

EBIX INC
Form 10-K/A
November 15, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
Amendment No. 2

to

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

For the fiscal year ended December 31, 2011

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)

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Delaware
(State or other jurisdiction of incorporation)

77-0021975
(I.R.S. Employer Identification Number)

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

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Common Stock, par value \$0.10 per share

Listed on the NASDAQ Global Capital Market

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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 March 15, 2012, the number of shares of Common Stock outstanding was 36,444,178. As of June 30, 2011 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of Common Stock held by non-affiliates, based upon the last sale price of the shares as reported on the NASDAQ Global Capital Market on such date, was approximately \$564,509,202 (for this purpose, the Company has assumed that directors, executive officers and holders of more than 10% of the Company's common stock are affiliates).

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Explanatory Note

The purpose of this second amendment to our Annual Report on Form 10-K for the year ended December 31, 2011, originally filed with the Securities and Exchange Commission on March 15, 2012, as first amended on July 6, 2012, is only to supplement certain disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations (as detailed below). This amendment should be read in conjunction with the Company's full 2011 Annual Report on Form 10-K. A brief summary of the additional disclosure provided in this second amended filing is as follows:

Part II Item 7 Management's Discussion and Analysis In the Key Performance Indicators table an inadvertent previous editing oversight has now been addressed whereby the cash provided from operating activities for the fiscal year ending December 31, 2010 is now properly shown as \$52,779 thousand.

Part II Item 7 Management's Discussion and Analysis The analysis of operating revenues has been expanded to include a discussion of the factors causing the changes in 2011 versus 2012 year over year pro forma revenues from business acquisitions, and the reasons for differences between the relative changes in period to period pro forma operating revenue, and period to period reported revenue.

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EBIX, INC.

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PART II

Item 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used herein, the terms Ebix, the Company, we, our and us refer to Ebix, Inc., a Delaware corporation, and its consolidated subsidiaries as a combined entity.

The information contained in this section has been derived from our historical financial statements and should be read together with our historical financial statements and related notes included elsewhere in this document. The discussion below contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties including, but not limited to: demand and acceptance of services offered by us, our ability to achieve and maintain acceptable cost levels, rate levels and actions by competitors, regulatory matters, general economic conditions, and changing business strategies. Forward-looking statements are subject to a number of factors that could cause actual results to differ materially from our expressed or implied expectations, including, but not limited to our performance in future periods, our ability to generate working capital from operations, the adequacy of our insurance coverage, and the results of litigation or investigation. Our forward-looking statements can be identified by the use of terminology such as anticipates, expects, intends, believes, will or the negative thereof or variations thereon or comparable terminology. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

OVERVIEW

Ebix, Inc. is a leading international supplier of on-demand software and e-commerce solutions to the insurance industry. Ebix provides various 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. Approximately 80% of the Company's revenues are of a recurring nature. Rather than license our products in perpetuity, we typically either license them for a few years with ongoing support revenues, or license them on a limited term basis using a subscription hosting or ASP model. During the year 2011 combined subscription-based and transaction-based revenues grew to 83% of the Company's total revenues, as compared to 74% in the year 2010, and in particular subscription-based revenues grew to 65% of total revenue in 2011 versus 56% in 2010. 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 continuously increased their demands for cutting edge solutions to reduce paper based processes and improve efficiency both at the back-end side and at the consumer end side of their insurance transaction processing. 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.

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 our business is efficiently managed and that effective controls are maintained.

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The key performance indicators for the twelve months ended December 31, 2011, 2010, and 2009 were as follows:

(Dollar amounts in thousands except per share data)	Key Performance Indicators		
	Twelve Months Ended December 31,		
	2011	2010	2009
Revenue	\$ 168,969	\$ 132,188	\$ 97,685
Revenue growth	28%	35%	31%
Operating income	\$ 68,748	\$ 52,507	\$ 39,256
Operating margin	41%	40%	40%
Net Income	\$ 71,378	\$ 59,019	\$ 38,822
Diluted earnings per share *	\$ 1.75	\$ 1.51	\$ 1.03
Cash provided by operating activities	\$ 71,286	\$ 52,779	\$ 33,877

* Adjusted to reflect the effect of the 3-for-1 stock split dated January 4, 2010

RESULTS OF OPERATIONS

	Year Ended December 31, 2011	Year Ended December 31, 2010 (In thousands)	Year Ended December 31, 2009
Operating revenue:	\$ 168,969	\$ 132,188	\$ 97,685
Operating expenses:			
Costs of services provided	33,589	29,599	21,274
Product development	19,208	13,607	11,362
Sales and marketing	13,642	6,372	5,040
General and administrative	26,268	24,065	16,798
Amortization and depreciation	7,514	6,038	3,955
Total operating expenses	100,221	79,681	58,429
Operating income	68,748	52,507	39,256
Interest income (expense), net	(202)	(383)	(871)
Other non-operating income	647	6,319	89
Foreign exchange gain	4,302	1,211	1,358
Income before taxes	73,495	59,654	39,832
Income tax expense	(2,117)	(635)	(1,010)
Net income	\$ 71,378	\$ 59,019	\$ 38,822

TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010**Operating Revenue**

The Company derives its revenues primarily from professional and support services, which includes subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, revenue generated from software development projects and associated fees for consulting, implementation, training, and project management provided to customers using our systems, and business process outsourcing revenue. Ebix's revenue streams come from four product channels. Presented in the table below is the breakout of our revenues for each of those product channels for the years ended December 31, 2011 and 2010.

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<i>(dollar amounts in thousands)</i>	For the Year Ended	
	December 31,	
	2011	2010
Exchanges	\$ 130,638	\$ 94,212
Broker Systems	18,006	13,841
Business Process Outsourcing (BPO)	14,944	15,586
Carrier Systems	5,381	8,549
Totals	\$ 168,969	\$ 132,188

During the twelve months ended December 31, 2011 our total revenue increased \$36.8 million or 28%, to \$169.0 million compared to \$132.2 million in 2010. The increase in revenues is primarily the result of revenue from the acquisition of ADAM since February 2011, revenue from business acquisitions made during 2010, and continued growth achieved in our Exchange channel. \$23.1 million of ADAM's operating revenues recognized since February 7, 2011 are included in the Company's revenues reported in its consolidated statement of income for the year ended December 31, 2011. The Company continues to immediately and efficiently leverage product cross-selling opportunities across all channels, as facilitated by our operating philosophy and business acquisition strategy. With respect to business acquisitions completed during the fiscal years 2011 and 2010 on a pro forma basis, as disclosed in the table in Note 4 Pro Forma Financial Information to the enclosed consolidated financial statements, combined revenues increased 2.8% for the year 2011 versus full year 2010, whereas there was a 27.8% increase in reported revenues for the same comparative periods. The 2.8% increase in pro forma revenues was associated with a 0.7% decrease in full year 2011 versus 2010 revenues pertaining to the businesses acquired during the years 2010 and 2011 (i.e. ADAM, HealthConnect, MCN, Trades Monitor, Connective Technologies, USIX, and E-Trek), offset by a 3.5% increase in revenues associated with Ebix's legacy operations preceding these business acquisitions. The cause for the difference between the 27.8% increase in reported 2011 revenue versus 2010 revenue, as compared to the 2.8% increase in 2011 pro forma versus 2010 pro forma revenue is due to the effect of combining the revenue derived from those businesses acquired during years 2010 and 2011 with the Company's pre-existing operations. Also partially effecting reported revenues was the impact from fluctuations in the exchange rates of the foreign currencies in the countries in which we conduct operations. During each of the years 2011, 2010, and 2009 the change in foreign currency exchange rates increased/(decreased) reported consolidated operating revenues by \$4.2 million, \$4.6 million, and \$(1.9) million, respectfully. The specific components of our revenue and the changes experienced during the past year are discussed further below.

