

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

_____	X	
YI XIANG, Individually and on Behalf of All Others	:	
Similarly Situated,	:	Civil Action No. 1:16-cv-04923-VM-KNF
	:	(Consolidated)
Plaintiff,	:	
	:	<u>CLASS ACTION</u>
vs.	:	
INOVALON HOLDINGS, INC., KEITH R.	:	
DUNLEAVY, THOMAS R. KLOSTER, DENISE K.	:	
FLETCHER, ANDRÉ S. HOFFMANN, LEE D.	:	
ROBERTS, WILLIAM J. TEUBER JR., GOLDMAN	:	
SACHS & CO., MORGAN STANLEY & CO. LLC,	:	
CITIGROUP GLOBAL MARKETS INC., MERRILL	:	
LYNCH, PIERCE, FENNER & SMITH,	:	
INCORPORATED and UBS SECURITIES LLC,	:	
Defendants.	:	
_____	X	

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS AND ENTITIES THAT PURCHASED OR OTHERWISE ACQUIRED, ON OR BEFORE AUGUST 5, 2015, INOVALON HOLDINGS, INC. (“INOVALON”) COMMON STOCK (“CLASS” OR “CLASS MEMBERS”)

IN ORDER TO QUALIFY FOR A SETTLEMENT PAYMENT, YOU MUST TIMELY SUBMIT A PROOF OF CLAIM AND RELEASE FORM (“PROOF OF CLAIM”) BY JULY 30, 2019.

THIS NOTICE WAS AUTHORIZED BY THE COURT. IT IS NOT A LAWYER SOLICITATION. PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.

WHY SHOULD I READ THIS NOTICE?

This Notice is given pursuant to an order issued by the United States District Court for the Southern District of New York (the “Court”). This Notice serves to inform you of the proposed settlement of the above-captioned class action lawsuit for \$17,000,000 in cash (the “Settlement”) and the hearing (the “Settlement Fairness Hearing”) to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement, as set forth in the Stipulation of Settlement dated February 19, 2019 (the “Stipulation”), by and between Lead Plaintiff Roofers Local No. 149 Pension Fund (“Roofers Local”), on behalf of itself and the Class (as defined below), and Defendants Inovalon, Keith R. Dunleavy, Thomas R. Kloster, Denise K. Fletcher, André S. Hoffmann, Lee D. Roberts and William J. Teuber, Jr. (the “Inovalon Defendants”), Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated and UBS Securities LLC (the “Underwriter Defendants”) (collectively, “Defendants”).¹

This Notice is intended to inform you how this lawsuit and proposed Settlement may affect your rights and what steps you may take in relation to it. This Notice is NOT an expression of any opinion by the Court as to the merits of the claims or defenses asserted in the lawsuit or whether the Defendants engaged in any wrongdoing.

¹ The Stipulation can be viewed and/or downloaded at www.InovalonSecuritiesSettlement.com. All capitalized terms used herein have the same meaning as the terms defined in the Stipulation.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A PROOF OF CLAIM	The only way to be eligible to receive a payment from the Settlement. Proofs of Claim must be postmarked (if mailed) or received (if submitted online) on or before July 30, 2019.
EXCLUDE YOURSELF FROM THE SETTLEMENT BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION	Get no payment. This is the only option that <i>potentially</i> allows you to ever be part of any other lawsuit against any of the Defendants or any other Released Defendant Parties about the legal claims being resolved by this Settlement. Should you elect to exclude yourself from the Class, you should understand that Defendants and the other Released Defendant Parties will have the right to assert any and all defenses they may have to any claims that you may seek to assert, including, without limitation, the defense that any such claims are untimely under applicable statutes of limitations and statutes of repose. Exclusions must be postmarked on or before June 21, 2019.
OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION	Write to the Court about why you do not like the Settlement, the Plan of Allocation and/or the request for attorneys' fees and expenses. You will still be a Member of the Class. Objections must be received by the Court and counsel for the Settling Parties on or before June 21, 2019.
GO TO THE HEARING ON JULY 12, 2019, AND FILE A NOTICE OF INTENTION TO APPEAR	Ask to speak in Court about the fairness of the Settlement. Requests to speak must be received by the Court and counsel for the Settling Parties on or before June 21, 2019. If you submit a written objection, you may (but you do not have to) attend the hearing.
DO NOTHING	Receive no payment. You will, however, still be a Class Member, which means that you give up your right to ever be part of any other lawsuit against the Defendants or any other Released Defendant Parties about the legal claims being resolved by this Settlement and you will be bound by any judgments or orders entered by the Court in the Litigation.

SUMMARY OF THIS NOTICE

Description of the Litigation and the Class

This Notice relates to a proposed settlement of claims in a pending securities class action brought by Inovalon investors alleging, among other things, that Defendants violated the federal securities laws by making false and misleading statements in the Registration Statement for Inovalon's IPO. A more detailed description of the Litigation is set forth on page 4 below. The proposed Settlement, if approved by the Court, will settle claims of the Class, as defined on page 5 below.

