Higher One Holdings, Inc.
Form SC 14D9
July 07, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-9

Solicitation/Recommendation Statement

Under Section 14(d)(4) of the Securities Exchange Act of 1934

HIGHER ONE HOLDINGS, INC.

(Name of Subject Company)

HIGHER ONE HOLDINGS, INC.

(Name of Person Filing Statement)

Common Stock, par value $0.001 per share

(Title of Class of Securities)

42983D104

(CUSIP Number of Class of Securities)

Marc Sheinbaum

President and Chief Executive Officer

Higher One Holdings, Inc.

115 Munson Street

New Haven, CT 06511

(Name, address and telephone number of person authorized to receive notices and communications

on behalf of the person filing statement)

With a copy to:

Ethan A. Klingsberg, Esq.	**Thomas Kavanaugh**
Neil Markel, Esq.	**Vice President, General Counsel and Secretary**
Cleary Gottlieb Steen & Hamilton LLP	**Higher One Holdings, Inc.**
One Liberty Plaza	**115 Munson Street**
New York, NY 10006	**New Haven, CT, 06511**
(212) 225-2000	**(203) 776-7776**

¨ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

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ITEM 1. SUBJECT COMPANY INFORMATION

Name and Address

The name of the subject company to which this Solicitation/Recommendation Statement on Schedule 14D-9 (as it may be amended or supplemented from time to time, this **Schedule 14D-9**) relates is Higher One Holdings, Inc., a Delaware corporation (the **Company**). The address of the principal executive offices of the Company is 115 Munson Street, New Haven, CT 06511, and the telephone number of the principal executive offices of the Company is (203) 776-7776.

Class of Securities

The title of the class of equity securities to which this Schedule 14D-9 relates is the Company s shares of common stock, par value $0.001 per share (each, a **Share**). As of the close of business on July 5, 2016, there were an aggregate of 48,676,224 Shares issued and outstanding.

ITEM 2. IDENTITY AND BACKGROUND OF FILING PERSON

Name and Address

The Company is the subject company and the person filing this Schedule 14D-9. The Company s name, business address and business telephone number are set forth in Item 1 under the heading Name and Address. The Company s website address is *www.higherone.com*. The Company has included its website address in this Schedule 14D-9 solely as a textual reference, and the information included in, or linked to through, the Company s website should not be considered part of this Schedule 14D-9.

Tender Offer

This Schedule 14D-9 relates to the tender offer by Winchester Acquisition Corp., a Delaware corporation (**Purchaser**) and a wholly-owned subsidiary of Winchester Acquisition Holdings Corp., a Delaware corporation (**Parent**), to purchase all issued and outstanding Shares, at a price of $5.15 per Share net to the seller in cash (the **Offer Price**), without interest thereon and subject to any required withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated July 7, 2016 (as it may be amended or supplemented from time to time, the **Offer to Purchase**), and the related Letter of Transmittal (as it may be amended or supplemented from time to time, the **Letter of Transmittal** and, together with the Offer to Purchase, the **Offer**). The Offer to Purchase and the Letter of Transmittal are filed as Exhibits (a)(1)(i) and (a)(1)(ii) hereto, respectively, and are incorporated herein by reference. The Offer is described in a Tender Offer Statement on Schedule TO filed by Purchaser and Parent with the U.S. Securities and Exchange Commission (the **SEC**) on July 7, 2016 (as it may be amended or supplemented from time to time, the **Schedule TO**). Parent is an affiliate of Blackboard Inc. (**Blackboard**). Each of Purchaser, Parent and Blackboard is owned by Blackboard Super Holdco, Inc. (**Super Holdco**) and is ultimately controlled by equity funds managed by Providence Managing Member L.L.C. (the **Sponsor**).

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of June 29, 2016, by and among the Company, Parent and Purchaser (as it may be amended from time to time, the **Merger Agreement**). A summary of the Merger Agreement is contained in Section 1 of the Offer to Purchase under the heading Purpose of the Offer and Plans for Higher One: Merger Agreement and Other Agreements The Merger Agreement and is incorporated herein by reference. The Merger Agreement provides, among other things, that as soon as practicable following the consummation of the Offer and the satisfaction or waiver of certain conditions, and without a stockholder vote to adopt the Merger Agreement or effect the Merger, in accordance with Section 251(h) of the General Corporation Law of the State of Delaware (the **DGCL**), Purchaser will be merged with and into the Company (the **Merger**), with the Company surviving the Merger (the **Surviving Corporation**) as a wholly-owned subsidiary of Parent. As a result of the Merger, each Share outstanding immediately prior to the effective time of the Merger (the **Effective Time**) (other than each Share (i) owned by the Company, Parent or Purchaser or any of their respective wholly-owned subsidiaries, which Shares will be cancelled and cease to exist without any payment being made with respect to such Shares, or (ii) owned by any stockholders who are entitled to and who properly exercise appraisal rights under Section 262 of the DGCL with respect to such Shares) will be cancelled and converted into the right to receive an amount of cash per Share equal to the Offer Price, without interest thereon and less any applicable withholding taxes. In connection with the Merger, outstanding warrants, stock options, restricted stock and restricted stock will convert into the right to receive cash as set forth in Item 3 under the headings Treatment of Warrants, Agreements or Arrangements with Executive Officers and Directors of the Company Effect of the Offer and the Merger Agreement on Equity Awards Treatment of Stock Options , Treatment of RSUs and Treatment of Restricted Shares.

The Offer is initially scheduled to expire at 9:00 A.M., New York City time, on August 4, 2016, subject to extension in certain circumstances as required or permitted by the Merger Agreement, the SEC or applicable law (as the Offer may be so extended, the **Expiration Time**).

The foregoing summary of the Offer is qualified in its entirety by the more detailed description and explanation contained in the Offer to Purchase and the Letter of Transmittal.

Super Holdco formed Parent and Purchaser solely for the purpose of engaging in the Offer, the Merger and the other transactions contemplated by the Merger Agreement (collectively, the **Transactions**). To date, Parent and Purchaser have not carried on any activities other than those related to their formation, their entry into the Merger Agreement and the Transactions. The Offer to Purchase states that the principal executive offices of Parent and Purchaser are located at 1111 19th Street NW, Washington, DC 20036 and the telephone number at those offices is (202) 463-4860.

ITEM 3. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS

Confidentiality Agreement

In connection with Parent s evaluation of the potential business combination that resulted in the Offer, the Company and Providence Equity Partners L.L.C., which is an affiliate of the Sponsor, entered into a non-disclosure agreement on June 23, 2015 (as amended, the **Confidentiality Agreement**). Pursuant to the Confidentiality Agreement, Providence Equity Partners L.L.C., on its own behalf and on behalf of its affiliates and certain of its representatives, agreed not to, among other things, disclose confidential information concerning the Company and to use such information only for the purposes of evaluating, negotiating and implementing a possible transaction with the Company (subject to certain exceptions). Under the Confidentiality Agreement, Providence Equity Partners L.L.C. (on its own behalf and on behalf of its affiliates) also agreed, for a period of eighteen months commencing from the date of the Confidentiality Agreement, to certain standstill provisions for the protection of the Company, which, among other things, restrict Providence Equity Partners L.L.C. (both acting in its own capacity and in respect of its affiliates) from acquiring securities of the Company or taking certain actions with respect to a business combination transaction involving the Company without the specific approval of the Board of Directors of the Company (the **Board**) (although these restrictions do not apply to the Transactions). Providence Equity Partners L.L.C. is not prohibited from privately requesting any amendment or waiver of such standstill provisions. In addition, the Confidentiality Agreement contains a non-solicitation provision which prohibits Providence Equity Partners L.L.C. (both acting in its own capacity and in respect of its affiliates), during the eighteen month period commencing on the date of the Confidentiality Agreement, from soliciting for employment any employee, officer, director or employee of the Company or its subsidiaries with whom Providence Equity Partners L.L.C. or its affiliates have contact or of whom Providence Equity Partners L.L.C. or its affiliates become aware of in connection with a possible transaction (subject to certain exceptions described in the Confidentiality Agreement). Under the Merger Agreement, the

Confidentiality Agreement expressly remains in full force and effect. This summary and description do not purport to be complete and are qualified in their entirety by reference to the Confidentiality Agreement, which is filed as Exhibit (e)(2) to this Schedule 14D-9 and is incorporated by reference herein.

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Exclusivity Agreement

Prior to entering into the Merger Agreement, the Company and Blackboard entered into a letter agreement, dated as of June 3, 2016 (the **Exclusivity Agreement**), pursuant to which the Company and Blackboard agreed, among other things, that from the date thereof through the earlier of (i) 11:59 p.m., New York City time, on June 17, 2016 and (ii) such date on which Blackboard determines in good faith that it does not wish or intend, or otherwise will not be able, to proceed with a transaction on material terms and conditions not less favorable than those included in Blackboard s bid letter to the Company (the **Exclusivity Period**), the Company agreed not to, among other things, solicit any alternative transactions to the transaction being discussed by the Company and Parent during the Exclusivity Period and, within twelve hours of the execution of the Exclusivity Agreement, to terminate any ongoing discussions with other parties. On June 20, 2016, the Company and Blackboard agreed to extend the date referenced in clause (i) of the definition of the Exclusivity Period to June 24, 2016. On June 24, 2016, the Company and Blackboard agreed to further extend the date referenced in clause (i) of the definition of the Exclusivity Period to June 27, 2016. On June 27, 2016, the Company and Blackboard agreed to further extend the date referenced in clause (i) of the definition of Exclusivity Period to the June 29, 2016. This summary and description do not purport to be complete and are qualified in their entirety by reference to the Exclusivity Agreement, which is filed as Exhibit (e)(3) to this Schedule 14D-9 and incorporated herein by reference.

Merger Agreement

On June 29, 2016, the Company, Parent and Purchaser entered into the Merger Agreement. The summary of the Merger Agreement and the description of the terms and conditions to the Offer and related procedures and withdrawal rights contained in the Offer to Purchase are incorporated by reference herein. This summary and description do not purport to be complete and are qualified in their entirety by reference to the Merger Agreement, which is filed as Exhibit (e)(1) to this Schedule 14D-9 and is incorporated by reference herein.

The Merger Agreement has been provided solely to inform investors of its terms. It is not intended to be, and should not be relied upon as, a source of financial, business or operational information about the Company, Parent, Purchaser or their respective affiliates. The representations and warranties contained in the Merger Agreement are made only for purposes of the Merger Agreement and are made as of specific dates; are solely for the benefit of the parties; may be subject to qualifications and limitations agreed upon by the parties in connection with negotiating the terms of the Merger Agreement, including being qualified by confidential disclosures made for the purpose of allocating contractual risk between the parties instead of establishing matters as facts; and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors or security holders. Moreover, information concerning the subject matter of the representations, warranties, covenants and certain closing conditions may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in public disclosures. The representations and warranties also may not be accurate or complete as of any specified date and may be subject to a contractual standard of materiality different from those generally applicable to stockholders. The representations and warranties contained in the Merger Agreement and incorporated by reference into this Schedule 14D-9 have been negotiated with the principal purpose of establishing the circumstances in which Purchaser may have the right not to consummate the Offer, or a party may have the right to terminate the Merger Agreement, if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and to allocate risk between the parties, rather than establish matters as facts. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this Schedule 14D-9, may have changed since the date of the Merger Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this Schedule 14D-9.

The Company s stockholders and other investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of the Company, Parent, Purchaser or any of their respective subsidiaries or affiliates on any date.

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Equity Commitment Letter

Parent has received an equity commitment, dated June 29, 2016 (the **Equity Commitment Letter**), from certain equity funds managed by Sponsor (the **Equity Investors**), pursuant to which the Equity Investors have committed, severally and not jointly, subject to the conditions of the Equity Commitment Letter, to provide equity financing to Parent in an aggregate amount not to exceed $303 million, which amount may be reduced in accordance with the terms of the Equity Commitment Letter, solely for Parent s and/or Merger Sub s funding of the following: (i) the payment for all Shares that are either (a) accepted pursuant to the Offer or (b) acquired pursuant to the Merger, (ii) the amounts payable pursuant to Section 2.08 of the Merger Agreement relating to the cashing out of the Company s equity awards and warrants, (iii) the amounts required to satisfy any obligations of the Company and the Company Subsidiaries under the debt payoff letters and other related termination agreements contemplated by the Merger Agreement, (iv) all amounts payable by Parent to the Company pursuant to certain expense reimbursement and indemnification provisions of the Merger Agreement, (v) all other amounts necessary for the satisfaction of all of Parent s and Purchaser s obligations under or in connection with the Merger Agreement (including payment of their advisors and other transaction expenses), and (vi) all monetary damages payable by Parent and/or Purchaser arising out of or related to the Merger Agreement and/or the Transactions (together, the **Permitted Purposes**).