Exchange division revenues increased \$36.4 million or 39% due to net increases of approximately \$5.0 million in the life and annuity sector, \$7.2 million in the property and casualty insurance sector, \$22.0 million in the health services sector, and \$2.4 million from the customer relationship insurance CRM services sector and \$(218) thousand from the risk management & workers compensation sector.

BPO division revenues decreased slightly by \$642 thousand or 4% due to reduced demand for some of our insurance certificate creation and tracking services. The Company's performance in this product channel is still marginally affected by the downturn in the commercial and residential housing industry which accounts for almost a third of the insurance certificates created, although the Company has recently experienced some improvement in this market segment.

Broker Systems division revenue increased \$4.2 million or 30% due to growth realized in our both our Asia-Pacific markets, regarding services delivered by on-demand back-end systems, and in our domestic U.S. market regarding systems designed for use by insurance brokers.

Carrier Systems division revenue decreased \$3.2 million or 37% due to the lack of demand by large insurance carriers for perpetually licensed back-end systems. The Company is developing and launching new on-demand products and services for prospective clients in this market that are designed to facilitate a subscription-based recurring model. We expect insurance carriers to deploy these new technologies and increase their spending for system development, and that our revenues from this channel will increase over the next few years.

Costs of Services Provided

Costs of services provided, which includes costs associated with customer support, consulting, implementation, and training services, increased \$4.0 million or 13%, from \$29.6 million in 2010 to \$33.6 million in 2011. This increase is due to additional personnel, facility, and customer support costs associated with the acquisition of ADAM and other expenses in support of our increasing revenue streams.

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Product Development Expenses

Product development expenses increased \$5.6 million or 41%, from \$13.6 million in 2010 to \$19.2 million in 2011. The Company's product development efforts continue to be focused on the development of new technologies for insurance carriers, brokers and agents, and the development of new data exchanges for domestic and international insurance markets. The cost increase incurred in 2011 was associated with the expansion of our research and development efforts dedicated to the provision of additional on-demand based products and services in support of each of our product channels, and is primarily attributable to the associated incremental staffing and facilities costs that were incurred during the year.

Sales and Marketing Expenses

Sales and marketing expenses increased \$7.3 million or 114%, from \$6.4 million in 2010 to \$13.6 million in 2011. Approximately half of this increase is associated with the acquisition of ADAM and the remaining increase in expenses is attributable to additional sales personnel that have been hired to support the continued expansion and increase in revenues generated by our Exchange, Broker System, and BPO channels.

General and Administrative Expenses

General and administrative expenses increased \$2.2 million or 9%, from \$24.1 million in 2010 to \$26.3 million in 2011. This increase is primarily due to additional staffing necessary to fill critical positions, and increased corporate and employee health insurance costs. Partially offsetting these cost increases was a \$2.8 million net expense decrease associated with reductions to previously recorded contingency based earnout accruals pertaining to business acquisitions made during 2010. The Company reduced these estimated accruals after considering both information available at the date the business acquisitions were made and analyzing the ongoing performance of these businesses since they were acquired.

Amortization and Depreciation Expenses

Amortization and depreciation expenses increased \$1.5 million, or 24%, from \$6.0 million in 2010 to \$7.5 million in 2011. This increase is primarily due to additional amortization costs associated with the customer relationship, developed technology, and trademark intangible assets that were recognized in connection with the acquisition of ADAM, and \$376 thousand of additional depreciation expenses in connection with the purchases of equipment and facilities necessary to support our continued expanding operations.

Interest Income

Interest income increased \$38 thousand or 7% from \$519 thousand in 2010 to \$557 thousand in 2011 primarily due to earnings realized on funds invested in foreign banks.

Interest Expense

Interest expense decreased \$143 thousand or 16% from \$902 thousand in 2010 to \$759 thousand in 2011. This decrease is primarily due to the conversion of the Company remaining \$5.0 million of convertible debt that occurred in April 2011 thereby ceasing further recognition of the imputed interest expense associated with this debt instrument, and also due a lower rate of interest incurred with our revolving line of credit.

Other Non-Operating Income

Other non-operating income of \$647 thousand for the year ending December 31, 2011 consists of a \$537 thousand gain recognized in regards to the net decrease in the fair value of the put option that was issued to the two former stockholders of E-Z Data whom received shares of Ebix common stock as part of the acquisition consideration paid by the Company; this put option expired on October 31, 2011. Also in addition to this gain on the put option was a \$108 thousand gain that was recognized upon the settlement of a \$5.0 million convertible note that was fully converted and settled in April 2011.

Foreign Exchange Gain

Net foreign exchange gains of \$4.3 million for the year ended December 31, 2011 consisted of \$6.9 million of gains recognized upon the re-measuring of certain intercompany debt obligations partially offset by \$2.6 million of losses recorded in connection with the changes in the fair value of related derivative instruments the Company holds to hedge the impact of fluctuations in the exchange rates in the foreign

jurisdictions in which we certain international operations.

Table of Contents**Income Taxes**

The Company recognized a net tax expense of \$2.1 million for the year ended December 31, 2011. The Company's tax provision for the year, before the effect of discrete items, was an expense of \$6.9 million and reflects an effective tax rate 9.5% as compared to the 4.8% effective tax rate for the same period a year earlier. The effective rate increased primarily due to an increased proportion of our taxable income having been generated in jurisdictions with higher tax rates. Included in the discrete items recognized during the year ended December 31, 2011 were the releases of the remaining valuation allowances held against deferred tax assets associated with tax net operating losses carry forwards obtained from earlier business acquisitions. The valuation allowances were released based on analysis of the levels of taxable income being generated by these business units, available prudent and feasible tax planning strategies, and an analysis of the relevant income tax regulations. As a result of the release of the valuation allowances the Company recognized a tax benefit of \$6.6 million. Also included in recognized discrete items was a \$1.9 million income tax expense pertaining to charges associated with windfall gains realized from tax deductions in connection with exercised stock options and vested restricted stock grants, and a \$233 thousand income tax benefit from certain enhanced research and development tax deductions realized in our foreign operations. Facilitating our relatively low consolidated world-wide effective tax rate is the advantages the Company realizes from conducting activities in certain foreign low tax jurisdictions. The pre-tax income from and the applicable statutory tax rates in each jurisdiction in which the Company had operations for the year ending December 31, 2011 was as follows:

	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Sweden	Total
Pre-tax income	\$ 12,043	\$ 831	\$ 1,260	\$ 2,734	\$ 18,084	\$ 488	\$ 31,715	\$ 6,340	\$ 73,495
Statutory tax rate	35.0%	30.5%	34.0%	30.0%	10.0%	30.0%	%	%	

TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009**Operating Revenue**

Presented in the table below is the breakout of our revenues from each of our four product channels the years ended December 31, 2010 and 2009.

