



FOR IMMEDIATE RELEASE

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iPAYMENT ANNOUNCES RESULTS FOR SECOND QUARTER 2006

NASHVILLE, Tennessee – (August 15, 2006) – iPayment, Inc. (“iPayment”) today announced financial results for the second quarter and six months ended June 30, 2006. iPayment consummated a merger transaction on May 10, 2006 (the “Transaction”), whereby iPayment Holdings, Inc., an entity owned by Greg Daily, iPayment’s Chairman and CEO, Carl Grimstad, iPayment’s President, and certain parties related to them acquired all of the outstanding stock of iPayment at a price of \$43.50 per share. The Transaction was funded by \$515.0 million of term loans, \$2.8 million borrowed under a new revolving credit facility, \$202.2 million of net proceeds from senior subordinated notes due in 2014 and \$170.0 million of equity investments. Uses of these funds included \$800.0 million for the purchase of the outstanding shares of iPayment’s common stock, \$70.0 million to pay down the entire outstanding balance of iPayment’s previous revolving credit facility, and \$20.0 million to pay transaction costs at closing. As a result of the Transaction, iPayment’s assets were revalued causing an increase in intangible assets of \$72.4 million and an increase in goodwill of \$356.8 million.

In accordance with generally accepted accounting principles in the United States, or GAAP, consolidated financial statements are required to present results of operations, financial position and cash flows prior to the date of the Transaction as “Predecessor,” and the results of operations, financial position and cash flows after the date of the Transaction as “Successor.” Our Consolidated Financial Statements have not aggregated our Predecessor results with our Successor results and, accordingly, do not show results of operations or cash flows for the three or six months ended June 30, 2006. However, in order to facilitate an understanding of our results of operations for the three and six months ended June 30, 2006, in comparison with the three and six months ended June 30, 2005, in this press release our Predecessor results and our Successor results are presented and discussed on a combined basis. The combined results of

- MORE -

operations are non-GAAP financial measures and should not be used in isolation or substitution of the Predecessor and Successor results.

Combined revenues increased to \$189,162,000 for the second quarter of 2006 from \$181,138,000 for the second quarter of 2005. Combined revenues, net of interchange, were \$79,427,000 for the second quarter of 2006 compared with \$75,107,000 for the second quarter of 2005. Combined net loss was \$5,809,000 for the second quarter of 2006, compared to net income of \$7,729,000 for the second quarter of 2005, while combined adjusted EBITDA increased to \$28,685,000 from \$25,592,000. Please see footnote (4) on page 7 of the following tables for a reconciliation of EBITDA and adjusted EBITDA to net income. Results for the second quarter of 2006 included other expense of \$6,401,000, principally incurred in connection with the Transaction, and \$7,140,000 of share-based compensation, included in selling, general and administrative expenses, related to the adoption of FAS 123R on January 1, 2006, and the accelerated vesting of certain stock options and restricted stock at the closing of the merger transaction on May 10, 2006. Adjusted EBITDA excludes these amounts. Net loss for the quarter was also impacted by an increase in the effective tax rate due to approximately \$5.5 million of costs related to the Transaction which were non-deductible for tax purposes.

iPayment's management will hold a conference call to discuss the second-quarter results on Wednesday, August 16, 2006, at 10:30 a.m. (Eastern Time). To listen to the call, participants should dial 913-981-4912 approximately 10 minutes prior to the start of the call. A telephonic replay will become available after 1:00 p.m. (Eastern Time) on Wednesday, August 16, 2006, and will continue through Wednesday, August 23, 2006, by dialing 719-457-0820 and entering Confirmation Code 3434355.

The live broadcast of iPayment's quarterly conference call will be available online at www.ipaymentinc.com or www.earnings.com on Wednesday, August 16, 2006, at 10:30 a.m. (Eastern Time). The online replay will become available after 1:00 p.m. (Eastern Time) and will continue through Wednesday, August 23, 2006.

iPayment, Inc. is a provider of credit and debit card-based payment processing services to over 140,000 small merchants across the United States. iPayment's payment processing services enable merchants to process both traditional card-present, or "swipe," transactions, as well as card-not-present transactions, including transactions over the internet or by mail, fax or telephone.

