

EBIX INC  
Form 10-Q  
August 07, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

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

**For the quarterly period ended June 30, 2009  
OR**

**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**

(State or other jurisdiction of incorporation or organization)

**77-0021975**

(I.R.S. Employer Identification No.)

**5 CONCOURSE PARKWAY, SUITE 3200**

**ATLANTA, GEORGIA**

(Address of principal executive offices)

**30328**

(Zip Code)

Registrant's telephone number, including area code: **678-281-2020**

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 7, 2009, the number of shares of Common Stock outstanding was 10,336,236.

**Ebix, Inc. and Subsidiaries**  
FORM 10-Q  
FOR THE QUARTER ENDED JUNE 30, 2009  
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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1 CONSOLIDATED FINANCIAL STATEMENTS**

**Ebix, Inc. and Subsidiaries**  
**Consolidated Statements of Income**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended June		Six Months Ended June	
	2009	30, 2008	2009	30, 2008
<b>Operating Revenue</b>	\$ 22,421	\$ 17,803	\$ 43,089	\$ 34,442
<b>Operating expenses:</b>				
Cost of services provided	4,532	3,225	8,833	6,161
Product development	2,753	2,162	5,258	4,240
Sales and marketing	1,121	818	2,255	1,665
General and administrative	3,925	3,856	7,553	7,672
Amortization and depreciation	830	837	1,573	1,656
<b>Total operating expenses</b>	13,161	10,898	25,472	21,394
<b>Operating income</b>	<b>9,260</b>	<b>6,905</b>	<b>17,617</b>	<b>13,048</b>
Interest income	39	140	91	262
Interest expense	(273)	(394)	(557)	(736)
Foreign exchange gain (loss)	346	100	752	159
<b>Income before income taxes</b>	<b>9,372</b>	<b>6,751</b>	<b>17,903</b>	<b>12,733</b>
Income tax (expense)/benefit	(416)	(415)	(612)	(727)
<b>Net income</b>	<b>\$ 8,956</b>	<b>\$ 6,336</b>	<b>\$ 17,291</b>	<b>\$ 12,006</b>
<b>Basic earnings per common share</b>	<b>\$ 0.88</b>	<b>\$ 0.65</b>	<b>\$ 1.72</b>	<b>\$ 1.21</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.73</b>	<b>\$ 0.54</b>	<b>\$ 1.42</b>	<b>\$ 1.00</b>
Basic weighted average shares outstanding	10,186	9,688	10,057	9,954
Diluted weighted average shares outstanding	12,487	11,977	12,427	12,220
See accompanying notes to consolidated financial statements.				

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**Ebix, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
(In thousands, except share amounts)

	<b>June 30, 2009 (Unaudited)</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 11,876	\$ 9,475
Short-term investments	3,154	1,536
Accounts receivable, less allowance of \$548 and \$453, respectively	16,394	13,562
Other current assets	1,558	951
<b>Total current assets</b>	<b>32,982</b>	<b>25,524</b>
Property and equipment, net	4,668	3,774
Goodwill	102,251	88,488
Indefinite-lived intangibles	13,637	11,589
Other intangible assets, net	11,014	10,235
Other assets	636	1,557
<b>Total assets</b>	<b>\$ 165,188</b>	<b>\$ 141,167</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,766	\$ 8,245
Accrued payroll and related benefits	2,353	2,709
Short term debt	24,945	24,945
Current portion of convertible debt	5,306	11,518
Current portion of long term debt and capital lease obligations	212	912
Deferred revenue	7,671	5,383
Other current liabilities	212	142
<b>Total current liabilities</b>	<b>44,465</b>	<b>53,854</b>
Convertible debt	15,000	15,000
Long term debt and capital lease obligation, less current portion	419	290
Other liabilities	2,708	941
Deferred revenue	96	330
Deferred rent	730	610
<b>Total liabilities</b>	<b>63,418</b>	<b>71,025</b>

**Commitments and Contingencies, Note 9****Stockholders equity:**

Convertible Series D Preferred stock, \$.10 par value, 500,000 shares authorized, no shares issued and outstanding

Common stock, \$.10 par value, 20,000,000 shares authorized, 10,331,872 issued and 10,318,369 outstanding at June 30, 2009 and 10,006,455 issued and

9,946,710 outstanding at December 31, 2008

Additional paid-in capital

Treasury stock (13,503 and 59,745 shares repurchased as of June 30, 2009 and December 31, 2008 respectively)

Accumulated deficit

Accumulated other comprehensive income

**Total stockholders equity****Total liabilities and stockholders equity**

	1,032	981
	118,282	111,641
	(76)	(1,178)
	(12,908)	(30,199)
	(4,560)	(11,103)
	<b>101,770</b>	<b>70,142</b>

	<b>\$ 165,188</b>	<b>\$ 141,167</b>
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See accompanying notes to consolidated financial statements.

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**Ebix, Inc. and Subsidiaries**  
**Consolidated Statement of Stockholders Equity and Comprehensive Income**  
**(unaudited)**

	Common Stock		Treasury		Additional	Accumulated		Total	Comprehensive Income
	Shares	Amount	Shares	Stock	Paid-in Capital	Deficit	Other Comprehensive Income		
	(In thousands, except share amounts)								
<b>Balance, December 31, 2008</b>	10,006,455	\$ 981	(59,745)	\$(1,178)	\$ 111,641	\$ (30,199)	\$(11,103)	\$ 70,142	
Net income						17,291		17,291	\$ 17,291
Cumulative translation adjustment							6,543	6,543	\$ 6,543
Comprehensive income									\$ 23,834
Conversion of principal and interest on convertible promissory notes	294,340	30			6,234			6,264	
Repurchase of common stock	(16,224)	(2)	(10,650)	(205)	(298)			(505)	
Exercise of stock options	82,846	8			1,414			1,422	
Vesting of restricted stock	21,347	15			(15)				
Retirement of treasury stock	(56,892)		56,892	1,307	(1,307)				
Deferred compensation and amortization related to options					613			613	
<b>Balance, June 30, 2009</b>	<b>10,331,872</b>	<b>1,032</b>	<b>(13,503)</b>	<b>\$ (76)</b>	<b>\$ 118,282</b>	<b>\$ (12,908)</b>	<b>\$ (4,560)</b>	<b>\$ 101,770</b>	

See accompanying notes to consolidated financial statements.



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**Ebix, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 17,291	\$ 12,006
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	1,573	1,651
Stock-based compensation	100	64
Restricted stock compensation	513	254
Unrealized foreign exchange gain on forward contracts	(144)	
Provision for doubtful accounts	90	179
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(2,617)	(2,738)
Other assets	(387)	44
Accounts payable and accrued expenses	(483)	(1,282)
Accrued payroll and related benefits	(532)	216
Deferred revenue	1,092	(368)
Deferred taxes	(1,125)	653
Deferred rent and other liabilities	178	(20)
<b>Net cash provided by operating activities</b>	<b>15,549</b>	<b>10,659</b>
<b>Cash flows from investing activities:</b>		
Investment in Telstra eBusiness Services, net of cash acquired		(42,968)
Investment in Periculum, net of cash acquired	(200)	(1,067)
Investment in ConfirmNet, net of cash acquired	(3,094)	
Investment in IDS, net of cash acquired	(1,000)	
Investment in Acclamation, net of cash acquired	(85)	
Investment in Facts, net of cash acquired	(5,704)	
(Purchase) Maturities of marketable securities, net	(1,618)	(655)
Capital expenditures	(1,200)	(382)
<b>Net cash used in investing activities</b>	<b>(12,901)</b>	<b>(45,072)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from (payments on) line of credit		9,295
Proceeds from the issuance of common stock, net of issuance costs		12,518
Proceeds from the exercise of the stock options	1,422	514
Repurchase of Common Stock	(505)	(24,000)
Payments on capital lease obligations	(78)	(2)
Principal payments of debt obligations	(742)	(490)

<b>Net cash provided/(used) in financing activities</b>	<b>97</b>	<b>(2,165)</b>
Effect of foreign exchange rates on cash	(344)	(1,469)
<b>Net change in cash and cash equivalents</b>	<b>2,401</b>	<b>(38,047)</b>
Cash and cash equivalents at the beginning of the period	9,475	48,437
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 11,876</b>	<b>\$ 10,390</b>

**Supplemental disclosures of cash flow information:**

Interest paid	\$ 429	\$ 459
Income taxes paid	\$ 2,873	\$ 560

**Supplemental Disclosure of noncash financing activities**

During the six months ended June 30, 2009 the holder of the convertible notes, Whitebox VSC, Ltd. ( Whitebox ) converted \$6.3 million of principal and accrued interest into 294,340 shares of the Company s common stock.

During the six months ended June 30, 2009, the company has entered into a twelve month currency forward contract with an aggregate notional amount of \$8 million to sell United States Dollars and buy Indian Rupees and the Company recognized an unrealized gain of \$144 thousand on marking the contracts to their fair market value at June 30, 2009.

See accompanying notes to consolidated financial statements.

**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)****Note 1: Description of Business and Summary of Significant Accounting Policies**

**Description of Business** Ebix, Inc. and subsidiaries ( Ebix or the Company ) provides a series of on -demand software products and e-commerce services for the insurance industry ranging from carrier systems, agency systems and exchanges to custom software development for carriers, brokers, and agents involved in the insurance and financial industries. The Company has its headquarters in Atlanta, Georgia and also operates in five other countries including Australia, New Zealand, Singapore, UK and India. International revenue accounted for 25.4% and 41.2% of the Company s total revenue for the six months ended June 30, 2009 and 2008 respectively.

The Company s revenues are derived from four product/service groups. The Company s revenue in local currency terms for each of the four groups grew in the second quarter of 2009 and the six-month period ending June 30, 2009 as compared to the same period in 2008. The strengthening of the U.S. \$ year over year, resulted in the broker division revenue (primarily coming from international divisions) for 2009 decreasing significantly in US\$ terms. Presented in the table below is the breakout of our revenue streams for each of those product/service groups for the three and six months ended June 30, 2009 and 2008.

