IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

LANCE SALLADAY, On Behalf of Himself and All Other Similarly Situated Former Stockholders of INTERSECTIONS, INC., Plaintiff, v. JOHN M. ALBERTINE, THOMAS G. AMATO, BRUCE L. LEV, DAVID A. MCGOUGH, MELVIN R. SEILER, and MICHAEL R. STANFIELD, Defendants.	C.A. No. 2019-____-___

VERIFIED CLASS ACTION COMPLAINT

Plaintiff Lance Salladay ("Plaintiff"), on behalf of himself and all other similarly situated former public stockholders of Intersections Inc. ("Intersections" or the "Company") brings the following Verified Class Action Complaint (the "Complaint") against the members of the board of directors of Intersections (the "Intersections Board" or "Board" or "Individual Defendants") for breaching their fiduciary duties. The allegations of the Complaint are based on the knowledge of Plaintiff as to himself, and on information and belief, including the investigation of counsel and review of publicly available information as to all other matters.

NATURE OF THE ACTION

1. This action (the "Action") arises from a conflicted going-private transaction in which the Company's Chief Executive Officer ("CEO"), Board

Chairman and largest stockholders rolled over the substantial majority of their equity into the post-closing private entity while cashing out the Company's public stockholders at an unfair price.

2. Intersections is an identity theft protection company founded by Michael R. Stanfield ("Stanfield") and his former employer, Loeb Holding Corporation ("Loeb"). Stanfield served as the Intersections' CEO and Board Chairman, and Stanfield and Loeb collectively owned approximately half of the Company's outstanding equity.

3. Over the last couple of years, Intersections worked to refine its revolutionary identity protection product called "Identity Guard® with Watson™", which was scheduled for a full release in 2019. Upon the product's full release, Intersections would be well positioned for accelerated revenue growth, but needed additional financing to bridge the gap until the Company's return to profitability.

4. With the full release of Identity Guard® with Watson™ imminent, Stanfield and Loeb partnered with WC SACD One, Inc. ("WC SACD") to take Intersections private, thereby stripping Intersections' public stockholders of their opportunity to share in the Company's significant future upside potential. On October 31, 2018, Intersections entered into a merger agreement with WC SACD (the "Merger Agreement") whereby WC SACD agreed to commence an all-cash tender offer (the "Tender Offer") to acquire all of the issued and outstanding shares

of Intersections for $3.68 per share, followed by a second-step merger (the "Merger", and together with the Tender Offer, the "Transaction"), pursuant to Section 251(h) of the Delaware General Corporation Law for all remaining Intersections shares at the same per share price.

5. In connection with the Transaction, Stanfield, Loeb and another Intersections director, David A. McGough ("McGough" and together with Stanfield and Loeb, the "Rollover Investors"), were provided the opportunity to roll over the substantial majority of their Intersections equity into the post-closing private company. Stanfield also received (a) an approximately $5.8 million golden parachute payment and (b) a consulting agreement with WC SACD (the "Consulting Agreement") that provides Stanfield at least $500,000 in fees and a stock option grant to acquire 839,178 shares of WC SACD common stock.

6. Although a special committee of Intersections directors (the "Special Committee" or "Committee") negotiated for a majority-of-the-unaffiliated voting condition, certain other deal terms coerced the Company's public stockholders to support the Transaction for reasons other than its economic merits. Specifically, if the Company's public stockholders refused to support the Transaction and the Merger Agreement terminated, a majority of the Intersections Board was required to resign and WC SACD had the right to designate directors to fill such vacancies and appoint the Company's CEO. Thus, Intersections' public stockholders faced the

Hobson's choice of either (a) supporting the unfair Transaction or (b) refusing to support the Transaction and being at the mercy of a newly-installed controller (*i.e.*, WC SACD) that had not even paid a control premium.

7. Additionally, the proxy materials disseminated in connection with soliciting stockholder support of the Transaction failed to disclose material information, including (a) the reason for the Committee's financial advisor's abrupt termination of its engagement, which forced the Committee to find a replacement advisor shortly before agreeing to the Transaction and (b) when the rollover opportunity and Consulting Agreement were first discussed with WC SACD.

8. The Transaction received the requisite stockholder support and on January 11, 2019, the Company merged with and into the WC SACD, with the Company becoming an indirect wholly-owned subsidiary of WC SACD.

9. Through this Action, Plaintiff seeks to hold the Individual Defendants accountable for their breaches of fiduciary duty.

PARTIES

10. Plaintiff was a stockholder of Intersections at all material times alleged in this Complaint.

11. Defendant John M. Albertine ("Albertine") has been a director of Intersections since August 2008.

12. Defendant Thomas G. Amato ("Amato") has been a director of Intersections since January 2004.

13. Defendant Bruce L. Lev ("Lev") has been a director of Intersections since November 2014. He is also a Managing Director of Loeb, a position he has held since 2003. Lev previously served as the non-executive Co-Chairman of Albertine Enterprises, a merchant banking, consulting and lobbying firm founded and led by Defendant Albertine. According to Intersections' annual meeting proxy statement filed with the U.S. Securities and Exchange Commission (the "SEC") on April 20, 2018, as of April 1, 2018, Loeb beneficially owned approximately 40.1% of Intersections' outstanding common stock.[1] In connection with the Transaction, Loeb rolled-over 8,801,702 shares of Intersections common stock in exchange for equity interests of WC SACD.

14. Defendant McGough has been a director of Intersections since August 1999. In connection with the Transaction, McGough rolled-over 800,000 shares of Intersections common stock in exchange for equity interests in WC SACD.

15. Defendant Melvin R. Seiler ("Seiler") has been a director of Intersections since February 2017.

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[1] According to the Company's Information Statement filed with the SEC on December 17, 2018, as of November 15, 2018, Loeb beneficially owned approximately 42.7% of Intersections' outstanding common stock.

16. Defendant Stanfield has served as the Chairman of the Intersections Board since May 1996. Stanfield is the co-founder of CreditComm Services LLC ("CreditComm"), Intersections' predecessor. From May 1996 until January 2017, Stanfield served as Intersections' Chief Executive Officer ("CEO"). Stanfield was reappointed as the Company's CEO in January 2018. Before becoming CreditComm's and Intersections' CEO, Stanfield worked at Loeb Partners Corporation, an affiliate of Loeb, and was a Managing Director until his departure in August 1999. According to Intersections' annual meeting proxy statement filed with the SEC on April 20, 2018, as of April 1, 2018, Stanfield beneficially owned approximately 8.7% of Intersections' outstanding common stock.[2] In connection with the Transaction, Stanfield rolled-over 1.5 million shares of Intersections common stock in exchange for equity interests in WC SACD.