<i>(dollar amounts in thousands)</i>	For the Year Ended December 31,	
	2010	2009
Exchanges	\$ 94,212	\$ 60,764
Broker Systems	13,841	11,599
BPO	15,586	14,698
Carrier Systems	8,549	10,624
Totals	\$ 132,188	\$ 97,685

During the twelve months ended December 31, 2010 our total revenue increased \$34.5 million or 35%, to \$132.2 million compared to \$97.7 million in 2009. The increase in revenues was principally a result of the impact from strategic business acquisitions made during 2010 and 2009 in our Exchange and BPO channels, and continued growth realized in our Exchange channels. Our ability to quickly integrate business acquisitions into existing operations was instrumental to achieving these results. The specific components of our revenue and the changes experienced during the past year are discussed further below.

Exchange division revenues increased \$33.4 million or 55% primarily due to net increases of approximately \$17.9 million in the life and annuity sector, \$13.4 million in the property & casualty sector, and \$2.6 million from the health insurance sector.

BPO division revenues increased \$880 thousand or 6% due to greater demand for our insurance certificate creation and tracking services. The Company's growth in this channel was strongly impacted by the downturn in the commercial and residential housing industry, which drove down the transaction volume derived from clients associated within the construction industry, which traditionally accounts for approximately 35% of the insurance certificates in the United States.

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Broker Systems division revenue increased \$2.2 million or 19% principally due to further expansion into the international markets, and the associated growth of our on-demand back-end systems designed for use by insurance brokers.

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Carrier Systems division revenue decreased \$2.1 million or 20% due to continued delays in capital spending decisions related to large investments in perpetually licensed back-end systems designed for use by large insurance companies.

Costs of Services Provided

Costs of services provided, which includes costs associated with customer support, consulting, implementation, and training services, increased \$8.3 million or 39%, from \$21.3 million in 2009 to \$29.6 million in 2010. This cost increase was attributable to additional personnel, professional services, and facility costs associated with our 2009 acquisitions of E-Z Data and Peak, the 2010 expansion into the Latin America market.

Product Development Expenses

Product development expenses increased \$2.2 million or 20%, from \$11.4 million in 2009 to \$13.6 million in 2010. 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. This cost increase was associated with the expansion of our technical operations in India in regards to increased research and development efforts towards designing new futuristic on-demand based services, and our expanding intellectual property management operations in Singapore, both in support of the Company's Exchange, Broker Systems, and Carrier Systems divisions.

Sales and Marketing Expenses

Sales and marketing expenses increased \$1.3 million or 25%, from \$5.1 million in 2009 to \$6.4 million in 2010. This expense increase was primarily attributable to additional personnel, marketing, consulting, and facility related costs in support of the increased revenues generated by our Exchange and Broker Systems channels.

General and Administrative Expenses

General and administrative expenses increased \$7.3 million or 43%, from \$16.8 million in 2009 to \$24.1 million in 2010. This increase was primarily associated with additional personnel, increased health and business insurance costs, additional consulting services, increased business travel costs, and additional share-based and discretionary bonus compensation. Also a factor contributing the net increase to general and administrative expenses was the \$822 thousand of bad expense that was recognized in connection with the Company's decision to increase its reserve for doubtful accounts receivable. Partially offsetting these increases in general and administrative expenses was a \$1.5 million benefit associated with the reversal of a previously recorded contingent liability earnout obligation associated with our October 2009 acquisition of Peak, because during the subsequent 2010 earnout period the defined revenue targets was not achieved by the Peak operations.

Amortization and Depreciation Expenses

Amortization and depreciation expenses increased \$2.1 million, or 54%, from \$3.9 million in 2009 to \$6.0 million in 2010. This increase was due to \$1.3 million of additional amortization expense incurred in connection with the customer relationship, developed technology, and non-compete intangible assets that were recognized in connection with our 2010 business acquisitions of MCN, Trades Monitor, and USIX, and our 2009 business acquisitions of E-Z Data, Facts, and Peak. We also incurred increased depreciation expense amounting to \$795 thousand related to additional capital equipment expenditures in support of our growing businesses.

Interest Income

Interest income increased \$320 thousand or 161% from \$199 thousand in 2009 to \$519 thousand in 2010 primarily due to earnings realized on funds invested in foreign banks.

Interest Expense

Interest expense decreased \$168 thousand or 16% from \$1.1 million in 2009 to \$902 thousand in 2010. This decrease was primarily due to the full conversion of \$20.0 million of convertible debt during the third and fourth quarters thereby ceasing further recognition of the imputed interest expense associated with these debt instruments.

Other Non-Operating Income

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Other non-operating income of \$6.3 million for the year ending December 31, 2010 consisted of a \$6.0 million gain recognized for the decrease in the fair value of the put option that was issued to the two former stockholders of E-Z Data whom received shares of Ebix common stock as part of the acquisition consideration paid by the Company, and a \$262 thousand gain realized upon the sale of a building.

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Foreign Exchange Gain

Net foreign exchange gains decreased \$147 thousand or 11% from \$1.4 million in 2009 to \$1.2 million in 2010. This net decrease is due to the \$949 thousand impact of re-measuring certain intercompany debt obligations largely offset by \$802 thousand of gains recorded in connection with the changes in the fair value of the related derivative instruments the Company holds to hedge the impact of fluctuations in the exchange rates in the foreign jurisdictions in which we conduct our international operations.

Income Taxes

The Company's income tax provision, exclusive of discrete items, for the year ended December 31, 2010, was an expense of \$2.9 million which was reflective of an 4.8% effective tax rate. Included in the discrete items recognized during the 2010 were the benefit recognized from the \$2.3 million release of the remaining valuation allowance that had been held against certain cumulative net operating loss (NOL) carryforwards in the United States. This valuation allowance was released at that time as management believed that the uncertainties that had existed regarding the performance of our health benefits exchange operating segment in connection with the potential adverse impacts associated with the than pending health care legislation were no longer relevant. Net of discrete items income tax expense was \$635 thousand for the year 2010, which was \$375 thousand, or 37%, lower than the \$1.0 million income tax expense recognized in 2009, and during which year the Company had a 2.5% effective tax rate. Also facilitating the relatively low consolidated world-wide effective tax rate are the advantages the Company realizes from conducting activities in certain foreign low tax jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

Our ability to generate significant cash flows from operating activities is one the Company's 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.

We intend to utilize cash flows generated by our ongoing operating activities, in combination with possibly expanding our commercial lending facility, and the possible issuance of additional equity or debt securities to fund capital expenditures and organic growth initiatives, to make strategic business acquisitions, to retire outstanding indebtedness, and to possibly repurchase shares of our common stock as market and operating conditions warrant.

In the 4th quarter of 2011 the Company paid its first quarterly dividend in the amount of \$0.04 per common share, paying \$1.5 million in the aggregate in regards to this dividend issuance. This same quarterly dividend per share was paid in February 2012. The Company intends to use a portion of its operating cash flows to continue issuing dividends to its shareholders in the foreseeable future, while remaining dedicated to using most of its cash to generate improvement in future earnings by funding organic growth initiatives and accretive business acquisitions.

