

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**

VINCENT FARINELLA, NANETTE ARAGON,
DANIEL SCHOPPE, JASON ETTEN, GEORGE
CESAR, DENNIS TRUBITSKY, and DOUGLAS
MASHKOW, individually and on behalf of others
similarly situated,

Plaintiffs,

v.

PAYPAL, INC., and EBAY INC.,

Defendants.

Civil Action No.:
1:05-CV-01720 (ILG) (VVP)

CLASS ACTION

**NOTICE OF PENDENCY OF CLASS
ACTION AND PROPOSED
SETTLEMENT**

**IF YOU FUNDED A PAYPAL TRANSACTION USING A SOURCE OTHER THAN A CREDIT CARD
BETWEEN FEBRUARY 1, 2004 AND THE PRESENT, YOUR RIGHTS MAY BE AFFECTED BY A
CLASS ACTION SETTLEMENT.**

PLEASE READ THIS NOTICE CAREFULLY.

A federal court ordered PayPal to provide this Notice. This is not a solicitation from a lawyer.

I. BRIEF SUMMARY OF THE SETTLEMENT

- In March 2005, a class action lawsuit was filed in New York state court alleging claims against PayPal, Inc. (“**PayPal**”) and eBay Inc. (“**eBay**”) arising out of representations contained in provisions of the PayPal User Agreement regarding PayPal’s policies and practices for responding to refund requests (or “Buyer Complaints”) from those customers who pay for transactions through PayPal using funds from a source other than their credit card.
- This lawsuit was removed to federal court in April 2005, and is currently pending in the United States District Court for the Eastern District of New York and captioned *Steele et al. v. PayPal, Inc. et al.*, Civil Action No. 1:05-CV-01720 (ILG) (VVP).
- PayPal and eBay do not believe that they did anything wrong. In fact, PayPal and eBay deny any and all liability for the claims alleged in the lawsuit. The Court has not decided in favor of the Class or PayPal and eBay, and by requiring PayPal to provide this Notice, the Court is not expressing any view on the merits of the lawsuit.
- A proposed partial settlement (the “**Amended Settlement**”) as set forth in a Stipulation and Agreement of Amended Settlement (the “**Amended Settlement Agreement**”) will resolve the claims asserted in the lawsuit against PayPal and eBay. The Settlement will NOT resolve claims against Essex.
- The Settlement provides, among other things, that certain persons who funded transactions through PayPal on or after February 1, 2004 using a source other than a credit card, may be entitled to receive a share of three million five hundred thousand dollars (\$3,500,000), which will be paid into a Settlement Fund by PayPal.

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- In consideration for the Settlement payment, PayPal and eBay will be dismissed with prejudice from the lawsuit and will be released from any and all liability arising out of or relating to the claims and allegations in the lawsuit.

- If you funded a PayPal transaction using a source other than a credit card between February 1, 2004 and the present, your rights will be affected under the Amended Settlement whether you act or do not act. Please read this Notice carefully.

- Your rights and options – and the deadlines to exercise them – are explained in this Notice.
- The Court still has to decide whether or not to approve the Settlement.

II. DETAILED INFORMATION ABOUT THE LAWSUIT AND SETTLEMENT

1. WHAT IS THIS NOTICE AND WHY SHOULD I READ IT?

The proposed Settlement of this lawsuit affects the rights of all current or former PayPal account holders in the United States who funded a PayPal transaction using a funding source other than a credit card between February 1, 2004 and the present, known as “**Class Members**” (see Section 5 below). The Court ordered that this Notice be posted on PayPal’s website because you have a right to know about the proposed Settlement of this lawsuit and about all of your options relating to the Settlement, before the Court decides whether or not to approve the Settlement. The Court further ordered that an Email Notice be sent to Class Members.

This Notice provides a summary of the terms of the proposed Amended Settlement. It also explains the lawsuit, Class Members’ legal rights under the Amended Settlement, what benefits are available to Class Members under the Amended Settlement, and how to obtain the benefits of the Amended Settlement.