Statement of Class Recovery

Pursuant to the Settlement described herein, a \$17 million settlement fund has been established (the "Settlement Amount"). The Settlement Amount and any interest earned thereon is the "Settlement Fund." The Settlement Fund, less (a) any taxes, (b) any Notice and Administration Expenses, and (c) any attorneys' fees and litigation expenses (including any award to Lead Plaintiff in connection with its representation of the Class) awarded by the Court, will be distributed to Class Members in accordance with a plan of allocation that is approved by the Court. The proposed plan of allocation (the "Plan of Allocation") is set forth on pages 5-7 below. Based on Lead Plaintiff's estimate of the number of shares of Inovalon common stock damaged during the Class Period, the average distribution per share under the Plan of Allocation is roughly \$0.51, before deduction of any taxes on the income earned on the Settlement Fund, Notice and Administration Expenses, and allowable attorneys' fees and expenses (including any Lead Plaintiff award) as determined by the Court. **Class Members should note, however, that these are only estimates.** A Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by that claimant's claims as compared to the total claims of all Class Members who submit acceptable Proofs of Claim. An individual Class Member may receive more or less than this estimated average amount. See Plan of Allocation set forth and discussed at pages 5-7 below for more information on the calculation of your claim.

Statement of Potential Outcome of Case

The Settling Parties disagree on both liability and damages and do not agree on the amount of damages per share, if any, that would be recoverable if the Class prevailed on each claim alleged. Defendants deny that they are liable to the Class and deny that the Class has suffered any injury or damages. The issues on which the parties disagree are many, but include: (1) whether Defendants engaged in conduct that would give rise to any liability to the Class under the federal securities laws; (2) whether Defendants have valid defenses to any such claims of liability; (3) the appropriate economic model for determining the amount by which the price of Inovalon common stock was allegedly artificially inflated (if at all) during the Class Period; (4) the amount, if any, by which the price of Inovalon common stock was allegedly artificially inflated (if at all) during the Class Period; (5) the effect of various market forces on the price of Inovalon common stock at various times during the Class Period; (6) the extent to which external factors influenced the price of Inovalon common stock at various times during the Class Period; (7) the extent to which the various matters that Lead Plaintiff alleged were materially false or misleading influenced (if at all) the price of Inovalon common stock at various times during the Class Period; and (8) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were omitted influenced (if at all) the price of Inovalon common stock at various times during the Class Period.

Statement of Attorneys' Fees and Expenses Sought

Lead Counsel will apply to the Court for an award of attorneys' fees not to exceed thirty percent (30%) of the Settlement Amount, plus expenses not to exceed \$850,000, plus interest earned on both amounts at the same rate as earned by the Settlement Fund. Since the Litigation's inception, Lead Counsel has expended considerable time and effort in the prosecution of this Litigation on a wholly contingent basis and has advanced the expenses of the Litigation in the expectation that if it was successful in obtaining a recovery for the Class it would be paid from such recovery. In addition, as part of that application, Lead Plaintiff may request an amount not to exceed \$25,000 pursuant to 15 U.S.C. §77z-1(a)(4) in connection with its representation of the Class. The requested attorneys' fees and expenses amount to an average cost of approximately \$0.18 per allegedly damaged Inovalon common share. The average cost per damaged share will vary depending on the number of acceptable Proofs of Claim submitted.

Further Information

For further information regarding the Litigation, this Notice or to review the Stipulation, please contact the Claims Administrator toll-free at 1-866-298-4135, or visit the website www.InovalonSecuritiesSettlement.com.

You may also contact a representative of counsel for the Class: Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, 1-800-449-4900, www.rgrdlaw.com.

Please Do Not Call the Court or Defendants with Questions About the Settlement.

Reasons for the Settlement

Lead Plaintiff's principal reason for entering into the Settlement is the benefit to the Class now, without further risk or the delays inherent in continued litigation. The cash benefit under the Settlement must be considered against the significant risk that a smaller recovery – or, indeed, no recovery at all – might be achieved after contested motions, trial, and likely appeals, a process that could last several years into the future.

Defendants have denied and continue to deny each and all of the claims alleged by Lead Plaintiff in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied and continue to deny, among other things, the allegations that Lead Plaintiff or the Class has suffered any damage, or that Lead Plaintiff or the Class was harmed by the conduct alleged in the Litigation. For Defendants, the principal reason for entering into the Settlement is to eliminate the uncertainty, risk, costs, and burdens inherent in any litigation, especially in complex cases such as this Litigation. Defendants have concluded that further conduct of this Litigation could be protracted and distracting.

WHAT IS THIS LAWSUIT ABOUT?