We believe that anticipated cash flows provided by our operating activities, together with current cash balances and access to our credit facilities and the capital markets, if required, 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 general market condition for credit and equity securities may be 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. However, there are no assurances that such financing facilities will be available in amounts or on terms acceptable to us, if at all.

We continue to strategically evaluate our ability to sell additional equity or debt securities, and to expand existing or obtain new credit facilities from lenders in order to strengthen our financial position. The sale of additional equity or convertible debt securities could result in additional dilution to our shareholders. We regularly evaluate our liquidity requirements, including the need for additional debt or equity offerings, when considering potential business acquisitions, development of new products or services, or the retirement of debt. During 2012 the Company intends to utilize its cash and other financing resources towards making strategic accretive acquisitions in the insurance data exchange arena, to fund new product development and service offerings, and to fund other organic growth initiatives.

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Our cash and cash equivalents were \$23.7 million and \$23.4 million at December 31, 2011 and 2010, respectively. The Company holds material cash and cash equivalent balances overseas in foreign jurisdictions. The free flow of cash from certain countries where we hold such balances may be subject to repatriation tax effects and other restrictions. Furthermore, the repatriation of earnings from some of our foreign subsidiaries would result in the application of withholding taxes at source as well as a tax at the U.S. parent level upon receipt of the repatriation amounts. The approximate cash, cash equivalents, and short-term investments balances held in our domestic U.S. operations and each of our foreign subsidiaries as of March 12, 2012 is presented in table below (figures denominated in thousands):

	United States	Canada	Latin America	Australia	Singapore	New Zealand	India	Sweden	Total
Cash and ST investments	\$ 9,356	\$ 751	\$ 1,067	\$ 7,605	\$ 1,962	\$ 861	\$ 9,962	\$ 15	\$ 31,579

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 the U.S. and India, future cash outlays for income taxes are expected to exceed current income tax expense but will not adversely impact the Company's liquidity position. Specifically our operations in India benefit from a tax holiday which will continue through 2015; as such the Company's local India taxable income, other than passive interest and rental income, is not taxed. After the tax holiday expires taxable income generated by our India operations will be taxed at 50% of the normal 33.99% corporate tax rate for a period of five years. During the year 2011 this tax holiday had the effect of reducing tax expense by \$11.1 million. The Company also has a relatively low income tax rate in Singapore in which our operations are taxed at a 10% marginal tax rate as a result of concessions granted by the local Singapore Economic Development Board for the benefit of in-country intellectual property owners. The concessionary 10% income tax rate will expire after 2015, at which time our Singapore operations will be subject to the prevailing corporate tax rate in Singapore, which is currently 17%, unless the Company reaches a subsequent agreement to extend the incentive period and the then applicable concessionary rate. The concession granted by the EDB improved net income by \$1.1 million.

Our current ratio declined to 1.28 at December 31, 2011 as compared to 1.56 at December 31, 2010 and our working capital position declined to \$14.0 million at December 31, 2011 as compared to \$21.7 million at the end of the 2010. The reduction in our short-term liquidity position is primarily due to increased trade accounts payable and an increase in deferred revenue liabilities associated with our growing business. We believe that our ability to generate sustainable and robust cash flows from operations will enable the Company to continue to fund its current liabilities from current assets including available cash balances for the foreseeable future.

Business Acquisitions

On February 7, 2011 Ebix closed the merger of Atlanta, Georgia based ADAM, Inc. (ADAM) with a wholly owned subsidiary of Ebix. Under the terms of the merger agreement, ADAM shareholders received, at a fixed exchange ratio, 0.3122 shares of Ebix common stock for every share of ADAM common stock. Ebix issued approximately 3.65 million shares of Ebix common stock pursuant to the merger. This issuance of shares increased the Company's diluted common share count to approximately 42.07 million shares as of the acquisition date. In addition Ebix paid approximately \$944 thousand in cash for unexercised ADAM stock options. ADAM is a leading provider of health information and benefits technology solutions in the United States.

On November 15, 2011, Ebix acquired Health Connect Systems, Inc. (Health Connect). Health connect, with operations based out of Fresno, California, is leading online Exchange for buyers and sellers of health insurance and employee benefits. Ebix acquired all of the outstanding stock of Health Connect for aggregate cash consideration in the amount of \$18.0 million, which was funded with internal resources using available cash reserves.

Operating Activities

For the twelve months ended December 31, 2011, the Company generated \$71.3 million of net cash flow from operating activities compared to \$52.8 million for the year ended December 31, 2010, representing a 35% increase. The major sources of cash provided by our operating activities for 2011 was net income of \$71.4 million, net of \$(4.0) million of net non-cash gains recognized on derivative instruments and foreign currency exchange, \$(5.1) million of deferred tax benefits, \$7.5 million of depreciation and amortization, \$2.2 million of non-cash compensation, \$(2.8) million of acquisition earnout reductions, and \$2.1 million provided by sources of working capital primarily increased trade accounts payable and increased deferred revenue liabilities.

For the twelve months ended December 31, 2010, the Company generated \$52.8 million of net cash flow from operating activities. The major sources of cash provided by our operating activities in 2010 was net income of \$59.0 million, net of \$(8.0) million of net non-cash gains recognized on derivative instruments and foreign currency exchange, \$(6.2) million of working capital requirements primarily associated with

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payments of trade payables and increased outstanding trade receivables, \$6.0 million of depreciation and amortization, and \$1.9 million of non-cash compensation.

Table of Contents***Investing Activities***

Net cash used for investing activities totaled \$13.3 million for the twelve months ended December 31, 2011. During the year the Company used \$17.9 million to acquire Health Connect Solutions in November 2011 (net of \$55 thousand cash acquired), and \$3.5 million was obtained from the February 2011 acquisition of ADAM (net of \$944 thousand used to settle outstanding ADAM stock options). Also during this past year in the aggregate \$577 thousand was paid in connection with the fulfillment earnout payment obligation from certain prior business acquisitions made in 2008, 2009, and 2010. Also during the year \$4.5 million was provided from maturities of marketable securities (specifically bank certificates of deposit), net of purchases, and \$2.8 million was used for capital expenditures in connection with purchases of operating equipment to enhance the performance of our technology platforms and to support the continued growth of our businesses.

Net cash used for investing activities totaled \$24.4 million for the twelve months ended December 31, 2010 of which \$7.1 million was used for the September 2010 acquisition of USIX, \$1.0 million was used for the July 2010 acquisition of E-Trek, \$1.3 million was used for the May 2010 acquisition of Connective Technologies, \$2.7 million was used for the April 2010 acquisition of Trades Monitor, and \$2.9 million was used for the January 2010 acquisition of MCN. Also during 2010 \$3.0 million was used to fulfill earnout payment obligations to the former shareholders of ConfirmNet (a 2008 business acquisition), \$4.5 million was used towards investments in marketable securities (specifically bank certificates of deposit), net of maturities, and \$1.8 million was used for purchases of operating equipment and investments in our technology platforms and to support the growth of our businesses.

