice Chancellor, on July 25, 2017, at 2:00 p.m., at the Court of Chancery of the State of Delaware, Leonard L. Williams Justice Center, 500 North King Street, Wilmington, Delaware, 19801. The Court may change the date or time of the Settlement Hearing without further notice to the Stockholders.

39. At the Settlement Hearing, the Court will, among other things: (a) determine whether Plaintiffs and Plaintiffs' Counsel have adequately represented the interests of iPayment and its stockholders; (b) determine whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate to Plaintiffs, iPayment and iPayment's stockholders, and should be approved by the Court; (c) determine whether a Final Order and Judgment should be entered dismissing the Action with prejudice; (d) hear and consider any objections to the Settlement; and (e) consider any other matters that may properly be brought before the Court in connection with the Settlement.

40. Any person that owned iPayment common stock as of April 18, 2017 and continues to own such stock through July 25, 2017, the date of the Settlement Hearing, who objects to the Settlement, or who otherwise wishes to be heard, may appear in person or through his, her, or its attorney at the Settlement Hearing and present any evidence or argument that may be proper and relevant; *provided, however*, that no such person shall be heard, and no papers, briefs, pleadings, or other documents submitted by any such person shall be received and considered by the Court unless, no later than July 10, 2017, such person files with the Register in Chancery, Court of Chancery, 500 North King Street, Wilmington, Delaware, 19801, the following: (a) a written and signed notice of intention to appear which states the name, address and telephone number of the objector and, if represented, his, her or its counsel; (b) proof that the objector owned shares of iPayment stock as of April 18, 2017 and continues to hold such shares; and (c) a written detailed statement of the person's objections to any matter before the Court, and the specific grounds therefor or the reasons why such person desires to appear and to be heard, as well as all documents and writings which such person desires the Court to consider, including any legal and evidentiary support. Any such filings with the Court must also be served upon each of the following counsel (by hand, first class U.S. mail, or express service) such that they are received no later than July 10, 2017:

Kasowitz Benson Torres
Attn: Sheron Korpus
1633 Broadway
New York, New York 10019

Abrams & Bayliss LLP
Attn: A. Thompson Bayliss
20 Montchanin Road, Suite 200
Wilmington, Delaware 19807

Willkie Farr & Gallagher LLP
Attn: Tariq Mundiya
787 Seventh Avenue
New York, New York 10019

Morris Nichols Arsht & Tunnell LLP
Attn: William M. Lafferty
1201 N. Market Street, 18th Floor
Wilmington, Delaware 19801

Milbank, Tweed, Hadley & McCloy LLP
Attn: Alan J. Stone
28 Liberty Street
New York, New York 10005

Young Conaway Stargatt & Taylor, LLP
Attn: Martin S. Lessner
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Pinckney, Weidinger, Urban & Joyce LLC
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Cole Schotz P.C.
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New York, New York 10166

Stroock & Stroock & Lavan LLP
Attn: Michael C. Keats
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New York, New York 10038

Richards, Layton & Finger, P.A.
Attn: Raymond J. DiCamillo
920 North King Street
Wilmington, Delaware 19801

41. **Unless the Court orders otherwise, any person or entity who or which does not make his, her or its objection in the manner provided herein shall be deemed to have waived his, her or its right to object to any aspect of the proposed Settlement and shall be forever barred and foreclosed from objecting to the fairness, reasonableness or adequacy of the Settlement, or from otherwise being heard concerning the Settlement in this or any other proceeding.**

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

42. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in the Action, you are referred to the papers on file in the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Register in Chancery in the Court of Chancery of the State of Delaware, 500 North King Street, Wilmington, Delaware, 19801. Additionally, copies of the Stipulation and any related orders entered by the Court will be posted on the following website: https://www.ipaymentinc.com/Investor-Center/DE_Settlement. If you have questions regarding the Settlement, you may write or call the following representatives for Plaintiffs' Counsel:

Kasowitz Benson Torres
Attn: Sheron Korpus
1633 Broadway
New York, New York 10019
Telephone: (212) 506-1700
Fax: (212) 506-1800

Abrams & Bayliss LLP
Attn: A. Thompson Bayliss
20 Montchanin Road, Suite 200
Wilmington, Delaware 19807
Telephone: (302) 778-1000
Fax: (302) 778-1001

NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS

43. If you are a brokerage firm, bank, or other person or entity who or which held shares of iPayment common stock as of the close of business on April 18, 2017 as a record holder for the beneficial interest of persons or organizations other than yourself, you must either: (a) within seven (7) calendar days of receipt of this Notice, request from iPayment through Garden City Group, LLC (the "Notice Administrator") sufficient copies of this Notice to forward to all such beneficial owners and within seven (7) calendar days of receipt of those Notices forward them to all such beneficial owners; or (b) within seven (7) calendar days of receipt of this Notice, provide a list of the names and addresses of all such beneficial owners to the Notice Administrator at:

iPayment Holdings, Inc. Settlement
c/o GCG
PO Box 10447
Dublin, OH 43017-4047

If you choose the second option, the Notice Administrator will send a copy of the Notice to the beneficial owners. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Notice Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice may also be obtained by calling the Notice Administrator toll-free at (800) 231-1815.

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF
THE REGISTER IN CHANCERY REGARDING THIS NOTICE.**

Dated: May 3, 2017

BY ORDER OF THE COURT OF CHANCERY
OF THE STATE OF DELAWARE