17. The defendants described in paragraphs 11 through 16 are collectively referred to herein as the "Individual Defendants."

RELEVANT NON-PARTIES

18. Intersections is a Delaware corporation with its principal executive offices located at 3901 Stonecroft Boulevard, Chantilly, Virginia 20151. Intersections provides innovative software solutions to help consumers and

[2] According to the Company's Information Statement filed with the SEC on December 17, 2018, as of November 15, 2018, Stanfield beneficially owned approximately 15.57% of Intersections' outstanding common stock.

businesses manage the potential risks associated with the proliferation of their data in the virtual world. Under its IDENTITY GUARD® brand, the Company utilizes advanced data-enabled technologies, including artificial intelligence, to monitor, manage and protect sensitive information. Until the consummation of the Transaction, Intersections' common stock traded on the NASDAQ under the ticker symbol "INTX."

19. Loeb is a private equity firm that invests in businesses in a variety of industries, including logistics, transportation, financial services, healthcare and market research. Loeb is incorporated in Delaware.

20. iSubscribed Inc. ("iSubscribed") is a Delaware company committed to creating, scaling, investing and acquiring technology associated with digital security for consumers.

21. WC SACD is a joint venture formed by WndrCo Holdings LLC, General Catalyst Group IX, L.P., GC Entrepreneurs Fund IX, L.P. and iSubscribed. WC SACD is a Delaware corporation. WC SACD was formed in connection with the acquisition of Intersections in the Transaction.

SUBSTANTIVE ALLEGATIONS

I. Background of Intersections

22. Intersections provides credit management and identity theft protection to subscribers in North America. The Company's Personal Information division

monitors, manages, and protects consumers from risks associated with identify theft under its Identity Guard® product. Intersections' Personal Information division, the division offering Identity Guard®, constituted approximately 96% and 93% of Intersections' revenue in the years ended December 31, 2017 and 2016, respectively.[3] As of March 2018, Intersections had over 1.1 million subscribers for its services.

23. In 1996, Stanfield and Loeb partnered to found CreditComm, the predecessor to Intersections. At that time, Stanfield was a Managing Director at Loeb.[4]

24. Between 1996 and April 1999, Loeb owned all of CreditComm's outstanding common stock.[5]

25. Stanfield concurrently served as a Loeb Managing Director and CreditComm's CEO until 1999.[6] In May 1999, Stanfield and Loeb sold an aggregate 5.3125 common units of CreditComm to certain CreditComm directors and Loeb employees.[7]

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[3] Intersections Form 10-K, filed with the SEC on Mar. 30, 2018, at 3.
[4] Intersections Registration Statement Form 424B4, filed with the SEC on Apr. 30, 2004, at 51, 63.
[5] *Id.* at 63.
[6] *Id.*
[7] *Id.*

26. In August 1999, CreditComm's members, including Loeb, contributed all of the issued and outstanding interests in CreditComm to Intersections. Following this contribution, Loeb held majority control over Intersections.

27. On April 30, 2004, Intersections conducted an initial public offering (the "IPO"), offering 6.25 million shares to the public.[8] As a result of the IPO, Loeb's ownership stake in Intersections dropped to 41.5% and remained at approximately that level until the consummation of the Transaction.

28. Intersections has publicly acknowledged Loeb and Stanfield's significant influence over the Company. Indeed, Intersections made the following disclosure in its Form 10-K, filed with the SEC on March 30, 2018:

> ***Insiders have substantial control over us and could delay or prevent a change in corporate control, which may harm the market price of our common stock***.
>
> Loeb Holding Corp., which is controlled by one of our directors, owns approximately 40% of our outstanding common stock, and Michael R. Stanfield, our Executive Chairman and President, owns approximately 7% of our outstanding common stock. In addition, our other executive officers and other directors collectively own significant shares of our outstanding common stock, and these insiders may acquire additional shares of common stock or other securities in the future. These stockholders may have interests that conflict with the other public stockholders. ***If these stockholders act together, they could have the ability to significantly influence or control the management and affairs of our company and potentially determine the outcome of***

[8] Carolyn Pritchard, *Intersections Prices IPO Of 6.25 mln Shares At $17 Each*, MARKETWATCH, Apr. 29, 2004, https://www.marketwatch.com/story/intersections-prices-ipo-of-625-mln-shares-at-17-each (last accessed Jan. 9, 2019)

> ***matters submitted to our stockholders for approval***, including the election and removal of directors and any sale of the Company. Accordingly, this concentration of ownership may harm the market price of our common stock by delaying, discouraging or preventing a change in control transaction.[9]

II. Intersections' History Of Questionable Related-Party Transactions With Company Insiders

29. The Intersections Board has repeatedly caused the Company to enter into conflict-laden transactions benefitting Company insiders, including:

- In 2016, in connection with the closing of a credit agreement dated March 21, 2016, Intersections paid $553,000 in advisory fees to Loeb Partners Corporation, an affiliate of Loeb;[10]

- On July 31, 2017, Intersections consummated the divestiture of i4C Innovations LLC (a/k/a "Voyce") to One Health Group, LLC, an entity in which Stanfield is a "significant" minority investor;[11]

- In 2016 and 2017, Intersections retained Monde of Events to provide event planning services for corporate events. The CEO of Monde of Events is the spouse of Melba Amissi, Intersections' Chief Operating Officer; and[12]

- During 2016 and 2017, Intersections paid Digital Matrix Systems, Inc. ("DMS"), an entity of which McGough is the CEO and President, more than $4 million for credit monitoring and analysis services.[13]

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[9] Intersections Form 10-K, filed with the SEC on Mar. 30, 2018, at 18 (emphasis added).
[10] *Id.* at F-25.
[11] *Id.*
[12] *Id.*
[13] *Id.*

III. Intersections Is Poised For Growth

30. Building on the success of its identity theft protection business, Intersections partnered with IBM to develop an improved version of their flagship Identity Guard® product called Identity Guard® with Watson™. Identity Guard ® with Watson™ offers robust early detection of potential identity theft and fraud risks and provides personalized threat alerts with actionable steps to help keep Intersections' customers' information private from the earliest stage possible. In contrast to the Company's original Identity Guard® product, Identity Guard® with Watson™ uses artificial intelligence to predict consumer habits that could lead to potential identity fraud that can be personalized to each individual's specific needs and is designed to protect the entire family.