Financing Activities

Net cash used for financing activities during the twelve months ended December 31, 2011 was \$55.5 million. This financing cash outflow was comprised of \$63.7 million was used to complete open market repurchases of our common stock, \$6.8 million used to settle a previously issued convertible debt instrument, \$1.5 million used to pay cash dividends in November 2011 to the holders of our common stock, and \$300 thousand was used to service existing capital lease obligations. Partially offsetting these financing cash outflows was \$9.8 million of proceeds (net of \$6.4 million of principal repayments) from our term loan facility with Bank of America, N.A. (BOA), and \$6.8 million of proceeds (net of \$33.5 million of repayments) from our revolving credit facility with BOA.

Net cash used for financing activities during the twelve months ended December 31, 2010 was \$25.7 million. This financing cash outflow was comprised of \$22.5 million used for the settlement of previously issued convertible debt instruments, \$10.7 million used to complete open market repurchases of our common stock, and \$804 thousand was used to service capital lease obligations. Partially offsetting these financing cash outflows was \$5.2 million of proceeds (net of principal repayments) from our term loan facility with Bank of America, N.A. (BOA), \$1.9 million of proceeds (net of repayments) from our revolving credit facility with BOA, and \$1.2 million from the exercise of stock options.

Commercial Bank Financing Facility

On April 20, 2011 the Company entered into a seventh amendment to a credit agreement (the *Seventh Amendment*) with Bank of America, N.A. (BOA), as administrative agent, which materially amended the initial credit agreement dated February 12, 2010. The Seventh Amendment increased the existing revolving credit facility from \$25 million to \$35 million with its term ending on April 20, 2014, and the \$10 million secured term loan was increased to \$20 million and amortizing over a three year period with quarterly principal and interest payments that commenced on June 30, 2011 and a final payment of all remaining outstanding principal and accrued interest that will be due on April 20, 2014. The entire credit facility has a variable interest rate currently set at LIBOR plus 1.50%. The Company deferred the origination costs in connection with this expanded and amended credit facility, and is amortizing these costs into interest expense over the three-year life of the credit agreement. The revolving credit facility is used by the Company to fund working capital requirements primarily in support of current operations, expanding operations and associated growth, and strategic business acquisitions. The underlying financing agreement contains financial covenants regarding the Company's annualized EBITDA, fixed charge coverage ratio, and leverage ratio, as well as certain restrictive covenants pertaining to such matters incurring new debt, the aggregate amount of repurchases of the Company's equity shares, and the consummation of new business acquisitions. The Company currently is in compliance with all such financial and restrictive covenants, and there have been no violations thereof or in the event of noncompliance, appropriate waivers having been obtained.

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Originally in February 2010 the Company entered into the initial credit facility with BOA. The financing was comprised of a two-year, \$25 million secured revolving credit facility, and a \$10 million secured term loan which amortized over a two year period with quarterly principal and interest payments that commenced on March 31, 2010 and a final payment of all remaining outstanding principal and accrued interest that was to be due on February 12, 2012. The interest rate applicable to the entire BOA credit facility was LIBOR plus 1.50%.

At December 31, 2011 the outstanding balance on the revolving line of credit was \$31.8 million and the facility carried an interest rate of 1.75%. This balance is included in long-term liabilities section of the Condensed Consolidated Balance Sheet. During the twelve months ending December 31, 2011 the average and maximum outstanding balance on the revolving line of credit was \$20.9 million and \$34.8 million, respectively.

At December 31, 2011, the outstanding balance on the term loan was \$15.0 million of which \$6.7 million is due within the next twelve months. This term loan also carried an interest rate of 1.75%. During the twelve months ended December 31, 2011 payments in the aggregate amount of \$6.3 million were made against the term loan.

Convertible Debt

In August 2009 the Company entered into a Convertible Note Purchase Agreement with the Rennes Foundation in an original amount of \$5.0 million, which amount is convertible into shares of common stock at a conversion price of \$16.66 per share (the Note). The Note had a 0.0% stated interest rate and no warrants were issued. The Note was to be payable in full at its maturity date of August 25, 2011. The Company applied imputed interest on this convertible note using an interest rate of 1.75% and discounted their carrying value accordingly. During the twelve months ending December 31, 2011 the Company recognized \$21 thousand of interest expense on the Note. With respect to this convertible note, and in accordance with its terms, as was understood between the Company and the holder, upon a conversion election by the holder, the Company had to satisfy the related original principal balance in cash and could satisfy the conversion spread (that being the excess of the conversion value over the related original principal component) in either cash or stock at option of the Company. On April 18, 2011, the Rennes Foundation elected to fully convert the Note. The Company settled this conversion election by paying \$5.00 million in cash with respect to the principal component, and paying \$1.8 million in cash with respect to the conversion spread.

Also in August 2009 the Company issued two convertible promissory notes raising a total of \$20.0 million. Specifically the Company entered into a Convertible Note Purchase Agreement with Whitebox in an original amount of \$19.0 million, which amount was convertible into shares of common stock at a conversion price of \$16.00 per share. The note had a 0.0% stated interest rate and no warrants were issued. The note was to be payable in full at its maturity date of August 26, 2011. Also at this time the Company entered into a Convertible Note Purchase Agreement with IAM Mini-Fund 14 Limited, a fund managed by Whitebox, in an original amount of \$1.0 million, which amount was convertible into shares of common stock at a conversion price of \$16.00 per share. The note had a 0.0% stated interest rate and no warrants were issued. The note was to be payable in full at its maturity date of August 26, 2011. The Company also applied imputed interest on these convertible notes using an interest rate of 1.75% and discounted their carrying value accordingly. During the twelve months ending December 31, 2010 the Company recognized \$328 thousand of interest expense in regards to these notes. With respect to each of these convertible notes, and in accordance with the terms of the notes, as understood between the Company and each of the holders, upon a conversion election by the holder the Company was to satisfy the related original principal balance in cash and could satisfy the conversion spread (that being the excess of the conversion value over the related original principal component) in either cash or stock at option of the Company. On November 10, 2010 Whitebox VSC, Ltd and IAM Mini-Fund 14 Limited elected to fully convert all of the remaining Convertible Promissory Notes. The Company settled these conversion elections by paying \$20 million in cash with respect to the principal component, paying \$2.5 million in cash for a portion of the conversion spread, and issuing 283,378 shares of Ebix common stock for the remainder of the conversion spread.

The Company also previously had a \$15.0 million convertible note with Whitebox, originally dated July 11, 2008. On February 3, 2010, Whitebox fully converted the remaining principal on the \$15 million note in the amount of \$4.39 million and accrued interest in the amount of \$62 thousand into 476,662 shares of the Company's common stock.

As of December 31, 2011 the Company has no remaining convertible debt obligations.

Contractual Obligations and Commercial Commitments

The following table summarizes our known contractual purchase obligations and other long-term obligations as of December 31, 2011. The table excludes commitments that are contingent based on events or factors uncertain at this time.

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	Payment Due by Period				
	Total	Less Than 1 Year	1 - 3 Years (in thousands)	3 - 5 Years	More than 5 years
Short and Long-term Debt	\$ 46,750	\$ 6,667	\$ 40,083	\$	\$
Operating leases	16,487	4,196	6,104	2,941	3,246
Capital Leases	346	198	148		
Total	\$ 63,583	\$ 11,061	\$ 46,335	\$ 2,941	\$ 3,246

Off Balance Sheet Transactions

We do not engage in off-balance sheet financing activities.