Information in this press release may contain "forward-looking statements" about iPayment, Inc. These statements involve risks and uncertainties and are not guarantees of future results, performance or achievements, and actual results, performance or achievements could differ materially from the Company's current expectations as a result of numerous factors, including but not limited to the following: acquisitions; liability for merchant chargebacks; restrictive covenants governing the Company's indebtedness; actions taken by its bank sponsors; migration of merchant portfolios to new bank sponsors; the Company's reliance on card payment processors and on independent sales organizations; changes in interchange fees; risks associated with the unauthorized disclosure of data; imposition of taxes on Internet transactions; actions by the Company's competitors; and risks related to the integration of companies and merchant portfolios the Company has acquired or may acquire. These and other risks are more fully disclosed in the Company's filings with the U.S. Securities and Exchange Commission, including without limitation the Company's Annual Report on Form 10-K for 2005. The Company undertakes no obligation to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release.

iPayment, Inc.
Consolidated Statements of Operations
(in thousands)

	Period from May 11 to June 30, 2006	Period from April 1 to May 10, 2006	Three months ended June 30, 2006
	<i>Successor</i> (Unaudited)	<i>Predecessor</i> (Unaudited)	<i>Combined (1)</i> (Unaudited)
Revenues	\$ 107,549	\$ 81,613	\$ 189,162
Interchange	62,389	47,346	109,735
Other costs of services	32,424	24,656	57,080
Selling, general and administrative	2,322	8,800	11,122
Total operating expenses	<u>97,135</u>	<u>80,802</u>	<u>177,937</u>
Income from operations	10,414	811	11,225
Other expense:			
Interest expense, net	8,602	3,380	11,982
Other	551	5,850	6,401
Income (loss) before income taxes and minority interest	1,261	(8,419)	(7,158)
Income tax provision (benefit)	492	(1,475)	(983)
Minority interest in equity of consolidated subsidiaries	193	173	366
Net income (loss)	<u>\$ 962</u>	<u>\$ (6,771)</u>	<u>\$ (5,809)</u>

	Period from May 11 to June 30, 2006	Period from January 1 to May 10, 2006	Six months ended June 30, 2006
	<i>Successor</i> (Unaudited)	<i>Predecessor</i> (Unaudited)	<i>Combined (1)</i> (Unaudited)
Revenues	\$ 107,549	\$ 252,514	\$ 360,063
Interchange	62,389	145,459	207,848
Other costs of services	32,424	78,006	110,430
Selling, general and administrative	2,322	13,420	15,742
Total operating expenses	<u>97,135</u>	<u>236,885</u>	<u>334,020</u>
Income from operations	10,414	15,629	26,043
Other expense:			
Interest expense, net	8,602	5,229	13,831
Other	551	6,729	7,280
Income before income taxes and minority interest	1,261	3,671	4,932
Income tax provision	492	3,343	3,835
Minority interest in equity of consolidated subsidiaries	193	522	715
Net income	<u>\$ 962</u>	<u>\$ 850</u>	<u>\$ 1,812</u>

(1) - Represents aggregate Successor and Predecessor results for the period presented. The combined results are non-GAAP financial measures and should not be used in isolation or substitution of the Predecessor and Successor results.

-MORE-

iPayment, Inc.
Consolidated Balance Sheets
(in thousands)

Assets	June 30, 2006	December 31, 2005
	<u>(Unaudited)</u>	
Current assets:		
Cash and cash equivalents	\$ 189	\$ 1,023
Accounts receivable, net	20,778	22,718
Prepaid expenses and other	2,934	2,549
Total current assets	<u>23,901</u>	<u>26,290</u>
Restricted cash	1,094	3,090
Property and equipment, net	3,485	2,907
Intangible assets, net	246,653	192,343
Goodwill, net	488,206	105,178
Deferred tax assets	-	5,757
Other assets	19,684	5,416
Total assets	<u>\$ 783,023</u>	<u>\$ 340,981</u>
 Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,400	\$ 1,697
Income taxes payable	-	4,697
Accrued liabilities and other	16,324	24,575
Current portion of long-term debt	5,241	-
Total current liabilities	<u>25,965</u>	<u>30,969</u>
Minority interest in (deficit) equity of consolidated subsidiaries	(360)	431
Deferred tax liabilities	16,943	-
Long-term debt, net of current portion	718,508	100,228
Total liabilities	<u>761,056</u>	<u>131,628</u>
Stockholders' equity:		
Common stock	19,602	155,870
Deferred compensation	-	(3,413)
Accumulated other comprehensive gain	1,403	-
Retained earnings	962	56,896
Total stockholders' equity	<u>21,967</u>	<u>209,353</u>
Total liabilities and stockholders' equity	<u>\$ 783,023</u>	<u>\$ 340,981</u>