I. THE ALLEGATIONS

The Litigation is currently pending before the Honorable Victor Marrero in the United States District Court for the Southern District of New York (the “Court”). The initial complaint in this action was filed on June 24, 2016. On September 20, 2016, the Court appointed Lead Plaintiff and Robbins Geller Rudman & Dowd LLP (“Robbins Geller”) as Lead Counsel.

Lead Plaintiff’s Consolidated Complaint for Violations of the Securities Act of 1933 (the “Complaint”) alleged that Defendants violated §§11, 12(a)(2) and 15 of the Securities Act of 1933 by issuing materially false and misleading statements and omitting material information in the Registration Statement filed in connection with Inovalon’s initial public offering (“IPO”) of common stock on or about February 12, 2015. More specifically, Lead Plaintiff alleges that the Registration Statement was materially false and misleading because it failed to disclose that at the time of the IPO, New York State had implemented corporate tax reforms as of January 1, 2015, and New York City had announced and publicized proposed correlating reforms retroactive to January 1, 2015, that would increase Inovalon’s effective tax rate and have a material, negative impact on Inovalon’s financial performance, condition and prospects going forward.

Defendants deny all of Lead Plaintiff’s allegations. Defendants contend that they did not make any false or misleading statements and that they disclosed all information required to be disclosed by the federal securities laws.

THE COURT HAS NOT RULED AS TO WHETHER DEFENDANTS ARE LIABLE TO LEAD PLAINTIFF OR TO THE CLASS. THIS NOTICE IS NOT INTENDED TO BE AN EXPRESSION OF ANY OPINION BY THE COURT WITH RESPECT TO THE TRUTH OF THE ALLEGATIONS IN THIS LITIGATION OR THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED. THIS NOTICE IS SOLELY TO ADVISE YOU OF THE PROPOSED SETTLEMENT OF THIS ACTION AND YOUR RIGHTS IN CONNECTION WITH THAT SETTLEMENT.

II. PROCEDURAL HISTORY

In accordance with the Court’s Individual Rules of Practice, following the exchange of letters between counsel to Lead Plaintiff and Defendants, on March 3, 2017, Defendants requested that the Court convene a conference or authorize the filing of a motion to dismiss by Defendants. On May 23, 2017, the Court issued an order construing the prior correspondence as a motion to dismiss, and granted in part and denied in part Defendants’ motion to dismiss the Complaint. Defendants moved for reconsideration of that portion of the Court’s order that held Lead Plaintiff’s claims were not time-barred. Lead Plaintiff opposed the motion and on July 28, 2017, the Court denied Defendants’ motion for reconsideration and request for interlocutory appeal. Defendants answered the Complaint on July 11, 2017.

On January 22, 2018, Lead Plaintiff moved to certify the class. Defendants took document and deposition discovery of Lead Plaintiff and filed their opposition to the motion on February 12, 2018, and Lead Plaintiff filed its reply on February 26, 2018. On September 18, 2018, the Court granted in part Lead Plaintiff’s motion with respect to its §§11 and 15 claims, and appointed Lead Plaintiff as Class Representative and Robbins Geller as Class Counsel. The Court dismissed Lead Plaintiff’s §12(a)(2) claim on standing grounds. On October 2, 2018, Defendants filed a petition with the U.S. Court of Appeals for the Second Circuit to file an interlocutory appeal from the decision on the motion for class certification. Lead Plaintiff filed an opposition to the motion on October 12, 2018, and it remained pending at the time the agreement in principle to settle the Litigation was reached.

The Settling Parties have conducted extensive fact and expert discovery, including depositions, the production and review of documents, and exchange of expert reports.

On October 10, 2018, the Defendants and Lead Plaintiff participated in an in-person mediation session with Michelle Yoshida, Esq., an experienced mediator. The mediation was preceded by submission of mediation statements by the Settling Parties. The Settling Parties engaged in arm’s-length negotiations during the mediation session, but were unable to reach an agreement. Following the mediation, the Settling Parties continued to pursue discovery activity while settlement discussions continued through Ms. Yoshida. On January 17, 2019, the Settling Parties reached an agreement in principle to resolve the Litigation, subject to the negotiation of the terms of a Stipulation of Settlement and approval by the Court.

HOW DO I KNOW IF I AM A CLASS MEMBER?

If you purchased or otherwise acquired Inovalon common stock on or before August 5, 2015, you are a Class Member. As set forth in the Stipulation, excluded from the Class are: Defendants, the officers and directors of Inovalon during the Class Period, members of the immediate family of any Individual Defendant and the legal representatives, heirs, successors, or assigns of any of the foregoing, as well as any entity in which Defendants have or had a controlling interest, provided, however, that any "Investment Vehicle" shall not be excluded from the Class. Also excluded from the Class is any Person who timely and validly requests exclusion pursuant to the requirements described on pages 8-9 below.

PLEASE NOTE: Receipt of this Notice does not mean that you are a Class Member or that you will be entitled to receive a payment from the Settlement. If you are a Class Member and you wish to be eligible to participate in the distribution of proceeds from the Settlement, you are required to submit the Proof of Claim that is being distributed with this Notice and the required supporting documentation as set forth therein postmarked or submitted online on or before July 30, 2019.