31. The chart below compares the Company's original Identity Guard® product to Identity Guard® with Watson™:[14]

[14] Discussion Materials Supporting the Fairness Opinion Provided by North Point Advisors to the Special Committee, dated October 29, 2018 (the "North Point Fairness Presentation"), at 12.

Identity Guard Product Evolution

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- Building on the success of the Identity Guard product, the company launched an improved version, Identity Guard with Watson, in 2017
- Due to marketing and operational issues, the product continues to be refined and management expects it to be fully released in Q1 2019

IDENTITY GUARD		IDENTITY GUARD | With Watson™
Wholesaler of Other's Financial Data	→	SaaS: IP Creator of Algorithms Rooted in AI
Seven Primary Data Resources	→	71 Data Resources with 23 IBM Watson API's
Credit Monitoring and Alerts	→	Financial, Digital, Social, Personal Protection and Alerts
Physical Delivery, Web Based	→	Mobile-Focused, Web Accessible, Cloud Based
Primarily ID Protection	→	Comprehensive as well as Multiple Audience-Driven Solutions
White Label Provider, some DTC	→	DTC, Employee Benefit, Partners

INTERSECTIONS INC. 12 North Point | Advisors Mergers and Acquisitions

32. Intersections' former CEO and Board member Johan J. Roets ("Roets") described this technology as "the only service of its kind" in the industry.[15] During the Company's August 10, 2017 earnings call, Roets explained that, when fully released, Identity Guard® with Watson™ could increase the Company's subscriber base exponentially.[16]

[15] Q2 2017 Intersections Earnings Call Transcript, Aug. 10, 2017.
[16] *Id.* ("We have successfully concluded and launched one very large partner . . . that could ultimately expose our Identity Guard with Watson product suite to up to 100 million U.S. Internet users.").

33. Following its initial launch in 2017, Identity Guard® with Watson™ was plagued by certain marketing and operational issues. However, given its substantial promise, Intersections invested significant capital and resources in an attempt to ensure the success of Identity Guard® with Watson™. In the Company's Form 10-Q, filed with the SEC on November 9, 2018, Intersections explained:

> As we focus on making Identity Guard® with Watson™ our leading offering to consumers and their families in the U.S. and Canada, we significantly invested in our product and business development group in 2017 and plan to continue this investment in 2018 . . . .[17]

34. By the middle of 2018, Intersections had made meaningful progress on a "new upgraded version of Identity Guard with Watson."[18] When asked on the second quarter of 2018 earnings call about the official release date of the new upgraded version of Identity Guard® with Watson™, CEO and Board member Stanfield stated:

> Well, as I think I mentioned at -- in the last call, we were not happy with where that product was back in the spring, and we basically asked our technology and our marketing teams to go back and rewrite the script on what -- how the product would interface with consumers, on how it would be provided in its different forms. And all of that should be completed over the next, I would say, 75 to 90 days. We do a little more testing. ***So certainly, no later than 1st of December, we will have what we think is a significantly improved Watson product in the market***."[19]

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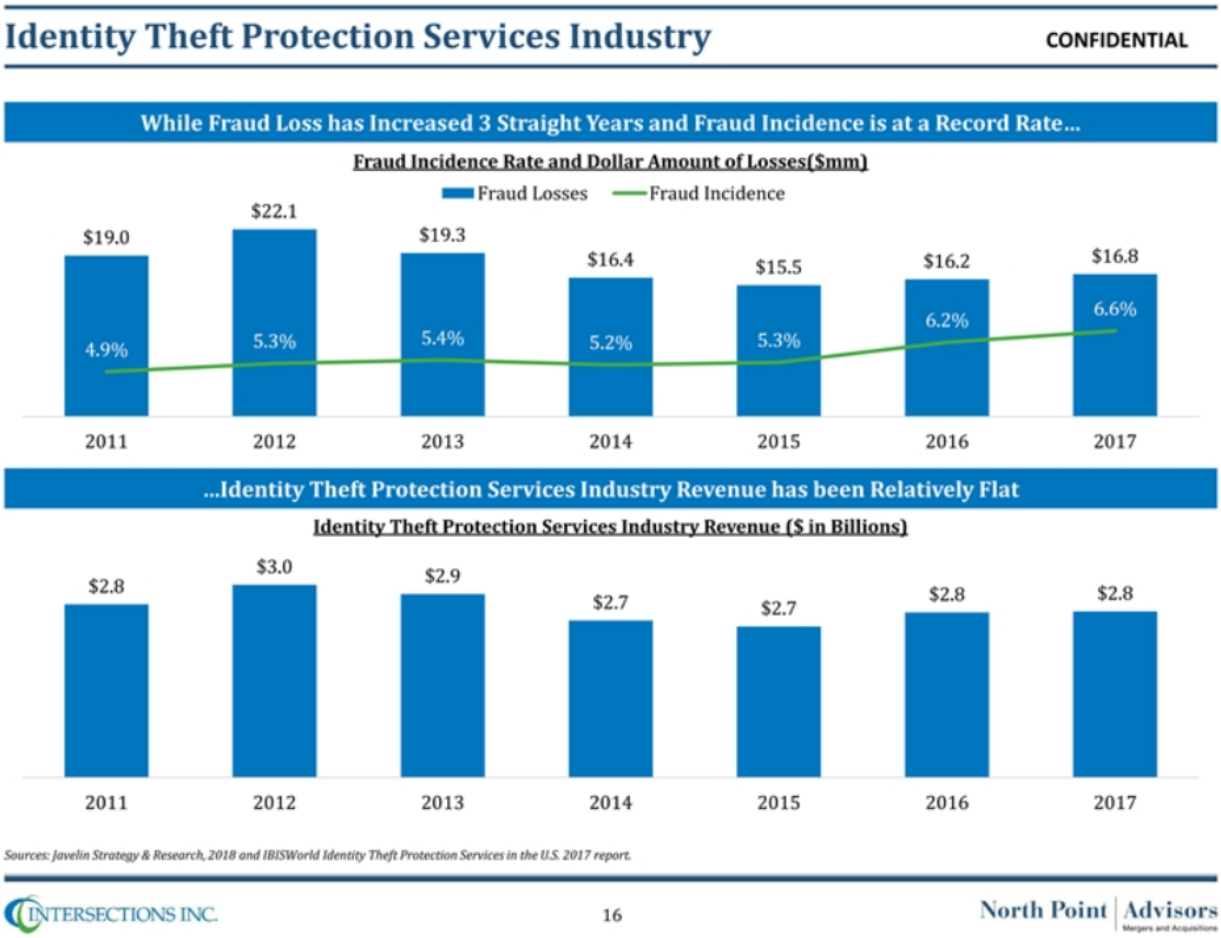
[17] Intersections Form 10-Q, filed with the SEC on Nov. 9, 2018 at 35.
[18] Q2 2018 Intersections Earnings Call Transcript, Aug. 21, 2018 (emphasis added).
[19] *Id.* (emphasis added)