	For the Three Months		For the Six Months Ended	
	Ended		June 30,	
	June 30,		June 30,	
<i>(dollar amounts in thousands)</i>	2009	2008	2009	2008
Carrier Systems	\$ 2,701	\$ 2,843	\$ 5,527	\$ 5,133
Exchanges	13,162	9,380	25,195	18,731
BPO	3,714	1,817	7,075	3,514
Broker Systems	2,844	3,763	5,292	7,064
<b>Totals</b>	<b>\$ 22,421</b>	<b>\$ 17,803</b>	<b>\$ 43,089</b>	<b>\$ 34,442</b>

**Summary of Significant Accounting Policies**

**Basis of Presentation** The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, and the effect of inter-company balances and transactions has been eliminated. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring items) necessary to present fairly the consolidated financial position of the Company and its consolidated results of operations and cash flows. These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31,2008.

**Reclassification** Beginning in 2008 and for all subsequent periods reported, the Company has reclassified and separately presented in the accompanying consolidated balance sheets and statements of cash flows its investments in and cash flows associated with short-term investments in certificates of deposit placed with its commercial bank in India. These certificates of deposit have maturities in ranging from 12 to 120 months. The aggregate amount of these short-term investments was \$3.2 million and \$1.5 million at June 30, 2009 and December 31, 2008, respectively, and the net cash inflows (outflows) arising from these investments was (\$1.6) million and (\$655) thousand for the six months ended June 30 2009 and 2008, respectively.

**Short-term Investments** The Company s short-term investments consist of certificates of deposits with established commercial banking institutions with readily determinable fair values. These certificates of deposit have maturities periods ranging from 12 to 120 months, with a weighted average maturity period of approximately 12 months at June 30, 2009. Ebix accounts for investments that are reasonably expected to be realized in cash, sold or consumed during the year as short-term investments that are available-for-sale. The carrying amount of investments in marketable securities approximates fair value at June 30, 2009 and December 31, 2008. The carrying value of our short-term investments was \$3.2 million and \$1.5 million at June 30, 2009 and December 31, 2008, respectively.

**Fair Value of Financial Instruments** The Company believes the carrying amount of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, accrued payroll and related benefits, and our line of credit is a reasonable estimate of their fair value due to the short maturity of these items and/or their fluctuating interest rates.

**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)**

**Revenue Recognition and Deferred Revenue** The Company derives its revenues from professional and support services, which includes revenue generated from software development projects and associated fees for consulting, implementation, training, and project management provided to customers with installed systems, subscription and transaction fees related to services delivered over our exchanges or on an application service provider ( ASP ) basis, fees for hosting software, fees for software license maintenance and registration, business process outsourcing revenue, and the licensing of proprietary and third-party software. Sales and value-added taxes are not included in revenues, but rather are recorded as a liability until the taxes assessed are remitted to the respective taxing authorities. The Company considers revenue earned and realizable when: (a) persuasive evidence of the sales arrangement exists, provided that the arrangement fee is fixed or determinable, (b) delivery or performance has occurred, (c) customer acceptance has been received, if contractually required, and (d) collectability of the arrangement fee is probable. The Company uses signed contractual agreements as persuasive evidence of a sales arrangement. Revenue is recorded net of sales tax, as these taxes are recognized as a liability upon billing.

We apply the provisions of Statement of Position 97-2, *Software Revenue Recognition (SOP 97-2)*, as amended by Statement of Position 98-9, *Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions, (SOP 98-9)* to all transactions involving the license of software where the software deliverables are considered more than inconsequential to the other elements in the arrangement. For contracts that contain multiple deliverables, we analyze the revenue arrangements in accordance with Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21), which provides criteria governing how to determine whether goods or services that are delivered separately in a bundled sales arrangement should be considered as separate units of accounting for the purpose of revenue recognition. Deliverables are accounted for separately if they meet all of the following criteria: a) the delivered items has value to the customer on a stand-alone basis; b) there is objective and reliable evidence of the fair value of the undelivered items; and c) if the arrangement includes a general right of return relative to the delivered items, the delivery or performance of the undelivered items is probable and substantially controlled by the seller. 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. In regards to arrangements containing multiple performance elements, revenue recognition on delivered elements is predicated upon the establishment of vendor-specific objective evidence (VSOE) of the fair value for the undelivered elements and applying the residual method of SOP 98-9 if necessary. Fair value is determined for each undelivered element based on the price the Company charges when the item is sold separately.

Data exchange processing and ASP transaction services fee revenue is recognized as the transactions occur and generally billed in arrears. Service fees for hosting arrangements are recognized over the requisite service period. Software development arrangements involving significant customization, modification or production are accounted for in accordance with Statement of Position 81-1, *Accounting for Performance on Construction-Type and Certain Production-Type Contracts, (SOP 81-1)* using the percentage-of-completion method. The Company recognizes revenue using periodic reported actual hours worked as a percentage of total expected hours required to complete the project arrangement and applies the percentage to the total arrangement fee.

The Company begins to recognize revenue from license fees for its software products upon delivery and the customer's acceptance of the software implementation and customizations if applicable. 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 recognized upon delivery together with the Company's licensed software products. Training, data conversion, installation, and consulting services fees are recognized as revenue when the services are performed. Revenue for maintenance and support services is recognized ratably over the term of the support agreement.



**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)**

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.

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. Revenues derived from initial setup or registration fees are recognized ratably over the term of the agreement in accordance with SEC Staff Accounting Bulletin ( SAB ) 104, Revenue Recognition.

Deferred revenue includes maintenance and support payments or billings that have been received or recorded prior to performance and, in certain cases, cash collections; initial setup or registration fees under hosting agreements; and amounts received under multi-element arrangements in which the VSOE for the undelivered elements does not exist. In these instances revenue is recognized when the VSOE for the undelivered elements is established or when all contractual elements have been completed and delivered.

**Allowance for Doubtful Accounts Receivable** Accounts receivable is stated at invoice billed amounts net of the estimated allowance for doubtful accounts receivable. Management specifically analyzes accounts receivable and historical bad debts, write-offs, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Bad debt expense was \$90 thousand and \$90 thousand for the three and six months ended June 30, 2009, respectively, and \$150 thousand and \$180 thousand for the three and six months ended June 30 2008, respectively. Accounts receivable are written off against the allowance account when the Company has exhausted all reasonable collection efforts. No accounts were written off as uncollectible during the six months ending June 30, 2009 and 2008 respectively.

**Goodwill and Other Indefinite-Lived Intangible Assets** Goodwill represents the cost in excess of the fair value of the net assets of acquired businesses. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets , or SFAS 142, goodwill is not amortized. We are required to test goodwill for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. We perform our annual goodwill impairment test as of September 30 each year. In analyzing goodwill for potential impairment, we use projections of future discounted cash flows from our reporting units to determine whether the reporting unit s estimated fair value exceeds its carrying value. Our estimates of fair value for each reporting unit are corroborated by market multiple comparables. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. However, if a reporting unit s fair value were to be less than its carrying value, we would then determine the amount of the impairment charge, if any, which would be the amount that the carrying value of the reporting unit s goodwill exceeded its implied value. The Company performed the annual impairment assessment, as required by SFAS No. 142 as of September 30, 2008 and it was determined that the recorded goodwill was not impaired. No impairment of goodwill was indicated based on the updated analysis.

During the six months ended June 30, 2009 the Company recorded \$8.7 million of additional goodwill in connection with the previous acquisitions of Telstra, Acclamation, Periculum, and ConfirmNet, and its most recent acquisition of Facts Services, Inc ( Facts ) which was effective on May 1, 2009.

Changes in the carrying amount of goodwill for the six months ended June 30, 2009 are as follows:

	<b>(In thousands)</b>
Beginning Balance at December 31,2008	\$ 88,488
Additions	8,668
Foreign currency translation adjustments	5,095
Ending Balance at June 30, 2009	<b>\$ 102,251</b>





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The Company's indefinite-lived asset is associated with the estimated fair value of the contractual/territorial relationships existing with the property and casualty insurance carriers in Australia. These contractual/territorial rights are perpetual in nature and, therefore, the useful lives are considered indefinite. Indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually. In accordance with SFAS 142, we are required to test indefinite-lived intangible assets for impairment annually or whenever events and circumstances indicate that there may be an impairment of the asset value. Our annual impairment test date is September 30. We perform the impairment test for our indefinite-lived intangible assets by comparing the asset's fair value to its carrying value. We estimate the fair value based on projected discounted future cash flows. An impairment charge is recognized if the asset's estimated fair value is less than its carrying value. In connection with the acquisition of Telstra an indefinite-lived asset in the amount of \$14.7 million was recorded as of January 2, 2008.

**Finite-lived Intangible Assets** Purchased intangible assets represent the estimated acquisition date fair value of customer relationships, developed technology, and trademarks acquired through synergistic combination of the business that we acquire in the U.S. and foreign countries in which operate. We amortize these intangible assets on a straight-line basis over their estimated useful lives, as follows:

<b>Category</b>	<b>Life (yrs)</b>
Customer relationships	4-20
Developed technology	3-7
Trademarks	5-10

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**Ebix, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**

The carrying value of intangible assets at June 30, 2009 and December 31, 2008 are as follows:

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<b>(In thousands)</b>	
Intangible assets:		
Customer relationships	\$ 13,032	\$ 11,373
Developed technology	5,051	4,762
Trademarks	687	656
Backlog	140	140
Total intangibles	18,910	16,931
Accumulated amortization	(7,896)	(6,696)
Intangibles, net	<b>\$ 11,014</b>	<b>\$ 10,235</b>

Indefinite-lived intangibles:

Customer/territorial relationships	<b>\$ 13,637</b>	<b>\$ 11,589</b>
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Amortization expense recognized in connection with acquired intangible assets was \$482 thousand and \$594 thousand respectively for the three months ended June 30, 2009 and 2008, and \$951 thousand and \$1.2 million respectively for the six months ended June 30, 2009 and 2008.

**Income Taxes** The Company follows the asset and liability method of accounting for income taxes pursuant to Financial Accounting Standard No. 109, Accounting for Income Taxes (SFAS 109). Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities, and operating loss and tax credit carry forwards and their financial reporting amounts in each period using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portion of the deferred tax assets that are not expected to be realized based on the levels of historical taxable income and projections for future taxable income over the periods in which the temporary differences will be deductible.

Effective January of 2007 the Company adopted the Financial Accounting Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

**Foreign Currency Translation** The functional currency of the Company's foreign subsidiaries is the local currency of the country in which the subsidiary operates. The assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the rates of exchange at the balance sheet dates. Income and expense accounts are translated at the average exchange rates in effect during the period. Gains and losses resulting from translation adjustments are included as a component of other comprehensive income in the accompanying consolidated financial statements. Foreign exchange transaction gains and losses that are derived from transactions denominated in other than the subsidiary's functional currency are included in the determination of net income.