The conditions to each Equity Investor s funding obligations under the Equity Commitment Letter include (a) the execution and delivery of the Merger Agreement by Parent, Purchaser and the Company, (b) with respect to the funding of payment for the Shares accepted pursuant to the Offer, the occurrence of the Expiration Time and (c) with respect to the funding of the Merger Consideration, the satisfaction or waiver of all of the conditions to the closing of the Merger (the **Closing**) set forth in Section 7.01 of the Merger Agreement. The Equity Investors funding obligations under the Equity Commitment Letter will terminate automatically and immediately upon the earliest to occur of: (a) the Closing, provided that each Equity Investor s maximum equity commitments in respect of the Closing has been paid, (b) the 30th day following the termination of the Merger Agreement in accordance with its terms, except in respect of any claims presented by the Company prior to such date, (c) the public or written assertion by the Company or any of its affiliates, directly or indirectly, of any claim or cause of action arising out of, connected to or in any manner relating to the Merger Agreement or the Transactions, against any Equity Investor or any affiliated person thereof (other than in respect of any claim, or any other claim or cause of action relating to the enforcement of the Equity Investor s obligations in the Equity Commitment Letter or a breach by the Equity Investors of the Equity Commitment Letter); and (d) the funding by each Equity Investor of such Equity Investor s required maximum equity commitment.

The Company is a third party beneficiary of the Equity Commitment Letter and has the right to enforce its rights thereunder in accordance with its terms, but only if (a) certain conditions precedent under the Equity Commitment Letter have been met, (b) the Company is awarded specific performance pursuant to the Merger Agreement or (c) the Company has obtained a final and non-appealable judgment from a court of competent jurisdiction against Parent and/or Purchaser with respect to an obligation or liability within a Permitted Purpose. In addition, the Company may directly enforce the Equity Investors commitment to (i) comply with Sections 6.11(b), 6.11(c) and 6.11(d) of the Merger Agreement (including with respect to filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the **HSR Act**) and, to the extent required to permit the conditions of the Offer to be satisfied prior to the initial Expiration Time, to take, or cause their affiliates to take, such divestitures and undertake such remedies as may be necessary to permit the closing of the Offer to occur and (ii) subject to applicable law, to use reasonable best efforts to cause Super Holdco to use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties to the Merger Agreement in doing, all things reasonably necessary under applicable law to effect the Transactions.

The foregoing summary and description of the Equity Commitment Letter does not purport to be complete and is qualified in its entirety by reference to the full text of the Equity Commitment Letter, which is filed as Exhibit (e)(4) to this Schedule 14D-9 and is incorporated herein by reference.

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Treatment of Warrants

The Merger Agreement provides that, at the Effective Time, all outstanding warrants to purchase Shares (each, a **Warrant**), whether or not then exercisable, that are outstanding immediately prior to the Effective Time will automatically be cancelled and converted into the right to receive an amount in cash equal to the product of (i) the total number of Shares that are acquirable under such Warrants and (ii) the excess, if any, of the Offer Price over the exercise price under such Warrants, without interest and less applicable taxes required to be withheld with respect to such payment pursuant to the Merger Agreement. No consideration will be paid for Warrants that have an exercise price that is greater than the Offer Price.

New Agreements

While, as of the date of this Schedule 14D-9, none of the Company s current directors or executive officers have entered into any agreement or arrangement with Blackboard, Super Holdco, the Company or their respective affiliates specifically regarding continued service with the Company, the Surviving Corporation or their respective affiliates after the Effective Time other than the existing agreements described in this Item 3, it is possible that Blackboard, Super Holdco or their respective affiliates may enter into employment or other arrangements with the Company s management in the future.

Agreements or Arrangements with Executive Officers and Directors of the Company

Certain of the Company s executive officers and directors have financial interests in the Transactions that are different from, or in addition to, the interests of the Company s stockholders generally. The Board was aware of these potentially differing interests and considered them, among other matters, in evaluating and negotiating the Merger Agreement and in reaching its decision to approve the Merger Agreement and the Transactions.

For further information with respect to the agreements or arrangements between the Company and its executive officers, directors and affiliates described in this Item 3, see Item 8 under the heading Golden Parachute Compensation, which is incorporated by reference into this Item 3.

Consideration for Shares Tendered Pursuant to the Offer

If the Company s executive officers and directors tender any Shares they beneficially own pursuant to the Offer, pursuant to the Merger Agreement they would receive the same cash consideration per Share on the same terms and conditions as the other stockholders of the Company. As of July 5, 2016, the executive officers and directors of the Company beneficially owned, in the aggregate, 2,490,488 Shares (excluding for this purpose Restricted Shares and Shares underlying Options and RSUs (each, as defined in this Item 3 under the headings Agreements or Arrangements with Executive Officers and Directors of the Company Effect of the Offer and the Merger on Equity Awards Treatment of Stock Options, Treatment of RSUs and Treatment of Restricted Shares), which are set forth in the table below). If the executive officers and directors were to tender all 2,490,488 Shares for purchase pursuant to the Offer and those Shares were accepted for purchase and purchased by Purchaser, then such executive officers and directors would receive an aggregate of approximately $12.8 million in cash without interest and less any applicable withholding taxes. As indicated below, to the Company s knowledge after making reasonable inquiry, all of the Company s executive officers and directors intend to tender all of their Shares in the Offer.

Effect of the Offer and the Merger Agreement on Equity Awards

The discussion below describes the treatment of the Company s equity awards under the Merger Agreement.

Treatment of Stock Options

The Merger Agreement provides that, at the Effective Time, all outstanding options to purchase Shares (each, an **Option**), whether vested or unvested, that are outstanding immediately prior to the Effective Time

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will automatically be cancelled and converted into the right to receive an amount in cash equal to the product of (i) the total number of Shares subject to such Options and (ii) the excess, if any, of the Offer Price over the per share exercise price under such Options, without interest and less applicable taxes required to be withheld with respect to such payment pursuant to the Merger Agreement. No consideration will be paid for Options that have a per share exercise price that is greater than the Offer Price.

Treatment of RSUs

The Merger Agreement provides that, at the Effective Time, all awards of restricted stock units of the Company (each, a **RSU**), whether vested or unvested, whether settled in cash or Shares, that are outstanding immediately prior to the Effective Time will automatically be cancelled and converted into the right to receive an amount in cash equal to the Offer Price, without interest and less applicable taxes required to be withheld with respect to such payment pursuant to the Offer Price.

Treatment of Restricted Shares

The Merger Agreement provides that, at the Effective Time, shares of restricted stock of the Company (each, a **Restricted Share**), whether vested or unvested, that are outstanding immediately prior to the Effective Time will automatically be cancelled and converted into the right to an amount in cash equal to the Offer Price, without interest and less applicable taxes required to be withheld with respect to such payment pursuant to the Merger Agreement.

Table of Equity-Related Payments

The following table sets forth the approximate amount of the payments that each of the Company s executive officers and directors is entitled to receive in connection with the Transactions pursuant to their Shares held, assuming all Options, RSUs and Restricted Shares will be treated as set forth in Item 3 under the headings Agreements or Arrangements with Executive Officers and Directors of the Company Effect of the Offer and the Merger Agreement on Equity Awards Treatment of Stock Options, Treatment of RSUs and Treatment of Restricted Shares, but not reduce for any applicable tax withholding.

Executive Officer/Director	Shares Held (excluding Options, RSUs and Restricted Shares) (#)	Value of Shares Held ($)	Shares Underlying Options (#) (1)	Aggregate Value for Options ($) (2)	Shares Underlying RSUs (#)	Value of Shares Underlying RSUs ($) (3)	Restricted Shares (#)	Value of Restricted Shares ($) (4)	Aggregate Value for Equity ($)
Marc Sheinbaum	232,575	1,197,761	125,000	216,250	611,068	3,147,000	84,402	434,670	4,995,681
Christopher Wolf	141,917	730,873			236,577	1,218,372	12,500	64,375	2,013,620
Thomas Kavanaugh	58,852	303,088	15,000	8,400	122,899	632,930			944,418
Robert Reach	71,734	369,430	135,179	191,244	120,680	621,502			1,182,176
Thomas Anderson			46,364	68,166	91,476	471,101			539,267
Paul Biddelman			50,073	146,530	67,800	349,170			495,700
			21,273	36,802	62,810	323,472			360,274

Samara Braunstein							
Michael Collins			38,780	86,867	79,345	408,627	495,494
David Cromwell (5)	34,273	176,506	50,073	146,530	67,800	349,170	672,206
Sheldon Goldfarb			38,780	86,867	79,345	408,627	495,494
Robert Herman Hartheimer			21,273	36,802	67,800	349,170	385,972
Lowell Robinson			47,914	77,030	94,175	485,001	562,031
Mark Volchek	1,951,137	10,048,356	21,273	36,802	52,966	272,775	10,357,933

(1) Excludes Shares underlying Options in which the exercise price per share equals or exceeds the Offer Price, as no payment will be made for such Options.

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(2) Value was determined by multiplying the number of Shares underlying Options (excluding any Shares underlying Options in which the exercise price per share equals or exceeds the Offer Price) by the excess of $5.15 over such Options weighted average exercise price.

(3) Includes both stock-settled RSUs and cash-settled RSUs held by the executive officer/director. Value was determined by multiplying the number of Shares underlying RSUs by $5.15. The following table sets forth separately information regarding the cash-settled RSUs:

Executive Officer/Director	Cash-Settled RSUs (#)	Value of Cash-Settled RSUs ($)
Marc Sheinbaum	337,349	1,737,347
Christopher Wolf	120,481	620,477
Thomas Kavanaugh	60,240	310,236
Robert Reach	54,216	279,212
Thomas Anderson	27,710	142,707
Paul Biddelman	27,710	142,707
Samara Braunstein	27,710	142,707
Michael Collins	27,710	142,707
David Cromwell	27,710	142,707
Sheldon Goldfarb	27,710	142,707
Robert Herman Hartheimer	27,710	142,707
Lowell Robinson	27,710	142,707
Mark Volchek	27,710	142,707

(4) Value was determined by multiplying the number of Restricted Shares by $5.15.

(5) For Mr. Cromwell, the Shares Held column includes 34,273 Shares held by Hillhouse Advisors, Inc. and the Shares Underlying Options and Aggregate Value for Options includes 28,800 options to purchase Shares held by Sachem Ventures, LLC. Mr. Cromwell is the president of Hillhouse Advisors, Inc., which is the Managing Member of Sachem Ventures, LLC, and Mr. Cromwell controls the voting of Shares held by Sachem Ventures, LLC and by Hillhouse Advisors, Inc. Mr. Cromwell disclaims beneficial ownership of any securities owned by Sachem Ventures, LLC and Hillhouse Advisors, Inc., but may be deemed to be the beneficial owner of such Shares.

Executive Severance Policy

On August 6, 2015, the Company adopted the Company Executive Severance Policy, effective August 6, 2015 (the **Executive Severance Policy**), to provide certain severance payments to designated officers and other key executives and employees of the Company, including Marc Sheinbaum, Christopher Wolf, Robert Reach and Thomas Kavanaugh, in the event of a qualifying termination of employment under certain circumstances. Under the Executive Severance Policy, in the event an executive officer s employment at the Company is terminated (i) by the Company without cause (other than as a result of death or disability) or (ii) by the executive officer for good reason (in each case a qualifying termination), in each case within 75 days prior to or 12 months following a Change in Control (as defined in the Executive Severance Policy), the executive officer will continue to receive his or her base salary, payable in equal monthly installments over the next 12 months, a prorated annual bonus and reimbursement of COBRA payments (if applicable) for 12 months following termination (the severance payments). The severance payments are conditioned upon the executive officer s execution of a general release of the Company and compliance with certain restrictive covenants for up to 12 months following termination (the release and covenant conditions). In addition, the executive officer s unvested equity awards will immediately vest and be settled as set forth in their grant agreements and Options will remain outstanding until the earlier of (i) the 12 month anniversary of the termination of the executive officer s employment with the Company and (ii) the tenth anniversary date of the Option grant, subject to satisfaction of the release and covenant conditions. The Executive Severance Policy provides for offsets in the event of conflict with other severance plans or agreements of the Company. Any severance benefits that are treated as parachute payments under Section 280G of the Internal Revenue Code of 1986, as amended (the

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Code) will be subject to reduction, to the extent such reduction would provide the executive officer with the greatest after-tax amount of benefits after taking into account any excise tax to which he or she might be subject under Section 4999 of the Code. No such named executive officer is entitled to tax gross ups on these payments and benefits.

The foregoing summary does not constitute a complete summary of the terms of the Executive Severance Policy, and reference is made to the complete text of the Executive Severance Policy attached as Exhibit 10.2 to the Company Form 10-Q filed on August 7, 2015, and incorporated herein by reference.

Severance Agreements

On May 6, 2016, the Company entered into substantially identical severance agreements (the **Severance Agreements**) with Marc Sheinbaum, Christopher Wolf, Robert Reach, and Thomas Kavanaugh. The Severance Agreements reflect the terms of the Executive Severance Policy in the relevant parts with one adjustment to the calculation and timing of annual bonus payments for the year of termination in connection with a Change in Control (as defined in the Severance Agreements). As set forth in and subject to the terms of the Severance Agreements, an executive officer terminated in connection with a Change in Control will receive a pro rata portion of his target bonus amount as soon as practicable following such termination of employment. The Severance Agreements provide for offsets in the event of conflict with other severance plans, agreements or policies of the Company including, but not limited to, the Sheinbaum Employment Agreement (as defined below).