-MORE-

iPayment, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Period from May 11 to June 30, 2006	Period from January 1 to May 10, 2006	Six months ended June 30, 2006
	<i>Successor</i>	<i>Predecessor</i>	<i>Combined (1)</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities:			
Net income	\$ 962	\$ 850	\$ 1,812
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,378	17,279	19,657
Stock-based compensation	3,253	4,466	7,719
Noncash interest expense	49	2,958	3,007
Changes in assets and liabilities:			
Accounts receivable	(11,548)	13,488	1,940
Prepaid expenses and other current assets	70	(461)	(391)
Other assets	8,153	(6,017)	2,136
Accounts payable and income taxes payable	2,612	(4,444)	(1,832)
Accrued liabilities and other	(18,084)	20,322	2,238
Net cash (used in) provided by operating activities	(12,155)	48,441	36,286
Cash flows from investing activities:			
Changes in restricted cash	946	1,050	1,996
Expenditures for property and equipment	(490)	(587)	(1,077)
Acquisitions of businesses, portfolios and other intangibles	(287)	(524)	(811)
Payments related to businesses previously acquired	(3,000)	(11,500)	(14,500)
Net cash used in investing activities	(2,831)	(11,561)	(14,392)
Cash flows from financing activities:			
Net repayments on line of credit	7,500	(100,000)	(92,500)
Proceeds received in exchange for ownership interest in Successor company	3,378	-	3,378
Repayments of debt and capital lease obligations	(1,303)	(28)	(1,331)
Proceeds from issuance of debt, net of finance costs	(120)	701,165	701,045
Cash paid to acquire common stock	(633,702)	-	(633,702)
Proceeds from issuance of common stock	-	382	382
Net cash (used in) provided by financing activities	(624,247)	601,519	(22,728)
Net (decrease) increase in cash	(639,233)	638,399	(834)
Cash and cash equivalents at beginning of period	<u>639,422</u>	<u>1,023</u>	<u>1,023</u>
Cash and cash equivalents at end of period	\$ 189	\$ 639,422	\$ 189

(1) - Represents aggregate Successor and Predecessor results for the period presented. The combined results are non-GAAP financial measures and should not be used in isolation or substitution of the Predecessor and Successor results.

-MORE-

iPayment, Inc.
Financial Highlights
(in thousands)

Combined Statements of Operations

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<i>Combined (1)</i>	<i>Predecessor</i>	<i>Combined (1)</i>	<i>Predecessor</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 189,162	\$ 181,138	\$ 360,063	\$ 344,501
Interchange	109,735	106,031	207,848	203,452
Other costs of services	57,080	55,091	110,430	103,866
Selling, general and administrative (2)	11,122	4,676	15,742	8,200
Total operating expenses	<u>177,937</u>	<u>165,798</u>	<u>334,020</u>	<u>315,518</u>
Income from operations	11,225	15,340	26,043	28,983
Other expense:				
Interest expense, net (3)	11,982	2,281	13,831	4,578
Other	6,401	496	7,280	577
(Loss) income before income taxes and minority interest	<u>(7,158)</u>	<u>12,563</u>	<u>4,932</u>	<u>23,828</u>
Income tax (benefit) provision	(983)	4,900	3,835	9,293
Minority interest in equity of consolidated subsidiaries	366	66	715	66
Net (loss) income	<u>\$ (5,809)</u>	<u>\$ 7,729</u>	<u>\$ 1,812</u>	<u>\$ 14,601</u>

(1) - Predecessor and Successor results are presented on a combined basis in this table for the three and six months ended June 30, 2006. The combined results are non-GAAP financial measures and should not be used in isolation or substitution of the Predecessor and Successor results. See separate Predecessor and Successor results of operations on page 4 of this release.

(2) - The three and six months ended June 30, 2006, include \$255,000 and \$834,000, respectively, of stock-based compensation due to the adoption of FAS 123R on January 1, 2006. Those periods also include \$6,885,000 related to the accelerated amortization of deferred compensation and accelerated vesting of stock options as a result of the closing of the merger transaction on May 10, 2006.