WHAT IS THE MONETARY VALUE OF THE PROPOSED SETTLEMENT?

The Settlement, if approved, will result in the creation of a cash settlement fund of \$17,000,000. This fund, plus accrued interest and minus the costs of this Notice and all costs associated with the administration of the Settlement, as well as attorneys' fees and expenses, and the amount to Lead Plaintiff in connection with its representation of the Class, as approved by the Court (the "Net Settlement Fund"), will be distributed to eligible Class Members pursuant to the Plan of Allocation that is described in the next section of this Notice.

WHAT IS THE PROPOSED PLAN OF ALLOCATION?

The objective of the Plan of Allocation is to equitably distribute the Net Settlement Fund among Class Members based on their respective alleged economic losses resulting from the securities law violations alleged in the Litigation.

The Claims Administrator shall determine each Class Member's share of the Net Settlement Fund based upon the recognized loss formula (the "Recognized Loss") described below. A Recognized Loss will be calculated for each share of Inovalon common stock purchased or otherwise acquired pursuant or traceable to Inovalon's IPO. The calculation of Recognized Loss will depend upon several factors, including when the Inovalon common stock was purchased or otherwise acquired and in what amounts, whether the shares were ever sold, and, if so, when they were sold and for what amounts. The Recognized Loss is not intended to estimate the amount a Class Member might have been able to recover after a trial, nor to estimate the amount that will be paid to Class Members pursuant to the Settlement. The Recognized Loss is the basis upon which the Net Settlement Fund will be proportionately allocated to Class Members.

Your share of the Net Settlement Fund will depend on the number of valid Proofs of Claim that Class Members send in and how many shares of Inovalon common stock you purchased or otherwise acquired pursuant or traceable to Inovalon's IPO, and whether you sold any of those shares and when you sold them.

The calculation of claims below is not an estimate of the amount you will receive. It is a formula for allocating the Net Settlement Fund among all Authorized Claimants. Furthermore, if any of the formulas set forth below yield an amount less than \$0.00, the claim per share is \$0.00.

PLAN OF ALLOCATION

Claims for the February 2015 Initial Public Offering

Initial Public Offering Price:	\$27.00 per share
Closing Price on the date the lawsuit was filed: ²	\$17.42 per share
Inflation Amount related to the May 7, 2015 price decline:	\$ 0.31 per share
Inflation Amount related to the August 6, 2015 price decline:	\$ 2.38 per share

² Initial class action complaint filed on June 24, 2016.

A claim will be calculated as follows:

For shares of Inovalon common stock purchased or otherwise acquired from February 12, 2015 through the end of trading on May 6, 2015, and

- 1) sold prior to May 7, 2015, the claim per share is \$0.00.
- 2) sold on, or between, May 7, 2015 through August 5, 2015, the claim per share is the least of (i) the Purchase Price less the Sales Price, or (ii) \$27.00 less the Sales Price, or (iii) \$0.31 (May 7, 2015 Inflation Amount).
- 3) sold on, or between, August 6, 2015 through June 23, 2016, the claim per share is the least of (i) the Purchase Price less the Sales Price, or (ii) \$27.00 less the Sales Price, or (iii) \$2.69 (May 7, 2015 and August 6, 2015 Inflation Amounts).
- 4) retained at the close of trading on June 23, 2016, or, sold on or after June 24, 2016, the claim per share is the least of (i) the Purchase Price less \$17.42, or (ii) \$27.00 less the Sales Price, or (iii) \$2.69 (May 7, 2015 and August 6, 2015 Inflation Amounts).

For shares of Inovalon common stock purchased or otherwise acquired from May 7, 2015 through the end of trading on August 5, 2015, and

- 1) sold prior to August 6, 2015, the claim per share is \$0.00.
- 2) sold on, or between, August 6, 2015 through June 23, 2016, the claim per share is the least of (i) the Purchase Price less the Sales Price, or (ii) \$27.00 less the Sales Price, or (iii) \$2.38 (August 6, 2015 Inflation Amount).
- 3) retained at the close of trading on June 23, 2016, or, sold on or after June 24, 2016, the claim per share is the least of (i) the Purchase Price less \$17.42, or (ii) \$27.00 less the Sales Price, or (iii) \$2.38 (August 6, 2015 Inflation Amount).

For shares of Inovalon common stock purchased or otherwise acquired on or after August 6, 2015, the claim per share is \$0.00.

In the event a Class Member has more than one purchase or acquisition or sale of Inovalon common stock, pursuant or traceable to the Registration Statement, all such purchases and sales shall be matched on a First-In, First-Out ("FIFO") basis. Sales will be matched against purchases in chronological order, beginning with the earliest purchase made during the relevant period.