35. During that same earnings call, Stanfield also explained the "very large opportunity" currently available in the identity protection sector:

> So I believe the number of people that own and use an Identity Protection product today is significantly below what it was five years ago. I think the need for services is much higher, and I think the quality of the services across the Board are much better and the services are much more useful than they were five years ago. So we believe there is a – remains a very large opportunity of – I would say [g]reenfield customers so to speak.

36. The "very large opportunity" in the identity protection sector was underscored by certain presentation materials created by North Point Advisors LLC ("North Point"), an advisor to the Special Committee in connection with the Transaction. According to North Point's October 29, 2018 discussion materials, "fraud loss has increased for 3 straight years and fraud incidence is at a record rate," yet "identity theft protection services industry revenue has been relatively flat."[20] Thus, it is only a matter of time before there is a significant uptick in demand for identity protection services to combat the record rate of fraud incidence.

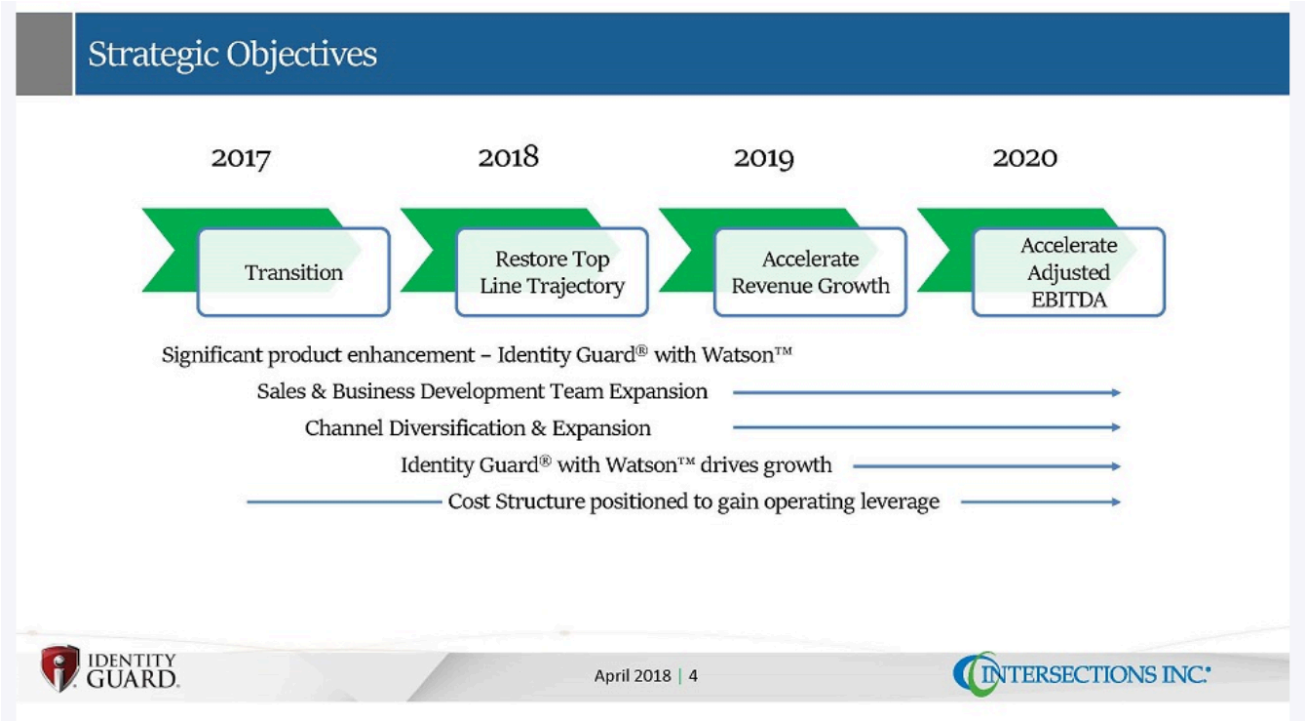
[20] North Point Fairness Presentation at 16.



37. While Stanfield's December 1, 2018 timeline was somewhat ambitious, at the time Intersections entered the Transaction, the Company's management team "expect[ed] [Identity Guard® with Watson™] to be fully released in Q1 2019."[21] Moreover, Intersections management's "strategic objective" was "Accelerat[ed]

[21] North Point Fairness Presentation at 12.

Revenue Growth" in 2019 "drive[n]" by the full release of Identity Guard® with Watson™:[22]



[22] Intersections, Business Update, Apr. 3, 2018, https://intersectionsinc.gcs-web.com/static-files/036343ff-3086-4515-bba9-246c65c8d6ee (last accessed Jan. 10, 2019).