The foregoing summary does not constitute a complete summary of the terms of the Severance Agreements, and reference is made to the complete text of the form of Severance Agreement that is attached as Exhibit 10.1 to the Company Form 10-Q filed May 6, 2016, and incorporated herein by reference.

Employment Agreement with Marc Sheinbaum

On April 16, 2014, the Company entered into an employment agreement with Marc Sheinbaum (the **Sheinbaum Employment Agreement**). The Sheinbaum Employment Agreement may be terminated (i) upon Mr. Sheinbaum s death or disability, (ii) by the Company for Cause (as defined in the Sheinbaum Employment Agreement), (iii) by the Company without Cause, (iv) by Mr. Sheinbaum for Good Reason (as defined in the Sheinbaum Employment Agreement) or (v) by Mr. Sheinbaum upon 30 days notice. The Company or Mr. Sheinbaum may choose not to renew the Sheinbaum Employment Agreement by providing a notice of non-renewal at least three months before the end of an employment period. The Sheinbaum Employment Agreement has a three-year term with automatic one-year extensions.

If Mr. Sheinbaum s employment is terminated by the Company without Cause or by him for Good Reason, each within the 24-month period following a Change in Control (as defined in the Sheinbaum Employment Agreement), he will be entitled to 24 months of continued insurance coverage and a lump sum severance payment equal to two times (2x) the sum of his base salary and target annual bonus. In addition, all outstanding equity awards will immediately vest and any Options held by him will remain exercisable until the expiration date of the option. In the case of a termination by the Company for Cause or by Mr. Sheinbaum voluntarily (other than for Good Reason or retirement), all unvested equity awards are forfeited and vested awards remain exercisable for 30 days (if for Cause) or 90 days (if voluntarily). All such severance payments and benefits are conditioned on Mr. Sheinbaum s execution of a release of claims in favor of the Company and compliance with the restrictive covenants as provided in the Sheinbaum Employment Agreement. Any severance benefits that are treated as parachute payments under Section 280G of the Code will be subject to reduction, to the extent such reduction would provide Mr. Sheinbaum with the greatest after-tax amount of benefits after taking into account any excise tax to which he might be subject under Section 4999 of the Code.

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The foregoing summary does not constitute a complete summary of the terms of the Sheinbaum Employment Agreement, and reference is made to the complete text of the Sheinbaum Employment Agreement that is attached as Exhibit 10.39 to the Company Form 10-Q filed May 12, 2014, and incorporated herein by reference.

Wolf Severance Protection Agreement

On January 14, 2014, the Company entered into a severance protection agreement with Christopher Wolf (the **Severance Protection Agreement**). Under the terms of the Severance Protection Agreement, in the event that Mr. Wolf s employment is terminated by the Company without Cause or by Mr. Wolf for Good Reason (as such terms are defined in the Severance Protection Agreement), in each case within the 24 month period following the occurrence of a Change of Control (as defined in the Severance Protection Agreement) occurring after January 14, 2014, Mr. Wolf would be entitled to receive a severance payment in an amount equal to one year of his then-current base salary plus a prorated amount of his annual bonus. The severance payment is subject to Mr. Wolf s execution of a general release and waiver of claims against the Company and his continuing compliance with the restrictive covenants set forth in the Severance Protection Agreement.

Additionally, on April 20, 2015, the Severance Protection Agreement was amended and restated (the **Amended and Restated Severance Protection Agreement**). Under the Amended and Restated Severance Protection Agreement, all of Mr. Wolf s unvested Options, RSUs and Restricted Shares will immediately become exercisable or vest, as applicable, as of the date of a Change of Control and be settled in accordance with the terms of the respective grant agreements provided that Mr. Wolf is continuously employed at the Company, or one of its subsidiaries, through the date of such Change of Control. Each Option shall continue to have the expiration date as set forth in its respective option grant agreement.

The foregoing summary does not constitute complete summaries of the terms of the Severance Protection Agreement and the Amended and Restated Severance Protection Agreement, and reference is made to the complete text of the Severance Protection Agreement and the Amended and Restated Severance Protection Agreement that are attached as Exhibit 10.2 to the Company Form 8-K filed January 15, 2014, and as Exhibit 10.1 to the Company Form 10-Q filed May 11, 2015, respectively, and incorporated herein by reference.

Sheinbaum Restricted Cash Award

On September 21, 2015, the Company approved the grant of a restricted cash award to Marc Sheinbaum (the **Sheinbaum Cash Award**). The award of $660,000 would vest and be paid 50% on April 30, 2016 and 50% on October 31, 2016, subject to continued employment by Mr. Sheinbaum through such date and the Company s achievement of an aggregate revenue target for the period beginning on October 1, 2015 and ending March 31, 2016 (the cash award performance target); provided, that achievement of the cash award performance target will no longer be a condition for vesting and payment following a Change in Control (as defined in the Sheinbaum Cash Award Agreement) of the Company. Upon termination of employment by the Company without cause or by Mr. Sheinbaum for good reason, any unpaid cash award will immediately vest in full and be paid to Mr. Sheinbaum, subject to the Company s achievement of the cash award performance target (if applicable).

The foregoing summary does not constitute a complete summary of the terms of the Sheinbaum Cash Award, and reference is made to the complete text of the Sheinbaum Cash Award that is attached as Exhibit 10.1 to the Company Form 8-K filed September 23, 2015, and incorporated herein by reference.

Director and Officer Indemnification and Insurance

Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee or agent to the corporation. The DGCL provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaws, agreement, vote of stockholders or disinterested directors or otherwise. The Company s amended and restated certificate of incorporation and amended and restated bylaws provide for indemnification by the Company of its directors, officers and employees to the fullest extent permitted by the DGCL.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director s duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions; or (iv) for any transaction from which the director derived an improper personal benefit. The Company s amended and restated certificate of incorporation provides for such limitation of liability to the fullest extent permitted by the DGCL.

The Company has entered into indemnification agreements with each of its directors providing for such directors indemnification. The Company also maintains liability insurance covering its directors and officers for claims asserted against them or incurred by them in such capacity.

Pursuant to the Merger Agreement, from and after the Effective Time, the Surviving Corporation must (and Parent must cause the Surviving Corporation to) fulfill and honor in all respects the obligations of the Company and its subsidiaries pursuant to (i) each indemnification, exculpation or expense reimbursement or advance agreement in effect between the Company or any of its subsidiaries and any individual who at the Effective Time is, or at any time prior to the Effective Time was, a director or officer of, or serving as a director or officer of another person at the request of, the Company or any of its subsidiaries (the **Indemnification Agreements**); and (ii) any indemnification or expense reimbursement or advance provision and any exculpation provision set forth in the certificate of incorporation or bylaws of the Company or other similar organizational documents of any of the Company s subsidiaries as in effect on the date of the Merger Agreement. For a period of six years from and after the Effective Time, Parent and the Surviving Corporation must cause the certificate of incorporation and bylaws (and other similar organizational documents) of the Surviving Corporation and the Company s subsidiaries to contain provisions no less favorable with respect to exculpation, indemnification and reimbursement and advance of expenses of directors and officers of the Company for periods at or prior to the Effective Time than are currently set forth in the certificate of incorporation and in the bylaws of the Company and its subsidiaries. To the fullest extent permitted by applicable law, Parent and the Surviving Corporation must cause the Indemnification Agreements to continue in full force and effect in accordance with their terms following the Effective Time.

Pursuant to the Merger Agreement, for a period of six years following the Effective Time, the Surviving Corporation must (and Parent must cause the Surviving Corporation to) maintain officers and directors liability insurance in respect of acts or omissions occurring prior to the Effective Time covering each such person currently covered by the Company s officers and directors liability insurance policy on terms with respect to coverage and amount no less favorable than those of such policy in effect on the date of the Merger Agreement; except that the Surviving Corporation is not obligated to pay annual premiums in excess of 300% of the amount per annum the Company paid in its last full fiscal year prior to the date of the Merger Agreement. In lieu thereof, prepaid tail or runoff policies may be obtained by the Company prior to the Effective Time, which policies provide such directors and officers with coverage for an aggregate period of six years with respect to claims arising from facts or events that occurred on or before the Effective Time, including, in respect of the Transactions. If such prepaid policies have been obtained prior to the Effective Time, the Surviving Corporation must (and Parent must cause the Surviving Corporation to) maintain such policies in full force and effect for their full term, and continue to honor the obligations thereunder.

The foregoing summary of certain provisions in the Merger Agreement pertaining to director and officer indemnification and insurance do not purport to be complete and are qualified in their entirety by reference to the Merger Agreement, which is filed as Exhibit (e)(1) to this Schedule 14D-9 and is incorporated by reference herein.

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Employee Matters

Pursuant to the Merger Agreement, for a period of one year following the closing date of the Merger, with respect to individuals employed by the Company or any of its subsidiaries immediately prior to the Effective Time and who are employed by the Surviving Corporation or any of its subsidiaries immediately following the Effective Time (each, a **Continuing Employee**), Parent must cause the service of each such Continuing Employee with the Company and its subsidiaries prior to the closing date of the Merger to be recognized for purposes of eligibility to participate, levels of benefits and vesting under each compensation, vacation, fringe or other welfare benefit plan, program or arrangement of the Surviving Corporation (collectively, the **Parent Benefit Plans**) in which any Continuing Employee is or becomes eligible to participate, but solely to the extent such credit would not result in a duplication of benefits or in benefit accrual under a defined benefit plan. Additionally, each Continuing Employee will be immediately eligible to participate, without any waiting time, in any and all Parent Benefit Plans to the extent coverage under such Parent Benefit Plan replaces coverage under a comparable Company employee plan in which such Continuing Employee participated immediately before the replacement.

For a period of 12 months immediately following the closing date of the Merger, Parent must provide (i) salary and target bonus opportunity (or base pay for non-salaried employees) for each Continuing Employee at least equal to the salary and target bonus opportunity (or base pay) that such Continuing Employee had at the Company for the fiscal year in which the closing date of the Merger occurs and (ii) benefits (excluding any equity plans, but including profit sharing plans, severance plans and health and welfare benefit plans) at least as favorable, in the aggregate, to each Continuing Employee as benefits (excluding any equity plans, but including profit sharing plans, severance plans and health and welfare benefit plans) provided to such Continuing Employee immediately prior to the closing date of the Merger.

In addition, Parent has agreed that it will use commercially reasonable efforts to cause each such Parent Benefit Plan that is an employee welfare benefit plan as defined in Section 3(1) of ERISA to waive all limitations as to preexisting conditions, waiting periods, required physical examinations and exclusions with respect to participation and coverage requirements applicable under such Parent Benefit Plan for such Continuing Employees and their eligible dependents to the same extent that such pre-existing conditions, waiting periods, required physical examinations and exclusions would not have applied or would have been waived under the corresponding Company employee plan in which such Continuing Employee was a participant immediately prior to his commencement of participation in such Parent Benefit Plan. Parent has also agreed that it will use commercially reasonable efforts to cause each such Parent Benefit Plan to credit co-payments or deductibles paid by Continuing Employees in the plan year in which the closing of the Merger occurs for purposes of satisfying any deductible or co-payment requirements under the applicable Parent Benefit Plan.

From and after the Closing, Parent will honor, and will cause the Surviving Corporation to honor, in accordance with their terms, all existing employment, retention, incentive, change in control and severance agreements between the Company or its subsidiaries and any current or former employee, individual independent contractor, officer or director of the Company or any of its subsidiaries.

The foregoing summary of certain provisions in the Merger Agreement pertaining to employee matters do not purport to be complete and are qualified in their entirety by reference to the Merger Agreement, which is filed as Exhibit (e)(1) to this Schedule 14D-9 and is incorporated by reference herein.

ITEM 4. THE SOLICITATION OR RECOMMENDATION

Recommendation

After careful consideration by the Board, including a review of the terms and conditions of the Merger Agreement, in consultation with the Company s financial and legal advisors, at a meeting of the Board held on June 29, 2016, at which all directors of the Company were present and voting in favor, the Board duly and unanimously adopted resolutions: (i) approving and declaring that the Merger Agreement and the Transactions are advisable, fair to and in the best interests of the stockholders of the Company (other than Parent and its subsidiaries), (ii) approving the Merger Agreement and the Transactions, including the Offer and the Merger, on the terms and subject to the conditions set forth in the Merger Agreement, (iii) determining to recommend that the Company s stockholders (other than Parent and its subsidiaries) accept the Offer and tender their Shares to Purchaser pursuant to the Offer, (iv) taking all actions necessary so that the restrictions on business combinations and stockholder vote requirements contained in Section 203 of the DGCL and any other applicable law with respect to a moratorium, control share acquisition, business combination, fair price or other form of anti-takeover law or regulation that may purport to be applicable will not apply with respect to or as a result of the Merger, the Offer, the other Transactions or the Merger Agreement and (v) authorizing that the Merger be governed by Section 251(h) of the DGCL and consummated as soon as practicable following the consummation of the Offer.