**Recent Accounting Pronouncements** In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* (SFAS 141R). SFAS 141R replaces SFAS No. 141, *Business Combinations*, and improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R is effective for fiscal years beginning after

December 15, 2008. The Company adopted SFAS 141R during the first quarter of 2009 and applied this accounting standard to the recording of its acquisition of Facts which was completed as of May 1, 2009.

**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 157, *Fair Value Measurement* ( SFAS 157 ), SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* which delayed the implementation of the provisions of FAS No. 157 with regard to non-financial assets and liabilities that are not carried at fair value on a recurring basis in financial statements. In April 2009, FASB issued FSP SFAS No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. FSP SFAS No. 157-4 provides guidelines for making fair value measurements more consistent with the principles presented in SFAS No. 157, *Fair Value Measurements*. This FSP relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms what SFAS No. 157 states regarding the objective of fair value measurement to reflect how much an asset would be sold for in an orderly transaction (as opposed to a distressed or forced transaction) at the date of the financial statements under current market conditions. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. The FSP is effective for the Company's annual reporting for the fiscal year 2009. The Company has adopted SFAS 157, FSP FAS 157-2, and FSP SFAS No. 157-4, and the adoption of these standards did not have material impact on the our consolidated financial position and results of operations.

In April 2009, FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments in interim as well as annual financial statements. This standard is effective for periods ending after June 15, 2009. Accordingly, the Company adopted the provisions of FSP FAS 107-1 and APB 28-1 on June 30, 2009. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations or cash flows. However, the provisions of FSP FAS 107-1 and APB 28-1 did result in additional disclosures with respect to the fair value of the Company's financial instruments. See Note 14, *Financial Instruments*, for these additional disclosures.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ( SFAS No. 165 ), which provides guidance to establish general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or fiscal periods ending after June 15, 2009. Accordingly, the Company adopted the provisions of SFAS No. 165 on June 30, 2009. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations or cash flows. The provisions of SFAS No. 165 result in additional disclosures with respect to subsequent events.

**Note 2: Earnings per Share**

The basic and diluted earnings per share ( EPS ), and the basic and diluted weighted average shares outstanding for all periods presented on the consolidated statements of income have been adjusted to reflect the retroactive effect of the Company's 3-for-1 stock split dated October 9, 2008 (see Note 3 for further explanation). Basic EPS is equal to net income divided by the weighted average number of shares of common stock outstanding for the period. Diluted EPS takes into consideration common stock equivalents which for the Company consist of stock options, restricted stock, and convertible debt. With respect to stock options, diluted EPS is calculated as if the Company had additional common stock outstanding from the beginning of the year or the date of grant or issuance, net of assumed repurchased shares using the treasury stock method. With respect to convertible debt, diluted EPS is calculated as if the debt instrument had been converted at the beginning of the reporting period or the date of issuance, whichever is later. Diluted EPS is equal to net income plus interest expense on convertible debt, divided by the combined sum of the weighted average number of shares outstanding and common stock equivalents. At June 30, 2009 and 2008 there were 361,872 and 361,392, respectively, shares potentially issuable with respect to stock options which could dilute EPS in the future but which was excluded from the diluted EPS calculation because presently their effect is anti-dilutive.

To calculate diluted earnings per share, interest expense related to convertible debt of \$135 thousand and \$125 thousand for the three months ended June, 2009 and 2008, and \$298 thousand and \$250 thousand for the six months ended June, 2009 and 2008, respectively was added back to net income.

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**Ebix, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**

	<b>For the Three Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
Basic Weighted Average Shares Outstanding	10,186,485	9,688,320
Incremental Shares	2,300,976	2,288,994
Diluted Shares Outstanding	12,487,461	11,977,314
	<b>For the Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
Basic Weighted Average Shares Outstanding	10,057,457	9,953,556
Incremental Shares	2,369,769	2,266,755
Diluted Shares Outstanding	12,427,226	12,220,311

**Note 3: Stock Split**

On July 29, 2008 the Board of Directors approved and declared a 3-for-1 stock split on shares of its common stock (the Stock Split ) effective October 9, 2008 (the Split Date ) outstanding as of the close of business on September 29, 2008. As a result of the Stock Split, every share of the Company s common stock was converted into three shares of the common stock. Each stockholder s percentage ownership in the Company and proportional voting power remained unchanged after the Stock Split. Furthermore, as a result of the Stock Split approximately 6.5 million additional shares of common stock were issued and the Company s issued and outstanding common stock was increased to approximately 9.8 million shares. Shares reserved for issuance under the Company s 1996 Stock Option Plan, the 1998 Director Option Plan, the 2006 Incentive Compensation Program, and for the Company s 2.5% convertible promissory notes were similarly adjusted. Information presented in these consolidated financial statements, the accompanying notes, and the MD&A have been adjusted for all periods presented to reflect the retroactive effect of the stock split.

**Note 4: Business Acquisitions**

The Company s business acquisitions are accounted for under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*, as amended by SFAS No. 141R, *Business Combinations* issued in December 2007 and which is effective for acquisitions completed after December 15, 2008. Accordingly, the consideration paid by the Company for the businesses it purchases is allocated to the assets and liabilities acquired based upon their estimated fair values as of the date of the acquisition. The excess of the purchase price over the estimated fair values of assets acquired and liabilities assumed is recorded as goodwill. Certain acquisitions included contingent consideration in the form of earn-out provisions which are recorded as a component of goodwill at its estimated fair value.

**2009 Acquisition**

**Facts Services, Inc.** Effective May 1, 2009, Ebix, Inc. acquired Facts, a leading provider of fully automated software solutions for healthcare payers specializing in claims processing, employee benefits, and managed care. Facts products are available in either an ASP or self-hosted model. The Company paid the Facts shareholders \$6.5 million for all of Facts stock. The Company is combining Facts operations with its Pittsburgh health services division operating under the name of EbixHealth, which included operating results of Facts starting in the second quarter of 2009. Ebix financed this acquisition with internal resources using available cash reserves. The purchase price allocation for the

Facts acquisition is not complete because the Company is in the process of developing a valuation of the respective acquired identifiable intangible and tangible assets. The Company has tentatively recognized \$5.9 million of goodwill and \$595 thousand of intangible assets in connection with the acquisition of Facts. The recognized goodwill pertains to the value of the expected synergies to be derived from combining the operations of Facts with Ebix, and the value of the acquired workforce.

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**Ebix, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**

**2008 Acquisitions**

**ConfirmNet Corporation** Effective November 1, 2008 Ebix acquired ConfirmNet Corporation ( ConfirmNet ) a provider of insurance certificate creation and tracking services. The Company paid ConfirmNet shareholders \$7.36 million for all of ConfirmNet s stock, and ConfirmNet shareholders earned an additional \$3.1 million in additional consideration which was paid during the first quarter of 2009 and retain the right to earn up to an additional \$3.0 million, which is currently considered contingent, at the one year anniversary date of the acquisition if certain revenue targets of the ConfirmNet division of Ebix are met. The results of operation for ConfirmNet, which is a component of our BPO channel, are included in the Company s reported net income since the fourth quarter of 2008. Ebix financed this acquisition using available cash balances.

**Acclamation Systems, Inc.** Effective August 1, 2008 Ebix acquired Acclamation Systems, Inc ( Acclamation ) a developer of supplier software and e-commerce solutions to the health insurance industry. The Company acquired all of the stock of Acclamation for a payment of \$22 million in cash and additional future payments of up to \$3.0 million, which is currently considered contingent, over a two year period subsequent to the effective date of the acquisition if certain customer revenue targets for Ebix s Health Benefits division are achieved. The Company also incurred approximately \$85 thousand of costs primarily consisting of legal, accounting, due diligence, and filing fees directly related to the closing of the acquisition. Ebix financed this acquisition with a combination of \$15 million of proceeds from the issuance of convertible debt and \$7 million of available cash reserves. The operating results of Acclamation, which is a component of our Exchange channel, have been included in the Company s reported net income beginning in the third quarter of 2008.

**Periculum Services Group** Effective April 28, 2008 Ebix acquired Periculum Services Group ( Periculum ) a provider of certificate of insurance tracking services. The Company acquired all of the stock of Periculum for a payment of \$1.1 million and additional consideration of \$200 thousand which was paid in April 2009. Ebix financed this acquisition using available cash. The operating results of Periculum, which is a component of our BPO channel, have been included in the Company s reported net income beginning in the second quarter of 2008.

**Telstra eBusiness Services** Effective January 2, 2008 Ebix acquired Telstra eBusiness Services ( Telstra ) an insurance exchange located in Melbourne, Australia. The Company purchased all of the stock of Telstra for a payment of Australian \$50.0 million (US \$43.9 million). Telstra was a wholly owned subsidiary of Telstra Services Solutions Holding Limited. The Company also incurred approximately \$368 thousand of expenses primarily consisting of legal, accounting, due diligence, and filing fees directly related to the closing of the acquisition. Ebix financed this acquisition with a combination of \$1.6 million of available cash reserves, \$16.5 million from the Company s line of credit, \$20.0 million of convertible debt, and \$5.7 million from sales of the Company s common stock. The operating results of Telstra have been included in the Company s reported net income since the first quarter of 2008. The acquisition also gave rise to the elimination of certain personnel of Telstra and as a result and in accordance with the FASB s Emerging Issues Task Force Issue No. 95-3 *Recognition of Liabilities in Connection with a Purchase Business Combination*, the Company recognized a liability of \$198 thousand related to this elimination of personnel that was undertaken as part of the final integration plan that was implemented immediately after the closing of the acquisition. The Company completed its purchase price allocation and the valuation of the respective acquired intangible assets with the assistance of independent third party valuation experts. As a result, the Company recognized an indefinite-life intangible and associated estimated fair value with respect to the contractual/territorial relationships existing with the property and casualty insurance carriers in Australia. These contractual/territorial rights are perpetual in nature and, therefore, the useful lives are considered indefinite. Indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually. In summary the Company recorded an indefinite-life intangible asset with respect to the insurance carriers in the amount of \$14.9 million, definite lived intangible assets with respect to acquired customer relationships in the amount of \$2.6 million (with an estimated useful life of 20 years), and acquired developed technology in the amount of \$523 thousand (with an estimated useful life of 3 years).





