EBIX INC
Form 10-Q/A
May 24, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

to

ý **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2004

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 0-15946

Ebix, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**77-0021975**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1900 E. GOLF ROAD SCHAUMBURG, IL	**60173**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **847-789-3047**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

As of May 10, 2004, the number of shares of Common Stock outstanding was 2,738,990.

Ebix, Inc. and Subsidiaries

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2004

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EXPLANATORY NOTE

In connection with a review by the Securities and Exchange Commission (the SEC) of the Company s Registration Statement on Form S-3 (File No. 333-112616), the SEC has reviewed the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (the Form 10-Q) and other reports filed by the Company with the SEC. The SEC s review of the Form 10-Q has focused primarily on financial-related disclosure. This Amendment No. 1 to the Form 10-Q (this 10-Q/A) has been filed in connection with the Company s response to comments on the Form 10-Q and other filings raised by the SEC during its review process.

Please note that the information contained in this 10-Q/A has not been updated to reflect events or developments occurring after May 17, 2004, the date the Form 10-Q was originally filed with the SEC and, accordingly, such information continues to speak as of such earlier date.

Part I FINANCIAL INFORMATION

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Ebix, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except for share and per share amounts)

	March 31, 2004 (Unaudited)	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,961	$ 7,915
Accounts receivable, less allowance of $260 and $356	3,534	1,787
Other current assets	485	364
Total current assets	9,980	10,066
Property and equipment, net	1,469	1,353
Capitalized software, net	82	109
Intangible assets, net	3,450	
Goodwill	6,055	123
Other assets	371	320
Total assets	$ 21,407	$ 11,971
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,934	$ 1,778
Accrued payroll and related benefits	1,292	1,287
Current portion of long term debt	500	
Current portion of capital lease obligations	43	73
Deferred revenue	2,689	2,141
Total current liabilities	6,458	5,279
Long term debt, less current portion	1,726	
Redeemable common stock (200,000 and 0 shares issued and outstanding at March 31, 2004 and December 31, 2003, respectively) stated at redemption price	2,700	
Stockholders equity:		
Convertible Series D Preferred stock, $.10 par value, 2,000,000 shares authorized, no shares issued and outstanding		
Common stock, $.10 par value, 40,000,000 shares authorized, 2,738,990 and 2,316,767 shares issued and outstanding, respectively	274	232
Additional paid-in capital	91,951	88,706
Deferred compensation	(406)	(436)
Accumulated deficit	(81,805)	(82,251)
Accumulated other comprehensive income	509	441
Total stockholders equity	10,523	6,692
Total liabilities and stockholders equity	$ 21,407	$ 11,971

See accompanying notes to condensed consolidated financial statements.

Ebix, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2004	**2003**
Revenue:		
Software	$ 227	$ 210
Services and other (Including revenues from related parties of $953 and $805, respectively-See Note 5.)	3,707	3,402
Total revenue	3,934	3,612
Operating expenses:		
Services and other costs	1,163	1,005
Product development	560	360
Sales and marketing	273	461
General and administrative	1,387	1,164
Total operating expenses	3,383	2,990
Operating income	551	622
Interest income	27	15
Interest expense	(2)	(5)
Foreign exchange gain (loss)	10	(49)
Income before income taxes	586	583
Income tax expense	(140)	(67)
Net income	$ 446	$ 516
Basic earnings per common share	$ 0.17	$ 0.23
Diluted earnings per common share	$ 0.15	$ 0.23
Basic weighted average shares outstanding	2,586	2,291
Diluted weighted average shares outstanding	2,917	2,291

See accompanying notes to condensed consolidated financial statements.

Ebix, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2004	2003
Cash flows from operating activities:		
Net income	$ 446	$ 516
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	201	97
Stock-based compensation	40	6
Provision for doubtful accounts	23	35
Changes in assets and liabilities, net of effect of acquisition:		
Accounts receivable	(1,035)	(495)
Other assets	(72)	126
Accounts payable and accrued expenses	72	111
Accrued payroll and related benefits	(205)	38
Deferred revenue	298	459
Net cash (used in) provided by operating activities	(232)	893
Cash flows from investing activities:		
Acquisition of LifeLink, net of cash acquired	(4,634)	
Capital expenditures	(103)	(120)
Net cash used in investing activities	(4,737)	(120)
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net of issuance costs	2,977	
Principal payments under capital lease obligations	(30)	(27)
Net cash provided by (used in) financing activities	2,947	(27)
Effect of foreign exchange rates on cash	68	(36)
Net change in cash and cash equivalents	(1,954)	710
Cash and cash equivalents at the beginning of the period	7,915	4,993
Cash and cash equivalents at the end of the period	$ 5,961	$ 5,703
Supplemental disclosures of cash flow information:		
Interest paid	$ 2	$ 5
Income taxes paid	$ 84	$
Supplemental schedule of noncash investing activities:		
During the first quarter of 2004, the Company purchased all of the capital stock of LifeLink Corporation for consideration which included 200,000 shares of common stock valued at $3,000,000, cash of $5,000,000, and a note payable of $2,226,000.		

See accompanying notes to condensed consolidated financial statements.

Ebix, Inc. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation These condensed consolidated financial statements are unaudited, include the accounts of Ebix, Inc. and its wholly-owned subsidiaries (Ebix or the Company), and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results of the interim periods.

On February 23, 2004, the Company acquired LifeLink Corporation (LifeLink). Under terms of the agreement, the Company acquired all of the outstanding capital stock of LifeLink from its shareholders in exchange for an aggregate purchase price of $10,226,000 (see note 7). The acquisition was accounted for as a purchase business combination.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements, and accompanying notes thereto, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2003.

The results of operations for the current interim period are not necessarily indicative of results to be expected for the entire current year.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Summary of significant accounting policies

Revenue Recognition We apply the provisions of Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended by Statement of Position 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions, to all transactions involving the sale of software.

In May 2003, the Financial Accounting Standards Board (FASB) finalized the terms of Emerging Issues Task Force Issue No. 00-21, Revenue Arrangements with Multiple Deliverables, (EITF 00-21), which provides criteria governing how to identify whether goods or services that are to be delivered separately in a bundled sales arrangement should be accounted for separately. Deliverables are accounted for separately if they meet all of the following: a) the delivered items have stand-alone value to the customer; b) the fair value of any undelivered items can be reliably determined; and c) if the arrangement includes a general right of return, delivery of the undelivered items is probable and substantially controlled

by the seller. The Company adopted EITF 00-21 on July 1, 2003 for all new revenue arrangements executed subsequent to June 30, 2003 (or significant modification to arrangements existing prior to July 1, 2003). The Company s current policy is to analyze all new revenue arrangements.

To the extent arrangements contain multiple deliverables, the Company performs an analysis of the nature of the deliverables to determine to what extent the deliverables of the arrangement are governed by any higher level literature (as defined in EITF 00-21). EITF 00-21 recognizes arrangements that qualify for treatment under SOP 97-2 and certain arrangements that qualify for contract accounting (i.e. SOP 81-1) as falling under the definition of higher level literature . The Company applies the provisions of SOP 97-2, as amended by Statement of Position 98-9, Modifications of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions, to all arrangements which include software deliverables that are considered more than inconsequential to the other elements in the arrangements. For 2004, all of the Company s contracts with multiple deliverables have fallen under higher level accounting literature under the provisions of SOP 97-2 and/or SOP 81-1.