IV. Intersections Implements A Plan To Limit Cash Spend And A Search For Additional Financing

38. Beginning in the second quarter of 2017, the Company "began an initiative . . . to limit cash spend for direct-to-consumer marketing . . . ."[23] In the fourth quarter of 2017, Intersections entered into a second amendment to the Company's credit agreement with PEAK6 Investments, L.P. ("PEAK6") (the "Credit Agreement") to increase the amount of borrowings under the facility from $20 million to $21.5 million.[24]

39. In late January 2018, the Company began to explore "additional debt or equity financing sources in the form of a senior secured loan, a convertible debt or preferred equity financing and/or common stock private placement."[25]

40. In March 2018, Intersections engaged Stonegate Capital Markets to assist the Company in its efforts to raise capital. On April 20, 2018, Intersections entered into a non-binding term sheet with Hale Capital Partners—referred to in the 14D-9 as "Fund A"—to provide the Company with $25 million of financing, but the parties were unable to reach a definitive agreement.

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[23] Intersections Schedule 14D-9, filed with the SEC on Nov. 29, 2018 at 12 (the "14D-9").

[24] During 2018, Intersections and PEAK6 entered into several other amendments to the Credit Agreement, which, among other things, (a) provided Intersections with relief under certain covenants and (b) required the Company to make certain prepayments to PEAK6.

[25] 14D-9 at 13.

41. In June 2018, Intersections received a non-binding term sheet from NewSpring Capital ("NewSpring")—referred to in the 14D-9 as "Fund B"—to provide the Company with up to approximately $30 million of financing in the form of a convertible preferred stock investment and senior subordinated second lien debt, the proceeds of which would be used to repay amounts outstanding under the Credit Agreement and for working capital and other corporate purposes.

42. On June 26, 2018, private equity firm KKR & Co. Inc. ("KKR")—referred to in the 14D-9 as "Fund C"—submitted an unsolicited non-binding proposal to acquire Intersections for $3.31 per share.

43. On June 28, 2018, Intersections entered into promissory notes (the "Bridge Notes") with Loeb and McGough for $2 million and $1 million, respectively. Intersections planned to use the proceeds of the Bridge Notes to pay down the balance due under the Credit Agreement.

44. In early July 2018, the Board formed a special committee consisting of directors Albertine, Amato and Seiler (the "Initial Special Committee") to consider KKR's proposal. The Initial Special Committee retained Houlihan Lokey, Inc. ("Houlihan Lokey") to serve as its financial advisor.

45. KKR and NewSpring both ultimately dropped out of the process in August and September 2018, respectively, and the Initial Special Committee was disbanded.

V. WC SACD Expresses Interest In Intersections And Stanfield, Loeb and McGough See An Opportunity To Take The Company Private Before The Full Release Of Identity Guard® with Watson™

46. On September 14, 2018, a representative of an investor group led by iSubscribed (the "iSubscribed Investor Group") contacted the Company concerning exploring a potential acquisition of Intersections. Around the same time, iSubscribed also reached out to Loeb about iSubscribed's interest in the Company.

47. Four days later, Stanfield, Lev, and Ronald L. Barden, Intersections' Chief Financial Officer ("CFO"), met with the iSubscribed Investor Group and discussed, among other things, the Company's financing needs and how an acquisition could be structured.

48. On September 20, 2018, iSubscribed entered into a non-disclosure agreement with Intersections and began conducting detailed due diligence on the Company.

49. On September 26, 2018, the iSubscribed Investor Group formed WC SACD for purposes of an acquisition of Intersections.

50. The following day, a representative from WC SACD met with Stanfield. Although he did not have authority to negotiate on behalf of the Company or Board, Stanfield effectively told WC SACD that the Intersections Board would be receptive to an acquisition offer of $3.50 to $4.00 per share.

51. On September 28, 2018, the Company borrowed an additional $1 million from Loeb, for which the Company issued an additional $1 million Bridge Note.

52. On October 5, 2018, the Board held a meeting with management at which they discussed the Company's ongoing financing needs and the status of discussions with various potential lenders and investors. At some point prior to the October 5 meeting, Stanfield, Loeb and McGough expressed their desire to roll-over the substantial majority of their Intersections stock in a going-private transaction with WC SACD. During the October 5 meeting, the Board resolved to reconstitute the special committee consisting of Albertine, Amato and Seiler (previously defined herein as the "Special Committee" or "Committee").

VI. After WC SACD Proposes A Going-Private Transaction At $3.68 Per Share, The Special Committee Retains A Financial Advisor Who Abruptly Exits Days Later

53. Adhering to Stanfield's recommendation, on October 9, 2018, WC SACD submitted a letter to the Board containing a proposal to acquire Intersections for $3.50 per share, as well as a form of 30-day exclusivity agreement and a term sheet to provide $30 million of senior secured convertible note financing, with such notes being convertible into Intersections common stock at a price of $2.27. As part of WC SACD's proposal, WC SACD expressed its willingness to accommodate Stanfield, McGough and Loeb's desire to roll-over the bulk of their shares of

Intersections common stock in the proposed transaction. In addition, WC SACD's offer also provided that Loeb and McGough would exchange their existing Bridge Notes in the aggregate principal amount of $4 million for the same type of notes that WC SACD would receive in their convertible note financing. Furthermore, WC SACD's offer was conditioned on granting "WC SACD the right to designate a majority of the members on the Board of Directors [even] if the proposed acquisition transaction were terminated as a result of the acquirer's breach or abandonment of the transaction."[26]

54. On October 10, 2018, the Special Committee met to discuss WC SACD's proposal. At the meeting, the Committee appointed Albertine and Amato as co-chairmen and formally engaged Olshan Frome Wolosky LLP ("Olshan") as its legal counsel. The Special Committee also determined that any acquisition of the Company would be conditioned on approval by the holders of a majority of the shares of Intersections common stock not owned by the Rollover Investors.

55. On October 11, 2018, Intersections, Olshan, WC SACD and its counsel, Gibson Dunn & Crutcher LLP, continued to engage in negotiations. Among other things, WC SACD agreed to increase its proposal to $3.68 per share. Later in the meeting, the Committee approved recommending to the full Intersections Board that the Company should proceed with executing an exclusivity agreement with WC

[26] *Id.* at 18.

SACD. Without even attempting to solicit a higher bid from WC SACD and before retaining a financial advisor, the Committee then "directed Olshan to commence negotiation of the definitive merger and note financing documentation."[27]

56. On October 12, 2018, Lender A submitted a non-binding term sheet for a $15 million senior secured term loan credit facility (the "Lender A Proposal").[28]

57. Around the same time that Lender A submitted its proposal, Intersections and WC SACD entered into an exclusivity agreement on the condition that the Company would not negotiate or entertain any acquisition proposal from a third party through November 9, 2018. As part of the exclusivity agreement, WC SACD agreed that the Company could continue discussions and due diligence with Lender A and Funds D and E that had previously expressed interest in Intersections.