**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)**

The following table summarizes the estimated fair value of the net assets acquired and the liabilities assumed at the acquisition dates for those business combinations completed during 2009 and 2008:

<b>(In thousands)</b>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Current assets	\$ 9,146	\$ 7,638
Property and equipment	817	817
Intangible assets	7,183	5,809
Indefinite-lived intangibles	14,862	14,748
Goodwill	66,988	58,322
Total assets acquired	98,996	87,334
Less: liabilities assumed	(17,438)	(12,558)
Net assets acquired	\$ 81,558	\$ 74,776

The following table summarizes the separately identified intangible assets acquired as a result of the acquisitions that occurred during 2009 and 2008 as of the acquisition date:

<b>Intangible asset category</b>	<b>Fair Value (in thousands)</b>	<b>Weighted Average Useful Life (in years)</b>
Customer relationships	\$ 6,102	14.5
Developed technology	1,081	4.0
Total acquired intangible assets	<b>\$ 7,183</b>	<b>\$ 12.9</b>

**Note 5: Pro Forma Financial Information**

The following pro forma financial information for the six months ended June 30, 2009 and 2008 presents the consolidated operations of the Company as if the Facts acquisition described above in Note 4 had been made on January 1, 2008, after giving effect to certain adjustments for the pro forma effects of the acquisition as of the acquisition dates. The Company made adjustments primarily for the amortization of intangible assets and the recognition of income tax expense using local effective tax rates. This 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:

	<b>Six Months Ended June 30, 2009</b>		<b>Six Months Ended June 30, 2008</b>	
	<b>As Reported</b>	<b>Pro Forma</b>	<b>As Reported</b>	<b>Pro Forma</b>
Revenue	\$ 43,089	\$ 44,708	\$ 34,442	\$ 36,769
Net income	\$ 17,291	\$ 17,443	\$ 12,006	\$ 11,923
Basic earnings per share	\$ 1.72	\$ 1.73	\$ 1.21	\$ 1.20
Diluted earnings per share	\$ 1.42	\$ 1.43	\$ 1.00	\$ 1.00

**Note 6: Short-term Debt**

The Company's short term debt consists of a \$25.0 million revolving line of credit facility with Bank of America Corporation. The line provides for a variable interest rate at Libor plus 1.3%, is secured by a first security interest in substantially all of the Company's assets, and expires on August 31, 2009. The underlying loan and security agreement contains certain financial covenants related to profitability, current assets, and debt coverage to which the Company is in compliance. There have been no cited events of default.

**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)**

There were no repayments or borrowings on the line of credit during the six months ended June 30, 2009. As of June 30, 2009 the outstanding balance on the line was \$24.9 million and the facility carried an interest rate of 1.62%. During the year ending December 31, 2008 the Company borrowed \$9.3 million from the revolving line of credit facility, and at year end 2008 the balance on the credit facility was \$24.9 million.

**Note 7: Long-term Debt:**

Long-term debt is in connection with the acquisition of EbixLife (formerly known as LifeLink) in February 2004 the purchase consideration of which included a \$2.5 million non-interest bearing note payable. The note was payable in annual installments of \$500 thousand over five years. The Company imputed interest on this debt at the rate of 4%. The final installment payment was made in February 2009.

**Note 8: Convertible Debt**

The Company accounts for its convertible debt in accordance with APB Opinion 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*.

On July 11, 2008, the Company entered into a Secured Convertible Note Purchase Agreement with Whitebox in the original principal amount of \$15.0 million, which amount is convertible into shares of Common Stock at a Conversion Price of \$28.00 per share, subject to certain adjustments as set forth in the note. The note bears an interest rate of 2.5% per annum which is payable on an annual basis on July 11 of each year, each date of conversion (as to the principal amount being converted), and the maturity date. No warrants were issued with this convertible note. The note is payable in full at its maturity date of July 11, 2010. The proceeds of this note were used by the Company to partially finance the acquisition of Acclamation. The Note is convertible, in whole or in part, into shares of Common Stock at the option of Whitebox, at any time and from time to time (subject to certain conversion limitations set forth in the Note), at the Conversion Price. The Company has the option to cause a mandatory conversion and the subsequent surrender of the Note at a Conversion Price of \$28.00 per share, if the average price of the Company's Common Stock on the trading market exceeds \$56.00 for any consecutive 30 trading days.

On December 18, 2007, the Company entered into a Secured Convertible Note Purchase Agreement with Whitebox in the original principal amount of \$20.0 million, which amount is convertible into shares of Common Stock at a Conversion Price of \$21.28 per share, subject to certain adjustments as set forth in the note. The note bears an interest rate of 2.5% per annum, payable on an annual basis on December 18th of each year, each date of conversion (as to the principal amount being converted) and the maturity date. No warrants were issued with this convertible note. The proceeds of this note were used by the Company to partially finance the acquisition of Telstra. The Note is convertible, in whole or in part, into shares of Common Stock at the option of Whitebox, at any time and from time to time (subject to certain conversion limitations set forth in the Note), at the Conversion Price. The Company has the option to cause a mandatory conversion and the subsequent surrender of the Note at a Conversion Price of \$21.28 per share, if the average price of the Company's Common Stock on the trading market exceeds \$42.67 for any consecutive 30 trading days. Pursuant to the share purchase agreements, Ebix was obligated to file with the SEC this registration statement for the underlying shares of our common stock and use our reasonable best efforts to cause the SEC to declare the registration statement effective. This registration statement, number 333-150371, became effective on February 18, 2009. Through June 30, 2009 Whitebox converted \$14.9 million of principal and accrued interest into 700,237 shares of the Company's common stock.

**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)****Note 9: Commitments and Contingencies**

**Lease Commitments** The Company leases office space under non-cancelable operating leases with expiration dates ranging through 2015, with various renewal options. Capital leases range from three to five years and are primarily for computer equipment. There were multiple assets under various individual capital leases at June 30, 2009 and 2008. Rental expense for office facilities and certain equipment subject to operating leases for the six months ended June 30, 2009 and 2008 was \$1.1 million and \$1.2 million, respectively. Sublease income was \$69 thousand and \$37 thousand, respectively for the six months ended June 30, 2009 and 2008.

**Contingencies** The Company is not involved in any significant legal action or claim, that in the opinion of management can have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

**Self Insurance** For most of the Company's U.S. employees the Company is currently self-insured for its health insurance and has a stop loss policy that limits the individual liability to \$100 thousand per person and the aggregate liability to 125% of the expected claims based upon the number of participants and historical claims. As of June 30, 2009, the amount accrued on the Company's consolidated balance sheet for the self-insured component of the Company's employee health insurance was \$103 thousand. The maximum potential estimated cumulative liability for the annual contract period, which ends in September 2009, is \$1.2 million.

**Note 10: Income Taxes**

**Effective Tax Rate** Our effective tax rate reflects the tax benefits from having significant operations outside the United States, which are taxed at rates lower than the U.S. statutory rate of 35%. The effective income tax for the six months ended June 30, 2009 rate was 4.81%, as compared to 5.70% for the same period in 2008. The effective tax rate for 2009 has decreased due to the change in the mix of taxable income amongst the various domestic and foreign countries, including certain low tax rate foreign jurisdictions, in which the Company conducts operations. The Company's interim period income tax provisions are based on our current estimate of the effective income tax rates applicable to the related annual twelve month period, after considering discrete items unique to the respective interim reporting period.

In the United States the Company's effective federal income tax rate is reduced because of the use of available net operating loss ( NOL ) carry-forwards used to partially offset taxable income. At June 30, 2009, the Company has remaining available domestic net operating loss ( NOL ) carry-forwards of approximately \$34 million (net of approximately \$8.8 million utilized to reduce the taxable income for the six months ending June 30, 2009), which are available to offset future federal and certain state income taxes. A portion of these NOLs will expire during each of the years 2009 through 2020. A full valuation allowance currently exists against the Company's accumulated domestic net operating loss carryforwards because of uncertainty as to the expectation of future taxable income in the United States and the pending execution of available tax planning strategies. Changes in the valuation allowance could have a material impact on the Company's future effective tax rate.

Currently, the Company's local taxable income in India, other than passive interest and rental income, is subject to a tax holiday. The tax holiday is scheduled to expire in 2011. The Company's operations in India are also subject to the 11.33% Minimum Alternative Tax ( MAT ). For the three month and six periods ended June 30, 2009 the Company's MAT liability was \$343 thousand and \$739 thousand respectively. The tax paid under the MAT provisions is carried forward for a period of seven years to be used as an offset against future tax liabilities computed under the regular corporate income tax provisions, for which the current income tax rate is 33.99%. Accordingly, the Company's consolidated balance sheet at June 30, 2009 includes a long-term deferred tax asset in the amount of \$2.1 million.

**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)**

**FIN 48 Accounting for Uncertainty in Income Taxes** The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007 FIN 48. As of June 30, 2009 the Company's consolidated balance sheet includes a liability of \$763 thousand for unrecognized tax benefits. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<b>(in thousands)</b>
Balance at January 1, 2009	\$ 914
Additions for tax positions related to current year	98
Additions for tax positions of prior years	
Reductions for tax position of prior years	(249)
Balance at June 30, 2009	\$ 763

It is expected that the amount of unrecognized tax benefits may change in the next twelve months; however, we presently do not expect the change to have a significant impact on our consolidated statement of income or consolidated balance sheet. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

**Note 11: Financial Instruments**

SFAS No. 157, *Fair Value Measurements* ( SFAS 157 ), as amended by FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; or quoted prices for identical or similar assets and liabilities in markets that are not active.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company has classified its financial instruments, being the foreign exchange forward contracts discussed in Note 12, which are measured at fair value on a recurring basis, into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

**As at June 30, 2009**

	<b>Fair Value Measurement at reporting date using</b>		
	<b>Quoted price in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Total</b>			
<b>Assets</b>			

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Currency forward contract	\$	142	\$	\$	142	\$
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**Liabilities**

Currency forward contract	\$		\$	\$		\$
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**Ebix, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (unaudited)**

**Note 12: Derivative Instruments**

The Company uses derivative instruments that are not designated as hedges under SFAS No. 133, to hedge the fluctuations in foreign exchange rates for recognized balance sheet items such as intercompany receivables. During the three months ended June 30, 2009 the Company entered into a series of twelve month foreign currency forward contracts maturing June 10, 2010 and totaling \$8.0 million. The intended purpose of these hedging instruments is to offset the income statement impact of recorded foreign exchange transaction gains and losses resulting from U.S. dollar denominated invoices issued by our Indian subsidiary whose functional currency is the Indian rupee. The changes in the fair value of these derivatives is recorded in foreign exchange gains (losses), in the consolidated statements of income and were \$144 thousand for the three and six months ended June 30, 2009.