A purchase, acquisition or sale of Inovalon common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. All purchase, acquisition and sale prices shall exclude any fees and commissions. The receipt or grant by gift, devise, or operation of law of Inovalon common stock during the Class Period shall not be deemed a purchase, acquisition or sale of Inovalon common stock for the calculation of a claimant's recognized claim nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such shares unless specifically provided in the instrument of gift or assignment. The receipt of Inovalon common stock during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase, acquisition or sale of Inovalon common stock.

With respect to Inovalon common stock purchased or sold through the exercise of an option, the purchase/sale date of the shares is the exercise date of the option and the purchase/sale price of the share is the exercise price of the option. Any recognized claim arising from purchases of Inovalon common stock acquired during the Class Period through the exercise of an option on Inovalon common stock shall be computed as provided for other purchases of Inovalon common stock in the Plan of Allocation.

The total of all profits shall be subtracted from the total of all losses from transactions during the Class Period to determine if a Class Member has a recognized claim. Only if a Class Member had a net market loss, after all profits from transactions in Inovalon common stock during the Class Period are subtracted from all losses, will such Class Member be eligible to receive a distribution from the Net Settlement Fund.

If an Authorized Claimant has an overall market gain, the recognized claim for that Authorized Claimant will be \$0.00. The Claims Administrator shall allocate to each Authorized Claimant a *pro rata* share of the Net Settlement Fund based on his, her, or its recognized claim as compared to the total recognized claims of all

Authorized Claimants. No distribution shall be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

Distributions will be made to Authorized Claimants after all claims have been processed, after the Court has finally approved the Settlement, and after any appeals are resolved. If there is any balance remaining in the Net Settlement Fund after at least six (6) months from the initial date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks, or otherwise), the Claims Administrator shall, if feasible, reallocate such balance among Authorized Claimants in an equitable and economic fashion. These redistributions shall be repeated until the balance remaining in the Net Settlement Fund is no longer economically feasible to distribute to Class Members. Thereafter, any balance that still remains in the Net Settlement Fund shall be donated to any appropriate non-sectarian, non-profit charitable organization(s) serving the public interest.

Please contact the Claims Administrator or Lead Counsel if you disagree with any determinations made by the Claims Administrator regarding your Proof of Claim. If you are dissatisfied with the determinations, you may ask the Court, which retains jurisdiction over all Class Members and the claims administration process, to decide the issue by submitting a written request.

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim against Lead Plaintiff, Lead Counsel, any Claims Administrator, any other Person designated by Lead Plaintiff's Counsel, or any of the Released Defendant Parties based on the distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and submit a valid and timely Proof of Claim shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

DO I NEED TO CONTACT LEAD COUNSEL IN ORDER TO PARTICIPATE IN DISTRIBUTION OF THE SETTLEMENT FUND?

No. If you have received this Notice and timely submit your Proof of Claim to the designated address, you need not contact Lead Counsel. If your address changes, please contact the Claims Administrator at:

Inovalon Securities Settlement
c/o Gilardi & Co. LLC
P.O. Box 404112
Louisville, KY 40233-4112
Email: info@InovalonSecuritiesSettlement.com
Telephone: 1-866-298-4135
www.InovalonSecuritiesSettlement.com

THERE WILL BE NO PAYMENTS IF THE STIPULATION IS TERMINATED

The Stipulation may be terminated under several circumstances outlined in it. If the Stipulation is terminated, the Litigation will proceed as if the Stipulation had not been entered into.

WHAT ARE THE REASONS FOR SETTLEMENT?

The Settlement was reached after contested motion practice directed to the sufficiency of Lead Plaintiff's claims. The parties also conducted document and deposition discovery, and retained experts. Nevertheless, the Court has not reached any final decisions in connection with Lead Plaintiff's claims against Defendants. Instead, Lead Plaintiff and Defendants have agreed to this Settlement, which was reached with the substantial assistance of a highly respected mediator. In reaching the Settlement, the parties have avoided the cost, delay and uncertainty of further litigation.

As in any litigation, Lead Plaintiff and the proposed Class would face an uncertain outcome if they did not agree to the Settlement. The parties expected that the case could continue for a lengthy period of time and that if Lead Plaintiff succeeded, Defendants would file appeals that would postpone final resolution of the case. Continuation of the Litigation against Defendants could result in a judgment greater than this Settlement. Conversely, continuing the case could result in no recovery at all or a recovery that is less than the amount of the Settlement.

Lead Plaintiff and Lead Counsel believe that this Settlement is fair and reasonable to the Members of the Class. They have reached this conclusion for several reasons. Specifically, if the Settlement is approved, the Class will receive a certain and immediate monetary recovery. Additionally, Lead Counsel believes that the significant and immediate benefits of the Settlement, when weighed against the significant risk, delay and uncertainty of continued litigation, are a very favorable result for the Class.

Defendants are entering into the Stipulation solely to eliminate the burden and expense of further litigation. Defendants have determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

WHO REPRESENTS THE CLASS?