2. WHAT IS A CLASS ACTION?

In a class action, one or more “Plaintiffs” sue on behalf of all people who have claims similar to theirs. All of these people are members of the “Class.” One court resolves the issues for all members of the Class, except for those persons who exclude themselves, or opt-out, from the Class. The Class is represented by certain persons appointed by the Court to serve as “**Representative Plaintiffs**” (in this case, Vincent Farinella, George Cesar, Douglas Mashkow, and Daniel Schoppe), and by the Representative Plaintiffs’ attorneys of record, called “**Class Counsel**” (in this case, Marina Trubitsky & Associates, PLLC).

3. WHAT IS THIS LAWSUIT ABOUT?

In March 2005, the Plaintiffs filed this lawsuit in New York state court on behalf of themselves and the Class. The lawsuit alleges claims against PayPal and eBay arising out of representations contained in certain provisions of the PayPal User Agreement regarding PayPal’s policies and practices for responding to refund requests (or “Buyer Complaints”) from those customers who pay for transactions through PayPal using funds from sources other than a credit card. In particular, the lawsuit alleges that PayPal’s policies and practices constitute deceptive trade practices, fraudulent inducement and misrepresentations, and breach of the PayPal User Agreement. The lawsuit also alleges claims against Essex, a company that sold goods through eBay, arising out of alleged misrepresentations about Essex’s goods and services.

In April 2005, this lawsuit was removed to federal court, where it is currently pending in the United States District Court for the Eastern District of New York. Senior United States District Court Judge I. Leo Glasser is in charge of this action.

4. WHY IS THERE A SETTLEMENT?

PayPal and eBay do not believe that they did anything wrong. In fact, PayPal and eBay deny any and all liability for the claims alleged in the lawsuit. The Court has not decided in favor of the Class or PayPal and eBay, and by this Notice, the Court is not expressing any view on the merits of the lawsuit.

Instead, the parties engaged in a series of settlement negotiation sessions mediated by retired United States District Court Judge Nicholas H. Politan and United States Magistrate Judge Viktor Pohoresky. Eventually, both sides agreed to a settlement in principle. By settling their claims, both sides avoid the uncertainty and cost of a trial or appeal, and eligible members of the Class will receive money and other benefits. The Representative Plaintiffs and PayPal and eBay believe that the Settlement is fair and in the best interest of all members of the Class. The Settlement does not resolve the claims against Essex.

On April 28, 2008, the parties entered into a formal Settlement Agreement, which is on file with the Court and available on the Settlement Administrator's website, accessible through the following link: www.SteeleSettlement.com.

5. HOW DO I KNOW IF I AM PART OF THE SETTLEMENT?

On July 24, 2008, Judge Glasser entered an order granting preliminary approval of the Settlement and certifying the following **“Class”** for purposes of the Settlement: all U.S. based PayPal account holders who funded a PayPal transaction after February 1, 2004, using a source other than a credit card: (i) who subsequently requested a reversal of the transaction through PayPal's prevailing Buyer Complaint Policy and/or Buyer Protection Policy (collectively, “Policies”); (ii) who did not receive a refund equal to 100% of their transaction payment in response to such request from PayPal or their bank; and (iii) who, through the timely submission of a Claim Form under oath, attest to a reasonable and good faith belief that they would have received a full reversal of such payment had they used a valid credit card in their possession at the time of the subject transaction to fund the payment and filed a timely chargeback request with their credit card issuing bank. Excluded from the Class are any judicial officer to whom this Litigation is assigned; PayPal, eBay and any of their affiliates; any current or former employees, officers, or directors of PayPal or eBay; any persons currently residing outside of the United States; and all Persons who timely and validly request exclusion from the Class pursuant to this Notice.

If you funded a PayPal transaction using a source other than a credit card during the period February 1, 2004 through the present, and are not one of the excluded persons listed above, you are a member of the Class, also called a “Class Member.”

6. WHO REPRESENTS ME IN THIS CASE?

To represent the Class, the Court has appointed Vincent Farinella, George Cesar, Douglas Mashkow, and Daniel Schoppe as Representative Plaintiffs, and their counsel of record, Marina Trubitsky & Associates, PLLC, as Class Counsel. If you want to be represented in this lawsuit by your own attorney, you may hire one at your own expense, and you may appear in this litigation through your own attorney.