The following table presents the aggregate notional principal amounts of the outstanding derivative financial instruments together with the related balance sheet exposure:

	<b>As at June 30, 2009</b>	
	<b>Notional principal amount (Note a)</b>	<b>Balance Sheet exposure asset (liability) (Note b)</b>
<b>Foreign exchange forward contracts denominated in:</b>		
United States Dollars (sell) Indian Rupee (buy)	\$ 8,000	\$ 142
		<b>\$ 142</b>

(a) Notional amounts are key elements of derivative financial instrument agreements, but do not represent the amount exchanged by counterparties and do not measure the Company's exposure to credit or market risks, or derivative financial instruments agreements.



- (b) Balance sheet exposure is denominated in U.S. Dollars and denotes the mark-to-market impact of the derivative financial instruments on the reporting date.

The fair value of the derivative instruments and their location on the financial statements of the Company is summarized in the table below:

	<b>Non-designated As at June 30, 2009</b>
<b>Assets</b>	
Other current assets	\$ 142
Other assets	\$
<b>Liabilities</b>	
Other current liabilities	\$
Other liabilities	\$

**Note 13: Sales of Unregistered Common Stock**

Note 10 to the Company's consolidated financial statements for the years ended December 31, 2008, 2007, and 2006 included in our 2008 Annual Report on Form 10-K and incorporated herein by reference, includes details regarding the sales of unregistered shares of the Company's common stock occurring during those years. The shares sold in December 2007 and April 2008 were registered in a S-1 registration statement number 333-150371 that was filed with the SEC and declared effective on February 18, 2009. During the six months ended June 30, 2009 there were no registered or unregistered sales of the Company's common stock.

**Table of Contents****Ebix, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (Unaudited)****Note 14: Repurchase of Common Stock from Brit:**

On April 16, 2008, the Company entered into a Stock Purchase Agreement with Brit Insurance Holdings PLC ( Brit ) for the repurchase of 1,200,000 shares of the company's common stock held by Brit, and consummated the transaction on April 17, 2008. The price was \$20.00 per share, for an aggregate purchase price of \$24.0 million. As of August 5, 2009, Brit holds 339,789 shares of our common stock, representing approximately 3.33% of our outstanding stock. The Company financed this share repurchase using a combination of the proceeds of its April 2008 sales of common stock (\$11.0 million), cash on hand (\$8.0 million) and additional borrowings under its line of credit (\$5.0 million).

**Note 15: Geographic Information**

The Company operates in one reportable segment whose performance and results are regularly reviewed by the Company's chief decision maker as to performance and allocation of resources. In accordance with SFAS No. 131

Disclosures about Segments of an Enterprise and Related Information the following enterprise wide information is provided. This information relates to the geographic locations in which the Company conducts business operations.

**Six Months ended June 30, 2009**

	North		New			Total
	America	Australia	Zealand	India	Singapore	
Revenue	\$ 32,160	\$ 9,525	\$ 573	\$	\$ 831	\$ 43,089
Fixed assets	\$ 2,588	\$ 439	\$ 34	\$ 1,566	\$ 41	\$ 4,668
Goodwill	\$ 66,311	\$ 35,940	\$	\$	\$	\$ 102,251
Other intangible assets	\$ 8,550	\$ 16,101	\$	\$	\$	\$ 24,651
Headcount	312	66	8	290	6	682

**Six Months ended June 30, 2008**

	North		New			Total
	America	Australia	Zealand	India	Singapore	
Revenue	\$ 20,247	\$ 12,699	\$ 505	\$ 36	\$ 955	\$ 34,442
Fixed assets	\$ 2,111	\$ 429	\$ 33	\$ 816	\$ 38	\$ 3,427
Goodwill	\$ 29,983	\$ 54,748	\$	\$	\$	\$ 84,731
Other intangible assets	\$ 6,362	\$ 3,626	\$	\$	\$	\$ 9,988
Headcount	235	67	9	162	6	479

The results of operations for Australia, New Zealand and Singapore were adversely affected in 2009 because of the significant strengthening of the U.S. \$ as compared to the foreign currencies for the countries in which we conduct international operations. In particular during the six-month period ending June 30, 2009 the average exchange rates for Australia, New Zealand, and Singapore weakened by 22.9%, 26.6%, and 7.0% respectively.

**Note 16: Subsequent Events thru August 6, 2009**

**Conversion of a Portion of Outstanding Debt** During July 2009 Whitebox in connection with the \$15 million Secured Convertible Promissory Note dated July 11, 2008, converted \$500 thousand of principal into 17,867 shares of the Ebix common stock.

**Table of Contents****Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Safe Harbor for Forward-Looking Statements under the Securities Litigation Reform Act of 1995** This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as may, could, should, would, believe, expect, anticipate, estimate, intend, seek, plan, project, continue, predict or will and include, but are not limited to, statements regarding the outlook for our future business and financial performance. Forward-looking statements are based on management's current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially due to global political, economic, business, competitive, market, regulatory and other factors, including the items identified in Part I, Item 1A, Risk Factors in our 2007 Form 10-K which is incorporated by reference herein. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

The important factors that could cause actual results to differ materially from those in our specific forward-looking statements included in this Form 10-Q include, but are not limited to, the following:

Regarding Notes 6, and 8 of the Notes to Consolidated Financial Statements, and our future liquidity needs discussed under Liquidity and Financial Condition, our ability to generate cash from operating activities and any declines in our credit ratings or financial condition which could restrict our access to the capital markets or materially increase our financing costs;

With respect to Note 9 of the Condensed Notes to Consolidated Financial Statements, Commitments and Contingencies, and Contractual Obligations and Commercial Commitments in MD&A, changes in the market value of our assets or the actual cost of our commitments or contingencies;

Regarding Note 4 of the Condensed Notes to Consolidated Financial Statements related to acquired intangible assets and our ability to accurately estimate the fair value of such assets; and,

With respect this Management Discussion & Analysis of Financial Condition and Results of Operation and in particular the analysis of the six month revenue trend, and the actual level of demand for our services during the immediately foreseeable future.

The following information should be read in conjunction with the unaudited 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, 2008.

**Company Overview**

Ebix, Inc. is a leading international supplier of on-demand software and e-commerce solutions to the insurance industry. Ebix provides a series of application software products for the insurance industry ranging from carrier systems, agency systems and exchanges to custom software development for all entities involved in the insurance and financial industries. Our goal is to be the leading powerhouse of backend insurance transactions in the world. The Company's technology vision is to focus on convergence of all insurance channels, processes and entities in a manner such that data can seamlessly flow once a data entry has been made. Our customers include many of the top insurance and financial sector companies in the world.

The insurance industry has undergone significant consolidation over the past several years driven by the need for, and benefits from, economies of scale and scope in providing insurance in a competitive environment. The insurance markets have also seen a steady increase in the desire to reduce paper based processes and improve efficiency both at the back-end side and also at the consumer end side. Such consolidation has involved both insurance carriers and insurance brokers and is directly impacting the manner in which insurance products are distributed. Management believes the world-wide insurance industry will continue to experience significant change and the need for increased efficiencies through online exchanges and streamlined processes. The changes in the insurance industry are likely to create new opportunities for the Company.



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Ebix strives to work collaboratively with clients to develop innovative technology strategies and solutions that address specific business challenges. Ebix combines the newest technologies with its capabilities in consulting, systems design and integration, IT and business process outsourcing, applications software, and Web and application hosting to meet the individual needs of organizations. Over 70% of our operating revenues are of a recurring nature.

Recently, we have continued to expand both organically and through a series of acquisitions including:

**Facts Services, Inc.** Effective May 1, 2009, Ebix, Inc. acquired Facts, a leading provider of fully automated software solutions for healthcare payers specializing in claims processing, employee benefits, and managed care. Facts products are available in either an ASP or self-hosted model. The Company paid the Facts shareholders \$6.5 million for all of Facts outstanding stock. The Company is combining Facts operations with its Pittsburgh health services division operating under the name of EbixHealth, which will include operating results of Facts starting in the second quarter of 2009. Ebix financed this acquisition with internal resources using available cash reserves.

**ConfirmNet Corporation** Effective November 1, 2008 Ebix acquired ConfirmNet Corporation ( ConfirmNet ) a provider of insurance certificate creation and tracking services. The Company paid ConfirmNet shareholders \$7.4 million for all of ConfirmNet s stock, and ConfirmNet shareholders earned an additional \$3.1 million in additional which was paid in the first quarter of 2009 and retain the right to earn up to an additional \$3.0 million at the one year anniversary date of the acquisition if certain revenue targets of the ConfirmNet division of Ebix are met. The results of operation for ConfirmNet, which is a component of our BPO channel, are included in the Company s reported net income starting in the fourth quarter of 2008. Ebix financed this acquisition using available cash balances.

**Acclamation Systems, Inc.** Effective August 1, 2008 Ebix acquired Acclamation Systems, Inc ( Acclamation ) a developer of supplier software and e-commerce solutions to the health insurance industry. The Company acquired all of the stock of Acclamation for a payment of \$22 million in cash and additional future payments of up to \$3 million over a two year period subsequent to the effective date of the acquisition if certain customer revenue targets for Ebix s Health Benefits division are achieved. Ebix financed this acquisition with a combination of the proceeds from the issuance of convertible debt and available cash reserves. The operating results of Acclamation, which is a component of our Exchange channel, have been included in the Company s reported net income beginning in the third quarter of 2008.

**Periculum Services Group** Effective April 28, 2008 Ebix acquired Periculum Services Group ( Periculum ) a provider of certificate of insurance tracking services. The Company acquired all of the stock of Periculum for a payment of \$1.1 million and additional future payments of up to \$200 thousand at the one year anniversary date of the acquisition if certain customer retention and revenue targets for Periculum are achieved. Ebix financed this acquisition using available cash. The purchase price allocation for this business combination is not complete because the Company is in the process of developing a valuation of the respective identifiable intangible and tangible assets. The operating results of Periculum, which is a component of our BPO channel, have been included in the Company s reported net income beginning in the second quarter of 2008.