The following attorneys are counsel for the Class:

Ellen Gusikoff Stewart
ROBBINS GELLER RUDMAN & DOWD LLP
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 1-800-449-4900

If you have any questions about the Litigation, or the Settlement, you are entitled to consult with Lead Counsel by contacting counsel at the phone number listed above.

You may obtain a copy of the Stipulation by contacting the Claims Administrator at:

Inovalon Securities Settlement
c/o Gilardi & Co. LLC
P.O. Box 404112
Louisville, KY 40233-4112
Email: info@InovalonSecuritiesSettlement.com
Telephone: 1-866-298-4135
www.InovalonSecuritiesSettlement.com

HOW WILL THE LEAD PLAINTIFF'S LAWYERS BE PAID?

Lead Counsel will file a motion for an award of attorneys' fees and expenses that will be considered at the Settlement Fairness Hearing. Lead Counsel will apply for an attorneys' fee award for Lead Plaintiff's Counsel in the amount of up to 30% of the Settlement Fund, plus payment of Lead Plaintiff's Counsel's expenses incurred in connection with this Litigation in an amount not to exceed \$850,000. In addition, Lead Plaintiff may seek a payment of up to \$25,000 in connection with its efforts in representing the Class. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Lead Plaintiff's Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. The fees requested will compensate Lead Plaintiff's Counsel for their work in achieving the Settlement. The Court will decide what constitutes a reasonable fee award and may award less than the amount requested by Lead Plaintiff's Counsel.

CAN I EXCLUDE MYSELF FROM THE SETTLEMENT?

Yes. If you do not want to receive a payment from this Settlement, or you want to keep the right to sue or continue to sue Defendants on your own about the legal issues in this case, then you must take steps to get out of the Class. This is called excluding yourself from, or "opting out" of, the Class. If you are requesting exclusion because you want to bring your own lawsuit based on the matters alleged in this Litigation, you may want to consult an attorney and discuss whether any individual claim that you may wish to pursue would be time-barred by the applicable statutes of limitation or repose.

To exclude yourself from the Class, you must send a signed letter by mail saying that you want to be excluded from the Class in the following Litigation: *Xiang v. Inovalon Holdings, Inc., et al.*, No. 1:16-cv-04923-VM-KNF. Be sure to include your name, address, telephone number, and the date(s), price(s), and number(s) of shares of Inovalon common stock that you purchased or acquired on or before August 5, 2015. Your exclusion request must be **postmarked no later than June 21, 2019** and sent to the Claims Administrator at:

Inovalon Securities Settlement
Claims Administrator
c/o Gilardi & Co. LLC
EXCLUSIONS
3301 Kerner Blvd.
San Rafael, CA 94901

You cannot exclude yourself by phone or by e-mail. If you make a proper request for exclusion, you will not receive a settlement payment, and you cannot object to the Settlement. If you make a proper request for exclusion, you will not be legally bound by anything that happens in this lawsuit.

CAN I OBJECT TO THE SETTLEMENT, THE REQUESTED ATTORNEYS' FEES, THE REQUESTED PAYMENT OF COSTS AND EXPENSES AND/OR THE PLAN OF ALLOCATION?

Yes. If you are a Class Member, you may object to the terms of the Settlement. Whether or not you object to the terms of the Settlement, you may also object to the requested attorneys' fees, costs and expenses, Lead Plaintiff's request for payment for representing the Class and/or the Plan of Allocation. In order for any objection to be considered, you must file a written statement, accompanied by proof of Class membership, with the Court and send a copy to Lead Counsel and Defendants' Counsel, at the addresses listed below **by June 21, 2019**. The Court's address is Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007; Lead Counsel's address is Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, c/o Ellen Gusikoff Stewart; Defendants' Counsel's addresses are: Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, NY 10036, c/o Susan L. Saltzstein; and DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020, c/o John J. Clarke, Jr. Attendance at the Settlement Fairness Hearing is not necessary; however, persons wishing to be heard orally at the Settlement Fairness Hearing are required to indicate in their written objection their intention to appear at the hearing and identify any witnesses they may call to testify and exhibits, if any, they intend to introduce into evidence.

WHAT IS THE DIFFERENCE BETWEEN OBJECTING AND EXCLUDING MYSELF FROM THE SETTLEMENT?

Objecting is telling the Court that you do not like something about the proposed Settlement, the Plan of Allocation, Lead Counsel's request for an award of attorneys' fees and expenses, or Lead Plaintiff's request for payment for representing the Class. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer applies to you.

WHAT ARE MY RIGHTS AND OBLIGATIONS UNDER THE SETTLEMENT?

If you are a Class Member and you do not exclude yourself from the Class, you may receive the benefit of, and you will be bound by, the terms of the Settlement described in this Notice, upon approval by the Court.

HOW CAN I GET A PAYMENT?