Although the Company has not been impacted in the current year by the adoption of EITF 00-21, it is possible that EITF 00-21 may affect future periods given the additional revenue streams the Company has initiated, as well as through the acquisition activities of the Company.

The Company recognizes revenue for license fees from its software products upon delivery, provided that the fee is fixed and determinable, acceptance has occurred, collectibility is probable and persuasive evidence of an arrangement exists. Revenue from third party software is derived from the licensing of third party software products in connection with sales of the Company s software licenses, and is generally recognized upon delivery together with the Company s license revenue. Training, data conversion, installation, and consulting services are generally recognized as revenue when the services are performed and collectibility is probable. Revenue for maintenance and support service is recognized ratably over the term of the support agreement.

For arrangements containing multiple elements, revenue is recognized on delivered elements when vendor-specific objective evidence (VSOE) of fair value has been established on the undelivered elements, applying the residual method of SOP 98-9. Fair value is

determined for each undelivered element based on the price charged for the sale of each element separately. In contracts that contain first year maintenance bundled with software fees, unbundling of maintenance is based on the price charged for renewal maintenance. Revenue for maintenance and support service is recognized ratably over the term of the support agreement.

For certain contracts where services are deemed essential to the functionality of the software and the software has not been accepted by the customer, the software and related service revenue have been deferred until acceptance has taken place. In addition, all costs incurred in connection with these contracts have been expensed, as the Company has been unable to estimate the total costs to achieve customer acceptance.

Revenues related to EbixASP and other hosting arrangements, including monthly fees as well as any initial registration fees and related custom programming, are recognized ratably over the term of the agreement in accordance with Staff Accounting Bulletin (SAB) No. 104 Revenue Recognition . Ebix.mall transaction fees are recognized as revenue as the transactions occur and revenue is earned. Revenue is only recognized when collectiblity is probable.

Deferred revenue includes maintenance and support payments that have been received or billings recorded prior to performance and in certain cases, cash collections, amounts received under multi-element arrangements in which VSOE of undelivered elements does not exist; and initial registration fees and related service fees under hosting agreements. Revenue is recognized when VSOE of the undelivered elements is established, the elements are delivered, or the obligation to deliver the elements is extinguished.

Software arrangements involving significant customization, modification or production are accounted for in accordance with American Institute of Certified Public Accountants Statement of Position 81-1, Accounting for Performance on Construction-Type and Certain Production-Type Contracts, using the percentage-of-completion method. The Company recognizes revenue using actual hours worked as a percentage of total expected hours required by the arrangement, provided that the fee is fixed and determinable, there is evidence of an arrangement and recovery of any related recorded asset is considered probable.

For business process outsourcing agreements, which include call center services, services are primarily performed on a time and material basis. Revenue is recognized when the service is performed.

Stock Options - At March 31, 2004, the Company had three stock-based employee compensation plans. The Company accounts for stock options issued to employees in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. The Company has adopted the disclosure only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, for options issued to employees, as well as the requirements of SFAS No. 148, Accounting for Stock Based Compensation Transition and Disclosure. Under APB Opinion No. 25, compensation expense is recorded based on the difference, if any, on the measurement date, between the estimated fair value of the Company s stock and the exercise price of options to purchase that stock. Any resulting compensation expense is amortized on a straight-line basis over the vesting period of the options.

The Company applies APB Opinion No. 25 and related interpretations in accounting for its employee stock-based compensation plans. Had compensation cost for these stock-based compensation plans been determined based on the fair-value method prescribed by SFAS No. 123, using the Black-Scholes option-pricing model, the Company s net earnings and net earnings per share would have been the pro forma amounts

indicated below:

	Three Months Ended	
	March 31, 2004	March 31, 2003
Net income, as reported	$ 446,000	$ 516,000
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	5,000	
Deduct: Total stock-based employee compensation expense determined under fair-value based method for all awards, net of related tax effects	(394,000)	(228,000)
Pro forma net income	$ 57,000	$ 288,000
Basic earnings per share, as reported	$ 0.17	$ 0.23
Diluted earnings per share, as reported	$ 0.15	$ 0.23
Basic earnings per share, pro forma	$ 0.02	$ 0.13
Diluted earnings per share, pro forma	$ 0.02	$ 0.13

Non-employee Stock Compensation The Company accounts for stock-based compensation issued to non-employees in accordance with SFAS No. 123 and EITF Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in conjunction with Selling Goods or Services. SFAS No. 123 establishes a fair value-based method of accounting for stock-based compensation plans. Under the fair-value based method, compensation cost is measured at

the grant date based on the value of the award, which is calculated using an option pricing model, and is recognized over the service period, which is usually the vesting period.

Note 2. STOCK OPTIONS

During the first quarter of 2004, the Company did not grant any stock options.

The Company has granted stock options outside the Company s stock option plans to non-employee consultants to purchase up to an aggregate of 57,000 shares, of which options to purchase 34,500 shares were outstanding at March 31, 2004. These options were granted at prices determined by the Board of Directors (at no less than 100 percent of the market price on the date of grant). The options have a four-year vesting period and must be exercised within ten years of the date of the grant. These non-employee options were valued using the fair value method as prescribed by SFAS No. 123 using the following assumptions: volatility of 88%, risk free interest rate of 3.76% and a 10-year term. Options issued prior to 2001 are performance-based awards, with no service commitment and subject to vesting only if the Company s stock price reaches a certain level. Options issued in 2001 vest over four years, but vesting accelerates if a performance target is achieved. At March 31, 2004, non-employee options to purchase 7,461 shares were vested. The Company recognized compensation expense of approximately $34,000 and $6,000 related to these options during the three-month periods ended March 31, 2004 and March 31, 2003, respectively.

On August 11, 2003, the Company granted options to purchase the Company s common stock to an employee who is the brother of the Chief Executive Officer, in connection with his joining the Company as an employee. The option grantee was an employee when he received the grant. The options vest over four years from the date of grant, expire ten years from the date of grant, and were issued with an exercise price below the fair market value of the stock on the date of grant. This grant was not subject to any of the Company s stock option plans. The total intrinsic value associated with the granting of options was $96,250, which will be recognized ratably as compensation expense over the four-year vesting period in accordance with APB Opinion No. 25.The Company recognized compensation expense of approximately $6,000 related to these options during the three-month period ended March 31, 2004.