**Telstra eBusiness Services** Effective January 2, 2008 Ebix acquired Telstra eBusiness Services ( Telstra ) an insurance exchange located in Melbourne, Australia. The Company purchased all of the stock of Telstra for a payment of Australian \$50.0 million (US \$43.9 million). Telstra was a wholly owned subsidiary of Telstra Services Solutions Holding Limited. Ebix financed this acquisition with a combination of \$1.6 million of available cash reserves, \$16.5 million from the Company s line of credit, \$20.0 million of convertible debt, and \$5.7 million from sales of the Company s common stock. The operating results of Telstra have been included in the Company s reported net income since the first quarter of 2008.

**Table of Contents****Offices and Geographic Information**

The Company has its headquarters in Atlanta, Georgia, and it also has domestic operations in Walnut Creek and Hemet, California; Coral Gables, Florida; Pittsburgh, Pennsylvania; Park City, Utah; Herndon, Virginia; and Dallas, Texas. The Company also has offices in Australia, New Zealand, Singapore, United Kingdom and India. In these offices, Ebix employs insurance and technology professionals who provide products, services, support and consultancy to approximately 3,000 customers across six continents. The Company's product development unit in India has been awarded Level 5 status of the Carnegie Mellon Software Engineering Institute's Capability Maturity Model Integrated (CMMI) and ISO 9001:2000 certification. Information on the geographic dispersion of the Company's revenues, assets, and employees is provided in Note 7 to the consolidated financial statements, included Part 1 in this Form 10-Q.

**Key Performance Indicators**

Management focuses on a variety of key indicators to monitor operating and financial performance. These performance indicators include measurements of revenue growth, operating income, operating margin, income from continuing operations, diluted earnings per share, and cash provided by operating activities. We monitor these indicators, in conjunction with our corporate governance practices, to ensure that business vitality is maintained and effective control is exercised.

The key performance indicators and their results for the three and six months ended June 30, 2009 and 2008 were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
<i>(dollar amounts in thousands)</i>				
Revenue	\$ 22,421	\$ 17,803	\$ 43,089	\$ 34,442
Revenue growth (yr over yr)	25.9%	81.4%	25.1%	82.9%
Operating income	\$ 9,260	\$ 6,905	\$ 17,617	\$ 13,048
Operating margin	41.3%	38.8%	40.9%	37.9%
Net income	\$ 8,956	\$ 6,336	\$ 17,291	\$ 12,006
Diluted earnings per share	\$ 0.73	\$ 0.54	\$ 1.42	\$ 1.00
Cash provided by operating activities	\$ 7,733	\$ 7,043	\$ 15,549	\$ 10,659

**Results of Operations Three Month Periods Ended June 30, 2009 and 2008****Operating Revenue**

The Company generates its revenues from professional and support services, which includes revenues from software development projects and associated fees for consulting, implementation, training, and project management provided to customers with installed systems, subscription and transaction fees related to services delivered over our exchanges or on an ASP basis, fees for hosting software, fees for software license maintenance and registration, business process outsourcing revenue, and the licensing of proprietary and third-party software.

Our revenues are principally derived from four product/service groups. Presented in the table below is the breakout of our revenue streams for each of those product/service groups for the three and six months ended June 30, 2009 and 2008.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
<i>(dollar amounts in thousands)</i>				
Carrier Systems	\$ 2,701	\$ 2,843	\$ 5,527	\$ 5,133
Exchanges	13,162	9,380	25,195	18,731
BPO	3,714	1,817	7,075	3,514
Broker Systems	2,844	3,763	5,292	7,064

<b>Totals</b>	<b>\$ 22,421</b>	<b>\$ 17,803</b>	<b>\$ 43,089</b>	<b>\$ 34,442</b>
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During the three months ended June 30, 2009 our operating revenue increased \$4.6 million or 25.9%, to \$22.4 million in the second quarter of 2009 compared to \$17.8 million during the second quarter of 2008. Although, the significant year over year strengthening of the US dollar, resulted in the exchange and broker division revenues (primarily coming from our international operations) for second quarter of 2009 decreasing by \$1.1 million in U.S.\$ terms. In particular our reported revenues from our international operations in Australia, New Zealand, and Singapore for the second quarter of 2009 were adversely affected because of the strengthening US dollar. Specifically during the three-month period ending June 30, 2009 the average exchange rates for Australia, New Zealand, and Singapore weakened by 19.5%, 22.3%, and 7.3% respectively.

***Cost of Services Provided***

Costs of services provided, which includes costs associated with support, call center, consulting, implementation and training services, increased \$1.3 million or 40.6%, from \$3.2 million in the second quarter of 2008 to \$4.5 million in the second quarter of 2009. This increase is attributable to additional personnel and facility costs primarily associated with our acquisitions of Periculum, ConfirmNet and Acclamation. During the quarter we were able to achieve a \$219 thousand of cost reductions, as compared to the same quarter of the prior year, as a result of off shoring certain functions to our operating facilities in India.

***Product Development Expenses***

The Company's product development efforts are focused on the development new technologies for insurance carriers, brokers and agents, and the development of new exchanges for international and domestic markets. Product development expenses increased \$591 thousand or 27.3%, from \$2.2 million during the second quarter of 2008 to \$2.8 million during the second quarter of 2009. This increase is primarily due to costs associated with new product development activities in support of our recent acquisitions within our exchange division.

***Sales and Marketing Expenses***

Sales and marketing expenses increased \$303 thousand or 37.0%, from \$818 thousand in the second quarter of 2008 to \$1.1 million in the second quarter of 2009. This increase is primarily attributable additional personnel and commission related costs in our BPO and exchange divisions.

***General and Administrative Expenses***

General and administrative costs slightly increased by \$69 thousand or 1.8%, from \$3.86 million during the second quarter of 2008 to \$3.93 million during the second quarter of 2009. During the quarter \$542 thousand of additional personnel and compensation related costs were largely offset by \$458 thousand of reduced facility and travel expenses.

***Amortization and Depreciation Expenses***

Amortization and depreciation expenses of \$830 thousand remained steady during the second quarter of 2009 as compared to the \$837 thousand reported for the second quarter of 2008. Increased depreciation expense of \$103 thousand related to additional capital equipment expenditures were offset by a \$110 thousand reduction in amortization expense related to the to the completion of the amortization of the customer relationships intangible asset acquired with purchase acquisition of Heart Consulting Pty Ltd. ( Heart ) (acquired in July 2004), and the reclassification of a portion of the purchase price of Telstra (acquired in January 2008) associated with the existing contractual/territorial relationships with the property and casualty insurance carriers in Australia to an indefinite life intangible asset which reduced amortization expense by \$42 thousand.

***Income Taxes***

The income tax provision for the three months ended June 30, 2009 is \$416 thousand which is flat as compared to the compared to the \$415 thousand recognized in the same period in 2008. The Company's interim period income tax provisions are based on our estimate of the effective income tax rates applicable to related annual twelve month period, after considering discrete items uniquely related to the current interim reporting period. The effective tax rate utilized in the second quarter of 2009 was 4.46% which is down from the 6.1% for the same period in 2008 due to the change in the mix of taxable income amongst the various domestic and foreign countries, including certain low tax rate foreign jurisdictions, in which the Company conducts operations.





**Table of Contents****Results of Operations Six-Month Periods Ended June 30, 2009 and 2008*****Operating Revenue***

During the six months ended June 30, 2009 our operating revenue increased \$8.6 million or 25.1%, to \$43.1 million in 2009 compared to \$34.8 million during the same period in 2008. Although, the significant year over year strengthening of the US dollar, resulted in the exchange and broker division revenues (primarily coming from our international operations) for the six months ended June 30, 2009 decreasing by \$3.3 million in US\$ terms. In particular our reported revenues from our international operations in Australia, New Zealand, and Singapore for the first half of 2009 were adversely affected because of the strengthening US dollar. Specifically during the six-month period ending June 30, 2009 the average exchange rates for Australia, New Zealand, and Singapore weakened by 22.9%, 26.6%, and 7.0% respectively.

***Cost of Services Provided***

Costs of services provided, increased \$2.7 million or 43.4% during the six months ended June 30, 2009 to \$8.8 million in 2009 as compared to \$6.2 million incurred during the same period in 2008. This increase is principally attributable to additional personnel and facility costs associated with our recent acquisitions of Periculum, ConfirmNet, and Acclamation.

***Product Development Expenses***

Product development expenses increased \$1.0 million or 23.8% during the six months ended June 30, 2009 to \$5.3 million in comparison to \$4.2 million of costs incurred during the same period in 2008. This increase is primarily due to costs associated with new product development activities in support new product offerings of the exchange division.

***Sales and Marketing Expenses***

Sales and marketing expenses increased \$0.6 million or 35.4% during the six months ended June 30, 2009 to \$2.3 million as compared to \$1.7 million recognized during the same period in 2008. This increase is primarily attributable additional personnel and commission related costs in our BPO and exchange divisions.

***General and Administrative Expenses***

General and administrative costs of \$7.55 million for the six months ended June 30, 2009 remained relatively steady as compared to the \$7.67 million reported for the same period in 2008. During the current year-to-date period additional personnel related and compensation costs amounting to \$760 thousand were largely offset by \$859 thousand in reduced facility costs.

***Amortization and Depreciation Expenses***

Amortization and depreciation expenses decreased slightly by \$83 thousand during the six months ended June 30, 2009 to \$1.6 million as compared to \$1.7 million recorded during the same period in 2008. We incurred increased depreciation expense of \$141 thousand related to additional capital equipment expenditures and additional amortization expenses amounting to \$172 thousand related to intangible assets associated with the April 2008 acquisition of Periculum, August 2008 acquisition of Acclamation, November 2008 acquisition of ConfirmNet, and the May 2009 acquisition of Facts. Primarily offsetting these expense increases were a \$142 thousand reduction in amortization expense related to the to the completion of the amortization of the customer relationships intangible asset acquired with purchase acquisition of Heart (acquired in July 2004), and the reclassification of a portion of the purchase price of Telstra (acquired in January 2008) associated with the existing contractual/territorial relationships with the property and casualty insurance carriers in Australia to an indefinite life intangible asset which reduced amortization expense by \$164 thousand.