58. On October 15, 2018, Funds D and E jointly submitted a financing proposal to Intersections that would have satisfied the Company's capital needs (the "Fund D/E Proposal"). The Fund D/E Proposal offered Intersections $34.5 million in financing consisting of (a) $14.5 million of senior secured term debt and (b) $20 million of second lien senior secured convertible notes.

59. On the same day, the Special Committee finally retained a "nationally recognized investment banking firm" to serve as the Committee's financial advisor

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[27] *Id.* at 19.

[28] The Lender A Proposal contemplated customary closing conditions and due diligence and required an equity investment of $4 million concurrently with closing.

in connection with a proposed transaction. However, just days after its retention, the investment banking firm abruptly terminated the engagement.

60. On October 20, 2018, the Committee retained another financial advisor, North Point.

61. From October 22 through October 29, 2018, the parties continued to negotiate the details of the Merger Agreement and other transaction documentation.

VII. The Special Committee and Board Approve The Transaction

62. On October 29, 2018, the Special Committee met for the final time. At the meeting, North Point, which was hired just nine days earlier, provided the Committee with its purported fairness opinion on the Transaction. Following the delivery of North Point's fairness opinion, the Committee recommended that the full Board approve the Transaction and execute, among other agreements, the Merger Agreement, rollover agreements with the Rollover Investors and Note Purchase Agreement (as defined below).

63. Later that day, the Intersections Board convened for a meeting. The Board accepted the Committee's recommendations and unanimously adopted resolutions approving the Merger Agreement and transactions contemplated thereby.

64. The Company then formally terminated the process associated with the financing alternatives that would not have resulted in Intersections' public stockholders being cashed out before the full release of Identity Guard® with

Watson™. On October 30, 2018, the Company informed Lender A that it was not interested in proceeding with the Lender A Proposal. On October 31, 2018, the Company notified Fund D and Fund E that it was not interested in proceeding with the Fund D/E Proposal.

65. On October 31, 2018, Intersections issued a press release announcing the Transaction. The press release explained that:

> Under the terms of the merger agreement, a subsidiary of WC SACD will commence shortly an all-cash tender offer to acquire all of the issued and outstanding shares of Intersections for $3.68 per share. The transaction has been unanimously approved by a Special Committee of the Board of Directors of Intersections comprised of independent and disinterested directors. Certain affiliates of Intersections have agreed, subject to customary conditions, not to tender a majority of their shares into the tender offer, but to roll over such shares in the transaction into an affiliate of WC SACD. Such affiliates have also entered into tender and support agreements with WC SACD pursuant to which they have, among other things, agreed to tender to WC SACD in the offer the shares of Intersections stock that they are not rolling over in the transaction. The transaction is subject to customary closing conditions, including the expiration of the applicable period under the Hart-Scott-Rodino Act and a minimum tender condition that requires the tender of both more than 50 percent of Intersections' outstanding shares and more than 50 percent of Intersections' outstanding shares held by stockholders other than directors, executive officers, and rollover participants. The transaction is not subject to any financing contingency. Following the tender offer, WC SACD will effect a second-step merger, pursuant to Section 251(h) of Delaware's corporate law, for all remaining Intersections shares at the same per share consideration. The transaction is expected to close during the first quarter of 2019, at which time Hari Ravichandran, the CEO and Founder of iSubscribed, is expected to assume the role of CEO of Intersections. It is also expected that shortly after the closing of the acquisition of Intersections by WC SACD, subject to certain

conditions, iSubscribed will be merged into WC SACD to combine businesses with Intersections.

66. The press release also stated that:

> In connection with entry into the merger agreement, WC SACD, together with certain existing noteholders of Intersections (who exchanged their existing notes for the New Notes), acquired approximately $34 million of senior secured convertible notes of Intersections (the "New Notes") at a conversion price of $2.27 per share, the proceeds of which will be used by Intersections to repay in full its existing term loan facility with PEAK6 Investments, L.P. and related transaction costs, and for general working capital purposes.

VIII. Insiders Are Rolling Over A Substantial Majority Of Their Intersections Stock In The Transaction

67. As set forth in the following chart, in connection with the Transaction, Loeb, Stanfield and McGough were provided with the opportunity to roll-over a substantial portion of their Company equity into the post-closing entity:

Rollover Stockholder	Number of Shares Beneficially Owned	Number of Shares Being Rolled Over	Percentage of Shares Being Rolled Over
Loeb	11,002,127	8,801,702	80.0%
Stanfield	4,200,047	1,500,000	35.7%
McGough	1,165,567	800,000	68.6%
Total	**16,367,741**	**11,101,702**	**67.8%**

68. The desire to roll-over stock by these insiders, who have some of the—if not the best—access to information regarding the Company's current and future prospects, strongly suggests that WC SACD is underpaying in connection with the Transaction. If the Transaction consideration represented full and fair value for Intersections stock, these insiders would presumably have little interest in rolling-

over such a substantial portion of their Company equity and would have cashed out most, if not all, of their shares.

69. In addition to the rollover opportunity, as part of the Transaction Stanfield is also receiving (a) a sizeable golden parachute payment and (b) a lucrative consulting agreement with WC SACD (previously defined as the "Consulting Agreement"). According to the 14D-9, Stanfield's golden parachute compensation is valued at more than $5.8 million. Pursuant to the Consulting Agreement, which has an initial term of 18 months but can be extended upon mutual agreement by the Parties, Stanfield will receive (a) fees of $300,000 for the first 12 months, (b) fees of $33,333 per month after the initial 12 months of the agreement, and (c) a stock option to acquire 839,178 shares of common stock of WC SACD with an exercise price equal to the fair market value of one shares of common stock of WC SACD on the date of grant.

IX. The Transaction Is Unfair To Intersections' Public Stockholders

70. Setting aside the Rollover Investors' revealing desire to roll-over the substantial majority of their collective shares of Intersections common stock, the $3.68 per share Transaction consideration is unfair to Intersections' public stockholders for a multitude of reasons. *First*, the Transaction consideration does not adequately account for the projected increase in revenue and cash flow

associated with the highly-anticipated full release of Identity Guard® with Watson™ in 2019.