(3) - The three and six months ended June 30, 2006, include \$2,536,000 of net capitalized debt issuance costs related to our previous credit facility which were recognized as interest expense as a result of the closing of the merger transaction on May 10, 2006.

Other Data:

EBITDA (4)	\$ 15,144	\$ 25,096	\$ 39,135	\$ 48,744
Adjusted EBITDA (4)	\$ 28,685	\$ 25,592	\$ 54,134	\$ 49,321

-MORE-

iPayment, Inc.
Financial Highlights
(continued)

- (4) EBITDA is defined as net income (loss) before (i) depreciation and amortization, (ii) interest expense, and (iii) provision for income taxes (benefit). Adjusted EBITDA excludes certain additional items. We consider EBITDA and adjusted EBITDA to be important indicators of the performance of our business. We have included these non-GAAP financial measures because they provide management with important information for assessing our performance and as indicators of our ability to service or incur indebtedness, make capital expenditures and finance working capital requirements. EBITDA and adjusted EBITDA are not measures of financial performance under GAAP and should not be considered in isolation or as alternatives to cash flow from operating activities or as alternatives to net income as indicators of operating performance or any other measures of performance derived in accordance with GAAP. Other companies in our industry may calculate EBITDA and adjusted EBITDA differently than we do and EBITDA and adjusted EBITDA may not be comparable with similarly titled measures reported by other companies. The reconciliation of net income (loss) under GAAP to EBITDA and adjusted EBITDA is as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income	\$ (5,809)	\$ 7,729	\$ 1,812	\$ 14,601
Interest expense, net	11,982	2,281	13,831	4,578
Income tax provision	(983)	4,900	3,835	9,293
Depreciation and amortization	9,954	10,186	19,657	20,272
EBITDA	<u>15,144</u>	<u>25,096</u>	<u>39,135</u>	<u>48,744</u>
Stock-based compensation (a)	7,140	-	7,719	-
Other expense (b)	6,401	496	7,280	577
Adjusted EBITDA	<u>\$ 28,685</u>	<u>\$ 25,592</u>	<u>\$ 54,134</u>	<u>\$ 49,321</u>

(a) Represents compensation expense related to stock options granted to employees recognized due to the adoption of FAS 123R on January 1, 2006, and compensation expense related to the accelerated vesting of stock options and restricted stock recognized as a result of the closing of the merger transaction on May 10, 2006.

(b) Represents certain expenses of the Company primarily related to the merger transaction which closed on May 10, 2006.

-MORE-

iPayment, Inc.
Financial Highlights
(continued)

Combined Statements of Cash Flows

	Six months ended June 30,	
	2006	2005
	<i>Combined (1)</i>	<i>Predecessor</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	\$ 1,812	\$ 14,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,657	20,272
Stock-based compensation	7,719	-
Noncash interest expense	3,007	495
Changes in assets and liabilities:		
Accounts receivable	1,940	(3,399)
Prepaid expenses and other current assets	(391)	(2,668)
Other assets	2,136	(4,368)
Accounts payable and income taxes payable	(1,832)	5,718
Accrued liabilities and other	2,238	3,632
Net cash provided by operating activities	36,286	34,283
Cash flows from investing activities:		
Changes in restricted cash	1,996	770
Expenditures for property and equipment	(1,077)	(810)
Acquisitions of businesses, portfolios and other intangibles	(811)	(18,712)
Payments related to businesses previously acquired	(14,500)	-
Net cash used in investing activities	(14,392)	(18,752)
Cash flows from financing activities:		
Net repayments on line of credit	(92,500)	(16,000)
Proceeds received in exchange for ownership interest in Successor company	3,378	-
Repayments of debt and capital lease obligations	(1,331)	-
Proceeds from issuance of debt	701,045	-
Cash paid to acquire common stock	(633,702)	-
Proceeds from issuance of common stock	382	1,930
Net cash used in financing activities	(22,728)	(14,070)
Net (decrease) increase in cash	(834)	1,461
Cash and cash equivalents at beginning of period	1,023	888
Cash and cash equivalents at end of period	\$ 189	\$ 2,349

(1) - Predecessor and Successor results are presented on a combined basis in this table for the six months ended June 30, 2006. The combined results are non-GAAP financial measures and should not be used in isolation or substitution of the Predecessor and Successor results. See separate Predecessor and Successor cash flow information on page 6 of this release.

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