Note 3. EARNINGS PER SHARE

Basic earnings per share (EPS) is equal to net income divided by the weighted average number of shares of common stock outstanding for the period. The weighted average number of shares outstanding for the three months ended March 31, 2004 and March 31, 2003 was 2,586,000 and 2,291,000, respectively. Diluted EPS is calculated as if the Company had additional common stock outstanding from the beginning of the year or the date of grant for all common stock equivalents, net of assumed repurchased shares using the treasury stock method. Diluted EPS recognizes the dilutive effect of common stock equivalents and is equal to net income divided by the sum of the weighted average number of shares outstanding and common stock equivalents. For the three months ended March 31, 2004 and March 31, 2003, the Company s common stock equivalents consisted of stock options. For the three months ended March 31, 2004, the effect of this calculation resulted in an increase in the weighted average number of shares outstanding of 331,000. At March 31, 2004, the fully diluted weighted average number of shares outstanding was 2,917,000. For the three months ended March 31, 2003, there was no effect on the weighted average number of shares outstanding. At March 31, 2004, there were 328,000 shares potentially issuable with respect to stock options, which could dilute EPS in the future which were excluded from the diluted EPS calculation because their effect was antidilutive. At March 31, 2003, there were 600,000 shares potentially issuable with respect to stock options, which could dilute EPS in the future which were excluded from the diluted EPS calculation because their effect was antidilutive.

Note 4. COMPREHENSIVE INCOME

	Three Months Ended March 31, 2004	2003
Net income	$ 446,000	$ 516,000
Other comprehensive income foreign currency translation adjustment	68,000	(36,000)
Comprehensive income	$ 514,000	$ 480,000

Note 5. RELATED PARTY AND SIGNIFICANT CUSTOMER TRANSACTIONS

In 2001, the Company issued 868,000 shares of its common stock to BRiT Insurance Holdings PLC (BRiT), for $7,000,000. The total shares held by BRiT at March 31, 2004 was 930,163, representing an equity ownership of approximately 34 percent. At March 31, 2004 BRiT owned approximately 45% of CF Epic Insurance and General Fund, which owned approximately 8% of our common stock.

The Company has entered into various software and service agreements with BRiT. During the first quarter of 2004, approximately $953,000 was recognized as revenue from BRiT and its affiliates. Total accounts receivable from BRiT and its affiliates at March 31, 2004 were $900,000. During the first quarter of 2003, approximately $805,000 was recognized as revenue from BRiT and its affiliates. Total accounts receivable from BRiT and its affiliates at March 31, 2003 were $852,000. Total accounts receivables from Brit and its affiliates at December 31, 2003 were $369,000.

During the first quarter of 2004 and 2003, approximately $557,000 and $441,000, respectively was recognized from another significant customer, AON. Total accounts receivable from AON at March 31, 2004 were $273,000. Total accounts receivable from AON at December 31, 2003 were $192,000.

Note 6. SALE OF UNREGISTERED COMMON STOCK

On January 16, 2004 the Company sold 222,223 shares of its unregistered common stock to CF Epic Insurance and General Fund, an investment fund located in London of which BriT, at March 31, 2004, owned approximately 45% of the equity interests, for a total price of $3,000,010, or $13.50 per share.

Note 7. ACQUISITION OF LIFELINK

On February 23, 2004, the Company acquired LifeLink Corporation (LifeLink), and the operations of LifeLink have been included in the Company s financial statements since that date. Under terms of the agreement, the Company acquired all of the outstanding capital stock of LifeLink from its shareholders in exchange for an aggregate purchase price of $10,226,000, payable as follows: $5,000,000 paid in cash at closing, $2,500,000 non-interest bearing note payable in cash in annual installments of $500,000 over five years (present value computed as $2,226,000), and $3,000,000 payable in 200,000 shares of the common stock of the Company issued at the time of closing. The Company also incurred approximately $71,000 of transaction costs in conjunction with the LifeLink acquisition. In connection with the 200,000 shares of common stock issued subject to Rule 144, the former shareholder received from Ebix the option to sell his stock back to Ebix subject to specified time frames and prices. The Company has classified $2,700,000 of the value of the common stock issued as a liability, redeemable common stock, in the condensed consolidated balance sheet due to existence of the holder s embedded put option. At any time during the one month period commencing on the date which is eighteen months after February 23, 2004 and ending nineteen months after February 23, 2004, the holder of the redeemable common stock has a one-time right to require the Company to purchase all of the holder s 200,000 shares originally issued at a price of $2,700,000 minus the aggregate purchase price received by the holder from any sales of these shares of common stock prior to the exercise of the put option. As of March 31, 2004, the holder has not sold any shares of common stock received from this transaction.

The following table summarizes the estimated fair value of the LifeLink assets acquired and liabilities assumed at the date of acquisition. These amounts are based upon the preliminary purchase price allocation which is subject to modification upon further analysis by the Company.

	February 23, 2004
Current assets	$ 1,199,000
Property and equipment	119,000
Intangible assets	3,518,000
Goodwill	5,932,000

Total assets acquired		10,768,000
Current liabilities		471,000
Total liabilities assumed		471,000
Net assets acquired	$	10,297,000

Of the $3,518,000 of intangible assets acquired, $977,000 was assigned to developed technology with a remaining estimated useful life of five years, $299,000 was assigned to trademarks with a remaining estimated useful life of five years and $2,242,000 was assigned to customer relationships with a remaining estimated useful life of seven years. The Company recorded $68,000 of amortization expense related to these intangible assets for the period ended March 31, 2004.

Estimated Amortization Expenses:

For the year ended December 31, 2004	$	491,000
For the year ended December 31, 2005	$	575,000
For the year ended December 31, 2006	$	575,000
For the year ended December 31, 2007	$	575,000
For the year ended December 31, 2008	$	575,000

The following unaudited pro forma financial information for the three months ended March 31, 2004 and March 31, 2003 presents the consolidated operations of the Company as if the acquisition had been made on January 1, 2003, after giving effect to certain adjustments for the pro forma acquisition as of the acquisition date. The unaudited pro forma financial information is provided for informational purposes only and does not project the Company s results of operations for any future period:

	Three Months Ended March 31,	
	2004	2003
Revenue	$ 4,855,000	$ 4,945,000
Net income	406,000	433,000
Basic earnings per share	$ 0.16	$ 0.19
Diuted earnings per share	$ 0.14	$ 0.19

Note 8 Line of Credit:

The existing revolving line of credit with LaSalle National Bank Association was increased to $5,000,000 during February 2004 and the agreement was amended in April 2004. There were no borrowings on this line as of March 31, 2004. The major features of the line, as amended, include an interest rate stated at prime, security at 60% of the amount of the line in a restricted interest bearing account and timely financial reporting requirements. The line of credit will expire on October 31, 2005.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part 1. Item 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2003.

Overview

The Company s future focus will be on developing consistent and recurring revenue sources with a concentration in (1) software development for insurance carriers, agents and brokers, (2) expansion of connectivity between consumers, agents, carriers and third party providers, (3) business process outsourcing services, which include software development, call center and back office, either off site or at company facilities, and (4) worldwide sales and support of the agency management systems.

Support revenue from legacy products is expected to decline in the future as current customers switch to other more technologically advanced systems (including Ebix ASP). The Company s focus for the future will be expanding revenues in the international market, software development for carriers, agents and brokers and business process outsourcing services.