On June 30, 2016, the Company issued a press release announcing that it had entered into the Merger Agreement with Parent and Purchaser. A copy of the press release is filed as Exhibit (a)(5)(i) to this Schedule 14D-9 and is incorporated by reference herein.

The Board hereby unanimously recommends that the Company s stockholders (other than Parent and its subsidiaries) accept the Offer and tender their Shares to Purchaser pursuant to the Offer.

Background of the Offer and Reasons for the Recommendation

Background of the Offer

The Board and the Company s senior management have from time to time evaluated and considered a variety of strategic alternatives and partnership relationships related to the Company, or one or more of its lines of businesses, as part of a long-term strategy to increase stockholder value.

On February 12, 2015, the Board held a meeting, together with senior management, to discuss the prospective deterioration of and risks to what had historically been the Company s primary business line, the student loan refund disbursements and One Account business (the **Disbursements Business**) arising from the consequences of bank regulatory scrutiny, relationships with bank partners, and proposed new Department of Education rules, and considered the difficulties that the Company would face operating as a stand-alone entity in view of the foregoing, including the risk of departure of senior management and the potential inability to recruit replacements, potential difficulties in obtaining financing, legacy liabilities from the Disbursements Business and risks and uncertainties related to the operation of the payments business (the **Payments Business**), and how there may be potential for the three principal business lines of the Company the Disbursements Business, the data analytics business (the **Data Analytics Business**), and the Payments Business to generate greater value as distinct businesses than as remaining part of the Company. At this meeting, the Board determined in its business judgment to conduct a strategic review of the Company and its three business lines and instructed management to engage an investment bank to assist the Board with its ongoing evaluation of stand-alone and other strategic options to increase stockholder value.

On April 6, 2015, the Company entered into an engagement letter with Raymond James & Associates, Inc. (**Raymond James**) to assist the Company in exploring strategic options, including continuing as a stand-alone entity and the potential sale of the Company or one or more of its lines of business. The Board selected Raymond James to act as its financial advisor in connection with the exploration of strategic options on the basis of Raymond James experience in similar engagements, its reputation in the investment community and its familiarity with the Company and its businesses, the industry and potential acquirors of the Company and the Company s lines of business.

On April 24, 2015, Customers Bank and Customers Bancorp, Inc. (collectively, **Customers Bank**) submitted to the Company a non-binding indication of interest to engage in discussions with the Company to explore transactions that may result in Customers Bank s assumption of responsibility for the Disbursements Business.

On April 29, 2015, the Board, together with management and representatives of Raymond James, held a meeting to discuss and deliberate about the strategic review process. This meeting included discussion of alternatives to continuing as a stand-alone entity with three business lines, including, but not limited to, the potential sale of the entire Company, the potential sale of the Disbursements Business, and other strategic alternatives for the Company and its various lines of business. A portion of the discussion focused on the implications of there being a relatively limited number of potential buyers for the Disbursements Business due to regulatory scrutiny of this business s operations, as well as of student banking and the student loan refund disbursement process generally. The discussion also included a review of business considerations having implications for the sale of the Company and certain of its lines of business, including, but not limited to, (i) the need for the resolution of outstanding federal banking regulatory issues, (ii) the risk of a loss of then-current bank partners upon the announcement of a change of ownership of the Company or another strategic transaction that affects the Disbursements Business or due to the ongoing regulatory scrutiny of the Company and (iii) the pending Department of Education rules. After an initial review of the Company s strategic alternatives and discussions with representatives of Raymond James and members of senior management, the Board determined in its business judgment that the highest stockholder value would likely be achieved by the sale of individual business lines rather than a sale of the entire Company or continuing as a stand-alone entity without divestitures. Moreover, the Board considered how the time was right to proceed with exploring the sales of the Company s business lines because there was risk that their respective values and the Company s leverage in sale processes would deteriorate due to the aforementioned trends and risks that the Company was facing. The Board discussed each of the Company s lines of business and determined in its business judgment that each should be marketed to prospective bidders along with a potential sale of the entire Company and that the Company should explore various potential transaction structures that would enable the Company to realize the highest value available in a transaction for one, two or all three of the Company s businesses.

In addition, at the April 29, 2015 meeting, the Board acknowledged the operational risk of a bank partner ending its relationship with the Company and not having other bank partners to replace it, and directed senior management and Raymond James to continue to pursue alternatives with Customers Bank and two other potential bidders relating to a transaction involving the divestiture of the Disbursements Business, as these three entities had been identified by management and Raymond James as being potentially interested in buying the Disbursements Business, and any other potentially interested bidders identified thereafter. The Board also directed senior management to continue to pursue potential referral relationships with bank partners that would provide the Company with an ongoing revenue stream while allowing it to exit the student account portion of the Disbursements Business.

In early May 2015, our Chief Executive Officer Marc Sheinbaum facilitated respective introductions between representatives of Raymond James and the three potential bidders for the Disbursements Business, each of which was a strategic operating company (as opposed to a financial sponsor), and representatives of Raymond James commenced conversations with each of these three entities regarding the Company s intention to consider the potential sale of the entire Company or one or more of its lines of business.

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

Between May and July 2015, the Company contacted three additional potential strategic bidders to determine their respective interest in acquiring the Disbursements Business or portions of the Disbursements Business, and these parties indicated that they were not interested in acquiring the Disbursements Business or portions of the Disbursements Business or partnering with the Company. During this time, Raymond James and management understood from discussions with the three existing bidders for the Disbursements Business that such bidders would not have interest in a sale of the entire company. Additionally, during this time, Raymond James contacted 65 potential bidders, including Blackboard and its ultimate parent, an affiliate of the Sponsor, a company in the payments industry (which we refer to as Strategic Bidder A), and five other private equity firms (which we refer to as Financial Bidder 1, Financial Bidder 2, Financial Bidder 3, Financial Bidder 4 and Financial Bidder 5), regarding the opportunity to participate in the potential sale of the entire Company and/or one or more of its lines of business. After nearly all of these potential bidders, including the Sponsor, Strategic Bidder A, Financial Bidder 1, Financial Bidder 2, Financial Bidder 3, Financial Bidder 4 and Financial Bidder 5, executed non-disclosure agreements with the Company, the Board, based on consultations with Raymond James and management about the optimal approaches to maximize value, decided to focus first on the divestitures of the Company s Disbursements Business and Data Analytics Business, while directing Raymond James to indicate to respective bidders for the Disbursements Business and the Data Analytics Business that the Company would consider a sale of the entire company. Prior to the regularly scheduled Board meeting held on June 3, 2015, the three bidders for the Disbursements Business submitted non-binding proposals for strategic transactions relating to the Disbursements Business.

On June 3, 2015, at a regularly scheduled Board meeting, members of senior management and the Board held discussions with representatives of Raymond James regarding the strategic review process for the Company. At that meeting, the Board reviewed the proposed Department of Education rules that had been published on May 18, 2015. The Board, after consultation with management, believed that any Department of Education rules substantially similar to those proposed could have a significant negative impact on the Disbursements Business and that this would challenge the ability of the Company to survive on a stand-alone basis as a publicly traded company. The Board discussed the restructuring of the value proposition for the Disbursements Business, as well as alternatives for its Payments Business, including trying to proceed with a business as usual strategy as a stand-alone, publicly traded company, pursuing a sale of the Payments Business to a financial sponsor or a strategic buyer or pursuing a sale of the Payments Business together with a restructured Disbursements Business. Members of senior management, together with Raymond James, described how there was limited interest among banks to partner with the Company, and that there was not likely to be any interest in acquiring the Disbursements Business or entering into a strategic partnership for an account referral fee relationship in connection with the Disbursements Business, beyond that which had been expressed by the three existing bidders for the Disbursements Business. The Board took into account both the difficulty of divesting the Disbursements Business and the adverse impact that a failure to divest the Disbursements Business would have on the value of the Data Analytics Business and the Payments Business.

The Board confirmed at the June 3, 2015 meeting that management should continue to pursue strategic alternatives for the Disbursements Business, including additional discussions with Customers Bank and the two other potential bidders, as well as continue to explore strategic alternatives for the Data Analytics Business and the Payments Business, as part of a concerted effort to maximize value for the Company s stockholders. Toward this end, the Board requested that management meet with representatives of Raymond James and Cleary Gottlieb Steen & Hamilton LLP (**Cleary Gottlieb**), which had regularly advised the Board and the Company from time to time since the Company s initial public offering, to further discuss strategic alternatives that would increase stockholder value and approaches that would optimize the potential tax consequences from various scenarios. In addition to the engagement of Cleary Gottlieb as legal advisor in connection with these matters, the Company engaged Wiggin and Dana LLP as an outside legal advisor.

On June 30, 2015, members of senior management held discussions with representatives of Raymond James and Cleary Gottlieb to discuss various strategic alternatives for the Company, including, but not limited to, the alternatives of selling the Company and the Disbursements Business, respectively. The members of senior management also discussed with the representatives of Cleary Gottlieb tax consequences for the Company arising from various strategic scenarios.

On July 1, 2015, the Company, assisted by Raymond James, commenced a process to explore the potential divestiture of the Data Analytics Business. The process lasted 16 weeks, during which 13 preliminary bids and 3 revised bids were received from various bidders. During this process, an affiliate of the Sponsor submitted a preliminary bid, but withdrew from the process after a meeting with the Company s management on August 18, 2015.

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Between June 18, 2015 and July 9, 2015, the Board met three times telephonically with members of senior management and each time discussed potential strategic alternatives for the Company. At these meetings, the Board, in consultation with management, discussed the lack of interest in any transaction that involved the Disbursements Business, other than the interest expressed by Customers Bank and the two other potential bidders, and risks to the Company related to the ongoing operation of the Disbursements Business, including the risk of losing bank partners and the adverse impact this would have on the Company s ability to continue as a stand-alone, publicly traded company. These discussions included updates to the Board from various members of senior management regarding the tax implications of various strategic alternatives and other items related to how to optimize the value generated by sales of the three business lines of the Company that were being explored by the Company. The Board supported management s plan to continue to engage with Customers Bank and the other two potential bidders relating to the Disbursements Business, including sending Customers Bank a letter related to the Company s strategy for the Disbursements Business.

On July 30, 2015, the Board held a meeting with management and representatives of Raymond James and Cleary Gottlieb regarding the status of the process for the sale of the Disbursements Business. In addition, the Board, in consultation with Raymond James and management, discussed potential bidders for each of the Company s three business lines as well as the entire Company, and the option of continuing to manage the Company in its existing form. The Board, members of senior management and the representatives of Raymond James also discussed the adverse impact that the pending Department of Education rules could have on the Disbursements Business prospectively and on the ability to sell the Disbursements Business. The Board discussed the importance of analyzing all of the alternatives within the framework of maximizing stockholder value, and the risk of not moving forward with strategic alternatives, including with respect to the retention of employees and the Company s lack of ability to invest in its business. The representatives of Raymond James explained that it was their belief, based on discussions with the 65 entities to which it had reached out about the potential for a strategic transaction involving all or part of the Company, that there was a dearth of interest in any of the following: a purchase of the Company while it owned the Disbursements Business, a purchase of a combined Payments Business and Data Analytics Business, or a purchase of either the Payment Business or the Data Analytics Business combined with the Disbursements Business, and that the only interest in a purchase of the Disbursement Business on a stand-alone basis would be from Customers Bank and the two other potential bidders that had been previously identified. After a further review of the Company s strategic alternatives and these additional discussions with representatives of Raymond James and Cleary Gottlieb and members of senior management, the Board determined in its business judgment that the best value that could be realized by the Company in a potential sale process would likely be achieved by the sales of three individual business lines in three separate sale processes rather than a sale of the entire Company in advance of divestitures of at least two of the three business lines. The Board further discussed the prospects of each of the Company s businesses and confirmed its view that each of the Company s three businesses should be marketed to prospective bidders and that the Company should continue to explore various potential transaction structures that would enable the Company to realize the highest value available in a transaction for one or more of the Company s businesses. In addition, the Board instructed the management team overseeing these sale processes to refrain from engaging in any negotiations of their personal roles in post-acquisition entities. On August 4, 2015, the Board held a telephonic meeting with members of senior management to discuss, among other things, the status of discussions related to the potential sale of the Disbursements Business to Customers Bank, which had submitted a revised term sheet on July 31, 2015. The Board discussed the value of the combined Payments Business and Data Analytics business, as compared to the value of each business separately, including the lack of synergies, as well as the previous confirmation by Raymond James that there was an absence of interest in a combined Payments Business and Data Analytics Business. The Board discussed further the negative overhang on the Disbursements Business arising from bank regulatory matters and the pending Department of Education rules. The Board directed management to continue to explore and review with Raymond James potential transactions for each of the three business lines, with the goal of maximizing stockholder value, and discussed the risks and benefits of continuing to maintain the Company in its then-current form.

On August 20, 2015, the Board, together with members of senior management and representatives of Raymond James and Cleary Gottlieb, held a meeting to discuss inquiries to the Company from stockholders about the Company s strategic direction. The Board considered, in consultation with management and the advisors, how the sale processes were in the preliminary stages and were at risk of disruption if there were a public announcement at this time. In addition, the Board took into account the wide breadth of potential bidders with which Raymond James was in contact on a confidential basis. Taking into account these factors and after further consultations with the advisors, the Board determined in its business judgment not to make a public announcement at that time about the strategic alternatives process at this time and instructed management and Raymond James to continue their work on these sale processes.