7. WHAT DOES THE SETTLEMENT PROVIDE?

A. Monetary Relief

Under the Amended Settlement, PayPal will pay a total of three million five hundred thousand dollars (\$3,500,000) into an interest-bearing account. The original deposit of \$3,500,000, plus accrued interest, will constitute the **“Settlement Fund.”** The Settlement Fund will be used: (i) to make payments to Class Members who submit valid claims before the deadline; (ii) to pay certain costs of administering the Settlement, as approved by the Court; and (iii) to pay attorneys' fees and expenses to Class Counsel in the amount awarded by

the Court. After the deduction of administrative costs and Class Counsel's attorneys' fees and expenses, the balance of the Settlement Fund (the "**Net Settlement Fund**") will be applied in accordance with the "Plan of Allocation," attached as Exhibit F to the Amended Settlement Agreement.

In brief, the Plan of Allocation requires, among other things, that the Net Settlement Fund be distributed to Class Members who funded a PayPal transaction since February 1, 2004, using a source other than a credit card: (i) who subsequently requested a reversal of the transaction through PayPal's prevailing Buyer Complaint Policy and/or Buyer Protection Policy (collectively, "Policies"); (ii) who did not receive a refund equal to 100% of their transaction payment in response to such request from PayPal or their bank; and (iii) who, through the timely submission of a Claim Form under oath, attest to a reasonable and good faith belief that they would have received a full reversal of such payment had they used a valid credit card in their possession at the time of the subject transaction to fund the payment and filed a timely chargeback request with their credit card issuing bank. Persons who meet all of these requirements are "**Class Members.**"

All claims submitted by Class Members will be reviewed by a Settlement Administrator appointed by the Court to determine if they were submitted on time and are otherwise valid and non-fraudulent. The Settlement Administrator will also have access to PayPal records, in order to verify the contents of the Claim Forms.

Thereafter, each Class Member will receive a percentage of his or her validated claim(s) equal to the total amount of the Net Settlement Fund divided by the total monetary value of all validated claims. Thus (by way of example only), if the Settlement Administrator determined there to be \$5 million in validated claims and there were \$1.5 million in the Net Settlement Fund, each Eligible Class Member would receive a payment equal to 30 percent (\$1.5 million divided by \$5 million) of his or her validated claim(s).

8. HOW MUCH WILL MY PAYMENT BE IF I PARTICIPATE IN THE SETTLEMENT AND WHEN WILL I RECEIVE IT?

The timing and amount of payments to Class Members who submit valid claims cannot be estimated at this time. Calculation of the amount of any payments will necessarily have to wait until the Notice period ends and the Court finally approves the Amended Settlement. Only then will it be possible to determine who will be sharing the Net Settlement Fund and the amount of the payment each Class Member will receive under the Plan of Allocation.

9. HOW DO I MAKE A CLAIM AND RECEIVE A PAYMENT?

To make a claim for payment, please visit the Settlement Administrator's website, accessible through the following link: www.SteeleSettlement.com, and click on the link marked "**Claim Form.**" To make a valid claim, you must: (1) print and fill out the Claim Form and return it by mail to the address provided on the Claim Form; and (2) print the Certification page of your Claim Form, sign it, and return it by mail to the address provided on the Claim Form.

Your Claim Form and signed Certification page must be mailed to the address provided on the Claim Form, and must be POSTMARKED on or before December 14, 2008.

If the Settlement Administrator determines that you are entitled to a payment under the Plan of Allocation, your payment will be transferred electronically to your registered PayPal account. If you do not have a current, unlimited PayPal account or you indicate on the Claim Form that you prefer to receive a check, payment will be made in the form of a check, sent by first class mail to the address you provide on your Claim Form. If you are paid by check, a \$1.00 charge will be deducted from your payment to cover the cost of issuing and mailing the check.

10. WHAT AM I GIVING UP IF I PARTICIPATE IN THE SETTLEMENT?

If the Amended Settlement is granted final approval, the Court will enter a judgment dismissing all claims against PayPal and eBay in the lawsuit with prejudice, and releasing any and all claims for payment of any kind and, any and all liabilities, demands, obligations, losses, actions, causes of action, damages, costs, expenses, attorneys' fees and, any and all other claims of any nature whatsoever, arising from or relating to any of the allegations or statements made in, or in connection with, the Litigation (and including, without limitation, any and all claims based upon any of the laws, regulations, statutes, or rules cited, evidenced and referenced by all such allegations and statements), or any State Attorney General's report or investigation involving the same or substantially similar matters regarding PayPal's alleged failure to fully reimburse Class Members during the Class Period.