In order to qualify for a payment, you must timely complete and return the Proof of Claim that accompanies this Notice. A Proof of Claim is enclosed with this Notice and also may be downloaded at www.InovalonSecuritiesSettlement.com. Read the instructions carefully; fill out the Proof of Claim; sign it; and mail or submit it online so that it is **postmarked (if mailed) or received (if submitted online) no later than July 30, 2019**. The Proof of Claim may be submitted online at www.InovalonSecuritiesSettlement.com. If you do not submit a timely Proof of Claim with all of the required information, you will not receive a payment from the Settlement Fund; however, unless you expressly exclude yourself from the Class as described above, you will still be bound in all other respects by the Settlement, the Judgment, and the release contained in them.

WHAT CLAIMS WILL BE RELEASED BY THE SETTLEMENT?

If the Settlement is approved by the Court, the Court will enter a Judgment. If the Judgment becomes final pursuant to the terms of the Stipulation, all Class Members shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally, and forever released, relinquished, and discharged any and all of the Released Defendant Parties from all Released Claims.

- “Related Parties” means each Defendant’s and former defendant’s respective former, present or future parents, subsidiaries, divisions, controlling persons, associates, related entities and affiliates and each and all of their respective present and former employees, members, partners, principals, officers, directors, controlling shareholders, agents, attorneys, advisors (including financial or investment advisors), accountants, auditors, consultants, underwriters, investment bankers, commercial bankers, entities providing fairness opinions, general or limited partners or partnerships, limited liability companies, members, joint ventures and insurers and reinsurers of each of them; and the predecessors, successors, assigns, estates, immediate family members, spouses, heirs, executors, trusts, trustees, administrators, agents, legal or personal representatives, assigns, and assignees of each of them, in their capacity as such.
- “Released Defendant Party” or “Released Defendant Parties” means Defendants, Defendants’ Counsel, Piper Jaffray & Co., Robert W. Baird & Co. Incorporated, Wells Fargo Securities, LLC, and William Blair & Company, L.L.C., and their Related Parties.
- “Released Claims” means any and all claims, demands, losses, rights and causes of action of every nature and description, including both known claims and Unknown Claims, whether arising under federal, state, common, or foreign law, by Lead Plaintiff, any Class Member or their successors, assigns, executors, administrators, representatives, attorneys and agents, in their capacities as such, whether brought directly or indirectly against any of the Released Defendant Parties, that have been or could have been asserted in the Litigation or could in the future be asserted in any forum, whether foreign or domestic, and which arise out of or relate in any way, to (a) any of the allegations, transactions, events, disclosures, statements, acts or omissions that were asserted or could have been asserted by Lead Plaintiff or Class Members in this Litigation or in any other action or forum, and (b) arise out of, are based upon, or relate in any way to the purchase, acquisition, holding, sale or disposition of Inovalon common stock purchased or otherwise acquired by Class Members on or before August 5, 2015. “Released Claims” does not include claims to enforce the Settlement. “Released Claims” includes “Unknown Claims” as defined below.
- “Unknown Claims” means (a) any and all Released Claims which the Releasing Plaintiff Parties do not know or suspect to exist in his, her, or its favor at the time of the release of the Released Defendant Parties, which, if known by him, her, or it, might have affected his, her, or its settlement with and release of the Released Defendant Parties, or might have affected his, her, or its decision(s) with respect to the Settlement, including, but not limited to, whether or not to object to this Settlement or seek exclusion from the Class; and (b) any and all Released Defendants’ Claims that the Released Defendant Parties do not know or suspect to exist in his, her, or its favor at the time of the release of the Lead Plaintiff, the Class and Lead Counsel, which, if known by him, her, or it, might have affected his, her, or its settlement and release of Lead Plaintiff, the Class and Lead Counsel. With respect to (a) any and all Released Claims against the Released Defendant Parties, and (b) any and all Released Defendants’ Claims against Lead Plaintiff, the Class and Lead Counsel, the Settling Parties stipulate and agree that, upon the Effective Date, the Settling Parties shall expressly waive and each Releasing Plaintiff Party and Released Defendant Party shall be deemed to have, and by operation of the Judgment shall have expressly waived, the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

The Settling Parties shall expressly waive and each Releasing Plaintiff Party and Released Defendant Party shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code §1542. The Releasing Plaintiff Parties and Released Defendant Parties acknowledge that they may hereafter discover facts in addition to or different from those which he, she, it or their counsel now knows or believes to be true with respect to the subject matter of the Released Claims or Released Defendants’ Claims, but (a) the Releasing Plaintiff Parties shall expressly fully, finally, and forever