On October 14, 2015, the Company entered into an Asset Purchase Agreement with CL NewCo, Inc., an affiliate of Leeds Equity Partners, for the sale of the Data Analytics Business, as disclosed in the Current Report on Form 8-K filed publicly by the Company with the SEC on October 19, 2015.

On October 29, 2015, the Board met, together with members of management and representatives of Raymond James and Cleary Gottlieb, to discuss regulatory developments, progress in the sale of the Disbursements Business and the process for the sale of the Company, including then-current market conditions and the then-current environment for transactions. The meeting discussed the final rules (the **Final Rules**) for Program Integrity and Improvement relating to Title IV Cash Management, which had been released by the Department of Education on October 27, 2015. After discussion of the Final Rules with members of management, the Board determined in its business judgment that, although the full impact of the Final Rules on the Disbursements Business was unknown, there was a meaningful risk of a significant negative impact on the Disbursements Business. As a result of the potential financial impacts of the Final Rules and the heightened scrutiny on both the Company and its bank partners arising from the Company s discussions with the Federal Deposit Insurance Corporation and the Federal Reserve regarding potential enforcement actions, the Board determined in its business judgment that the then-existing model of being a third-party servicer of accounts held at bank partners of the Company was not likely to be sustainable going forward. The Board considered the material risk that one of the Company s two bank partners would exit its relationship with the Company, the challenges that the Company would face to attract alternative banks to participate in its bank partner program going forward, and the adverse consequences for the viability of the Disbursements Business under these circumstances. The Board indicated its continued support of management s strategy to negotiate a sale of the Disbursements Business with Customers Bank or one of the other two potential bidders for the Disbursements Business.

In addition, at the October 29, 2015 meeting, the Board, together with representatives from Raymond James and members of management, discussed potential bidders for a transaction to buy the Company, which, in view of the intention to sell the Disbursements Business and the signed agreement to sell the Data Analytics Business, would essentially be a purchase of the Payments Business plus certain legacy real estate and cash assets and legacy liabilities from all of the Company s businesses. The Board revisited the issue of whether announcing a potential sale of the Company at this time would facilitate or hinder the ability to run a competitive process to sell the Company in which the best price would be obtained and, after consulting with its advisors and management and taking into the factors discussed at the August 20, 2015 meeting, decided to refrain from any public announcement of an effort to sell the entire Company, the Disbursements Business or the Payments Business at this time. The Board instructed Raymond James and management to compile an information memorandum, including financial projections, reflecting the Company s financial prospects and condition assuming the consummation of the divestitures of the Disbursements Business and the Data Analytics Business.

On November 25, 2015, the Company completed the sale of the Data Analytics Business, as disclosed in the Current Report on Form 8-K filed publicly by the Company with the SEC on November 27, 2015.

On December 9, 2015 and December 13, 2015, following final negotiations with Customers Bank and with the only remaining bidder for the Disbursements Business, the Board met, together with representatives of Wiggin and Dana

LLP, Cleary Gottlieb and Raymond James, to discuss the divestiture of the Disbursements Business, review the status of the efforts to sell the Payments Business, and, on December 13, 2015, approve the definitive agreement to sell the Disbursements Business to Customers Bank. In the course of these discussions, the Board, after taking into account advice from its legal and financial advisors, determined in its business judgment that, from the perspective of trying to maximize stockholder value, the benefits of announcing the ongoing efforts to explore strategic alternatives for the Payments Business would outweigh the benefits of keeping such efforts confidential once the entrance into a definitive agreement with Customers Bank for the sale of the Disbursements Business had been announced.

On December 15, 2015, the Company announced that the Company and Customers Bank had entered into an asset purchase agreement for the divestiture of the Disbursements Business. The press release of December 15, 2015, issued by the Company to announce this definitive agreement with Customers Bank, explained that the remaining business of the Company was the Payments Business and highlighted that the Company has retained the services of Raymond James to assist in the evaluation of all strategic options for that business. In addition, on December 15, the Company publicly released and filed with the SEC a slide deck with the last slide headed, Go Forward Plan, followed by two bullets: evaluating strategic options for remaining business and has retained Raymond James as financial advisor.

On December 16, 2015, management held a public call with analysts where the prospects for selling the remaining business of the Company were discussed by management and recognized by analysts as being pursued and the transcript of this call was filed publicly by the Company with the SEC the next day.

On December 23, 2015, the Company announced the entrance into settlement agreements with bank regulatory authorities. The details of these settlements were included in public filings by the Company with the SEC. These settlements with respect to legacy liabilities of the Disbursements Business permitted the Company to add a degree of certainty to the exposures that a purchaser of the Company would inherit when buying the Company to acquire the Payments Business.

On January 7, 2016, the Board held a meeting, together with members of senior management, to discuss the process for the sale of the Company, including the intention to distribute a high level information memorandum to a wide range of prospective bidders. The Board, together with management, further discussed the effect of then-current market conditions on a potential transaction to acquire the Company, including the view on market conditions expressed to the Company s management by representatives of Raymond James.

On January 20, 2016, Raymond James distributed letters to 65 parties, including an affiliate of the Sponsor (the ultimate parent of Blackboard), Strategic Bidder A, Financial Bidder 1, Financial Bidder 2, Financial Bidder 3, Financial Bidder 4 and Financial Bidder 5, inviting them to submit, by February 5, 2016, preliminary indications of interest in acquiring the Company. Of these 65 parties, 52 (including an affiliate of the Sponsor, Strategic Bidder A, Financial Bidder 1, Financial Bidder 2, Financial Bidder 3, Financial Bidder 4 and Financial Bidder 5) signed or had previously signed nondisclosure agreements and therefore received from Raymond James the high level information memoranda about the Company. The high level information memoranda distributed to such parties included the CIM Forecasts, as more fully described in this Item 4 under the heading Certain Unaudited Prospective Financial Information of the Company CIM Forecasts .

On February 5, 2016, the Company received preliminary bids from 18 parties. Fourteen of these bids came from financial sponsors, including Financial Bidder 1, Financial Bidder 2, Financial Bidder 3, Financial Bidder 4 and Financial Bidder 5, and four came from strategic buyers, including Blackboard and Strategic Bidder A. The first-round bidders who were invited to move on to the second round consisted of 11 bidders, which included the following six bidders along with the respective bid ranges submitted in their indications of interest: Financial Bidder 1, $4.80 to $5.20 in cash; Financial Bidder 2, $4.35 to $5.22 in cash; Financial Bidder 3, $5.00 to $5.25 in cash; Financial Bidder 4, $4.60 to $5.10 in cash; Financial Bidder 5, $4.25 to $5.50 in cash; and Strategic Bidder A, $5.13

to $5.73 in cash. Following these preliminary, non-binding first round bids, six bidders (four financial sponsors and two strategic), each of which had failed to submit a bid range that exceeded $4.75 and were the bidders with the ranges with the lowest mid-points and high-ends, were not invited to the next round based on direction from the Board, following consultation with representatives of Raymond James and members of management, at the February 9, 2015 Board meeting. Blackboard had submitted a bid range of $3.99 to $4.39 in cash and was one of the bidders that was eliminated in this round due to its bid failing to exceed $4.75. In addition, one other of the 18 bidders (a financial sponsor) elected to drop out.

On February 9, 2016, the Board held a meeting, together with representatives of Raymond James and Cleary Gottlieb, to discuss the process for selling the Company. The Board, after consulting with management and Raymond James, took into account that, as a result of the announcements in December 2015, the market was aware that the Company was for sale and that Raymond James was the designated agent to call to convey expressions of interest. The Board discussed the challenges of closing the transaction to sell the Disbursements Business to Customers Bank and how important the closing of this Disbursement Business divestiture transaction was to bidders for the Company in order to remove the risks of the Disbursements Business from the picture. The Board reviewed the contingencies and uncertainties involved in selling the Company. In addition, representatives of Raymond James delivered a preliminary analysis of financial factors relevant to a sale of the Company. Representatives of Raymond James also described the types of questions bidders were asking related to the transition services agreement obligations of the Company to Customers Bank that would go into effect upon the closing the sale of the Disbursements Business. The Board discussed the possibility of waiting to close the sale of the Disbursements Business to Customers Bank before proceeding further with the process to sell the Company. The Board concluded in its business judgment, after consulting with the advisors, that management should proceed with the process for selling the Company.

Subsequent to Blackboard s elimination from the process after the February 9, 2015 Board meeting, Blackboard communicated to Raymond James its disappointment in being eliminated and its interest in potentially acquiring the Company. On February 15, 2016, Blackboard resubmitted a bid to Raymond James, with a bid range between $5.19 and $5.58 in cash. Upon receipt of this bid, the Company elected to invite Blackboard to continue with the bidding process.

The next round in the process for selling the Company, which commenced following the February 9, 2016 Board meeting, entailed a series of management presentations for each of the remaining 12 bidders and was followed up with limited data room access. The four bidders (three financial sponsor and one strategic) that submitted the highest high-ends of all the submitted bid ranges in the first round, indicating high-ends up to $6.77 in cash, as well as one financial sponsor bidder, all elected to drop out during the next round after attending the management presentations and reviewing additional information about the Company.

On March 3, 2016, the Board held a meeting, together with members of senior management, to receive an update on the process of progressing the sale of the Disbursements Business to Customers Bank toward a closing, the management presentations and limited data room access in the process to sell the Company, and the plans for second round bids for the Company to be submitted on March 15, 2016.

On March 15, 2016, seven bidders, consisting of five financial sponsors and two strategic bidders, submitted revised bid ranges. Blackboard submitted a revised bid of $5.50 in cash per share. Strategic Bidder A submitted a revised bid range of $5.13 to $5.73 in cash per share. Financial Bidder 1 submitted a revised bid range of $4.70 to $5.10 in cash per share. Financial Bidder 2 submitted a revised bid of $5.39 in cash per share. Financial Bidder 3 Partners submitted a revised bid of $4.80 in cash per share. Financial Bidder 4 submitted a revised bid range of $4.25 to $4.50 in cash per share. Financial Bidder 5 submitted a revised bid range of $4.30 to $4.75 in cash per share.

On March 19, 2016, the Board held a meeting, together with senior management and representatives of Raymond James and Cleary Gottlieb. Management updated the Board on the process of progressing the sale of the Disbursements Business to Customers Bank toward a closing. The representatives of Raymond James updated the Board on the process for selling the Company. A representative of Raymond James explained that strategic bidders were now at the higher end of the bid range due to their greater potential for realizing synergies. Raymond James discussed how each bidder planned to finance its bid and the background of each bidder. A representative from Raymond James recommended that Blackboard, Strategic Bidder A, Financial

Bidder 1 and Financial Bidder 2 be invited to the next round of the sale process and that the remaining three bidders (all financial sponsors) be dropped. Raymond James explained that this recommendation was based on the amount of work that Blackboard, Strategic Bidder A, Financial Bidder 1 and Financial Bidder 2 had put into their bids (a higher amount of work reflecting a lower likelihood that the bidder would either drop out or significantly revise its bid), the ability of the two strategic bidders (Blackboard and Strategic Bidder A) to realize synergies, and the amounts of their respective indicated bid ranges. Management and Raymond James discussed with the Board how the next round would require greater access to management and deeper due diligence and therefore it was advisable to limit the number of bidders to no more than four to assure that there would be proper resources to handle the demands of the bidders and have final bids that were definitive and not discounted to reflect uncertainties. The Board accepted this recommendation and instructed management and Raymond James to initially invite Blackboard and Strategic Bidder A to the next round and to subsequently extend invitations to Financial Bidder 1 and Financial Bidder 2 in the event that they reaffirmed their respective bids.

Upon being invited to continue in the process, Blackboard and Strategic Bidder A were provided with additional access to confidential information about the Company, documents in the possession of the Company, and management and advisors to discuss an array of financial, legal, regulatory, and operational concerns, contingencies, liabilities, risks, and uncertainties.

On March 29, 2016, Financial Bidder 2 informed Raymond James that it would not be submitting a final bid, in light of risks associated with the Company s business and tension between the Company s business model and the type of growth profile that Financial Bidder 2 sought in its portfolio companies.

On April 1, 2016, the Board held a meeting attended by members of senior management, who provided the Board with an update on the process for selling the Company, including the planned deadline for final bids, the status of the draft merger agreement being prepared by Cleary Gottlieb, and a review of the status of the work being done by remaining bidders. The Board discussed how one of its members had been employed by a predecessor to Financial Bidder 1 over twenty years prior, but no longer had any ongoing financial interest or relationship with this bidder. The Board considered this information and concluded in its business judgment that this fact was immaterial.

On April 4, 2016, the stockholders of the Company, by a supermajority of the outstanding shares, approved the sale of the Disbursements Business to Customers Bank.

During the week of April 4, 2016, Financial Bidder 1 held additional calls with management and Raymond James and subsequently reaffirmed its bid and its interest in the Company. Financial Bidder 1 was subsequently given access to confidential information about the Company, documents in the possession of the Company, and management and advisors to discuss due diligence matters.