As a result, if you are a Class Member and do not exclude yourself from the Class, you will be barred from bringing any of the claims described above against PayPal and eBay that arose prior to the date this Notice is provided. This means that you will not be able to sue, continue to sue, or be part of another lawsuit against PayPal, eBay or their affiliates, relating to the legal issues in this case. You will be bound by all proceedings, orders, and judgments entered in connection with the Settlement, whether favorable or unfavorable. You will be represented by the Representative Plaintiffs and Class Counsel for purposes of the Settlement, unless you choose to hire your own lawyer at your own expense to represent you in this case.

In short, if you do not exclude yourself from the Class, and the Amended Settlement is granted final approval, your claims against PayPal, eBay, and their affiliates will be forever released as described above.

11. WHAT IF I WANT TO EXCLUDE MYSELF (OPT-OUT) FROM THE SETTLEMENT?

If you do not want to remain a member of the Class and participate in the Amended Settlement, then you may exclude yourself from the Class by mailing or delivering (email is not permitted) your written request, as follows:

Your original, signed request for exclusion must be RECEIVED on or before October 31, 2008, and mailed to the following address:

PayPal/Steele Class Action Settlement
c/o The Garden City Group, Inc.
P.O. Box 9309
Dublin, OH 43017-4209

Copies of this request for exclusion must also be sent to PayPal and eBay's counsel at the following address:

Cooley Godward LLP
attn: Michael Rhodes
c/o PayPal/Steele Class Action Settlement
4401 Eastgate Mall
San Diego, CA 92121

Copies of this request for exclusion must also be sent to Class Counsel at the following address:

Marina Trubitsky & Associates, PLLC
attn: Marina Trubitsky
c/o PayPal/Steele Class Action Settlement
11 Broadway, Suite 861
New York, NY 10004

QUESTIONS? VISIT WWW.STEELESETTLEMENT.COM

Your request for exclusion must contain your name and address, be signed by you, and include the reference “*Steele et al. v. PayPal, Inc. et al.*, Civil Action No. 1:05-CV-01720.”

12. IF I EXCLUDE MYSELF, CAN I STILL GET MONEY FROM THE SETTLEMENT?

No. If you exclude yourself from the Class, you will not participate in the Amended Settlement and will not receive any payment from the Amended Settlement. Any claims that you may have against PayPal, eBay and their affiliates will not be released.

13. HOW WILL THE LAWYERS IN THE CASE BE PAID?

From the inception of the litigation in March 2005 to the present, Class Counsel have not received any payment for their services in bringing or prosecuting this case. Nor have they been reimbursed for any out-of-pocket expenses.

If the Court approves the Settlement, Class Counsel will make a motion, or “Fee Application,” to the Court for an award of attorneys’ fees of up to twenty-eight percent (28%) of the Settlement Fund as defined in Section 7(A), and reimbursement of expenses and costs already incurred or expected to be incurred in the prosecution of this Litigation. Class Counsel’s Fee Application may also include an application on behalf of certain of the Representative Plaintiffs for reimbursement from the Settlement Fund of their actual out-of-pocket expenses (including lost wages) relating to the prosecution of the litigation. Such awards as may be granted by the Court will be paid from the Settlement Fund as defined in Section 7(A), and Class Counsel have reserved the right to make additional applications for fees and expenses incurred relating to the Settlement. The Fee Application will be heard at the Settlement hearing described below in Section 16.

Class Counsel’s Fee Application will be based on various factors, including the time and effort already invested in the prosecution of the Litigation, the benefits obtained for the Class by bringing this lawsuit, as specified herein and in the Amended Settlement Agreement, as well as the time and effort that will be required of Class Counsel prior to final approval of this Amended Settlement. PayPal takes no position on the application for attorneys’ fees, costs and expenses.

14. CAN I COMMENT IN SUPPORT OF OR IN OPPOSITION TO THE SETTLEMENT?

If you decide to remain in the Class (*i.e.*, you do not opt out), and you wish to comment in support of or in opposition to the Amended Settlement or Class Counsel’s Fee Application, you may do so by mailing or delivering (email is not permitted) your written comments, as follows:

Your original, signed comments must be filed with the Court no later than October 31, 2008, at the following address:

Clerk of the United States District Court
for the Eastern District of New York
Brooklyn Main Office
225 Cadman Plaza East
Brooklyn, NY 11201

Your written comments must contain your name and address, be signed by you, and include the reference “*Steele et al. v. PayPal, Inc. et al.*, Civil Action No. 1:05-CV-01720.”