Inflation

We do not believe that the rate of inflation has had a material effect on our operating results. However, inflation could adversely affect our future operating results.

RECENT ACCOUNTING PRONOUNCEMENTS

The following is a brief discussion of recently released accounting pronouncements that are pertinent to the Company's business:

In June 2011, the FASB issued new financial reporting guidance regarding the reporting of other comprehensive income, or (OCI). This guidance revises the manner in which entities present comprehensive income in their financial statements. The new guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income, or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used currently, and the second statement would include components of OCI. Under either method, entities must display adjustments for items that are reclassified from OCI to net income in both net income and OCI. The new reporting guidance does not change the items that must be reported in OCI. This new reporting standard is effective for interim and annual periods beginning after December 15, 2011, however, the FASB recently decided to defer the effective date for the part of this new guidance that would require adjustments of items out of accumulated other income to be presented as components of both net income and other comprehensive income in financial statements. Those changes would have been effective for annual and interim periods beginning on or after December 15, 2011, but are now deferred until FASB can adequately evaluate the costs and benefits of this presentation requirement. After adoption, the guidance must be applied retrospectively for all periods presented in the financial statements. The Company will adopt this new guidance promptly when required, however we do not expect that it will have a material impact on our financial position or operating results as the only element of comprehensive income relevant to Ebix is in regards to cumulative foreign currency translation adjustments.

In September 2011, the FASB issued new technical guidance regarding an entity's evaluation of goodwill for possible impairment. Under this new guidance an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step quantitative impairment test is unnecessary. This new technical guidance was effective for fiscal years beginning after December 15, 2011. Early adoption was permitted for annual and interim goodwill impairment evaluations performed as of a date before September 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The Company elected to adopt early and accordingly applied this new guidance to its 2011 annual impairment evaluation of goodwill.

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In December 2010, the Emerging Issues Task Force of the FASB reached consensus regarding the disclosure of pro forma information for business combinations. This new guidance addressed the diversity in practice concerning the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The guidance specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity that enters into business combinations that are material on an individual or aggregate basis. The new guidance was applicable to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2010. The Company adopted this new guidance in 2011 and applied it to the disclosures regarding our recent acquisitions of ADAM, completed in February 2011, and Health Connect, completed in November 2011.

In January 2010, the FASB issued new guidance regarding disclosures about fair value measurements. The guidance requires additional disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in earlier related guidance. Specifically this new guidance requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements. Also a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This new guidance was effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted and applied this technical guidance 2010.

In September 2009, FASB issued amended revenue recognition guidance related to revenue arrangements with multiple deliverables. This new pronouncement: (a) provides application guidance on whether multiple deliverables exist in an arrangement with a customer, and if so, how the arrangement consideration should be separated and allocated; (b) requires an entity to allocate revenue using estimated selling prices of deliverables if vendor-specific objective evidence (VSOE) or third party evidence (TPE) of selling prices is not available; and, (c) eliminates the use of the residual method to allocate revenue. This guidance was to be applied on a prospective basis for revenue arrangements entered into in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt new guidance on a retrospective basis. The Company adopted this new guidance in 2011 and its adoption did not have a material impact on the Company's consolidated results of operation.

Also in September 2009, the FASB issued new guidance related to certain revenue arrangements that include software elements and provides guidance on determining whether software deliverables in an arrangement that include tangible products are within the scope of existing software revenue guidance. This guidance is to be applied on a prospective basis for revenue arrangements entered into in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt new guidance on a retrospective basis. The Company adopted this new guidance in 2011 and its adoption did not have a material impact on the Company's consolidated results of operation.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP), as promulgated in the United States, requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in our Consolidated Financial Statements and accompanying notes. 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 following accounting policies involve the use of critical accounting estimates because they are particularly dependent on estimates and assumptions made by management about matters that are uncertain at the time the accounting estimates are made. In addition, while we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period, or changes in the accounting estimates that we used are reasonably likely to occur from period to period which may have a material impact on our financial condition and results of operations. For additional information about these policies, see Note 1 of the Notes to the Consolidated Financial Statements in this Form 10-K. Although we believe that our estimates, assumptions and judgments are reasonable, they are limited based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Revenue Recognition

The Company derives its revenues primarily from professional and support services, which includes subscription and transaction fees pertaining to services delivered over our exchanges or from our ASP platforms, revenue generated from software development projects and associated fees for consulting, implementation, training, and project management provided to customers with installed systems, and business process outsourcing revenue. 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.

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In accordance with Financial Accounting Standard Board (FASB) and Securities and Exchange Commission Staff Accounting (SEC) accounting guidance on revenue recognition the Company considers revenue earned and realizable when: (a) persuasive evidence of the sales arrangement exists, (b) the arrangement fee is fixed or determinable, (c) service delivery or performance has occurred, (d) customer acceptance has been received, if contractually required, and (e) collectability of the arrangement fee is probable. The Company typically uses signed contractual agreements as persuasive evidence of a sales arrangement. We apply the provisions of the relevant FASB accounting pronouncements when making estimates or assumptions related to 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 when making estimates or assumptions in accordance with the appropriate authoritative guidance, 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 item 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 Company.

The Company begins to recognize revenue from license fees for its ASP products upon delivery and the customer's acceptance of the software implementation and customizations if necessary and applicable. Transaction services fee revenue for this use of our exchanges or ASP platforms is recognized as the transactions occur and are generally billed in arrears. Service fees for hosting arrangements are recognized over the requisite service period. Revenue 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 FASB and SEC accounting guidance on revenue recognition.

Deferred revenue includes maintenance and support payments or billings that have been received and 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 objective evidence of the fair value for the undelivered elements does not exist. In these instances revenue is recognized when the fair value of the undelivered elements is determinable 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 uncertainties and estimate as to the collectability of outstanding accounts receivable and the adequacy of the Company's recorded allowance for doubtful accounts.

Valuation of Goodwill

Goodwill represents the cost in excess of the fair value of the identifiable net assets of acquired businesses. The Company applies the provisions of the FASB's accounting guidance on goodwill and other intangible assets 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. Such potential impairment indicators include a significant change in the business climate, legal factors, operating performance indicators, competition, and the sale or disposition of a significant portion of the business. The testing involves comparing the reporting unit and intangible asset carrying values to their respective fair values; we determine fair value by applying the discounted cash flow method using the present value of future estimated net cash flows. The cash flow projections 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. The use of different estimates or assumptions for 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, 2011, 2010, and 2009, we had no impairment of our reporting unit goodwill balances. For additional information about goodwill, see Note 1 of the Notes to Consolidated Financial Statements in this Form 10-K.

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Income Taxes

We account for income taxes in accordance with FASB accounting guidance on the accounting and disclosure of income taxes, which involves estimating the Company's 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 establish a valuation allowance.

The Company has not recognized a deferred U.S. tax liability and associated income tax expense for the undistributed earnings of its foreign subsidiaries because the from these foreign subsidiaries will remain permanently reinvested in those subsidiaries to fund ongoing operations and growth. The amount of such unrecognized deferred tax liability as of December 31, 2011 would have been approximately \$51.4 million

The Company follows the provisions of FASB accounting guidance on accounting for uncertain income tax positions. This guidance clarified 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. The guidance utilizes a two-step approach for evaluating tax positions. Recognition (Step 1) occurs when an enterprise concludes that a tax position, based solely on its technical merits is more likely than not to be sustained upon examination. Measurement (Step 2) is only addressed if Step 1 has been satisfied. Under Step 2, the tax benefit is measured at the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon final settlement.