On April 7, 2016, Strategic Bidder A informed Raymond James that it would not be submitting a final bid because of internal considerations and the risks associated with incurring debt to finance an acquisition of this nature.

During the second week of April 2016, Blackboard and Financial Bidder 1 were given access to draft merger agreements.

On April 14, 2016, the Board held a meeting attended by members of senior management, who provided the Board with an update on the process for selling the Company, including the withdrawal of Strategic Bidder A and Financial Bidder 2 and substantial diligence that Blackboard and Financial Bidder 1 reported they needed to complete. The Board also discussed contingency planning in the event that the process failed to result in a transaction that the Board found acceptable.

On April 26, 2016, the Company received two bids to acquire the Company in what was described by Raymond James to the bidders as their submissions of their final round bid. Financial Bidder 1 made a non-binding proposal of $5.00 in cash per share, while Blackboard made a non-binding proposal of $4.50 in cash per share. In connection with its proposal, Blackboard provided a mark-up of the merger agreement, indicated that Blackboard would require several additional weeks to conclude further due diligence investigations and deliberations and requested an exclusivity period of 28 days. Financial Bidder 1 did not submit a mark-up of the merger agreement, reasoning that it had not done enough due diligence at that time to be able to provide a mark-up, and specified that it required an additional four weeks to conclude further due diligence investigations and deliberations. Financial Bidder 1 told representatives of Raymond James that it had reviewed the draft merger agreement and believed it to be reasonable and that, subject to the satisfactory completion of additional diligence, Financial Bidder 1 would be prepared to agree to a standard public company-style merger agreement. Financial Bidder 1 provided letters from lenders expressing confidence in their ability to provide debt financing together with its proposal. Financial Bidder 1 did not request exclusivity at this stage.

On April 28, 2016, the Board held a meeting attended by senior management and representatives of Raymond James and Cleary Gottlieb. In response to questions from directors to representatives of Raymond James, it was discussed how it would not likely be possible to convince bidders that were no longer participating in the process to reenter the process. The Board instructed management and the advisors to continue to pursue the sale process with Blackboard and Financial Bidder 1 by providing them with the requested diligence and pressing them to improve their bids. The Board also instructed Raymond James to inform Blackboard that its request for exclusivity was rejected.

On May 3, 2016, Raymond James reached out to an affiliate of Strategic Bidder A to probe whether Strategic Bidder A might be interested in reentering the sale process. The response was a reconfirmation that Strategic Bidder A was definitely out of the process.

During May, the Company, in consultation with Raymond James, set May 27, 2016 as the date for the submission of revised final bids. In early May, representatives of Cleary Gottlieb discussed with Dechert LLP (**Dechert**), counsel to Blackboard, ways in which the merger agreement proposed by Blackboard ought to be improved from the perspectives of certainty of closing and flexibility of the Board to negotiate and accept a superior proposal between the announcement of the merger agreement and the acceptance of the tender offer and, on May 23, 2016, a revised draft merger agreement was provided to Blackboard.

On May 23, 2016, Financial Bidder 1 submitted a mark-up of the merger agreement and expressed to representatives of Raymond James that it was hoping to receive feedback on the mark-up prior to the May 27, 2016 deadline for submission of revised final bids. On May 25, 2016, representatives of Cleary Gottlieb discussed with outside counsel for Financial Bidder 1 ways in which their proposed contract ought to be improved from the perspectives of certainty of closing and flexibility of the Board to negotiate and accept a superior proposal between the announcement of the merger agreement and the acceptance of the tender offer. In particular, Cleary Gottlieb emphasized that Financial Bidder 1 would improve the competitiveness of its proposal if it shifted from a leveraged buyout approach, featuring a modest reverse break-up fee triggered by a financing failure, and adopted an all-equity approach characterized by a full equity commitment from a fund with adequate capital commitments.

On May 25, 2016, representatives of the Sponsor informed Raymond James that Blackboard would miss the May 27, 2016 deadline due to the scheduling of the Sponsor s investment committee meeting, but that a revised final bid would be submitted by Blackboard on May 31, 2016.

On May 27, 2016, Financial Bidder 1 submitted a non-binding proposal to acquire the Company for $4.75 in cash per share, as well as a revised mark-up of the draft merger agreement that featured the requested all-equity approach and abandoned the approach featuring limited remedies for the Company in the event of a financing failure. In addition, Financial Bidder 1 requested exclusivity for a period of at least seven days to permit it to complete its remaining due diligence.

On May 31, 2016, Blackboard submitted a non-binding proposal to acquire the Company for $4.75 in cash per share, as well as a revised mark-up of the draft merger agreement. In addition, Blackboard requested exclusivity for a period of at least two weeks to permit it to complete its remaining due diligence.

On May 31, 2016, the Board held a meeting, together with representatives of Raymond James and Cleary Gottlieb, to discuss the sale process. The Board, in consultation with management and the advisors, observed how both bidders had decreased the amount of their first and second round bids of February 5, 2016 and March 15, 2016, as they had conducted more diligence and obtained greater visibility into the risks and uncertainties of the Company s remaining assets and operations and legacy liabilities. In particular, the Board deliberated about how the ranges submitted by some of the bidders in the first round of the sale process on February 5, 2016 included prices per share that exceeded $4.75, but that these bidders had been eliminated from the sale process at that time because their bid ranges were not in the top tier of the bids received at that time. The Board observed how these second-tier bids in the first round had not been based on the same amount of diligence and understanding of the Company as Financial Bidder 1 and Blackboard had performed and possessed at this stage. The Board, in consultation with members of management and representatives of Cleary Gottlieb and Raymond James, concluded that the second-tier, first round bid ranges would most likely have been reduced in the subsequent rounds to levels below the bids most recently proposed by Financial Bidder 1 and Blackboard. In addition, the Board and the advisors discussed that it would not likely be possible to reopen the sale process to the early stage bidders that had been excluded, due to the amount of time it would take to allow them to perform adequate diligence, without putting the entire sale process at risk and risking significant adverse consequences for the Company, including the risk that Financial Bidder 1 and Blackboard would withdraw their bids upon learning that the process had been reopened.

In addition, at the May 31, 2016 meeting, the Board, together with the advisors, discussed the standstill undertakings in place with third parties that had signed non-disclosure agreements in connection with the sale process. The Board considered sending out unilateral waivers or releases to these standstill undertakings, but decided not to do so in view of the following factors: (i) the existing standstill undertakings permitted the counterparties to submit private requests to the Company at any time to grant waivers of these standstill undertakings, (ii) the broad market check conducted by Raymond James, along with the public announcement in December 2015 that the Company was exploring strategic options through Raymond James, along with the observation by representatives of Raymond James that they did not believe that any potential bidders were holding back from contacting Raymond James and, in particular, they did not believe that the requirement to preface such contact with a request for a waiver of the standstill undertaking was holding anybody back; and (iii) the disruptive impact on the sale process that sending out such waivers risked causing. In addition, the Board reviewed with counsel the provisions in the draft merger agreements that would provide the Board with the flexibility to grant waivers of standstills in response to requests where the Board was compelled to do so by its fiduciary duties.

After the Board discussed, at the May 31, 2015 Board meeting, the further diligence that both bidders had indicated they would require and the demand by each bidder for an exclusivity undertaking from the Company, the Board instructed Raymond James to inform each of Financial Bidder 1 and Blackboard that its request for exclusivity was rejected and that each must submit a revised bid for the Board s further consideration by no later than June 3, 2016 and that the revised bid should represent improvements on price, speed and certainty to signing and closing, and flexibility of the Board to accept a superior proposal after signing. After the meeting, a representative from Raymond James contacted representatives of Financial Bidder 1 and Blackboard to convey this message. Over the next few days, Cleary Gottlieb delivered to each bidder s counsel a list of, and had conversations with each bidder s counsel about, deficiencies in its approach to deal certainty and deal protections, including a request that Blackboard lower the termination fee payable by the Company upon accepting a superior proposal from 4.5% of the equity value of the transaction to 4.0% of such equity value.

On June 2, 2016, Blackboard submitted a non-binding proposal to acquire the Company for $5.15 in cash per share. In addition, Blackboard confirmed in writing that it would be amenable to all of the terms raised with their counsel by Cleary Gottlieb, including the lowering of the termination fee. On June 3, 2016, Financial

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Bidder 1 submitted a non-binding proposal to acquire the Company for $4.85 in cash per share. Both bidders specified additional diligence requirements and a demand for immediate exclusivity. In addition, Financial Bidder 1 requested, as a condition to its continuing in the sale process as a bidder, that the Company undertake to reimburse certain of its out-of-pocket expenses if Financial Bidder 1 failed to enter into a definitive agreement with the Company.

On June 3, 2016, the Board held a meeting, together with senior management and representatives of Raymond James and Cleary Gottlieb. A representative from Raymond James stated that each of Financial Bidder 1 and Blackboard had orally conveyed that its latest bid represented its best and final bid. In response to questions raised by the directors, the Raymond James representative explained that each bidder had now made a final round bid in response to requests by the Company on at least two occasions, that the bidders were demonstrating deal fatigue and Raymond James believed in good faith that these really were their best and final bids and that any request for a further round of bidding would most likely be rejected and put their existing bids at serious risk. Raymond James presented financial analyses of the bids and the Company and the Board reviewed the Company s financial projections that were used by Raymond James in its analyses. The Board discussed with the advisors how each bidder was demanding exclusivity as a condition to conducting final confirmatory diligence and finalizing the merger agreement and that the sale of the Disbursements Business to Customers Bank close before the execution of a merger agreement. In addition, the Board deliberated, in consultation with the advisors, about the risks that each bid would not result in a signed merger agreement and the risks of each bidder failing to close the transaction after executing a merger agreement. The Board discussed the requirement in the bid by Financial Bidder 1 that the Company reimburse certain of Financial Bidder 1 s out-of-pocket expenses in the event that a definitive agreement was not signed at the end of a proposed exclusivity period. The Board, after consulting with management and the Board, concluded in its business judgment that the Blackboard bid was superior and that a grant of exclusivity at this point would be required to induce Blackboard to complete its work necessary to sign the merger agreement. The Board authorized management to grant Blackboard exclusivity for a period that approximated the remaining time necessary to close the sale of the Disbursements Business to Customers Bank and instructed management first to try to convince Blackboard to minimize its requirements for confirmatory diligence, including Blackboard s requests for direct conversations with third parties with business relationships with the Company. In addition, the Board resolved that, in view of the advanced status of the negotiation with Blackboard, it would be permissible for employees of the Company, other than senior officers involved in the negotiation of the merger agreement, to engage in discussions with Blackboard about post-merger employment arrangements if so requested by Blackboard.

Following the Board meeting on June 3, 2016, management and Raymond James communicated with Blackboard, at which time Blackboard agreed to reductions in the scope of its remaining diligence, including removal of the request by Blackboard to talk directly to third parties. Later on June 3, 2016, the Company and Blackboard executed an agreement that provided for exclusivity through the earlier of the end of June 17, 2016 and the time that Blackboard revised any of the material terms of the bid as most recently proposed in a manner adverse to the Company or its stockholders.

During the period from June 3 through June 17, 2016, Blackboard conducted further due diligence and the parties, together with Dechert and Cleary Gottlieb, engaged in the negotiation of the merger agreement. In addition, the Sponsor and its counsel negotiated with Cleary Gottlieb and the Company the terms of the Sponsor s equity commitment letter to be delivered in connection with the parties entry into the merger agreement.

On June 14, 2016, the Board held a meeting, together with management and representatives of Cleary Gottlieb and Raymond James, to review the terms of the merger agreement, Raymond James preliminary financial analyses of the proposed transaction with Blackboard, the timeline for the proposed transaction, and the expected timing until the closing of the sale of the Disbursements Business and until the execution of the merger agreement for the sale of the Company. During the meeting, there was a discussion of the risks and uncertainties associated with the Company s ability to achieve the financial projections that management had provided to Raymond James.

On June 15, 2016, the Company completed its sale of the Disbursements Business to Customers Bank, as disclosed in the Current Report on Form 8-K filed publicly by the Company with the SEC on June 16, 2016. In the days following this announcement, representatives of Financial Bidder 1 contacted Raymond James to convey that they had observed this announcement and were curious as to why there had been no announcement about a sale of the Company given the Company s expressed desire to enter into the merger agreement promptly after the closing of the sale of the Disbursements Business. Raymond James did not respond to this inquiry due to the exclusivity arrangements in place with Blackboard.

On June 19, 2016, Blackboard delivered a letter to the Company specifying its need for an additional week of due diligence, confirming its commitment to the $5.15 in cash per share consideration and requesting a one week extension of the exclusivity period. On June 19, 2016, the Board, together with representatives of Raymond James and Cleary Gottlieb, met to consider the unsolicited inquiry from Financial Bidder 1, the nature of Blackboard s remaining due diligence exercise, the progress on the merger agreement and the equity commitment letter and Blackboard s request for an extension of exclusivity. The Board, after consultation with the advisors, determined in its business judgment to authorize management to grant the request for an extension of exclusivity through June 24, 2016 and further authorized management to extend exclusivity through June 27, 2016 if necessary or advisable to induce the Sponsor and Blackboard to enter into transaction agreements to acquire the Company at $5.15 in cash per share and otherwise on the terms that had been presented to the Board. Management then granted to Blackboard an extension of exclusivity through June 24, 2016.

