

EBIX INC  
Form S-1/A  
November 19, 2008

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**As filed with the Securities and Exchange Commission on November 19, 2008**

**Registration No. 333 150371**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Pre-Effective  
Amendment No. 2**

**Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**EBIX, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**7370**

*(Primary Standard Industrial  
Classification Code Number)*

**77-0021975**

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

**5 Concourse Parkway,  
Suite 3200, Atlanta,  
Georgia 30328,  
(678) 281-2020**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**With a copy to:**

**Robin Raina**

**President & Chief Executive Officer Ebix, Inc.  
5 Concourse Parkway, Suite 3200  
Atlanta, Georgia 30328  
(678) 281-2020**

**Richard A. Denmon**

**Charles M. Harrell, Jr.  
Carlton Fields PA  
1201 West Peachtree Street, Suite 3000  
Atlanta, Georgia 30309  
(404) 815-2717**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective

registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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  Smaller reporting company   
 (Do not check if a smaller reporting company)

### CALCULATION OF REGISTRATION FEE

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)(2)</b>	<b>Proposed Maximum Offering Price per Unit(3)</b>	<b>Proposed Maximum Aggregate Offering Price(3)</b>	<b>Amount of Registration Fee(3)(4)(5)</b>
Common Stock, par value \$0.10	1,443,285	\$ 24.47	\$ 35,317,184	\$ 0.00

- (1) In accordance with Rule 416 under the Securities Act of 1933, this registration statement also shall register and be deemed to cover any additional shares of Common Stock of the Company which may be offered or become issuable to prevent dilution resulting from stock splits, dividends or similar transactions.
- (2) The amount of shares of Company Common Stock to be registered reflects the Company's three-for-one stock split which occurred on October 9, 2008.
- (3) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 based on the average of the high and low prices of the Common Stock as reported on the NASDAQ Global Market on November 17, 2008.
- (4) The Amount of Registration Fee reflects a subtraction of the registration fee paid for the for the 1,740,618 shares of Common Stock to be registered under the Company's filing of the initial Form S-1 registration statement on April 22, 2008. The Company paid a registration fee of \$1,778.56 on April 22, 2008 for these 1,740,618 shares of Common Stock pursuant to Rule 457(c) under the Securities Act of 1933 based on the average high and low prices of the Common Stock as reported on the NASDAQ Global Market on April 18, 2008.
- (5) The Amount of Registration Fee also reflects a subtraction of an additional registration fee of \$155.79 paid by the Company for its filing of Amendment No. 1 to the registration statement on Form S-1 on November 4, 2008. This additional registration fee was based on the registration of 1,983,879 shares of Common Stock pursuant to Rule 457(c) under the Securities Act of 1933 and based on the average high and low prices of the Common Stock as reported on the NASDAQ Global Market, on October 31, 2008 thereunder, as well as the subtraction of the

Amount of Registration Fee paid as described in Footnote (4) above.

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The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted or legal.

**SUBJECT TO COMPLETION, DATED NOVEMBER 19, 2008**

**EBIX, INC.**

**1,443,285 Shares of Common Stock**

The persons listed in this prospectus as selling stockholders may offer and sale from time to time an aggregate of up to 1,443,285 shares of our common stock, \$0.10 par value, including as many as 652,716 shares issuable upon conversion of secured convertible notes. The selling stockholders will receive all of the net proceeds from the sale of common stock offered hereby. We will not receive any proceeds from the sale of these shares by the selling stockholders, but we will bear certain of the costs and expenses of registering such shares of common stock. Selling costs, brokers fees and applicable transfer taxes are payable by the selling stockholders. The selling stockholders will determine where they may sell the shares in all cases, including, in the over-the-counter market or otherwise, at market prices prevailing at the time of sale, at prices related to the prevailing market prices, or at negotiated prices. For information regarding the selling stockholders and the times and manner in which they may offer or sell shares of our common stock, see [Selling Stockholders](#) or [Plan of Distribution](#).

Our common stock is listed on the NASDAQ Global Market under the stock symbol [EBIX](#).

**You should carefully consider the [Risk Factors](#) beginning on page 3 before you decide whether to invest in shares of our common stock.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is November , 2008

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### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. This means the securities described in this prospectus may be offered and sold using this prospectus from time to time as described in the Plan of Distribution. You should carefully read this prospectus and the information described under the heading Where You Can Find More Information. Under no circumstances should the delivery to you of this prospectus or any offering or sales made pursuant to this prospectus create any implication that the information contained in this prospectus is correct as of any time after the date of this prospectus.