Critical Accounting Policies

The Company s critical accounting policies are those that require application of management s most difficult, subjective or complex judgements, often as a result of the need to make estimates about matters that are inherently uncertain and may change in future periods. The Company has identified the following as its critical accounting policies: revenue recognition, estimating the allowance for doubtful accounts receivable and accounting for income taxes. For a discussion of these policies, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in the Company s Annual Report on Form 10-K for the year ended December 31, 2003.

Results of Operations

Three-Month Period Ended March 31, 2004 Compared to the Three-Month Period Ended March 31, 2003

Total Revenue - The Company s revenue has been derived from the licensing and sale of proprietary software and third party software (Software) and from professional services and support services (Services). Services include consulting, implementation, training and project management provided to the Company s customers with installed systems and those in the process of installing systems. Also included in Services are fees for software license maintenance, LifeLink service revenue (for the period February 23, 2004 to March 31, 2004), initial registration and ongoing

monthly subscription fees for the EbixASP product and transaction fees generated from the Ebix.mall website, as well as software development and call center revenue. Total revenue for the quarter ended March 31, 2004 increased $322,000, or 8.9%, to $3,934,000 from $3,612,000 for the comparable quarter of the prior year.

Software Revenue - Software revenue is comprised of revenue from the sale of Ebix (formerly cd) products, current legacy products, and other third party software. Total software revenue for the first quarter of 2004 increased $17,000 or 8.1%, from $210,000 for the comparable quarter of the prior year. As the Company has changed its focus to e-commerce products and services, the Company expects future revenue to be comprised primarily of services revenue.

Services Revenue Total services revenue for the first quarter of 2004 increased $305,000, or 9.0%, from $3,402,000 for the comparable quarter of the prior year. This increase was due to LifeLink revenue of approximately $518,000 and an increase in international service revenue of $323,000 partially offset by a decrease in support revenue associated with legacy products of $269,000, a decrease in INS-Site revenue of $110,000 and a decrease in consulting revenue of $157,000.

During the first quarter of 2004 and 2003, approximately $953,000 and $805,000, respectively was recognized as services revenue from BRiT Insurance Holdings PLC (BRiT) and its affiliates. The amounts represented 24% and 22%, respectively, of the Company s total revenues for the first quarter of 2004 and 2003, respectively, and the increase in such revenues of $148,000, represented 46% of the total increase in the Company s revenues for the three month period ended March 31, 2004 compared to the same period of 2003. BRiT owned approximately 34% of the Company s common stock as of March 31, 2004. In addition, the Company has been informed that as of March 31, 2004, BRiT owned approximately 70% of the equity interests of CF Epic Insurance and General Fund, which at March 31, 2004 owned approximately 8% of the Company s outstanding common stock. Increases in revenues from BriT Holdings PLC and its affiliates during each of the periods presented were a result of BRiT Insurance Holdings PLC and its affiliates adding additional development projects and expanding the scope of the current projects.

Support revenue associated with the Company s legacy products is decreasing due to a trend of declining renewals for these older product offerings.

	Support Revenue	Total Revenue
First quarter of 2004	$ 870,000	$ 3,934,000
First quarter of 2003	$ 1,140,000	$ 3,612,000

Support revenue decreased $270,000, or 24%, and as a percentage of total revenue to 22% from 32%, in the first quarter of 2004 compared to the first quarter of 2003.

Based on historical data, the Company expects that legacy support revenue will continue to decrease by approximately 20% each year on a declining balance. The Company expects the legacy support revenue will continue as long as it is economically feasible for the Company to maintain and support the legacy products. As revenue from the legacy support decreases, costs will be reduced. When income from legacy support falls below break even, operations will be reviewed to determined if costs can be further reduced for the activity to be profitable and if not, we plan to discontinue supporting the legacy products. The Company cannot predict when this will occur.

The Company expects that future services revenue will be derived from this support, as well as EbixASP registration and monthly fees, software development and call center and, to a much lesser extent all transaction revenues from Ebix.mall, EbixExchange (INS-Site), conversion and training.

Services and other costs – Cost of services revenue includes costs associated with support, call center, consulting, implementation and training services. Total services and other costs for the quarter increased $158,000 or 15.7%, from $1,005,000 for the comparable quarter of the prior year. This increase was due to an increase in services revenue and an increase in payroll expenses related to the acquisition of LifeLink.

Product Development Expenses – Total product development expenses for the first quarter of 2004 increased $200,000, or 55.6%, from $360,000 for the comparable quarter of the prior year. This increase was due to an increase in payroll expenses related to the acquisition of LifeLink and an increase in headcount in India.

Sales and Marketing Expenses – Total sales and marketing expenses for the first quarter of 2004 decreased $188,000, or 40.8%, from $461,000 for the comparable quarter of the prior year. This decrease was attributable to a decrease in payroll expenses of approximately $125,000 and a decrease in facility costs of $63,000 as a result of the lower headcount.

General and Administrative Expenses Total general and administrative expenses for the quarter increased $223,000, or 19.2%, from $1,164,000 for the comparable quarter of the prior year. This increase was due to an increase in

international expenses of approximately$174,000 and a charge for amortization of intangibles of approximately $68,000 related to the LifeLink acquisition partially offset by a decrease in bad debt expense of $12,000 and other expenses of $7,000

Income tax expense **The effective tax rate for the first quarter of 2004 is higher than the rate for the comparable quarter of the prior year due to a different income mix among the various tax jurisdictions in which the Company does business.**

Liquidity and Capital Resources

The Company had cash and cash equivalents of $5,961,000 at March 31, 2004, compared to $7,915,000 at December 31, 2003.

During the three months ended March 31, 2004, the Company experienced negative operating cash flow of $232,000 as compared to $893,000 of positive operating cash flow for the three months ended March 31, 2003. This decrease in cash flow from operations in the three months ended March 31, 2004 resulted primarily from an increase in accounts receivable of $1,035,000 and an increase in accrued payroll and related benefits of $205,000, partially offset by net income for the quarter of $710,000 adjusted for non-cash items and an increase in deferred revenue of $298,000.

Cash used in investing activities of $4,737,000 in the three months ended March 31, 2004 represented expenditures made primarily as a result of the Company s acquisition of LifeLink Corp. Inc. (LifeLink). Cash provided by financing activities of $2,947,000 resulted from the Company s sale of common stock during the quarter.

During early 2004 the Company sold 222,223 shares of its previously unissued common stock to CF Epic Insurance and General Fund, an investment fund located in London of which BriT currently owns approximately 70% of the equity interests, for gross proceeds of $3,000,010, or $13.50 per share. On February 23, 2004 the Company acquired LifeLink Corp Inc. (LifeLink). Under

terms of the agreement, the Company acquired all of the outstanding capital stock of LifeLink from its shareholders in exchange for an aggregate purchase price of $10,226,000 payable as follows: $5,000,000 paid in cash at closing, $2,226,000 payable in cash over a deferred period of five years, and $3,000,000 payable in 200,000 shares of the common stock of the Company issued at the time of closing. See note 7 to the condensed consolidated financial statements included in this Form 10-Q.