During the period from June 19 through June 25, 2016, Financial Bidder 1 contacted Raymond James and the Chief Executive Officer of the Company on several more occasions, observing that a transaction had not yet been announced, conveying its continued interest in acquiring the Company and noting that it would be able to enter into a definitive agreement with the Company within two days of reengaging with the Company. In its communications made to Raymond James, Financial Bidder 1 did not indicate a willingness to increase the price of its bid from $4.85 per share or that it remained committed to this price level. Due to the ongoing exclusivity obligations of the Company, the management and representatives of the Company refrained from engaging with Financial Bidder 1 in response to these inquiries.

On June 24, 2016, Blackboard communicated to management and Raymond James that it would require until June 28, 2016 to complete its due diligence and management agreed to grant an extension of exclusivity through June 27, 2016 pursuant to the previous authorization from the Board.

On June 27, 2016, Blackboard again communicated to Raymond James and management that it would require an additional two days to complete it due diligence. On June 27, 2016, the Board, together with Raymond James and Cleary Gottlieb, met to consider the continued unsolicited inquiries from Financial Bidder 1, the nature of Blackboard s remaining due diligence exercise, the progress that had been made by Blackboard in its due diligence in the preceding week, the progress on the merger agreement and the equity commitment letter and Blackboard s request for an extension of exclusivity. The Board, after consultation with the advisors, determined in its business judgment to grant the request for an extension of exclusivity through June 29, 2016.

On June 29, 2016, the Board held a meeting at which senior management and representatives of Raymond James and Cleary Gottlieb were present. Representatives of Cleary Gottlieb reviewed with the Board its fiduciary duties in connection with the Board s consideration of the proposed transaction, which fiduciary duties had been discussed with the Board on prior occasions, and also reviewed the terms of the merger agreement and the equity commitment letter from certain equity funds managed by the Sponsor. Raymond James reviewed again the process that led to the final bid and presented its financial analyses of the proposed transaction. The Board then discussed with the representatives of Raymond James the risks and uncertainties associated with the Company s ability to achieve the financial projections that management had provided to Raymond James. Raymond James then delivered its oral opinion, subsequently confirmed in writing, that as of that date, and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations upon the scope of the review undertaken by Raymond James, as set forth in the written opinion described below

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in this Item 4 under the heading Opinion of Raymond James, the Company s Financial Advisor and attached as Annex A hereto, the $5.15 per Share in cash to be received by the holders of Shares pursuant to the Merger Agreement was fair, from a financial point of view, to such holders. The Board then approved the Merger Agreement and resolved to recommend that stockholders (other than Parent and its subsidiaries) tender their shares into the Offer.

On June 29, 2016, the Company, Parent and Purchaser executed the Merger Agreement and the Sponsor and Parent executed the equity commitment letter.

Shortly following the execution of the Merger Agreement and prior to the opening of the financial markets on June 30, 2016, the Company and Blackboard publicly announced the signing of the Merger Agreement.

Reasons for the Board s Recommendation

In reaching its unanimous decision to approve the Merger Agreement and the Transactions and to recommend that the Company s stockholders (other than Parent and its subsidiaries) accept the Offer and tender their Shares to Purchaser pursuant to the Offer, the Board consulted with senior management of the Company regarding, among other things, the Company s industry and its business and prospects as an independent company. The Board consulted with its financial advisor regarding the financial aspects of the Transactions, as well as the fairness, from a financial point of view, to the Company s stockholders of the consideration to be received by such stockholders pursuant to the Transactions. The Board also consulted with its legal counsel regarding the Board s fiduciary duties, the terms of the Merger Agreement and related issues. The Board believed that, taken as a whole, the following factors supported its determination to approve the Merger Agreement and the Transactions:

Offer Price:

the Company s stockholders will be entitled to receive consideration of $5.15 per Share in cash upon the consummation of the Offer or the Merger, providing liquidity and certainty of value as compared to the uncertain future long-term value that the Company s stockholders might or might not realize if the Company remained an independent public company;

the Offer Price represents a premium of approximately 37.3% to the closing price per Share on June 29, 2016 of $3.75, the last trading day prior to the public announcement of the entry into the Merger Agreement and approximately 90.7% to the closing price per Share on December 15, 2015 of $2.70, the last trading day prior to the public announcement that the Company was exploring strategic options;

the recent and historical market prices of the Shares and the financial market conditions during that period. See this Item 4 under the heading Opinion of Raymond James, the Company s Financial Advisor Summary of Financial Analyses Historical Trading Range Analysis;

the Board s belief, based on discussions and negotiations with Parent, Blackboard and the Sponsor, that $5.15 per Share was the highest price Parent would be willing to pay; and the Board s belief, based on consultations with its financial advisor and the Company s management, its review of strategic alternatives in 2015 and 2016, the public announcement by the Company in December 2015 that the Company had engaged Raymond James to explore strategic options for the remaining business of the Company, the sale process leading to the signing of the Merger Agreement during which the Company s financial advisor contacted 65 parties with respect to a potential transaction, resulting in the receipt of eighteen initial bids in the initial round of bidding, seven revised bids in the subsequent round and, ultimately, in the final round of bidding, Financial Bidder 1 s offer to acquire the Shares of the Company at $4.85 per share provided on the same day as the Company s entry into the Exclusivity Agreement with Purchaser, that it was unlikely that any other party would be willing to pay more than $5.15 per

Share, in cash or otherwise. See this Item 4 under the heading Background of the Offer and Reasons for the Recommendation Background of the Offer.

Cash Consideration; Certainty of Value. The all-cash consideration payable pursuant to the Offer and the Merger will provide the Company s stockholders with immediate value for their Shares, while avoiding the risk of potentially failing to execute on the Company s long-term business strategy. The all-cash purchase price also provides such stockholders with certainty of value for their Shares as compared to consideration payable in a hypothetical stock-for-stock transaction, which could be subject to fluctuation in the market prices of an acquirer s stock and overall economic and stock market risk.

Prospects in Remaining Independent; Risks from Change in Business Model. The risks and uncertainties of continuing to operate as an independent public company, including the risks and uncertainties of achieving the Company s long-term business plan. In particular, the Board considered:

the difficulties of remaining a stand-alone public company with only the Payments Business as its sole line of operations;

the Company s financial projections that were prepared by the Company s management and reviewed with the Board. For a description of these projections, see this Item 4 under the heading Certain Unaudited Prospective Financial Information of the Company Projections; and

the Board s view that, even if the Company were to achieve its operating objectives as set forth in the financial projections, the potential likelihood that the implied present value of the Company s future stock price would not exceed the Offer Price.

Opinion of Raymond James. The oral opinion, subsequently confirmed in writing, provided to the Board at its meeting on June 29, 2016 by representatives of Raymond James, that as of that date, and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations upon the scope of the review undertaken by Raymond James, as set forth in the written opinion, the $5.15 per Share in cash to be received by the holders of Shares pursuant to the Merger Agreement was fair, from a financial point of view, to such holders. Raymond James s opinion is more fully described in this Item 4 under the heading Opinion of Raymond James, the Company s Financial Advisor. The full text of the written opinion of Raymond James is attached hereto as Annex A.

No Financing Condition. Neither the Offer nor the Merger is conditioned on Parent obtaining any outside financing.

Equity Financing Commitment. The Merger Agreement includes a representation made by Parent that an equity commitment from equity funds managed by the Sponsor will be available to enable it to have funds to pay the aggregate consideration payable to the Company s stockholders and all other amounts payable by

Parent and Purchaser in connection with the Transactions, subject to the terms and conditions of the Equity Commitment Letter. Parent received and presented to the Company the Equity Commitment Letter, dated as of June 29, 2016 (the **Equity Commitment Letter**), from equity funds managed by the Sponsor, providing for an equity commitment of up to $303,000,000, which amount may be reduced in accordance with the terms of the Equity Commitment Letter, to fund (i) the payment for all Shares that are either (a) accepted pursuant to the Offer or (b) acquired pursuant to the Merger, (ii) the amounts payable pursuant to Section 2.08 of the Merger Agreement relating to the cashing out of the Company s equity awards and warrants, (iii) the amounts required to satisfy any obligations of the Company and the Company Subsidiaries under the debt payoff letters and other related termination agreements contemplated by the Merger Agreement, (iv) all amounts payable by Parent to the Company pursuant to certain expense reimbursement and indemnification provisions of the Merger Agreement, (v) all other amounts necessary for the satisfaction of all of Parent s and Purchaser s obligations under or in connection with the Merger Agreement (including payment of their advisors and other transaction expenses), and (vi) all monetary damages payable by Parent and/or Purchaser arising out of or related to the Merger Agreement and/or the Transactions. The Company is an intended third-party beneficiary under the Equity Commitment Letter and is entitled to enforce its rights thereunder in certain circumstances.

Solicitation of Interest. Prior to entering into the Exclusivity Agreement, the Board considered the parties that would likely have the financial ability and potential strategic interest in making an acquisition proposal to the Company, taking into account a strategic review process undertaken by the Company starting in March 2015, which involved contacting an aggregate of 65 strategic corporate parties and financial sponsor parties regarding their interest in a potential acquisition of the Company. In addition, in December 2015, the Company publicly announced that it was exploring strategic options for its remaining business line and that it had engaged Raymond James for this purpose. See this Item 4 under the heading Background of the Offer and Reasons for the Recommendation Background of the Offer.

Appraisal Rights. Statutory appraisal rights under Delaware law in connection with the Merger will be available to stockholders who do not tender their Shares in the Offer and otherwise comply with all required procedures under Section 262 of the DGCL. For a description of these appraisal rights, see Item 8 under the heading Notice of Appraisal Rights.

Timing and Likelihood of Consummation:

The Board s belief that the Merger Agreement allows for sufficient time to consummate the Offer and the Merger; and

The structure of the acquisition of the Company by Parent as a two-step transaction effected pursuant to Section 251(h) of the DGCL without a stockholder vote to adopt the Merger Agreement enables the Company s stockholders to receive the Offer Price pursuant to the Offer in a relatively short time frame (and potentially reduces the uncertainty during the pendency of the Transactions), and allows the second-step Merger in which stockholders who do not tender their Shares into the Offer will receive the same cash price per Share as is paid pursuant to the Offer to be consummated as soon as practicable after the Offer is consummated.

Parent s obligation to consummate the Offer and effect the Merger is subject to limited conditions, including the fact that:

Parent is obligated to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the Company in doing, all things reasonably necessary under applicable law to consummate the Transactions, including the obligation of Parent to take, or cause its affiliates to take, such divestitures and undertake such remedies as may be necessary to permit the closing of the Offer to occur;

Pursuant to the Equity Commitment Letter, the Sponsor, through certain of its affiliated funds, has committed to take, or cause its affiliates to take, such divestitures and undertake such remedies as may be necessary to permit the closing of the Offer to occur and to use reasonable best efforts to cause Super Holdco to use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties to the Merger Agreement in doing, all things reasonably necessary under applicable law to effect the Transactions;

Purchaser is required, subject to certain conditions, to make the Offer on the terms set forth in the Merger Agreement;

subject to its circumscribed rights to terminate the Offer, and subject to certain conditions, Purchaser is required to extend the Offer beyond the initial expiration date of the Offer if the conditions to the Offer are not satisfied as of such date;

the consummation of the Offer is conditioned on, at the Expiration Time, there having been validly tendered and not properly withdrawn that number of Shares that, together with the Shares then-owned by Parent, Purchaser or any of their respective subsidiaries, represents a majority of the Shares then-outstanding, but excluding from the denominator any Shares owned by the Company or any subsidiary of the Company and excluding any Shares tendered by notice of guaranteed delivery by not actually delivered to or on behalf of Purchaser (the **Minimum Tender Condition**), which cannot be waived without the prior written consent of the Company;

the number of outstanding Shares (not including Shares that are owned as of the date of commencement of the Offer by the Company or any subsidiary of the Company) that must be validly tendered into the Offer and not properly withdrawn prior to the Expiration Time to satisfy the Minimum Tender Condition is a number of Shares that would represent at least a majority of the outstanding Shares at such time;

the Company may seek specific performance to cause Parent to consummate the Offer and, under circumstances specified in the Equity Commitment Letter, seek specific performance to cause the Sponsor to fund its equity commitment to Parent; and

the business reputation and capabilities of Parent and the Sponsor, including Parent s and the Sponsor s substantial experience in the execution of mergers and acquisitions.

Ability to Respond to Acquisition Proposals. The Company s ability, under certain circumstances specified in the Merger Agreement, prior to the consummation of the Offer, to (i) consider and respond to an unsolicited written Acquisition Proposal (as defined in the Merger Agreement) from a third party (which Acquisition Proposal is made after the date of the Merger Agreement and does not result from a material breach of the non-solicitation provisions in the Merger Agreement) and (ii) engage in negotiations or discussions with, or furnish any information and reasonable access to the person making such a proposal if the Board, prior to taking any such actions, determines in good faith, after consultation with the Company s outside legal and financial advisors, that such Acquisition Proposal constitutes, or could reasonably be expected to lead to or result in, a Superior Proposal (as defined in the Merger Agreement).