If you do not comply with these procedures and deadlines for submitting written comments or appearing at the hearing, you will not be entitled to speak at the hearing, you will not be entitled to contest in any way the Settlement or the Court’s decision on the Fee Application, and you will not be able to contest any other orders or judgments that the Court may enter in connection with the Settlement.

QUESTIONS? VISIT WWW.STEELESETTLEMENT.COM

15. WHAT IS THE DIFFERENCE BETWEEN OBJECTING AND EXCLUDING?

Objecting is simply telling the Court that you do not like the Settlement or any aspect of the Settlement. You can object only if you are a member of, and do not exclude yourself from, the Settlement Class. Even if you object to the Amended Settlement, you may submit a Claim Form and obtain payment under the Settlement if you are an Eligible Class Member.

Excluding yourself, or opting-out, from the Class is telling the Court that you do not want to be part of the Class or participate in the Settlement. If you exclude yourself from the Class, then you may not file a Claim Form, you will not receive any payment under the Amended Settlement, and you may not object to the Amended Settlement.

16. WHEN AND WHERE WILL THE COURT HOLD A HEARING ON THE SETTLEMENT?

The Court will hold a hearing on November 17, 2008 at 10:00 a.m., before the Honorable I. Leo Glasser, Senior United States District Court Judge for the Eastern District of New York, Courtroom 8B South, 225 Cadman Plaza East, Brooklyn, New York 11201.

The purpose of the hearing will be to determine: (a) whether the proposed Amended Settlement should be approved as fair, reasonable and adequate; (b) whether the Class should be certified for purposes of the Amended Settlement; (c) whether Class Counsel's Fee Application should be granted and in what amount; and (d) whether the lawsuit and Class Members' claims should be dismissed with prejudice pursuant to the Amended Settlement.

The Court reserves the right to adjourn or continue the Settlement hearing without further notice to the Class.

17. DO I HAVE TO COME TO THE HEARING?

No. You are not required to attend the hearing in order to participate in the Settlement. Nor do you have to attend the hearing for the Court to consider your objection or other written comments. As long as you mail your written comments on time and follow the procedures set forth in Section 14 above, the Court will consider them.

However, you may attend the Settlement hearing at your own expense if you wish. You may also ask your own lawyer to attend on your behalf, at your expense.

18. WHAT HAPPENS IF I DO NOTHING AT ALL?

If you do nothing, you will be deemed to have accepted the Settlement and any decisions of the Court with respect to the Settlement and the lawsuit. However, you will not receive any payment unless you meet all of the requirements to be an Class Member as set forth in Section 7A above and timely submit a valid Claim Form as provided in Section 9.

19. ARE THERE MORE DETAILS ABOUT THE SETTLEMENT?

This Notice contains only a summary of certain provisions in the Settlement. The full terms and provisions of the Amended Settlement are contained in the Amended Settlement Agreement. A copy of the Amended Settlement Agreement is on file with the Court and can be viewed on the Settlement Administrator's website, accessible through the following link: www.SteeleSettlement.com. The Clerk of the Court, located at 225 Cadman Plaza East, Brooklyn, New York 11201, maintains files containing the Amended Settlement Agreement and all other documents filed in the lawsuit. Copies of these documents are available for inspection and copying during the Court's normal business hours.

20. HOW DO I GET MORE INFORMATION ABOUT THE SETTLEMENT?

You can get more information by sending a letter to the Settlement Administrator or Class Counsel at the following addresses:

PayPal/Steele Class Action Settlement
c/o The Garden City Group, Inc.
P.O. Box 9309
Dublin, OH 43017-4209

Marina Trubitsky & Associates, PLLC
attn: Marina Trubitsky
c/o PayPal/Steele Class Action Settlement
11 Broadway, Suite 861
New York, NY 10004

While PayPal employees are available to give you information about your PayPal account, they cannot give you legal advice, and they will not be able to answer questions about the lawsuit or the Settlement.

PLEASE DO NOT TELEPHONE THE COURT ABOUT THIS NOTICE.

Dated: July 24, 2008

**BY ORDER OF:
THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**