The existing revolving line of credit with LaSalle National Bank Association was increased to $5,000,000 during February 2004 and the agreement was amended in April 2004. There were no borrowings on this line as of May 14, 2004. The major features of the line, as amended, include an interest rate stated at prime, security at 60% of the amount of the line in a restricted interest bearing account and timely financial reporting requirements. The line of credit will expire on October 31, 2005.

For the three-month period ended March 31, 2004, 24% and 14% of the Company s total revenues were from two customers BRiT (including its affiliates) and AON, respectively. Neither BRiT and its affiliates nor AON have long-term agreements with the Company that provide certainty that such revenues will be recurring.

In planning for its capital needs, the Company takes into account its sources of cash, which include operating cash flow, cash balances and funds from credit facilities, and anticipated future cash needs, which include working capital requirements for operations, capital expenditures, and expenditures for business acquisitions. Based on these considerations, the Company believes it will have sufficient cash for operations and to satisfy its contractual obligations for at least the next several years.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligations are expected to have on the Company s liquidity and cash in future periods (in thousands):

	Payment Due by Period				
	Total	**Less Than 1 Year**	**1 - 3 Years**	**3- 5 Years**	**More Than 5 Years**
			(in thousands)		
Contractual Obligations:					
Long-Term Debt Obligations (1)	$ 5,200	$ 500	$ 4,200	$ 500	$
Operating Leases Obligations	1,945	488	860	597	
Capital Leases Obligations	43	43			
Total	$ 7,188	$ 1,031	$ 5,060	$ 1,097	$

(1) $2,700,000 is contingent upon exercise of the holder s put option to require the Company to purchase the holder s redeemable common stock. See note 7 to the condensed consolidated financial statements included in this Form 10-Q.

Safe Harbor for Forward-Looking Statements under the Securities Litigation Reform Act of 1995 - This Quarterly Report on Form 10-Q contains various forward-looking statements and information that are based on management s beliefs, as well as assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, acceptance of the Company s products by the market and management s plans and objectives. The Company has tried to identify such forward looking statements by use of words such as expects, intends, anticipates, plans, believes, will, should, and similar e but these words are not the exclusive means of identifying such statements. The forward looking statements included in this Quarterly Report are subject to various risks, uncertainties and other factors which could cause actual results to vary materially from those expressed in, or implied by, the forward looking statements. Such risks, uncertainties and other factors include those discussed in Risk Factors below. Except as expressly required by the federal securities laws, the Company undertakes no obligation to update any such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect changed circumstances or future events or developments or for any other reason.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Risk Factors

You should carefully consider the risks, uncertainties and other factors described below, along with all of the other information included in this quarterly report on Form 10-Q because they could materially and adversely affect our business, financial condition, operating results, cash flows and prospects and/or the market price of our common stock. This risk factors section is written in response to the Securities and Exchange Commission s plain English guidelines. In this section, the words we, us, our and ours refer to the Company and not any other person.

Risks Related To Our Business and Our Industry

You may have difficulty evaluating our business because of our limited history of Internet, call center and other business process outsourcing.

Although our predecessor began operations in 1976, we did not begin any Internet operations until September 1999 and did not begin generating revenues from these operations until the fourth quarter of 2000. We did not begin any call center or other business process outsourcing operations or begin generating revenues from these operations until the first quarter of 2003. Accordingly, there is a limited history of these operations on which you can evaluate our company and prospects. We cannot be certain that our Internet, call center and other business process outsourcing strategies will be successful, because these strategies are new. Our early-stage Internet, call center and other business process outsourcing operations will be particularly susceptible to the risks and uncertainties described in these risk factors and likely to incur the expenses associated with addressing them. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in a transitional stage of development, particularly companies in new and rapidly evolving markets, such as electronic commerce, and using new and unproven business models.

Because the support revenue that we have traditionally relied upon has been steadily declining, it is important that new sources of revenue continue to be developed.

Our revenue from the support services we offer in connection with our legacy software products has been decreasing significantly over the course of the past few years. This decline can be attributed to the fact that many of our support clients are not renewing their support agreements with us, in many cases because they are no longer using our legacy software. Even if they are continuing to use our legacy software, our support clients may choose not to renew their support agreements if their legacy software products no longer require support or they use third party support. In addition, some of the clients who use our support services have reduced the level of support that we provide them, which in turn reduces our support revenue. This downward trend in our support revenue makes us particularly dependent upon our other sources of revenue.

Two customers currently provide a significant percentage of our total revenue.

Revenues from one customer, BRiT Insurance Holdings PLC and its affiliates, which at March 31, 2004 owned approximately 34.0% of our common stock and approximately 45% of CF Epic Insurance and General Fund, which at that date owned approximately 8.1% of our common stock, represented approximately 23% of our total revenue in 2003 and 17% of our total revenue in 2002. The revenues from BRIT Insurance Holdings PLC and its affiliates represented approximately 24% and 22% of the Company s total revenues for the three -month periods ended March 31, 2004 and 2003, respectively. If revenues from this customer were to discontinue, our operating results could be adversely affected.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Revenues from another international customer, AON, represented approximately 11% of our total revenue in 2003. The revenues from AON represented approximately 14% and 12% of the Company s total revenues for the three months ended March 31, 2004 and 2003. If revenues from this customer were to discontinue, our operating results could be adversely affected.

Adverse insurance industry economics could adversely affect our revenues.

We are dependent on the insurance industry, which may be adversely affected by current economic and world conditions.

Our operating results may fluctuate dramatically.

Our quarterly operating results may fluctuate significantly in the future due to a variety of factors that could affect our revenues or our expenses in any particular quarter. You should not rely on our results of operations during any particular quarter as an indication of our results for a full year or any other quarter. Factors that may affect our quarterly results include:

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Changes in insurance agents and carriers consumer acceptance of Internet commerce;

Loss of a significant insurance agent, carrier or broker relationship or the merger of any of our participating insurance carriers with one another; and

Technical difficulties for our internet focused services that hamper an agent s ability to run its agency system hosted by us.

Our operating expenses are based in part on our expectations of our future revenues and are relatively fixed in the short term. We may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall.

We could be subject to civil fines and penalties as a result of the SEC s investigation of our financial reporting.

On August 11, 2000, we were advised that the SEC had issued a formal Order of Investigation and subpoenaed documents relating to our financial reporting since April 1, 1997, including, in particular, revenue recognition, software development cost capitalization, royalty costs and classification of cash receipts. We have submitted documents to the SEC upon the SEC s request as part of the investigation. It is possible that the SEC could impose civil fines and penalties against us. An adverse finding against us by the SEC could negatively impact our stock price. In addition, we may continue to incur expenses associated with responding to this investigation, regardless of its outcome, and this investigation may divert the efforts and attention of our management team from normal business operations.

We cannot predict our future capital needs and we may not be able to secure additional financing when we need it.