Change of Recommendation for Superior Proposal. The ability of the Board, in response to an unsolicited written Acquisition Proposal (which Acquisition Proposal is made after the date of the Merger Agreement and does not result from a material breach of the non-solicitation provisions in the Merger Agreement), to modify or withdraw its recommendation to the Company s stockholders and/or terminate the Merger Agreement if the Board determines in good faith (after consultation with its outside counsel and financial advisor) that (i) such Acquisition Proposal constitutes a Superior Proposal and (ii) the failure to approve or recommend such Superior Proposal would be inconsistent with the Board s fiduciary duties to the Company s stockholders under applicable law, subject to the terms of the Merger Agreement, including compliance by the Company with the restrictions on its ability to solicit Acquisition Proposals, certain matching rights of Parent, and the Company s obligation to pay to Parent a termination fee of $10,392,000 in the event the Merger Agreement is terminated in certain circumstances as a result of the change of recommendation, an amount the Board believed would not substantially impede the making of a potential Superior Proposal.

Change of Recommendation for Intervening Event. The ability of the Board to modify or withdraw its recommendation to the Company s stockholders under certain circumstances in response to a material development or material change in circumstances (other than an Acquisition Proposal) that occurs or arises after the date of the Merger Agreement that was not known or reasonably foreseeable by the Board as of the date of the Merger Agreement, if the failure to take such action would be inconsistent with the Board s fiduciary duties under applicable law, subject to a requirement to provide prior written notice to Parent and the Company s compliance with certain matching rights of Parent.

Interim Conduct of Business. The Board s belief that the Company will retain sufficient operating flexibility to conduct its business in the ordinary course between the execution of the Merger Agreement and consummation of the Offer and Merger.

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The Board also considered a variety of negative factors in its deliberations concerning the Merger Agreement and the Transactions, including the following:

No Participation by the Company s Stockholders in Future Growth or Earnings. The consummation of the Merger would preclude the Company s stockholders from having the opportunity to participate in any future improvement in the performance of the Company s assets, future earnings growth and future appreciation of the value of Shares that could occur if the Company s plans were successfully implemented.

Risks of Not Closing. The risks and contingencies related to the announcement and pendency of the Offer and the Merger, including the potential impact on the Company s employees and relationships with existing and prospective customers and business partners, as well as risks and costs if the Offer and the Merger are not consummated, including the diversion of management and employee attention, potential employee attrition, the potential impact on the Company s stock price and the effect on the Company s business relationships.

Non-Solicitation and Related Provisions; Termination Fee. The Merger Agreement precludes the Company from actively soliciting alternative Acquisition Proposals that may be superior to the Offer and the Merger; the limited circumstances in which the Company may enter into or otherwise participate in any discussions regarding Acquisition Proposals, or agree to accept or recommend any Acquisition Proposals, other than as described above with respect to Superior Proposals and Acquisition Proposals that could reasonably be expected to lead to or result in a Superior Proposal; the ability of Parent to match a Superior Proposal; and the requirement that the Company pay a $10,392,000 termination fee to Parent (which represents 4% of the equity value of the Company after giving effect to the Offer Price) related to a termination of the Merger Agreement in connection with a Superior Proposal in the circumstances specified in the Merger Agreement, all of which could dissuade another party from making an Acquisition Proposal for the Company. The Board noted, however, that these provisions of the Merger Agreement were insisted upon by Parent as a condition to its entering into the Merger Agreement.

Time and Expense Commitment. The significant costs involved in connection with entry into the Merger Agreement, consummation of the Offer and the Merger and the substantial time and effort of management required to consummate the Offer and the Merger and related disruptions to the operation of the Company s business.

Taxable Consideration. An all-cash transaction would be taxable to the Company s stockholders that are U.S. holders for U.S. federal income tax purposes.

Interim Restrictions on Business. The restrictions on the conduct of the Company s business prior to the consummation of the Merger, that, subject to specific exceptions, could delay or prevent the Company from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of the Company absent the pending Transactions.

Operations; Hiring. The announcement and pendency of the Offer and the Merger, or failure to consummate the Offer or the Merger, may harm relationships with the Company s employees, suppliers and customers, may divert management and employee attention away from the day-to-day operation of the Company s business and may limit the Company s ability to attract, hire and retain key management and personnel.

Structure of Transaction. The fact that the structure of the Transactions as a tender offer followed by a merger that does not require the vote of the Company s stockholders could result in a relatively short period during which an unsolicited takeover proposal could be brought forth.

Expense Reimbursement. The requirement that the Company reimburse Parent for up to $3,247,500 of its reasonable and documented, out-of-pocket expenses incurred in connection with the authorization, preparation, execution and performance of the Merger Agreement and the Transactions in the event that the Merger Agreement is terminated because the Company breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement, and the termination fee of $10,392,000 is not otherwise payable pursuant to the Merger Agreement in connection with such termination.

Termination by Parent. The risk that Parent may terminate the Merger Agreement in certain limited circumstances beyond the control of the Company.

Conditions. That while the Company expects that the Offer and the Merger will be consummated, there can be no assurance that all conditions to the Offer and to the parties obligations to effect the Merger will be satisfied, and, as a result, the Offer and the Merger may not be consummated.

Potential Conflicts of Interest. The Company s directors and executive officers may have interests in the Merger that are different from, or in addition to, the Company s stockholders. See Item 3 under the heading Agreements or Arrangements with Executive Officers and Directors of the Company.

Litigation Risk. An increased risk of litigation, including potential stockholder litigation in connection with the execution of the Merger Agreement and the consummation of the Transactions.

The Board concluded in its business judgment that the risks and other potentially negative factors associated with the Merger Agreement and the Transactions were outweighed by the potential benefits of the Merger Agreement and the Transactions.

The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive, but includes the material factors considered by the Board. In view of the variety of factors considered in connection with its evaluation of the Merger Agreement and the Transactions, the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The Board did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination. The Board based its recommendation on the totality of the information presented.

For the reasons described above, the Board unanimously approved the Merger Agreement and the Transactions and recommends that the Company s stockholders (other than Parent and its subsidiaries) accept the Offer and tender their Shares to Purchaser pursuant to the Offer.

In considering the recommendation of the Board that the Company s stockholders (other than Parent and its subsidiaries) accept the Offer and tender their Shares to Purchaser pursuant to the Offer, the Company s stockholders should be aware that the Company s directors and executive officers may have interests in the Merger that are different from, or in addition to, the other stockholders of the Company. The Board was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and in recommending that the Company s stockholders (other than Parent and its Subsidiaries) accept the Offer and tender their Shares to Purchaser pursuant to the Offer. See Item 3 under the heading Agreements or Arrangements with Executive Officers and Directors of the Company.

Opinion of Raymond James, the Company s Financial Advisor

The Company retained Raymond James as financial advisor on April 6, 2015. Pursuant to that engagement, the Board requested that Raymond James evaluate the fairness, from a financial point of view, to the holders of the Company s outstanding Shares of the Offer Price to be received by such holders pursuant to the Merger Agreement.

At the June 29, 2016 meeting of the Board, representatives of Raymond James rendered its oral opinion, which was subsequently confirmed by delivery of a written opinion to the Board dated June 29, 2016, as to the fairness, as of such date, from a financial point of view, to the holders of the Company s outstanding Shares of the Offer Price to be received by such holders in the Transactions pursuant to the Merger Agreement, based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion.

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

Raymond James provided its opinion for the information of the Board (solely in its capacity as such) in connection with, and for purposes of, its consideration of the Transactions and its opinion only addresses whether the Offer Price to be received by the holders of the Shares in the Transactions pursuant to the Merger Agreement was fair, from a financial point of view, to such holders. The opinion of Raymond James does not address any other term or aspect of the Merger Agreement or the Transactions contemplated thereby. The Raymond James opinion does not constitute a recommendation to the Board or to any holder of Shares as to how the Board, such stockholder or any other person should tender shares or otherwise act with respect to the Transactions or any other matter.

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

- reviewed the financial terms and conditions as stated in the draft of the Merger Agreement dated as of June 29, 2016 (the **Draft Merger Agreement**), including an analysis of the Offer Price to be paid;

- reviewed certain information related to the historical, current and future operations, financial condition and prospects of the Company made available to Raymond James by the Company, including, but not limited to, the Projections (as defined below);

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

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

- reviewed the financial and operating performance of the Company and those of other selected public companies that Raymond James deemed to be relevant;

- considered the publicly available financial terms of certain transactions Raymond James deemed to be relevant;

- reviewed the current and historical market prices and trading volume for the Shares, and the current market prices of the publicly traded securities of certain other companies that Raymond James deemed to be relevant;

reviewed a certificate addressed to Raymond James from a member of senior management of the Company regarding, among other things, the accuracy of the information, data and other materials (financial or otherwise) provided to, or discussed with, Raymond James by or on behalf of the Company;

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

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

With the Company s consent, Raymond James assumed and relied upon the accuracy and completeness of all information supplied by or on behalf of the Company, or otherwise reviewed by or discussed with Raymond James, and Raymond James did not undertake any duty or responsibility to, nor did Raymond James, independently verify any of such information. Raymond James did not make or obtain an independent appraisal of the assets or liabilities (contingent or otherwise) of the Company. With respect to the Projections and any other information and data provided to or otherwise reviewed by or discussed with Raymond James, Raymond James, with the Company s consent, assumed that the Projections and such other information and data were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management of the Company and Raymond James relied upon the Company to advise Raymond James promptly if any information previously provided became inaccurate or was required to be updated during the period of its review. Raymond James expressed no opinion with respect to the Projections or the assumptions on which they were based. Raymond James relied upon and assumed, without independent verification, that the final form of the Merger Agreement would be substantially similar to the Draft Merger Agreement reviewed by Raymond James in all respects material to its analysis, and that the Transactions would be consummated in accordance with the terms of the Merger Agreement without waiver of or amendment to any of the conditions thereto. Furthermore, Raymond James assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Merger Agreement were true and correct and that each party will perform all of the covenants and Merger Agreements required to be performed by it under the Merger Agreement without being waived. Raymond James also relied upon and assumed, without independent verification, that (i) the Transactions would be consummated in a manner that complies in all respects with all applicable international, federal and state statutes, rules and regulations, and (ii) all governmental, regulatory or other consents and approvals necessary for the consummation of the Transactions would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would have an effect on the Transactions or the Company that would be material to its analysis or opinion.

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

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

Material Financial Analyses

The following summarizes the material financial analyses reviewed by Raymond James with the Board at its meeting on June 29, 2016, which material was considered by Raymond James in rendering its opinion. No company or transaction used in the analyses described below is identical or directly comparable to the Company, Parent or the contemplated Transactions.

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Selected Companies Analysis. Raymond James analyzed the relative valuation multiples of eleven selected publicly-traded payment processing companies that it deemed relevant and for which future financial estimates were publicly available, including:

- ACI Worldwide, Inc.
- Cass Information Systems, Inc.
- Euronet Worldwide, Inc.
- Fidelity National Information Services, Inc.
- First Data Corporation
- Fiserv, Inc.
- Global Payments Inc.
- MoneyGram International Inc.
- Total Systems Services, Inc.
- Vantiv, Inc.
- The Western Union Company

Raymond James calculated various financial multiples for each company, including enterprise value (market value plus debt, plus preferred stock, plus minority interests, less cash and equivalents) compared to earnings before interest, taxes, depreciation and amortization, or EBITDA, for the most recent actual twelve months results ended March 31, 2016, referred to as TTM, as well as to Wall Street research analysts projected EBITDA for the selected companies for calendar years ending December 31, 2016 and 2017, referred to as CY16 and CY17. The estimates published by Wall Street research analysts were not prepared in connection with the Transactions or at the request of Raymond James and may or may not prove to be accurate. Raymond James reviewed the mean, median, minimum and maximum relative valuation multiples of the selected public companies and compared them with corresponding valuation multiples for the Company implied by the Offer Price based on historical financial information and the Projections. The results of the selected public companies analysis are summarized below:

	Enterprise Value / EBITDA		
	TTM	CY16E	CY17E
Selected Companies Mean	11.9x	11.0x	10.1x
Selected Companies Median	12.3x	11.7x	10.4x
Selected Companies Minimum	6.3x	5.0x	4.7x
Selected Companies Maximum	15.6x	14.9x	13.8x
Company Multiple at Offer Price	12.0x	11.9x	10.3x

Furthermore, Raymond James applied the mean, median, minimum and maximum relative valuation multiples for each of the metrics to the Company s actual and projected financial results (based on the Projections) and determined the implied equity price per share of the Shares, and then compared those implied equity values per share to the Offer Price of $5.15 per share. The results of this are summarized below:

	Enterprise Value/EBITDA		
	LTM	CY16E	CY17E
Selected Companies Mean Multiple	$ 5.14	$ 4.86	$ 5.08
Selected Companies Median Multiple	5.27	5.10	5.23