71. *Second*, in determining the $3.68 per share Transaction consideration was purportedly fair, North Point based its underlying valuation of Intersections on projections provided by management that significantly undervalued the Company.

72. Intersections's management created two sets of projections—a base case scenario (the "Base Case") and an upside case scenario (the "Upside Case")—that they "provided to and discussed with the Special Committee."[29] The Base Case projections, unlike the Upside Case projections, did not take into account likely increases in revenue and cash flow associated with the full release of Identity Guard® with Watson™. Moreover, the Base Case projections did not reflect the *actual* performance of the Company. Whereas the Base Case projected $9.4 million in adjusted EBITDA for 2018, the Company's *actual* adjusted EBITDA through the third quarter of 2018 was already $8.8 million and on pace to eclipse $12 million by year end. Furthermore, (i) Intersections had experienced significantly increased cash flows from 2017 (during which it only realized $3.2 million in adjusted EBITDA), (ii) "[t]he third quarter 2018 marked [Intersections's] fifth consecutive quarter of positive Adjusted EBITDA,"[30] and (iii) the Company did not expect any regression

[29] 14D-9 at 36.
[30] Intersection Form 8-K, filed with SEC on Nov. 9, 2018, at Ex. 99.1.

in performance, yet the Base Case projected lower adjusted EBITDA for Intersections in 2019 ($6.6 million) and 2020 ($8.8 million) as compared to 2018 ($9.4 million).

73. At the time the Committee engaged North Point on October 20, 2018, the Committee knew that the Base Case projections did not reflect the true value of the Company because, among other reasons, (i) the Company's third quarter results—ending 20 days prior to the Committee's engagement of North Point—showed actual cash flows higher than the Base Case projections and (ii) by October 2018 the Company expected Identity Guard® with Watson™ "to be fully released in Q1 2019" and to realize accelerated growth in revenue and cash flows as a result.[31] Nevertheless, the Committee unreasonably "determined that the Base Case was the appropriate scenario for the financial advisor" ***and it appears that the Committee did not even provide the Upside Case projections to North Point***.[32] Thus, North Point's fairness opinion was based on flawed underlying information and is therefore unreliable.

74. *Third*, the Transaction consideration is a fraction of the Company's value under management's Upside Case projections.

75. According to the 14D-9, management's Upside Case projections:

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[31] North Point Fairness Presentation at 12.
[32] 14D-9 at 36.

> Included management's internal financing goals premised on an infusion of new additional capital sufficient to fund significant revenue growth across all sales channels through accelerated timelines for partner marketing programs, the successful re-initiation of direct-to-consumer marketing programs which the Company had ceased in early 2017, and introduction of new product offerings in the Canadian market.

76. Under the Upside Case projections, Intersections would see a dramatic increase in revenue and adjusted EBITDA relative to the Base Case projections.

Base Case

	Estimated ($ in millions)	Projected ($ in millions)			
	2018	2019	2020	2021	2022
Revenue	$ 151.0	$144.8	$148.8	$145.8	$145.1
Adjusted EBITDA	$ 9.4	$ 6.0	$ 8.8	$ 16.2	$ 15.6

Upside Case

	Estimated ($ in millions)	Projected ($ in millions)			
	2018	2019	2020	2021	2022
Revenue	$ 151.3	$162.1	$187.7	$215.3	$247.6
Adjusted EBITDA	$ 9.6	$ 9.6	$ 24.6	$ 45.2	$ 64.2

77. Re-running North Point's discounted cash flow analysis using the Upside Case projections—as opposed to the Base Case projections—increases the Company's value from a range of $2.52 to $5.30 per share to a range of $11.49 to $22.81 per share.

78. *Fourth*, the $3.68 per share Transaction consideration is unfair in light of the top-end of the ranges of North Point's Comparable Public Trading Multiple Analysis (*i.e.*, $7.10 per share) and Comparable Precedent Transaction Analysis (*i.e.*, $7.01 per share).

79. The suspicious circumstances surrounding the Special Committee's retention of North Point further suggest that the Transaction is unfair. North Point was engaged only ***nine days*** before the parties entered into the Transaction and after both (a) the Committee's prior investment bank abruptly terminated the engagement and (b) the Committee decided to no longer use Houlihan Lokey as its financial advisor. These circumstances suggest that the Committee was forced to engage North Point because the Committee's prior financial advisors would not bless the Transaction as fair.

X. The Board Has Wrongfully Coerced Intersections' Public Stockholders Into Supporting The Unfair Transaction

80. Concurrently with entering the Merger Agreement, Intersections also entered into a Note Purchase and Exchange Agreement (the "Note Purchase Agreement") with certain investors, including WC SACD, Loeb and McGough (collectively, the "Note Investors").

81. Pursuant to the Note Purchase Agreement, on the date of execution of the Note Purchase Agreement (the "Closing Date"), (a) Intersections issued, and WC SACD purchased from the Company, for cash at a purchase price equal to the principal amount of Notes purchased, a series of senior secured convertible notes of the Company (the "Notes") in the initial aggregate principal amount of $30 million, (b) Loeb exchanged an aggregate principal amount of $3 million of certain unsecured convertible notes previously issued by Intersections to Loeb for a Note in

the aggregate principal amount of $3 million, and (c) McGough exchanged an aggregate principal amount of $1 million of a certain unsecured convertible note previously issued by Intersections to McGough for a Note in the aggregate principal amount of $1 million.

82. The Notes had an interest rate of 6.0% per annum for the first 12 months following the Closing Date and an interest rate of 8.0% per annum for the remaining term of the Notes. The Notes were scheduled to mature on the date that is 36 months following the Closing Date. The Notes were secured by a first-priority security interest on all of the assets of Intersections and its subsidiaries, subject to certain exceptions, and the obligations of the Company under the Notes were guaranteed by its subsidiaries.

83. The Notes automatically converted immediately prior to the effective time of the Transaction into shares of Intersections common stock.[33]

84. If there was a termination of the Merger Agreement (other than a termination of the Merger Agreement by the Company due to a breach by WC SACD One Parent, Inc.) and WC SACD owned at least 80% of its initial principal amount of Notes (or shares issued upon conversion thereof), and so long as any Notes (or

[33] The Notes could have also been converted upon the consummation of certain "Alternative Transactions" (as defined in the Note Purchase Agreement) relating to the beneficial ownership, indebtedness and solvency of Intersections, upon a determination by the Company's Board that the Company was no longer pursuing a process to sell itself, or on or after April 30, 2019.