We may need to raise additional funds in the future in order to fund more aggressive brand promotion or more rapid expansion, to develop new or enhanced services, to respond to competitive pressures or to make acquisitions. Any required additional financing may not be available on terms favorable to us, or at all. If adequate funds are not available on acceptable terms, we may be unable to meet our business or strategic objectives or compete effectively. If additional funds are raised by our issuing equity securities, stockholders may experience dilution of their ownership interests, and the newly issued securities may have rights superior to those of our common stock. If additional funds are raised by our issuing debt, we may be subject to limitations on our activities.

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value and harm our operating results.

We recently acquired LifeLink and may in the future acquire or make investments in complementary businesses, technologies, services or products if appropriate opportunities arise. The process of integrating LifeLink or any other acquired business, technology, service or product into our business and operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired company also may consume much of our management s time and attention that could otherwise be available for ongoing development of our business. Moreover,

the anticipated benefits of the LifeLink acquisition or any other acquisition may not be realized. Furthermore, we may be unable to identify, negotiate or finance future acquisitions successfully. Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities or amortization expenses related to intangible assets.

We may not be able to continue to develop new products to effectively adjust for rapid technological changes.

To be successful, we must adapt to rapidly changing technological and market needs, by continually enhancing our website and introducing new products and services to address our users changing demands.

Our segment in the marketplaces in which we operate is characterized by:

rapidly changing technology;

evolving industry standards;

frequent new product and service introductions;

shifting distribution channels; and

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

changing customer demands.

Our future success will depend on our ability to adapt to this rapidly evolving marketplace. We could incur substantial costs if we need to modify our services or infrastructure in order to adapt to changes affecting our market, and we may be unable to adapt to these changes.

The markets for our products are highly competitive and are likely to become more competitive, and our competitors may be able to respond more quickly to new or emerging technology and changes in customer requirements.

We operate in highly competitive markets. In particular, the online insurance distribution market, like the broader electronic commerce market, is rapidly evolving and highly competitive. Our software business also experiences some competition from certain large hardware suppliers that sell systems and systems components to independent agencies and from small, independent or freelance developers and suppliers of software, who sometimes work in concert with hardware vendors to supply systems to independent agencies. Our Internet business may also face indirect competition from insurance carriers that have subsidiaries which perform in-house agency and brokerage functions.

Some of our current competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. In addition, we believe we will face increasing competition as the online financial services industry develops and evolves. Our current and future competitors may be able to:

undertake more extensive marketing campaigns for their brands and services;

devote more resources to website and systems development;

adopt more aggressive pricing policies; and

make more attractive offers to potential employees, online companies and third-party service providers.

If we are unable to protect our intellectual property, our reputation and competitiveness in the marketplace may be materially damaged.

We regard our intellectual property in general and our software in particular as critical to our success. It may be possible for third parties to copy aspects of our products or, without authorization, to obtain and use information that we regard as trade secrets. Existing copyright law affords only limited practical protection, and our software is unpatented.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

If we infringe on the proprietary rights of others, we may be at a competitive disadvantage, and any related litigation could be time consuming and costly.

Third parties may claim that we have violated their intellectual property rights. Any of these claims, with or without merit, could subject us to costly litigation and divert the attention of key personnel. To the extent that we violate a patent or other intellectual property right of a third party, we may be prevented from operating our business as planned, and we may be required to pay damages, to obtain a license, if available, to use the right or to use a non-infringing method, if possible, to accomplish our objectives.

We depend on the continued services of our senior management and our ability to attract and retain other key personnel.

Our future success is substantially dependent on the continued services and continuing contributions of our senior management and other key personnel, particularly Robin Raina, our President and Chief Executive Officer, and Richard J. Baum, our Executive Vice President Finance & Administration, Chief Financial Officer and Secretary. The loss of the services of any of our executive officers or other key employees could harm our business. We have no long-term employment agreements with any of our key personnel, nor do we maintain key man life insurance policies on any of our key employees.

Our future success depends on our continuing to attract, retain and motivate highly skilled employees. If we are not able to attract and retain new personnel, our business will be harmed. Competition for personnel in our industry is intense. We may be unable to retain our key employees or attract, assimilate or retain other highly qualified employees in the future.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Our international operations are subject to a number of risks that could affect our income and growth.

We market our software internationally and plan to expand our Internet services to locations outside of the United States. In addition, commencing in 2002, we began development activities, call center services and other operations in India. Our international operations may not produce enough revenue to justify our investments in establishing them and are subject to other inherent risks, including:

- the impact of recessions in foreign economies on the level of consumers insurance shopping and purchasing behavior;
- greater difficulty in collecting accounts receivable;
- difficulties and costs of staffing and managing foreign operations;
- reduced protection for intellectual property rights in some countries;
- seasonal reductions in business activity during the summer months in Europe and other parts of the world;
- burdensome regulatory requirements, other trade barriers and differing business practices;
- fluctuations in exchange rates;
- potentially adverse tax consequences; and
- political and economic instability.

Furthermore, our entry into additional international markets requires significant management attention and financial resources, which could lessen our ability to manage our existing business effectively.

Laws and regulations that govern the insurance industry could expose us or the agents, brokers and carriers who participate in our online marketplace to legal penalties.

We perform functions for licensed insurance agents, brokers and carriers and are, therefore, required to comply with a complex set of rules and regulations that often vary from state to state. These rules and regulations can be difficult to comply with and are ambiguous and open to interpretation. If we fail to properly interpret and/or comply with these rules and regulations, we, the insurance agents, brokers or carriers doing business with us, our officers, or agents with whom we contract could be subject to various sanctions, including censure, fines, cease-and-desist orders, loss of license or other penalties. This risk, as well as other laws and regulations affecting our business and changes in the regulatory climate or the enforcement or interpretation of existing law, could expose us to additional costs, including indemnification of participating insurance agents, brokers or carriers for their costs, and could require changes to our business or otherwise harm our business. Furthermore, because the application of online commerce to the consumer insurance market is relatively new, the impact of current or future regulations on our business is difficult to anticipate. To the extent that there are changes in the rules and regulations regarding the manner in which insurance is sold, our business could be adversely affected.

Our call center business could be adversely affected by equipment or system interruptions at one or more of our call centers.

Our call center business is dependent upon our ability to protect our call centers, including the computer and telecommunications equipment and software systems at those centers, against damage from fire, power loss, telecommunications interruption or failure, natural disaster and other similar events. In the event we experience a temporary or permanent interruption at one or more of our call centers, through casualty, operating malfunction or otherwise, our business could be materially adversely affected.

Governmental regulation of the telemarketing industry may increase our costs and restrict the operation and growth of our call center business.

The telemarketing industry and, therefore, our call center business are subject to an increasing amount of governmental regulation. In particular, telemarketers are now barred from contacting persons who have registered their phone numbers on the National Do Not Call Registry maintained by the Federal Trade Commission. We could be subject to a variety of enforcement or private actions for our failure or the failure of our clients to comply with these regulations.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Furthermore, our costs may increase as a result of having to comply with these regulations, and these regulations may limit our call center activities or reduce the demand for our call center services.

The outsourcing of business processes to foreign countries may be perceived negatively, which may reduce the demand for our services and lead to governmental regulation of these activities.