**Table of Contents*****Income Taxes***

The income tax provision for the six months ended June 30, 2009 was \$612 thousand which represents a \$115 thousand or 16% decrease compared to the \$727 thousand recognized during the same period of 2008. The Company's cumulative interim period income tax provisions are based on the estimated effective income tax rates applicable the entire annual reporting, after considering discrete items unique to the interim periods being reported. The effective tax rate for the interim six month period thru June 30 was 4.81% which is down from the 5.70% for the same period in 2008 due to the change in the mix of taxable income amongst the various domestic and foreign countries, including certain low tax rate foreign jurisdictions, in which the Company conducts operations. Reported income tax expense for the six months ended June 30, 2009 are also lower due to a \$249 reduction in the provision for uncertain tax positions.

**Liquidity and Capital Resources**

Our ability to generate significant cash flows from operating activities is one of our fundamental financial strengths. Our principal sources of liquidity are the cash flows provided by our operating activities, our revolving credit facility, and cash and cash equivalents on hand. Due to the effect of temporary or timing differences resulting from the differing treatment of items for tax and accounting purposes and minimum alternative tax obligations in India, future cash outlays for income taxes are expected to substantially exceed current income tax expense but will not adversely impact the Company's liquidity position. We intend to utilize cash flows generated by our ongoing operating activities, in combination with renewing our revolving credit facility and the possible issuance of additional equity securities to fund capital expenditures and organic growth initiatives, to make acquisitions, and to retire outstanding indebtedness. We believe that anticipated cash flows provided by our operating activities, together with current cash and cash equivalent balances and access to our credit facilities and the capital markets, if required and available, will be sufficient to meet our projected cash requirements for the next twelve months, and the foreseeable future thereafter, although any projections of future cash needs, cash flows, and the condition of the capital markets in general, as to the availability of debt and equity financing, are subject to substantial uncertainty. In the event additional liquidity needs arise, we may raise funds from a combination of sources, including the potential issuance of debt or equity securities. Our revolving line of credit, which has a current balance of \$24.9 million, will mature in August 2009, and the \$20 million December 18, 2007 convertible note with Whitebox which has current balance of \$5.3 million, will mature in December 2009. As to the to our revolving line of credit, during the third and fourth quarters of 2009 we expect to do either of the following: (a) secure a short-term extension under reasonable terms acceptable to the Company; (b) renew the existing facility with Bank of America Corporation at favorable market terms; (c) execute an agreement for new revolving credit facility with a major commercial bank at acceptable market terms; and/or (d) raise equity capital in order to fully pay the balance on the existing line of credit. In light of the current market value of the Company's common stock we anticipate that Whitebox will convert the remaining principal balance on the December 18, 2007 convertible note and a significant portion of the \$15 million July 11, 2008 Whitebox convertible note into shares of our common stock over the forthcoming months.

Our cash and cash equivalents were \$11.9 million and \$9.5 million at June 30, 2009 and December 31, 2008, respectively. Our cash and cash equivalents balance increased during the quarter primarily as a result of the cash generated from our operating activities.

**Table of Contents*****Operating Activities***

For the six months ended June 30, 2009, the Company generated \$15.5 million of net cash flow from operating activities which is \$4.8 million or 45.8% greater than the \$10.7 million generated during the six months ended June 30, 2008. The primary components of the cash provided by operations for the quarter consisted of net income of \$17.3 million, net of \$1.6 million of depreciation and amortization, \$(3.8) million of working capital requirements, and \$0.6 million of non-cash compensation.

The \$10.7 million of net cash flows generated by our operating activities during the six months ended June 30, 2008 principally consisted of net income of \$12.0 million, net of \$(3.3) million of working capital requirements, \$1.7 million of depreciation and amortization, and \$319 thousand of non-cash compensation.

***Investing Activities***

Net cash used for investing activities during the six months ended June 30, 2009 totaled \$12.9 million, of which \$6.5 million was used for the acquisition of Facts (effective May 1, 2009), \$1.0 million was used to fulfill an earn-out payment obligation to the former shareholders of IDS (a November 2007 business acquisition), \$3.1 million was used to fulfill earn-out payment obligations to the former shareholders of ConfirmNet (a November 2008 business acquisition), \$1.2 million was used for capital expenditures and purchases of operating equipment pertaining to the enhancement of our technology platforms, and \$1.6 million was used for investments in marketable securities (specifically bank certificates of deposit).

Net cash used for investing activities totaled \$44.4 million for the six months ended June 30, 2008, of which \$43.0 million was used for the January 2008 acquisition of Telstra (net of \$1.3 million of cash acquired), \$382 thousand was used for operating equipment and capital expenditures in support of our technology platforms.

***Financing Activities***

During the six months ended June 30, 2009 the net cash provided from financing activities was \$110 thousand. This financing inflow was comprised of \$507 thousand used to complete open market repurchases of our common stock and \$805 thousand used to service existing long-term debt and capital lease obligations. Partially offsetting these uses of cash for financing related purposes was \$1.4 million provided from the exercise of stock options.

Net cash used for financing activities for the six months ended June 30, 2008 totaled \$2.2 million. This net cash outflow was primarily comprised of \$9.3 million provided from our revolving line of credit facility and \$12.5 million generated from the sale of common stock, offset by \$24.0 million used to repurchase of our common stock from an affiliate.

***Revolving Credit Facility***

The Company has a \$25 million revolving line of credit facility with Bank of America Corporation that matures on August 31, 2009. The interest rate on the credit facility is Libor plus 1.30%. At June 30, 2009 the balance on the line of credit was \$24.9 million with an effective interest rate was 1.62%, thereby leaving \$100 thousand available under the facility. The underlying loan and security agreement contains certain financial covenants related to profitability, current assets, and debt coverage to which the Company is in compliance. There have been no cited events of default.

***Off-Balance Sheet Arrangements***

The Company does not and has not engaged in off-balance sheet financing arrangements.

**Table of Contents*****Contractual Obligations and Commercial Commitments***

The following table summarizes our significant contractual purchase obligations and other long-term commercial commitments as of June 30, 2009. The table excludes obligations or commitments that are contingent based on events or factors uncertain at this time.

	Total	Payment Due by Period			More than 5 years
		Less Than 1 Year	1 - 3 Years (in thousands)	3 - 5 Years	
Short-term debt	\$ 24,945	\$ 24,945	\$	\$	\$
Convertible debt	20,306	5,306	15,000		
Operating leases	6,221	1,897	2,611	1,566	147
Capital leases	631	212	276	143	
Total	\$ 52,103	\$ 32,360	\$ 17,887	\$ 1,709	\$ 147

**Recent Accounting Pronouncements**

For information about new accounting pronouncements and the potential impact on our Consolidated Financial Statements, see Note 1 of the Notes to Consolidated Financial Statements in this Form 10-Q and Note 1 of the Notes to Consolidated Financial Statements in our 2008 Form 10-K.

**Application of Critical Accounting Policies**

The preparation of our Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We believe the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates and assumptions about the effects of matters that are inherently uncertain. The Summary of Significant Accounting Policies sections of Note 1 to this Form 10-Q and the Consolidated Financial Statements, in our 2008 Form 10-K describe the pertinent accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ materially from our estimates. We have considered how the acquisition of Telstra and Acclamation has affected our critical accounting policies and concluded that it has not had a significant impact on our critical accounting policies.

**Revenue Recognition**

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin ( SAB ) 104 Revenue Recognition and therefore we consider revenue earned and realizable when (a) persuasive evidence of the sales arrangement exists, provided that the arrangement fee is fixed or determinable, (b) delivery or performance has occurred, (c) customer acceptance has been received, if contractually required, and, (d) collectability of the arrangement fee is probable. The Company typically uses signed contractual agreements as persuasive evidence of a sales arrangement. Sales and value-added taxes are not included in revenues, but rather are recorded as a liability until the taxes assessed are remitted to the respective taxing authorities.

We apply the provisions of Statement of Position 97-2, Software Revenue Recognition (SOP 97-2), as amended by SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions to all transactions involving the license of software where the software deliverables are considered more than inconsequential to the other elements in the arrangement. For contracts that contain multiple deliverables, we analyze the revenue arrangements in accordance with Emerging Issues Task Force Issue No. 00-21, Revenue Arrangements with Multiple Deliverables (EITF 00-21), individual contractual deliverables are accounted for separately if (a) the delivered items has value to the customer on a stand-alone basis;(b) there is vendor-specific objective and reliable evidence ( VSOE ) of the fair value of the undelivered items; and, (c) if the arrangement includes a general right of return relative to the delivered items, the delivery or performance of the undelivered items is probable and substantially in our control. Software development arrangements involving significant customization, modification or

production are accounted for in accordance with Statement of Position 81-1, Accounting for Performance on Construction-Type and Certain Production-Type Contracts, (SOP 81-1) using the percentage-of-completion method. The Company recognizes revenue using periodic reported actual hours worked as a percentage of total expected hours required to complete the project arrangement and applies the percentage to the total arrangement fee.

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The Company begins to recognize revenue from license fees for its application software products upon delivery and the customer's acceptance of the software implementation and customizations if applicable. 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 recognized upon delivery together with the Company's licensed software products. Training, data conversion, installation, and consulting services fees are recognized as revenue when the services are performed. Revenue for maintenance and support services is recognized ratably over the term of the support agreement. Revenues derived from initial setup or registration fees are recognized ratably over the term of the agreement in accordance with SAB 104. ASP transaction services fee revenue is recognized as the transactions occur and generally billed in arrears. Service fees for hosting arrangements are recognized over the requisite service period.

Deferred revenue includes maintenance and support payments or billings that have been received or recorded prior to performance and, in certain cases, cash collections; initial setup or registration fees under hosting agreements; software license fees received in advance of delivery, acceptance, and/or completion of the earnings process; and amounts received under multi-element arrangements in which the VSOE for the undelivered elements does not exist. In these instances revenue is recognized when the VSOE for the undelivered elements is established or when all contractual elements have been completed and delivered.

**Allowance for Doubtful Accounts Receivable**

Management specifically analyzes accounts receivable and historical bad debts, write-offs, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

**Valuation of Goodwill**

The Company applies the provisions of Financial Accounting Statement No. 142 Goodwill and Other Intangible Assets (SFAS 142) which addresses how goodwill and other acquired intangible assets should be accounted for in financial statements. In this regard we test these intangible assets for impairment annually or more frequently if indicators of potential impairment are present. These events or circumstances would include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors. The testing involves comparing the reporting unit and asset carrying values to their respective fair values; we determine fair value by using the present value of future estimated net cash flows.