Foreign Currency Translation

Our reporting currency is the U.S. dollar. 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 is included in the determination of net income.

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The following is the unaudited quarterly financial information for 2011, 2010 and 2009:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Year Ended December 31, 2011				
Total revenues	\$ 40,050	\$ 42,267	\$ 42,602	\$ 44,050
Gross Profit	32,743	33,353	33,895	35,389
Operating income	15,634	18,605	17,954	16,556
Net income	15,164	22,348	16,536	17,330
Net income per common share:				
Basic	\$ 0.40	\$ 0.57	\$ 0.44	\$ 0.48
Diluted	\$ 0.37	\$ 0.53	\$ 0.41	\$ 0.44
Year Ended December 31, 2010				
Total revenues	\$ 31,603	\$ 32,207	\$ 33,281	\$ 35,097
Gross Profit	24,540	24,780	25,863	27,406
Operating income	12,759	13,008	13,082	13,658
Net income	12,384	14,010	16,681	15,944
Net income per common share:				
Basic *	\$ 0.36	\$ 0.40	\$ 0.48	\$ 0.45
Diluted *	\$ 0.32	\$ 0.36	\$ 0.43	\$ 0.42
Year Ended December 31, 2009				
Total revenues	\$ 20,668	\$ 22,421	\$ 23,292	\$ 31,304
Gross Profit	16,367	17,889	18,827	23,328
Operating income	8,357	9,260	9,783	11,856
Net income	8,335	8,956	9,434	12,097
Net income per common share:				
Basic *	\$ 0.28	\$ 0.29	\$ 0.30	\$ 0.36
Diluted *	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.31

* Reflects the effect of the 3-for-1 stock split dated January 4, 2010

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PART IV

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

EBIX, INC.

(Registrant)

By: /s/ ROBIN RAINA
 Robin Raina
*Chairman of the Board, President and
 Chief Executive Officer*
 Principal Executive Officer

Date: November 15, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROBIN RAINA (Robin Raina)	Chairman of the Board, President, and Chief Executive Officer (principal executive officer)	November 15, 2012
/s/ ROBERT F. KERRIS (Robert F. Kerris)	Senior Vice President and Chief Financial Officer (principal financial and accounting officer)	November 15, 2012
/s/ HANS U. BENZ (Hans U. Benz)	Director	November 15, 2012
/s/ PAVAN BHALLA (Pavan Bhalla)	Director	November 15, 2012
/s/ NEIL D. ECKERT (Neil D. Eckert)	Director	November 15, 2012
/s/ ROLF HERTER (Rolf Herter)	Director	November 15, 2012
/s/ HANS UELI KELLER (Han Ueli Keller)	Director	November 15, 2012

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EXHIBIT INDEX

Exhibits

- 2.1 Stock Purchase Agreement dated February 23, 2004 by and among the Company and the shareholders of LifeLink Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated February 23, 2004 (the February 2004 8-K)) and incorporated herein by reference.
- 2.2 Secured Promissory Note, dated February 23, 2004, issued by the Company (incorporated by reference to Exhibit 2.2 of the February 2004 8-K and incorporated herein by reference).
- 2.3 Purchase Agreement, dated June 28, 2004, by and between Heart Consulting Pty Ltd. And Ebix Australia Pty Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated July 14, 2004 (the July 14, 2004 8-K)) and incorporated herein by reference.
- 2.4 Agreement, dated July 1, 2004, by and between Heart Consulting Pty Ltd. and Ebix, Inc. (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated July 14, 2004 (the July 14, 2004 8-K)) and incorporated herein by reference.
- 2.5 Agreement Plan of Merger by and among Ebix, Finetre and Steven F. Piaker, as shareholders Representative dated September 22, 2006 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on 8-K/A dated October 2, 2006) and incorporated herein by reference.
- 2.6 Asset Purchase Agreement, dated May 9, 2006, by and among Ebix, Inc., Infinity Systems Consulting, Inc. and the Shareholders of Infinity Systems Consulting, Inc. (incorporated here by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A dated May 9, 2006) and incorporated herein by reference.
- 2.7 Agreement and Plan of Merger dated October 31, 2007 by and among Ebix, Inc., Jenquest, Inc. IDS Acquisition Sub. and Robert M. Ward as Shareholder Representative (incorporated here by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A dated November 7, 2007) and incorporated herein by reference.
- 2.8 Stock Purchase Agreement by and among Ebix, Inc., Acclamation Systems, Inc., and Joseph Ott (incorporated here by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 5, 2008 and incorporated herein by reference).
- 2.9 Stock Purchase Agreement by and amongst Ebix, Inc., ConfirmNet Corporation, Ebix Software India Private Limited, ConfirmNet Acquisition Sub, Inc., and Craig Irving, as Shareholders Representative (incorporated here by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated November 12, 2008 and incorporated herein by reference.)
- 2.10 Agreement and Plan of Merger, dated September 30, 2009, by and amongst Ebix, E-Z Data, and Dale Okuno and Dilip Sontakey, as Sellers (incorporated here by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated October 6, 2009 and incorporated herein by reference.)
- 2.11 IP Asset Purchase Agreement, dated September 30, 2009, by and amongst Ebix Singapore PTE LTD., Ebix, Inc., E-Z Data, and Dale Okuno and Dilip Sontakey, as Shareholders dated September 30, 2009 (incorporated here by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated October 6, 2009 and incorporated herein by reference.)
- 2.12 Agreement and Plan of Merger, dated August 29, 2010, by and amongst Ebix Inc., A.D.A.M., Inc., and Eden Acquisition Sub, Inc (incorporated here by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 31, 2010 and incorporated herein by reference.)
- 3.1 Certificate of Incorporation, as amended, of Ebix, Inc. (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 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).
- 10.1 Delphi Information Systems, Inc. 1983 Stock Incentive Plan, as amended (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (No. 33-45153) and incorporated herein by
- 10.2 Delphi Information Systems, Inc. Cash Option Profit Sharing Plan (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (No. 33-19310) and incorporated herein by reference).
- 10.3 Delphi Information Systems, Inc. 1989 Stock Purchase Plan (included in the prospectus filed as part of the Company's Registration Statement on Form S-8 (No. 33-35952) and incorporated herein by reference).

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- 10.4 Delphi Information Systems, Inc. Non-Qualified Stock Option Plan for Directors (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1992 and incorporated herein by reference).
- 10.5 Delphi Information Systems, Inc. 1996 Stock Incentive Plan (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File No. 333-23261) and incorporated herein by reference).

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- 10.6 Lease agreement effective October, 1998 between the Company and 485 Properties LLC relating to premises at Five Concourse Parkway, Atlanta, Georgia (filed as Exhibit 10.16 to the Company's Transition Report on Form 10-K for the transition period from April 1, 1998 to December 31, 1998 and incorporated herein by reference).
- 10.7 Delphi Information Systems, Inc. 1998 Non-Employee Director's Stock Option Plan (filed as Exhibit A to the Company's proxy statement dated August 12, 1998 and incorporated herein by reference).
- 10.8 Delphi Information Systems, Inc. 1999 Stock Purchase Plan (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.9 Severance agreement, between the Company and Richard J. Baum, dated as of October 4, 2000 (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference).
- 10.10 Sublease agreement dated October 11, 2000, between the Company and Eric Swallow and Deborah Swallow, relating to the premises at 2055 N. Broadway, Walnut Creek, CA. (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.11 First amendment to lease agreement dated June 26, 2001, between the Company and PWC Associates, relating to premises of Building Two of the Parkway Center, Pittsburgh, PA. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- 10.13 Share Exchange and Purchase Agreement between the Company and Brit Insurance Holdings PLC (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference).
- 10.14 Registration Rights Agreement between the Company and Brit Holdings Limited (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference).
- 10.15 Share Purchase Agreement dated January 16, 2004, by and between Ebix, Inc. and CF Epic Insurance and General Fund (filed as Exhibit 99.1 to the Company's S-3 (No. 333-112616), and incorporated herein by reference).
- 10.16 Second Amendment to the Lease Agreement dated June 3, 2003 between the Company and 485 Properties, LLC relating to the premises at Five Concourse Parkway, Atlanta, Georgia (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference).
- 10.17 Ebix, Inc. 1996 Stock Incentive Plan as amended by the first, second, third and fourth amendments thereto (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- 10.18 Amended and Restated Revolving Line of Credit from LaSalle Bank, National Association, Amended and Restated Loan and Security Agreement and Pledge Agreement dated April 21, 2004 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference).
- 10.19 First Amendment to the Loan and Security Agreement, dated July 1, 2004, between Ebix, Inc. and LaSalle National Bank (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- 10.2 Second Amendment to Loan and Security Agreement between Ebix, Inc. and the Company, effective as of December 31, 2004, between Ebix, Inc. and LaSalle National Bank. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 23, 2005 and incorporated herein by reference).
- 10.21 Third Amendment to Loan and Security Agreement between Ebix, Inc. and the Company, effective as of October 20, 2005, between Ebix, Inc. and LaSalle National Bank (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2005 and incorporated herein by reference).
- 10.22 Second Amended and Restated Loan and Security Agreement, dated August 31, 2006 between Ebix, Inc. and LaSalle National Bank. (incorporated by reference to Exhibit 2.2 on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference).
- 10.23 Lease agreement dated January 1, 2002, between LifeLink Building LLC and LifeLink Corporation (which was acquired by Ebix, Inc. in February 2004), relating to the premises at The LifeLink Building located at 1918 Prospector Drive, Park City, UT 84060 (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).

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- 10.24 Form of Restricted Stock Agreement under the Company's 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 7, 2005 and incorporated herein by reference). +
- 10.25 Stock Purchase Agreement, dated April 28, 2005, by and between Ebix, Inc. and Craig Wm. Earnshaw (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 28, 2005 and incorporated herein by reference).
- 10.26 Share Purchase Agreement made and entered into as of June 1, 2007, by and among Ebix, Inc. and Luxor Capital Partners, LP, a Delaware limited partnership and Luxor Capital Partners Offshore, Ltd, a Cayman Islands exempted company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 6, 2007 and incorporated herein by reference).
- 10.27 Secured Convertible Note Purchase effective as of December 18, 2007, by and between Ebix, Inc., and Whitebox VSC Ltd., a limited partnership organized under the laws of the British Virgin Islands, (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 26, 2007 and incorporated herein by reference).
- 10.28 2.5% Convertible Secured Promissory Note dated December 18, 2007 by Ebix, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 26, 2007 and incorporated herein by reference).
- 10.29 Share Purchase Agreement made and extended into as of April 2, 2008 by and among Ebix, Inc. and Rennes Foundation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 14, 2008).
- 10.3 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 April 14, 2008).
- 10.31 Stock 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 Form 8-K filed April 17, 2008).
- 10.32 Secured Convertible Note Purchase effective as of July 11, 2008, by and between Ebix, Inc., and Whitebox VSC Ltd., a limited partnership organized under the laws of the British Virgin Islands (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 16, 2008 and incorporated herein by reference).
- 10.33 2.5% Convertible Secured Promissory Note dated July 11, 2008 by Ebix, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 16, 2008 and incorporated herein by reference).
- 10.34 Amendment to Secured Promissory Note Dated December 18, 2008 entered into as of June 25, 2008 between Ebix, Inc., and Whitebox VSC Ltd., a limited partnership organized under the laws of the British Virgin Islands (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 1, 2008 and incorporated herein by reference).
- 10.35 Acquisition Bonus Agreement by and between Ebix, Inc., and Robin Raina dated as of July 15, 2009 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated July 21, 2009 and incorporated herein by reference).
- 10.36 Third Amendment to the Second Amended and Restated Loan and Security Agreement between Ebix, Inc. and Bank of America Corporation dated August 27, 2009 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference).
- 10.37 Second Amendment to Secured Promissory Note Due December 18, 2009 between Ebix, Inc. and Whitebox VSC, Ltd dated August 24, 2009 (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference).
- 10.38 Amendment to Secured Promissory Note Due July 11, 2010 between Ebix, Inc. and Whitebox VSC, Ltd. Dated August 24, 2009 (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference).
- 10.39 Convertible Note Purchase Agreement by and between Ebix, Inc. and Whitebox VSC, Ltd dated August 26, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference).
- 10.4 Convertible Promissory Note by and between Ebix, Inc. and Whitebox VSC, Ltd dated August 26, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference).
- 10.41 Convertible Note Purchase Agreement by and between Ebix, Inc. and IAM Mini-Fund 14 Limited dated August 26, 2009 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference).

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10.42	Convertible Promissory Note by and between Ebix, Inc. and IAM Mini-Fund 14 Limited dated August 26, 2009 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference).
10.43	Convertible Note Purchase Agreement by and between Ebix, Inc. and the Rennes Foundation dated August 25, 2009 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated August 28, 2009 and incorporated herein by reference)
10.44	Credit Agreement, dated as of February 12, 2010, by and among Ebix, Inc., as borrower, certain subsidiaries of Ebix, Inc., as guarantors, the lenders party thereto from time to time, Bank of America, N.A., as administrative agent (incorporated here by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 18, 2010) and incorporated herein by reference.
10.45	Seventh Amendment to Credit Agreement, dated as of April 20, 2011, by and among Ebix, Inc., as borrower, certain subsidiaries of Ebix, Inc., as guarantors, the lenders party thereto from time to time, Bank of America, N.A., as administrative agent (incorporated here by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 21, 2011) and incorporated herein by reference.
14.1	Ebix, Inc. Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.1 to the Company's Registration Statement on Form S-1 dated November 4, 2008) and incorporated herein by reference.
21.1**	Subsidiaries of the Company.
23.1**	Consent of Cherry, Bekaert and Holland L.L.P.
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	XBRL (Extensible Business Reporting Language) - The following materials from Ebix, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements which were tagged as blocks of text.

* Filed herewith

** Previously filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 15, 2012, for the Company's fiscal year 2011 Exhibit 101 to this Annual Report on Form 10-K is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the securities Exchange Act of 1934.