We enable companies to outsource certain business processes, including software development activities and call center services, to our operations in India. There have been some increasingly negative perceptions of the outsourcing of such processes from the U.S. to India, which may reduce the demand for these services and may lead to governmental regulation affecting such activities.

Risks Related to Our Conduct of Business on The Internet

Any disruption of our Internet connections could affect the success of our Internet based products.

Any system failure, including network, software or hardware failure, that causes an interruption in our network or a decrease in responsiveness of our website could result in reduced user traffic and reduced revenue. Continued growth in Internet usage could cause a decrease in the quality of Internet connection service. Websites have experienced service interruptions as a result of outages and other delays occurring throughout the Internet network infrastructure. In addition, there have been several incidents in which individuals have intentionally caused service disruptions of major e-commerce websites. If these outages, delays or service disruptions frequently occur in the future, usage of our website could grow more slowly than anticipated or decline, and we may lose revenues and customers.

If the computer hardware operations that host our website were to experience a system failure, the performance of our website would be harmed. These systems are also vulnerable to damage from fire, floods, earthquakes, acts of terrorism, power loss, telecommunications failures, break-ins and similar events. Our property and business interruption insurance coverage may not be adequate to compensate us for all losses that may occur. In addition, our users depend on Internet service providers, online service providers and other website operators for access to our website. Each of these providers has experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems.

Concerns regarding security of transactions or the transmission of confidential information over the Internet or security problems we experience may prevent us from expanding our business or subject us to legal exposure.

If we do not offer sufficient security features in our online product and service offerings, our products and services may not gain market acceptance, and we could be exposed to legal liability. Despite the measures that we may take, our infrastructure will be potentially vulnerable to physical or electronic break-ins, computer viruses or similar problems. If a person circumvents our security measures, that person could misappropriate proprietary information or disrupt or damage our operations. Security breaches that result in access to confidential information could damage our reputation and subject us to a risk of loss or liability. We may be required to make significant expenditures to protect against or remedy security breaches. Additionally, if we are unable to adequately address our customers concerns about security, we may have difficulty selling our goods and services.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Uncertainty in the marketplace regarding the use of Internet users personal information, or proposed legislation limiting such use, could reduce demand for our services and result in increased expenses.

Concern among consumers and legislators regarding the use of personal information gathered from Internet users could create uncertainty in the marketplace. This could reduce demand for our services, increase the cost of doing business as a result of litigation costs or increased service delivery costs, or otherwise harm our business. Legislation has been proposed that would limit the users of personally identifiable information of Internet users gathered online or require online services to establish privacy policies. Many state insurance codes limit the collection and use of personal information by insurance agencies, brokers and carriers or insurance service organizations. Moreover, the Federal Trade Commission has settled a proceeding against one online service that agreed in the settlement to limit the manner in which personal information could be collected from users and provided to third parties.

Future government regulation of the Internet could place financial burdens on our businesses.

Because of the Internet s popularity and increasing use, new laws and regulations directed specifically at e-commerce may be adopted. These laws and regulations may cover issues such as the collection and use of data from website visitors, including the placing of small information files, or cookies, on a user s hard drive to gather information, and

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

related privacy issues; pricing; taxation; telecommunications over the Internet; content; copyrights; distribution; domain name piracy; and quality of products and services. The enactment of any additional laws or regulations, including international laws and regulations, could impede the growth of our revenue from our Internet operations and place additional financial burdens on our business.

Risks Related To Our Common Stock

The price of our common stock may be extremely volatile.

In some future periods, our results of operations may be below the expectations of public market investors, which could negatively affect the market price of our common stock. Furthermore, the stock market in general has experienced extreme price and volume fluctuations in recent years. We believe that, in the future, the market price of our common stock could fluctuate widely due to variations in our performance and operating results or because of any of the following factors which are, in large part, beyond our control:

- announcements of new services, products, technological innovations, acquisitions or strategic relationships by us or our competitors;
- trends or conditions in the insurance, software, business process outsourcing and Internet markets;
- changes in market valuations of our competitors; and
- general political, economic and market conditions.

In addition, the market prices of securities of technology companies, including our own, have been volatile and have experienced fluctuations that have often been unrelated or disproportionate to operating performance. As a result, you may not be able to sell shares of our common stock at or above the price at which you purchase them. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted against that company. If any securities litigation is initiated against us, we could incur substantial costs and our management s attention and resources could be diverted from our business.

The significant concentration of ownership of our common stock will limit your ability to influence corporate actions.

The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and may affect the market price of our common stock. At May 10, 2004, BRiT Insurance Holdings plc beneficially owned approximately 34.0% of

our outstanding common stock and, together with our executive officers and directors, beneficially owned approximately 48% of our outstanding common stock. In addition, the Company has been informed that BriT owns approximately 70% of the equity interests of CF Epic Insurance and General Fund, which at May 10, 2004, beneficially owned approximately 8% of our outstanding common stock. As a result, those stockholders, if they act together, are able to control all matters requiring stockholder approval, including the election of all directors and approval of significant corporate transactions and amendments to our certificate of incorporation. These stockholders may use their ownership position to approve or take actions that are adverse to your interests or prevent the taking of actions that are consistent with your interests.

We may issue equity securities in the future whose terms and rights are superior to those of our common stock.

Our certificate of incorporation authorizes the issuance of up to 2,000,000 shares of preferred stock. No shares of preferred stock are currently outstanding. However, shares of preferred stock may be issued by our board of directors from time to time in one or more series for the consideration, and with the rights and preferences, as our board of directors decides. Any shares of preferred stock that we may issue in the future could be given voting and conversion rights that could dilute the voting power and equity of holders of shares of our common stock and have preferences over the common stock with respect to dividends and in liquidation.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Provisions in our charter and Delaware law may discourage takeover attempts which could preclude our stockholders from receiving a change of control premium.

Our certificate of incorporation could make it more difficult for a third party to acquire control of us, because it gives our Board of Directors the ability to issue shares of preferred stock with rights as they deem appropriate without stockholder approval. In addition, Delaware law contains an anti-takeover provision that could have the effect of delaying or preventing a change in control that stockholders may consider favorable. This provision prohibits us from engaging in a business combination with any significant stockholder for a period of three years from the date the person became a significant stockholder unless specific conditions are met.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The majority of our operations are based in the U.S. and, accordingly, the majority of our transactions are denominated in U.S. dollars. However, we have foreign-based operations where transactions are denominated in foreign currencies and are subject to market risk with respect to fluctuations in the relative value of currencies. Currently, we have operations in Australia, Canada, India, New Zealand and Singapore and conduct transactions in the local currencies of each location. There can be no assurance that fluctuations in the value of foreign currencies will not have a material adverse effect on our business, operating results, revenues or financial condition. To date, the impact of fluctuations in these currencies have resulted in net transaction gains of $10,000 for the three months ended March 31, 2004 and losses of $49,000 for the three months ended March 31, 2003. We considered the historical trends in currency exchange rate and determined that it was reasonably possible that adverse changes in exchange rates of 20% for all currencies could be experienced in the near term. Such adverse changes would have resulted in an adverse impact on income before taxes of approximately $100,000 and $140,000 for the three months ended March 31, 2004 and March 31, 2003, respectively.