In analyzing goodwill for potential impairment, we use projections of future discounted cash flows to determine each reporting unit's fair value. These projections of cash flows are based on our views of growth rates, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. Our estimates of fair value for each reporting unit are corroborated by market multiple comparables. The use of different estimates or assumptions within our projected discounted cash flows (e.g., growth rates, future economic conditions, discount rates and estimates of terminal values) when determining the fair value of our reporting units could result in different values and may result in a goodwill impairment charge. During the twelve months ended December 31, 2008, 2007 and 2006, we had no impairment of our reporting unit goodwill balances. For additional information concerning our recorded goodwill balances, see Note 1 of the Condensed Notes to Consolidated Financial Statements in this Form 10-Q and Note 1 to Consolidated Financial Statements for the year ended December 31, 2008 in our 2008 annual report on Form 10-K.

**Table of Contents****Income Taxes**

We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes (SFAS 109). As part of the process of preparing our Consolidated Financial Statements, we estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets. We then assess the likelihood that our net deferred tax assets will be recovered from future taxable income in the years in which those temporary differences are expected to be recovered or settled, and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. The Company has not provided deferred U.S. taxes on its unremitted foreign earnings because it considers them to be permanently re-invested.

We currently maintain a full valuation allowance against the deferred tax asset associated with the Company's accumulated domestic net operating loss carryforwards because management believes it is more likely than not that this deferred tax asset may not be realizable due to uncertainties as to the generation of future taxable income in the United States and the lack of available tax-planning strategies.

Effective January of 2007 the Company adopted the Financial Accounting Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

**Foreign Currency Translation**

Our reporting currency is the U.S. dollar. The functional currency of the Company's foreign subsidiaries is generally the local currency of the country in which the subsidiary operates. The assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the rates of exchange at the balance sheet dates. Income and expense accounts are translated at the average exchange rates in effect during the period. Gains and losses resulting from translation adjustments are included as a component of other comprehensive income in the accompanying consolidated financial statements. Foreign exchange transaction gains and losses that are derived from transactions denominated in other than the subsidiary's functional currency are included in the determination of net income.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is subject to certain market risks, including foreign currency exchange rates and interest rates. The Company's exposure to foreign currency exchange rates risk is related to our 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. The majority of the Company's operations are based in the U.S. and, accordingly, the majority of our transactions are denominated in U.S. dollars, however, the Company also has significant operations in Australia, New Zealand, Singapore, and India, and we 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 the Company's business, operating results, revenues or financial condition. Net changes in the cumulative foreign currency translation account, which is a component comprehensive income with stockholders equity, were unrealized gains (losses) of \$7.7 million and \$6.5 million respectfully during the three and six months ended June 30, 2009, and \$1.7 million and \$3.6 million respectfully for the three and six months ended June 30, 2008. The Company considered the historical trends in currency exchange rate and determined that it was reasonably possible that adverse changes in our respective foreign currency exchange rates of 20% could be experienced in the near term. Such an adverse change in currency exchange rates would have resulted in reduction to pre-tax income of approximately \$728 thousand and \$1.4 million for the three and six months ended June 30, 2009, respectively and approximately \$1.9 million and \$2.3 million for the three and six months ended June 30, 2008, respectively.



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During the quarter ended June 30, 2009, we entered into a series of one-year forward foreign exchange contracts to hedge the intercompany receivables originated by our Indian subsidiary that are denominated in United States dollars. These U.S dollars / Indian rupee hedges are intended to partially offset the impact of movement of exchange rates on future operating costs, and to reduce the risk that our earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. As of June 30, 2009, the notional value of these contracts which are scheduled to mature in eleven months is \$8 million. Changes in the fair value of these derivative instruments are recognized in our consolidated income statement. We use these instruments as economic hedges, intended to mitigate the effects of changes in foreign exchange rates, and not for speculative purposes. These derivative instruments do not subject us to material balance sheet risk due to exchange rate movements because gains and losses on these derivatives are intended to offset gains and losses on the intercompany receivables being hedged. For the six months ended June 30, 2009, we recognized an unrealized gain of \$144 thousand included in Foreign exchange gain (loss) in the consolidated statements of income. Based upon a sensitivity analysis performed against our forward foreign exchange contracts at June 30, 2009, which measures the hypothetical change in the fair value of the contracts resulting from 20% shift in the value of exchange rates of the Indian rupee relative to the U.S. dollar, a 20% appreciation in the U.S. dollar against the Indian rupee (and a corresponding increase in the value of the hedged assets) would lead to a decrease in the fair value of our forward foreign exchange contracts by \$1.3 million. Conversely, a 20% depreciation in the U.S. dollar against the Indian rupee would lead to an increase in the fair value of our forward foreign exchange contracts by \$1.9 million. We regularly review our hedging strategies and may in the future, as a part of this review, determine the need to change our hedging activities.

The Company's exposure to interest rate risk relates to its interest expense on outstanding debt obligations and to its interest income on existing cash balances. As of June 30, 2009 the Company had \$45.2 million of outstanding debt obligations which consisted of a \$24.9 million balance on our revolving line of credit, and \$5.3 million and \$15.0 million respectively on the remaining balances on the December 17, 2007 and July 1, 2008 convertible promissory notes with Whitebox. The interest rate on Whitebox convertible notes is fixed at 2.5% therefore these instruments present no risk as to exposures to financial market fluctuations. The Company's revolving line of credit bears interest at the rate of LIBOR + 1.3%, and interest rate stood at 1.62% at June 30, 2009. The Company is exposed to market risk in regards to the line of credit as to the potential increase to interest expense arising from adverse changes in interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 30% increase in the LIBOR rate. Such an adverse change in the LIBOR rate would have resulted in a reduction to pre-tax income of approximately \$7 thousand and \$16 thousand for the six months ending June 30, 2009 and 2008 respectively. The Company's average cash balances during the six months of 2009 was \$10.8 million and its existing cash balances as of June 30, 2009 was \$11.9 million. The Company is exposed to market risk in relation to these cash balances in regards to the potential loss of interest income arising from adverse changes in interest rates. This interest rate risk is estimated as the potential decrease in earnings resulting from a hypothetical 20% decrease in interest rates earned on deposited funds. Such an adverse change in these interest rates would have resulted in a reduction to pre-tax income of approximately \$18 thousand and \$14 thousand for the six months ending June 30, 2009 and 2008, respectively.

**Item 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures* As required by Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, an evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2009. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2009, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is accurately and properly recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

*Internal Control over Financial Reporting* There were no changes in our internal control over financial reporting during the six months ended June 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****Part II OTHER INFORMATION****Item 1A. RISK FACTORS**

We believe there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008. You should carefully consider, in addition to the other information set forth in this report, the risk factors discussed in our Annual Report, which could materially affect our business, financial condition, or future results. Such risk factors are expressly incorporated herein by reference. The risks described in our Annual Report are not the only risks facing our Company. In addition to risks and uncertainties inherent in forward looking statements contained in this Report on Form 10-Q, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

None

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

**Item 5. OTHER INFORMATION**

The following table contains information with respect to purchases of our common stock made by or on behalf of Ebix during the six months ended June 30, 2009, as part of our publicly-announced plan:

<b>Period</b>	<b>Total Number of Shares Purchased as Part of Publicly-Announced Plans or Programs</b>	<b>Average Price Paid Per Share (1)</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)</b>
As of December 31, 2008	70,245	\$ 20.43	\$ 3,565,000
January 1, 2009 to March 31, 2009	26,874	\$ 18.82	\$ 3,059,000
April 1, 2009 to June 30, 2009		\$	\$ 3,059,000
<b>Total</b>	<b>97,119</b>	<b>\$ 19.98</b>	

(1) Average price paid per share for shares purchased as part of our publicly-announced plan (includes brokerage commissions).

(2) On March 21, 2008, the Company's board of directors ratified,

and we publicly announced, an increase in the Company's ability to repurchase shares of our outstanding common stock from an amount of \$1.0 million to \$5.0 million in shares. The opening balance stated here reflects the previous repurchase of 70,245 shares.

**Item 6. EXHIBITS**

The exhibits filed herewith or incorporated by reference herein are listed on the Exhibit Index attached hereto.

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SIGNATURES

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

Ebix, Inc.

Date: August 7, 2009

By: /s/ Robin Raina  
Robin Raina  
Chief Executive Officer  
*(Principal Executive Officer)*

Date: August 7, 2009

By: /s/ Robert F. Kerris  
Robert F. Kerris  
Senior Vice President and Chief Financial  
Officer  
*(Principal Financial and Accounting  
Officer)*

**Table of Contents****EXHIBIT INDEX**

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
2.1	Share Sale Agreement by and among Ebix, Inc., Ebix Australia (vic) Pty Ltd, and Telstra Services Solutions Holdings Limited dated December 22, 2007 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 18, 2008 and incorporated herein by reference).
2.2	Stock Purchase Agreement by and amongst Ebix, Acclamation Systems, Inc., and Joseph Ott, as Seller dated July 31, 2008 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed August 5, 2008 and incorporated herein by reference).
2.3	Agreement and Plan of Merger by and among Ebix, Inc., ConfirmNet Corporation, Ebix Software India Private Limited, ConfirmNet Acquisition Sub, Inc and Craig A. Irving, as shareholder's Representation dated November 1, 2008 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed November 11, 2008 and incorporated herein by reference).
3.1	Certificates of Incorporation of the Company, as amended (including Certificates of Designations) (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2005 and incorporated herein by reference).
3.2	Bylaws of the Company (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference).
10.29	Share Purchase Agreement made and entered into as of April 2, 2008 by and among Ebix, Inc and Rennes Foundation (incorporated by reference to Exhibit 10.29 to the Company's Current Report on Form 8-K filed on April 14, 2008 and incorporated herein by reference).
10.30	Share Purchase Agreement made and entered into as of April 7, 2008 by and among Ebix, Inc and Ashford Capital Management, Inc. (incorporated by reference to Exhibit 10.30 to the Company's Current Report on Form 8-K filed on April 14, 2008 and incorporated herein by reference).
10.31	Stock Re-Purchase Agreement made and entered into as of April 16, 2008 by and among Ebix, Inc and Brit Insurance, Holdings, Inc. (incorporated by reference to Exhibit 10.31 to the Company's Current Report on Form 8-K filed April 17, 2008 and incorporated herein by reference).
31.1	Certification of Chief Executive Officer Pursuant to 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2	Certification of Chief Financial Officer Pursuant to 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 Sarbanes-Oxley Act of 2002.

32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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