Preferred Stock issued upon conversion of Notes) remained outstanding, ***a majority of the Intersections Board would have been required to resign and WC SACD would have had the right to designate directors to fill such vacancies and to appoint the Chief Executive Officer of the Company***.[34]

85. Thus, as Intersections disclosed to its stockholders, if a majority of Intersections' unaffiliated stockholders had refused to support the Transaction, the Merger Agreement would have terminated, a majority of incumbent Intersections directors would have resigned from the Board and WC SACD would have the right to appoint a Board majority and the Company's CEO. Accordingly, the Company's unaffiliated stockholders faced the Hobson's choice of (a) supporting the unfair Transaction with WC SACD or (b) voting down the Transaction and nevertheless transferring control of the Company to WC SACD. Thus, the Company's public stockholders were stripped of their ability to cast a vote on the Transaction free from coercion.

XI. The Individual Defendants Disseminated Materially Omissive Proxy Materials

86. On November 29, 2018, Intersections filed the 14D-9 with the SEC. The 14D-9 failed to disclose information necessary to permit the Company's public stockholders to make a fully-informed tender decision.

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[34] The Note Purchase Agreement also required that one of the new directors appointed by WC SACD needed to be an independent director designated by Loeb.

87. *First*, the 14D-9 failed to disclose the reason that the investment bank retained by the Special Committee on October 15, 2018 abruptly terminated its engagement just days later. If the investment bank terminated the engagement because it could not bless a sale of the Company for $3.68 per share, felt it was being unduly pressured or otherwise hamstrung by the Rollover Investors, or for some other reason that indicated an unfair Transaction process, that information would be patently material to stockholders deciding whether to support the Transaction.

88. *Second*, the 14D-9 fails to disclose when the rollover opportunity and Consulting Agreement were first discussed with WC SACD. This information is material to stockholders' tender decision because it reveals the incentives and motivations of the fiduciaries who were orchestrating, structuring and negotiating the unfair Transaction on stockholders' behalf.

89. *Thir*d, the 14D-9 fails to disclose (a) the reason that the Committee did not engage Houlihan Lokey in October 2018 after retaining (and dismissing) Houlihan Lokey only months prior or (b) a summary of the financial analysis that was prepared by Houlihan Lokey for the Committee. This information is material to stockholders' tender decision because it goes directly to the integrity of the Transaction process and the adequacy of the Transaction consideration.

CLASS ACTION ALLEGATIONS

90. Plaintiff brings this Action pursuant to Rule 23 of the Rules of the Court of Chancery, individually and on behalf of all other holders of Intersections common stock (except Defendants herein and any persons, firm, trust, corporation or other entity related to or affiliated with them and their successors in interest) who are or will be threatened with injury arising from Defendants' wrongful actions, as more fully described herein (the "Class").

91. This Action is properly maintainable as a class action.

92. The Class is so numerous that joinder of all members is impracticable. According to Section 4.2 of the Merger Agreement, as of October 31, 2018, there were 24,428,246 shares of Intersections common stock issued and outstanding. Thus, upon information and belief, there were thousands of Intersections stockholders scattered throughout the United States.

93. There are questions of law and fact common to the Class, including, inter alia, whether:

a. The Individual Defendants breached their fiduciary duties; and

b. Plaintiff and the other members of the Class were injured by the wrongful conduct alleged herein and, if so, what is the proper measure of damages.

94. Plaintiff is committed to prosecuting this Action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are

typical of the claims of the other members of the Class, and Plaintiff has the same interests as the other members of the Class. Plaintiff is an adequate representative of the Class.

95. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of the Class. Such inconsistent or varying adjudications that would establish incompatible standards of conduct for Defendants and/or with respect to individual members of the Class would, as a practical matter, be disjunctive of the interests of the other members not party to the adjudications or substantially impair or impede their ability to protect their interests.

COUNT I

DIRECT CLAIM FOR BREACH OF FIDUCIARY DUTY AGAINST THE INDIVIDUAL DEFENDANTS

96. Plaintiff repeats and realleges each and every allegation set forth herein.

97. The Individual Defendants, as Intersections directors and/or officers, owed the Class the utmost fiduciary duties of care and loyalty. By virtue of their positions as directors and/or officers of Intersections and their exercise of control and ownership over the business and corporate affairs of the Company, the Individual Defendants have, and at all relevant times had, the power to control and influence and did control and influence and cause the Company to engage in the practices complained of herein. The Individual Defendants were required to: (a) use

their ability to control and manage Intersections in a fair, just, and equitable manner, and (b) act in furtherance of the best interests of Intersections and ***all*** of its stockholders.

98. The Individual Defendants breached their fiduciary duties by, among other things, (a) agreeing to the terms of the Transaction, which will result in an unfair price for the Company's minority stockholders, (b) undermining the legitimacy of the majority-of-the-minority voting condition and coercing stockholders into supporting the unfair Transaction, and (c) failing to adequately explore financing alternatives that would have prevented the Company's public stockholders from being cashed-out of their investment before the full release of Identity Guard® with Watson™.

99. By reason of the foregoing acts, practices, and courses of conduct, the Individual Defendants have failed to lawfully discharge their fiduciary obligations toward Plaintiff and the other members of the Class.

100. As a result of the Individual Defendants' breaches of fiduciary duty, the Class has been harmed by virtue of receiving unfairly low consideration for their Intersections common stock.

101. Plaintiff and the Class have no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment and relief in his favor and in favor of the Class, and against the Defendants as follows:

A. Declaring that this Action is properly maintainable as a class action;

B. Finding the Individual Defendants liable for breaching their fiduciary duties owed to Plaintiff and the Class;

C. Certifying the proposed Class, and awarding the Class members damages together with pre- and post-judgment interest;

D. Awarding Plaintiff the costs, expenses, and disbursements of this Action, including all reasonable attorneys', accountants' and experts' fees; and

E. Awarding Plaintiff and the Class such other relief as this Court deems just and equitable.

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Dated: January 22, 2019