There have been no material changes in the Company s interest rate risk during the three months ended March 31, 2004. For additional information on interest rate risk, refer to the Quantitative Disclosures About Market Risk section of the Company s Annual Report on Form 10-K for the year ended December 31, 2003.

Item 4. CONTROLS AND PROCEDURES

In connection with its 2003 year-end audit, the Company s independent certified public accountants at that time, KPMG LLP (KPMG), identified details of reportable conditions relating to the Company s internal control over financial reporting. According to KPMG, the communication of the reportable conditions was based on their professional judgment, taking into consideration audit differences that required adjustment to the Company s financial statements, as well as the underling causes for such adjustments, and KPMG s observations about the Company s internal control processes, but did not arise from any particular transaction or event. On March 25, 2004, KPMG presented to the audit committee the details of the reportable conditions noted during the 2003 audit, which included (1) delegation of authority and what KPMG considered to be inadequate reviews by a person other than the preparer of accounting information, (2) the lack of a formalized contract review process to ensure proper revenue recognition, (3) the lack of a complete understanding of the Company s income tax provision and related accounts, (4) inadequate documentation for certain unusual transactions (including the basis for the Company s accounting conclusions), and (5) internal control matters (documented and testable control environment) under the Sarbanes-Oxley Act, Section 404 (together with applicable regulations, SOX 404).

In response to KPMG s identified issues, in the first quarter of 2004 the Company changed its reporting structure within the financial accounting group and redistributed responsibilities among the financial accounting group to create improved checks and balances. The reorganization included appointment of a senior member of the group as corporate controller to whom all the other members report. Further, (a) the

responsibility for a formalized contract review process to ensure proper revenue recognition was re-assigned to a financial department director; (b) the Company established a process for the quarterly review of the provision for income taxes by the Chief Financial Officer and corporate controller; (c) the Chief Financial Officer and corporate controller undertook responsibility for the analysis and documentation of any unusual transactions.

In addition, in order to address further the deficiencies described above and to improve the Company s internal control over financial reporting for future periods, the Company plans to:

1. Perform a review of internal control over financial reporting in connection with satisfying the requirements Section 404 of the Sarbanes-Oxley Act and regulations promulgated thereunder, with the assistance of an outside consulting firm to be retained by the Company;

2. Perform more detailed quarterly reconciliations and analyses of the Company s revenue accounts;

3. Continue to enhance staffing to provide sufficient resources to accomplish the foregoing objectives, including through the addition of a senior financial accountant in Australia.

The enhancements to internal control over financial reporting made in the first three months of 2004 constitute, and the planned further improvements will constitute, significant changes in internal control over financial reporting. In particular, changing its reporting structure within the financial accounting group and redistributing responsibilities among the financial accounting group, as described above, constituted a change in the Company s internal control over financial reporting during the quarter ended March 31, 2004 that has materially affected the Company s internal control over financial reporting. The Company continues to evaluate the effectiveness of its internal control over financial reporting, along with its disclosure controls and procedures, on an ongoing basis and will take further action as appropriate.

The Company carried out an evaluation, under the supervision and with the participation of the Company s management, including its Chief Executive Officer and Chief Financial Officer, of the design and operation of the Company s disclosure controls and procedures, which are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files with or submits to the Securities and Exchange Commission is (1) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and (2) accumulated and communicated to the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company s Chief Executive Officer and the Company s Chief Financial Officer concluded that, as of March 31, 2004, the Company s disclosure controls and procedures were effective to provide such reasonable assurance. They reached this conclusion based in large part on their assessment of (i) the financial expertise of the members of the internal accounting staff, (ii) the regular communications among such persons (serving as a de facto disclosure committee), and between them and the rest of the relatively small organization, with respect to all material developments in the Company s business, and (iii) the review of the Company s financial and other disclosure by the Company s management, its audit committee, its independent public accountants and its outside legal counsel, as well as (iv) the enhancements made to the Company s internal control over financial reporting in the first three months of 2004.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

Part II OTHER INFORMATION

Item 2. CHANGES IN SECURITIES USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

On January 16, 2004, the Company sold an aggregate of 222,223 shares of its common stock to CF Epic Insurance and General Fund (CF Epic), an investment fund located in London, England, for cash in the amount of $3,000,010.50. The Company sold these securities in a transaction exempt from registration under the Securities Act of 1933 (the Act) in reliance upon Section 4(2) of the Act and Regulation D thereunder, as on a transaction not involving a public offering. CF Epic represented in writing to the Company that it is an accredited investor as defined in Rule 501(a) of Regulation D under the Act. The Company did not pay any underwriting commissions or discounts or placement fees in connection with this transaction.

On February 23, 2004, the Company issued 200,000 shares of its common stock to the shareholder of LifeLink Corporation (LifeLink) in connection with the Company s acquisition of all the capital stock of LifeLink. The Company sold these securities in a transaction exempt from registration under the Securities Act of 1933 (the Act) in reliance upon Section 4(2) of the Act and Regulation D thereunder, as on a transaction not involving a public offering. LifeLink represented in writing to the Company that it is an accredited investor as defined in Rule 501(a) of Regulation D under the Act. The Company did not pay any underwriting commissions or discounts or placement fees in connection with this transaction.

Item 5. OTHER INFORMATION

On April 30, 2004, William Baumel, who was chairman of the Audit Committee of the Company s Board of Directors, resigned from the Company s Board of Directors effective immediately.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

2.1 Stock Purchase Agreement, dated February 23, 2004, by and among Ebix, Inc. and the shareholders of LifeLink Corporation (incorporated by reference to Exhibit 2.1 to the Company s Current Report of Form 8-K dated February 23, 2004 (the February 2004 8-K) and incorporated herein by reference).

2.2 Secured Promissory Note, dated February 23, 2004, issued by the Company (incorporated herein by reference to Exhibit 2.2 of the February 2004 8-K and incorporated herein by reference).

10.1 Amended and Restated Revolving Line of Credit from LaSalle Bank, National Association, Amended and Restated Loan and Security Agreement and Pledge Agreement dated April 21, 2004. (incorporated herein by reference to Exhibit 10.1 to the Company's Form 10-Q dated March 31, 2004 and incorporated herein by reference).

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).

32.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sabanes-Oxley Act of 2002 (furnished herewith).

32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sabanes-Oxley Act of 2002 (furnished herewith).

(b) Reports on Form 8-K

The Company filed a current report on Form 8-K (pursuant to Items 2 and 7 thereof) on February 23, 2004 to report the Company s acquisition of LifeLink.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized.

Ebix, Inc.

Date: May 20, 2005 By

/s/ RICHARD J. BAUM
Richard J. Baum
Executive Vice President Finance & Administration, Chief Financial Officer (principal financial and accounting officer),
and Secretary

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
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32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

** Previously included as an exhibit to this quarterly report on Form 10-Q.

* Included herewith.

The following summarizes the Company s contractual obligations at March 31, 2004, and the effect such obligation