waive, compromise, settle, discharge, extinguish and release, and each Releasing Plaintiff Party shall be deemed to have waived, compromised, settled, discharged, extinguished, and released, and upon the Effective Date, and by operation of the Judgment shall have waived, compromised, settled, discharged, extinguished, and released, fully, finally, and forever, any and all Released Claims against the Released Defendant Parties, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts, legal theories, or authorities, and (b) the Released Defendant Parties shall expressly fully, finally, and forever waive, compromise, settle, discharge, extinguish and release, and each Released Defendant Party shall be deemed to have waived, compromised, settled, discharged, extinguished, and released, and upon the Effective Date, and by operation of the Judgment shall have waived, compromised, settled, discharged, extinguished, and released, fully, finally, and forever, any and all Released Defendant Claims against the Lead Plaintiff, the Class and Lead Counsel, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts, legal theories, or authorities. The Settling Parties acknowledge, and the Releasing Plaintiff Parties and Released Defendant Parties shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and is an essential element of the Settlement of which this release is a part. Notwithstanding the foregoing, nothing in the Stipulation or its Exhibits shall be construed as limiting, modifying or otherwise affecting any insurance coverage or policies that may be available to any of the Released Defendant Parties.

THE SETTLEMENT FAIRNESS HEARING

The Court will hold a Settlement Fairness Hearing on July 12, 2019, at 10:00 a.m., before the Honorable Victor Marrero at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007, for the purpose of determining whether: (1) the Settlement as set forth in the Stipulation for \$17,000,000 in cash should be approved by the Court as fair, reasonable and adequate; (2) Judgment as provided under the Stipulation should be entered; (3) to award Lead Plaintiff's Counsel attorneys' fees and expenses out of the Settlement Fund and, if so, in what amount; (4) to pay Lead Plaintiff for its efforts in representing the Class out of the Settlement Fund and, if so, in what amount; and (5) the Plan of Allocation should be approved by the Court. The Court may adjourn or continue the Settlement Fairness Hearing without further notice to Members of the Class.

Any Class Member may appear at the Settlement Fairness Hearing and be heard on any of the foregoing matters; provided, however, that no such person shall be heard unless his, her, or its objection is made in writing and is filed, together with proof of membership in the Class and with copies of all other papers and briefs to be submitted by him, her, or it to the Court at the Settlement Fairness Hearing, with the Court no later than **June 21, 2019**, and showing proof of service on the following counsel:

Ellen Gusikoff Stewart
ROBBINS GELLER RUDMAN &
DOWD LLP
655 West Broadway, Suite 1900
San Diego, CA 92101

Attorneys for Lead Plaintiff

Susan L. Saltzstein
James R. Carroll
SKADDEN, ARPS, SLATE, MEAGHER &
FLOM LLP
Four Times Square
New York, NY 10036

John J. Clarke, Jr.
DLA PIPER LLP (US)
1251 Avenue of the Americas
New York, NY 10020

Attorneys for Defendants

Unless otherwise directed by the Court, any Class Member who does not make his, her or its objection in the manner provided shall be deemed to have waived all objections to this Settlement and shall be foreclosed from raising (in this or any other proceeding or on any appeal) any objection and any untimely objection shall be barred.

If you hire an attorney (at your own expense) to represent you for purposes of objecting, your attorney must serve a notice of appearance on counsel listed above and file it with the Court (at the address set out above) by no later than **June 21, 2019**.

INJUNCTION

The Court has issued an order enjoining all Class Members from instituting, commencing, maintaining or prosecuting any action in any court or tribunal that asserts Released Claims against any Released Defendant Party, pending final determination by the Court of whether the Settlement should be approved.

HOW DO I OBTAIN ADDITIONAL INFORMATION?

This Notice contains only a summary of the terms of the proposed Settlement. The records in this Litigation may be examined and copied at any time during regular office hours, and subject to customary copying fees, at the Clerk of the United States District Court for the Southern District of New York. For a fee, all papers filed in this Litigation are available at www.pacer.gov. In addition, all of the Settlement documents, including the Stipulation, this Notice, the Proof of Claim and proposed Judgment may be obtained by contacting the Claims Administrator at:

Inovalon Securities Settlement
c/o Gilardi & Co. LLC
P.O. Box 404112
Louisville, KY 40233-4112
Email: info@InovalonSecuritiesSettlement.com
Telephone: 1-866-298-4135
www.InovalonSecuritiesSettlement.com

In addition, you may contact Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, 1-800-449-4900, if you have any questions about the Litigation or the Settlement.

DO NOT WRITE TO OR TELEPHONE THE COURT FOR INFORMATION

SPECIAL NOTICE TO BANKS, BROKERS, AND OTHER NOMINEES

If you hold any Inovalon common stock purchased or acquired on or before August 5, 2015, as a nominee for a beneficial owner, then, within fourteen (14) business days after you receive this Notice, you must either: (1) send a copy of this Notice by First-Class Mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

Inovalon Securities Settlement
c/o Gilardi & Co. LLC
P.O. Box 404112
Louisville, KY 40233-4112
Email: info@InovalonSecuritiesSettlement.com
Telephone: 1-866-298-4135
www.InovalonSecuritiesSettlement.com

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: March 11, 2019

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK