

RECEIVED

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

11 CIV 4864

\_\_\_\_\_)  
\_\_\_\_\_) Individually and on  
\_\_\_\_\_) Behalf of All Other Persons Similarly Situated,

\_\_\_\_\_) Plaintiff,

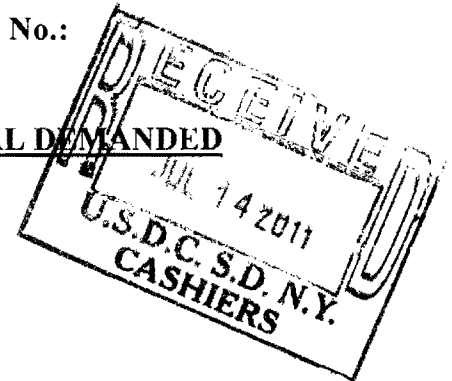
\_\_\_\_\_) v.

\_\_\_\_\_) EBIX, INC., ROBIN RAINA, and ROBERT F.  
\_\_\_\_\_) KERRIS,

\_\_\_\_\_) Defendants  
\_\_\_\_\_)

Civil Action No.:

JURY TRIAL DEMANDED



**CLASS ACTION COMPLAINT**

Plaintiff \_\_\_\_\_ individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Ebix, Inc. ("Ebix" or the "Company"), analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

**NATURE OF THE ACTION**

1. This is a federal securities class action on behalf of a class consisting of all persons other than defendants who purchased Ebix securities between May 6, 2009 and June 30, 2011, inclusive (the "Class Period"), seeking to recover damages caused by defendants'

violations of the federal securities laws and to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 against the Company and certain of its top officials.

2. EBIX supplies software and electronic commerce solutions to the insurance industry. The Company provides a series of application software ranging from carrier systems, agency systems, and exchanges to custom software development for all entities involved in the insurance and financial industries. Ebix provides products, support, and consultancy services to customers throughout several continents.

3. On March 24, 2011, *Seeking Alpha* published a report ("Report") accusing the Company of engaging in a number of accounting manipulations, including: a) manipulating its stated organic growth; b ) overstating its profit margins; c) overstating its accounts receivables; d) manipulating its tax liabilities; and e) inflating cash flows.

4. The report concluded that the Company's "problems run deeper than accounting. The EBIX story also comes with multiple auditor resignations, governance abuses, misrepresented organic growth, questionable cash flow and a contentious CEO."

5. On this news, the Company's shares declined \$7.20 per share, or nearly 24%, to close on March 24, 2011, at \$22.52 per share, on unusually heavy trading volume.

6. On June 30, 2011, the media reported that the shareholders of Peak Performance Solutions, Inc. (Peak"), who sold their business to Ebix, filed a lawsuit in the United States District Court for the Southern District of Ohio, claiming that Ebix was consistently unable to bill customers properly, tie customer payments to invoices and provide basic financial data or calculate revenues for Peak.

7. On this news, the Company's shares declined an additional \$1.30 or more than 6% and closed at \$19.05.

8. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that : (1) that the Company's tax provisions did not conform to Generally Accepted Accounting Principles ("GAAP"); (2) the Company overstated its account receivables; (3) the Company consistently failed to tie customer payments to specific invoices; (4) the Company lacked adequate internal and financial controls; and (5) as a result of the foregoing, the Company's statements were materially false and misleading at all relevant times.

9. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

10. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

11. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1331.

12. Venue is proper in this District pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §1391(b) as the shares of Ebix were publicly traded in this District. Moreover, a property and casualty ("P&C") division of Ebix is located within this District.

13. In connection with the acts, conduct and other wrongs alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

**PARTIES**

14. Plaintiff [REDACTED] as set forth in the attached certification, purchased Ebix securities at artificially inflated prices during the Class Period and has been damaged thereby.

15. Defendant Ebix is a Delaware corporation, with a division located at 1650 Broadway, Suite 1000, New York, New York 10019.

16. Defendant Robin Raina (“Raina”) at all relevant times herein was the Chairman of the Company’s Board of Directors, President and Chief Executive Officer.

17. Defendant Robert F. Kerris (“Kerris”) at all relevant times herein was the Company’s Chief Financial Officer, Senior Vice President and Secretary.

18. The defendants referenced above in ¶¶ 16 and 17 are sometimes referred to herein as the “Individual Defendants.”

**SUBSTANTIVE ALLEGATIONS**

**Background**

19. EBIX is a leading international supplier of On-Demand software and E-commerce services to the insurance industry, and provides end to end solutions ranging from infrastructure exchanges, carrier systems, agency systems and BPO services for all entities involved in the insurance industry.

**Materially False and Misleading  
Statements Issued During the Class Period**

20. On May 6, 2009, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2009. The Company reported net income of \$8.3 million, or \$0.69 per diluted earnings per share (“EPS”) and revenue of \$20.67 million, as compared to net income of \$5.7 million, or \$0.47 per diluted EPS share and revenue of \$16.6 million for the same period a year ago.

21. On May 8, 2009, the Company filed a quarterly report for the period ended March 31, 2009 on Form 10-Q with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company’s previously announced quarterly financial results and financial position. In addition, pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”), the Form 10-Q contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-Q was accurate, and that they disclosed any material changes to the Company’s internal control over financial reporting.

22. On August 5, 2009, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2009. The Company reported net income of \$9 million, or \$0.73 per diluted share and revenue of \$22.42 million, as compared to net income of \$6.3 million, or \$0.54 per diluted share and revenue of \$17.80 million for the same period a year ago.

23. On August 7, 2009, the Company filed a quarterly report for the period ended June 30, 2009 on Form 10-Q with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company’s previously reported quarterly financial results and financial position. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-Q

was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

24. On November 4, 2009, the Company issued a press release announcing its financial results for the third quarter ended September 30, 2009. The Company reported net income of \$9.4 million, or \$0.76 per diluted share and revenue of \$23.3 million, as compared to net income of \$7.4 million, or \$0.62 per diluted share and revenue of \$20.2 million for the same period a year ago.

25. On November 9, 2009, the Company filed a quarterly report for the period ended September 30, 2009 on Form 10-Q with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company's previously reported quarterly financial results and financial position. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-Q was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

26. On March 8, 2010, the Company issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2009. For the fourth quarter, the Company reported net income of \$12.1 million, or \$0.92 per diluted share and revenue of \$31.3 million, compared to net income of \$7.9 million, or \$0.66 per diluted share and revenue of \$20.1 million, for the same period a year ago. For the year, the Company reported net income of \$38.8 million, or \$3.10 per diluted share and revenue of \$97.7 million, as compared to net income of \$27.3 million, or \$2.28 per diluted share and revenue of \$74.8 million for the same period a year ago.

27. On March, 16, 2010, the Company filed an annual report for the period ended December 31, 2009 on Form 10-K with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company's previously annual financial results and financial position. In addition, pursuant to SOX, the Form 10-K contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-K was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

28. On May 7, 2010, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2010. The Company reported net income of \$12.4 million, or \$0.32 per diluted share and revenue of \$31.6 million, compared to net income of \$8.3 million, or \$0.23 per diluted share and revenue of \$20.7 million, for the same period a year ago.

29. On May 10, 2010, the Company filed a quarterly report for the period ended March 31, 2010 on Form 10-Q with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company's previously reported quarterly financial results and financial position. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-Q was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

30. On August 9, 2010, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2010. The Company reported net income of \$14 million, or \$0.36 per diluted share and revenue of \$32.2 million, compared to net income of \$9 million, or \$0.24 per diluted share and revenue of \$22.4 million for the same period a year ago.

31. On August 9, 2010, the Company filed a quarterly report for the period ended June 30, 2010 on Form 10-Q with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company's previously reported quarterly financial results and financial position. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-Q was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

32. On November 9, 2010, the Company issued a press release announcing its financial results for the third quarter ended September 30, 2010. The Company reported net income of \$16.7 million, or \$0.43 per diluted share and revenue of \$33 million, compared to net income of \$9.4 million, or \$0.25 per diluted share and revenue of \$23.3 million, for the same period a year ago.

33. On November 9, 2010, the Company filed a quarterly report for the period ended September 30, 2010 on Form 10-Q with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company's previously reported quarterly results and financial position. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-Q was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

34. On March 14, 2011, the Company issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2010. For the year, the Company reported net income of \$59 million, or \$1.51 per diluted share and revenue of \$132.2 million, compared to net income of \$38.8 million, or \$1.24 per diluted share and revenue of \$97.7

million, for the same period a year ago. For the fourth quarter, the Company reported net income of \$15.9 million, or \$0.42 per diluted share and revenue of \$35.1 million, compared to net income of \$12.1 million, or \$0.31 per diluted share and revenue of \$31.3 million for the same period a year ago.

35. On March 16, 2011, the Company filed an annual report for the period ended December 31, 2010 on Form 10-K with the SEC, which was signed by Defendants Raina and Kerris and reiterated the Company's previously reported annual financial results and financial position. In addition, pursuant to SOX, the Form 10-K contained signed certifications by Defendants Raina and Kerris, stating that the financial information contained in the Form 10-K was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

36. The statements referenced in ¶¶ 20 - 35 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts, which were known to defendants or recklessly disregarded by them that: (1) the Company's tax provisions did not conform to Generally Accepted Accounting Principles ("GAAP"); (2) the Company overstated its account receivables; (3) the Company's gross margins were inflated; (4) the Company's cash flows were inflated; (5) that the Company consistently failed to tie customer payments to specific invoices; (6) that the Company lacked adequate internal and financial controls; and (7) as a result of the foregoing, the Company's statements were materially false and misleading at all relevant times.

**THE TRUTH BEGINS TO EMERGE**

37. On March 24, 2011, *Seeking Alpha* published a report where it accused the Company of: a) manipulating its stated organic growth; b) overstating its profit margins; c) manipulating its tax liabilities; and d) inflating cash flows. The report concluded that:

[Ebix's] problems run deeper than unusual accounting. The EBIX story also comes with multiple auditor resignations, governance abuses, misrepresented organic growth, questionable cash flow and a contentious CEO.

\*\*\*\*

We believe that EBIX is nothing more than a roll-up that has materially misrepresented its business (relative to the CEO's buzz words) as well as its organic growth. Its business model is predicated on two principals: tax arbitrage and dramatic cost cuts (headcount reductions and offshoring), neither of which is sustainable. Further the company's tax arbitrage may be more than "just" unsustainable, it may actually be illegal.

38. On these devastating revelations, the Company's shares declined \$7.20 per share, or nearly 24%, to close on March 24, 2011, at \$22.52 per share, on unusually heavy trading volume.

39. On June 30, 2011, the media reported that the shareholders of Peak, who sold their business to Ebix, filed a lawsuit in the United States District Court for the Southern District of Ohio, alleging that Ebix was consistently unable to bill customers properly, tie customer payments to invoices, provide basic financial data or calculate revenue for the company. Specifically, the complaint alleged that "Ebix was consistently unable to tie customer payments to specific invoices, and so Ebix was unable to determine which customers had made payment for which projects. Ebix does not have sufficient internal accounting controls to allow their books and records to be relied on."

40. On this further disclosure of the Company's fraudulent accounting, Ebix's shares declined an additional \$1.30 or more than 6% and closed at \$19.05.

**PLAINTIFF'S CLASS ACTION ALLEGATIONS**

41. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Ebix securities during the Class Period (the "Class"); and were damaged thereby. Excluded from the Class are defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

42. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Ebix securities were actively traded on the Nasdaq. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Ebix or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

43. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

44. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

45. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by defendants' acts as alleged herein;
- whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Ebix;
- whether the Individual Defendants caused Ebix to issue false and misleading financial statements during the Class Period;
- whether defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Ebix securities during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

46. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

47. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Ebix securities are traded in efficient markets;

- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the Nasdaq, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased and/or sold Ebix securities between the time the defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

48. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

### **COUNT I**

#### **(Against All Defendants For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder)**

49. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

50. This Count is asserted against defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

51. During the Class Period, defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of

Ebix securities; and (iii) cause Plaintiff and other members of the Class to purchase Ebix securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

52. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Ebix securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Ebix's finances and business prospects.

53. By virtue of their positions at Ebix, defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to defendants. Said acts and omissions of defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

54. Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Ebix securities from their personal portfolios.

55. Information showing that defendants acted knowingly or with reckless disregard for the truth is peculiarly within defendants' knowledge and control. As the senior managers and/or directors of Ebix, the Individual Defendants had knowledge of the details of Ebix internal affairs.

56. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Ebix. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Ebix's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Ebix securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Ebix's business and financial condition which were concealed by defendants, Plaintiff and the other members of the Class purchased Ebix securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by defendants, and were damaged thereby.

57. During the Class Period, Ebix securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of Ebix securities at prices artificially inflated by defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased said securities, or would not have purchased them at the inflated prices that were paid. At the time of the purchases by Plaintiff

and the Class, the true value of Ebix securities were substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Ebix securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

58. By reason of the conduct alleged herein, defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

59. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

## **COUNT II**

### **(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)**

60. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

61. During the Class Period, the Individual Defendants participated in the operation and management of Ebix, and conducted and participated, directly and indirectly, in the conduct of Ebix's business affairs. Because of their senior positions, they knew the adverse non-public information about Ebix's misstatement of income and expenses and false financial statements.

62. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Ebix's financial condition and results of operations, and to correct promptly any public statements issued by Ebix which had become materially false or misleading.

63. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Ebix disseminated in the marketplace during the Class Period concerning Ebix's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Ebix to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Ebix within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Ebix securities.

64. Each of the Individual Defendants, therefore, acted as a controlling person of Ebix. By reason of their senior management positions and/or being directors of Ebix, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Ebix to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Ebix and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

65. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Ebix.

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff demands judgment against defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

**DEMAND FOR TRIAL BY JURY**

Plaintiff hereby demands a trial by jury.

Dated: July 14, 2011