



FOR IMMEDIATE RELEASE

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iPAYMENT ANNOUNCES RESULTS FOR FIRST QUARTER 2006

NASHVILLE, Tennessee – (May 15, 2006) – iPayment, Inc. today announced financial results for the first quarter ended March 31, 2006. Revenues increased to \$170,901,000 for the first quarter of 2006 from \$163,363,000 for the first quarter of 2005. Revenues, net of interchange, were \$72,788,000 for the first quarter of 2006 compared with \$66,509,000 for the first quarter of 2005. Net income was \$7,622,000 for the first quarter of 2006, up from \$6,872,000 for the first quarter of 2005, while adjusted EBITDA increased to \$25,448,000 from \$23,729,000. Please see footnote (2) of the following tables for a reconciliation of EBITDA and adjusted EBITDA to net income. Results for the first quarter of 2006 included other expense of \$878,000, principally related to the previously announced work of the Special Committee of the Board of Directors, and \$579,000 of stock-based compensation, included in selling, general and administrative expenses, related to the adoption of FAS 123R on January 1, 2006. Adjusted EBITDA excludes these amounts.

iPayment does not intend to hold a conference call to discuss its first-quarter results, having recently completed its road show related to its offering of Senior Subordinated Notes.

iPayment, Inc. is a provider of credit and debit card-based payment processing services to approximately 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,

- MORE -

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.
Financial Highlights
(in thousands)

Consolidated Income Statements	Three months ended March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
Revenues	\$ 170,901	\$ 163,363
Interchange	98,113	96,854
Other costs of services	53,350	49,342
Selling, general and administrative (1)	4,620	3,524
Total operating expenses	156,083	149,720
Income from operations	14,818	13,643
Other expense:		
Interest expense, net	1,848	2,297
Other	878	81
Income before income taxes and minority interest	12,092	11,265
Income tax provision	4,818	4,393
Minority interest in equity of consolidated subsidiaries	348	-
Net income	\$ 7,622	\$ 6,872

(1) - Q1-06 includes \$579,000 of stock-based compensation due to the adoption of FAS 123R on January 1, 2006.

Other Data:

EBITDA (2)	\$ 23,991	\$ 23,648
Adjusted EBITDA (2)	\$ 25,448	\$ 23,729

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iPayment, Inc.
Financial Highlights
(continued)

- (2) 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 March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
Net Income	\$ 7,622	\$ 6,872
Interest expense, net	1,848	2,297
Income tax provision	4,818	4,393
Depreciation and amortization	9,703	10,086
EBITDA	<u>23,991</u>	<u>23,648</u>
Stock-based compensation (a)	579	-
Other expense (b)	878	81
Adjusted EBITDA	<u>\$ 25,448</u>	<u>\$ 23,729</u>

(a) Represents compensation expense related to stock options granted to employees recognized due to the adoption of FAS 123R on January 1, 2006.

(b) Represents certain expenses of the Company primarily related to the merger transaction.

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iPayment, Inc.
Consolidated Balance Sheets
(in thousands)

Assets	March 31, 2006	December 31 2005
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 210	\$ 1,023
Accounts receivable, net	19,961	22,718
Prepaid expenses and other	2,965	2,549
Total current assets	<u>23,136</u>	<u>26,290</u>
Restricted cash	2,047	3,090
Property and equipment, net	3,164	2,907
Intangible assets, net	183,555	192,343
Goodwill, net	105,584	105,178
Deferred tax assets	7,243	5,757
Other assets	5,189	5,416
Total assets	<u><u>\$ 329,918</u></u>	<u><u>\$ 340,981</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 5,179	\$ 1,697
Income taxes payable	4,248	4,697
Accrued liabilities and other	11,772	24,575
Total current liabilities	<u>21,199</u>	<u>30,969</u>
Minority interest in equity of consolidated subsidiaries	250	431
Long-term debt	<u>90,308</u>	<u>100,228</u>
Total liabilities	<u>111,757</u>	<u>131,628</u>
Stockholders' equity:		
Common stock	156,936	155,870
Deferred compensation	(3,293)	(3,413)
Retained earnings (deficit)	64,518	56,896
Total stockholders' equity	<u>218,161</u>	<u>209,353</u>
Total liabilities and stockholders' equity	<u><u>\$ 329,918</u></u>	<u><u>\$ 340,981</u></u>

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

	Three months ended March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	\$ 7,622	\$ 6,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,703	10,086
Stock-based compensation	579	-
Noncash interest expense	252	249
Changes in assets and liabilities:		
Accounts receivable	2,757	(299)
Prepaid expenses and other current assets	(422)	(556)
Other assets	(1,508)	(395)
Accounts payable and income taxes payable	3,195	1,137
Accrued liabilities and other	(3,884)	(2,576)
Net cash provided by operating activities	18,294	14,518
Cash flows from investing activities:		
Changes in restricted cash	1,043	716
Expenditures for property and equipment	(495)	(443)
Acquisitions of businesses, portfolios and other intangibles	(524)	(16,556)
Payments related to businesses previously acquired	(9,500)	-
Net cash (used in) provided by investing activities	(9,476)	(16,283)
Cash flows from financing activities:		
Net (repayments) borrowings on line of credit	(9,900)	1,000
Repayments of debt and capital lease obligations	(20)	-
Proceeds from issuance of common stock	289	901
Net cash provided by (used in) financing activities	(9,631)	1,901
Net increase (decrease) in cash	(813)	136
Cash and cash equivalents at beginning of period	1,023	888
Cash and cash equivalents at end of period	\$ 210	\$ 1,024

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