### A NOTE ABOUT FORWARD LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into it contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, such as statements relating to our financial condition, results of operations, plans, objectives, future performance and business operations. These statements relate to expectations concerning matters that are not historical fact. Accordingly, statements that are based on management's projections, estimates, assumptions, and judgments are forward-looking statements. These forward-looking statements are typically identified by words or phrases such as believes, expects, anticipates, plans, estimates, approximately, intend, and other similar words and phrases or conditional verbs such as will, should, would, could, and may. These forward-looking statements are based on our current expectations, assumptions, estimates, judgments, and projections about our business and our industry, and they involve inherent risks and uncertainties. Although we believe our expectations are based on reasonable assumptions, judgments, and estimates, forward-looking statements involve known and unknown risks, uncertainties, contingencies, and other factors that could cause our or our industry's actual results, level of activity, performance or achievement to differ materially from those discussed in or implied by any forward-looking statements made by or on behalf of Ebix, Inc., and could cause our financial condition, results of operations, or cash flows to be materially adversely affected. In evaluating these statements, some of the factors that you should consider include those described under Risk Factors and elsewhere in the prospectus or incorporated herein by reference. These forward-looking statements speak only as of the date of this prospectus. We do not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this prospectus or to reflect the occurrence of unanticipated events.

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**PROSPECTUS SUMMARY**

*You should rely only on the information contained or incorporated by reference in this prospectus and in any prospectus supplement. We have not authorized anyone else to provide you with different information, and if you receive any unauthorized information you should not rely on it. We have not authorized the selling stockholders to make an offer of these shares in any place where the offer is not permitted. The information appearing or incorporated by reference in this prospectus or any prospectus supplement is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.*

**Company Overview**

Ebix, Inc. ( Ebix or the Company ) was founded in 1976 as Delphi Systems, Inc., as a California corporation. In 1983 we reincorporated in Delaware, and in December 2003 we changed our name to Ebix, Inc. Our common stock is listed on the NASDAQ Global Market.

We are a leading international supplier of software and e-commerce solutions to the insurance industry. We provide a series of application software products for the insurance industry ranging from carrier systems, agency systems and exchanges to custom software development for all entities involved in the insurance and financial industries.

Our goal is to be the leading powerhouse of backend insurance transactions in the world. Our 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.

We strive to work collaboratively with clients to develop innovative technology strategies and solutions that address specific business challenges. We combine the newest technologies with our capabilities in consulting, systems design and integration, IT and business process outsourcing, applications software, and Web and application hosting to meet the individual needs of organizations.

Recently, we have expanded both internally as well as through a series of acquisitions.

We acquired Acclamation Systems, Inc, ( Acclamation ) on August 1, 2008. Pursuant to the terms of this agreement, on August 1, 2008, Ebix paid Acclamation shareholders \$22 million for all of Acclamation s stock. Acclamation s shareholders also retain the right to earn up to \$3 million in additional cash consideration over the two year period following the effective date of the acquisition if specific revenue targets of the Ebix s Health Benefits division are achieved. The Company financed this acquisition using a combination of available cash reserves and the proceeds from the issuance of convertible debt. The Form 8-K/A filed on October 17, 2008 includes unaudited pro forma condensed and combined financial statements which were prepared to give the effect to the acquisition of Acclamation by Ebix. Accordingly the pro forma combined balance sheet was prepared assuming the acquisition of Acclamation occurred on June 30, 2008. The unaudited pro forma combined statements of income were prepared assuming the acquisition of Acclamation occurred on January 1, 2007.

Effective January 1, 2008 we completed the acquisition of Telstra eBusiness Services Pty Limited ( Telstra ), an insurance exchange located in Melbourne, Australia. The purchase price was \$43.8 million and was financed with a combination of available cash reserves, proceeds from the issuance of convertible debt, proceeds from the sales of unregistered shares of our common stock, and funding from our revolving line of credit. Our consolidated financial statements for 2008 include the results of operations for Telstra from January 1, 2008.

On November 1, 2007, we completed the acquisition of Jenquest, Inc. ( Jenquest or IDS ), a provider of insurance certificate tracking services located in Hemet, California. The purchase price was \$11.25 million and was primarily financed from internal sources using our own cash reserves. Our consolidated financial statements for 2007 include the results of operations for IDS from November 1, 2007.

Effective May 2006, we completed the acquisition of Infinity Systems Consulting, Inc. ( Infinity ) for an up-front payment of \$2.9 million in cash and future potential payments not exceeding \$4.5 million if certain revenue targets of the Infinity division were met. Effective October 2006, we acquired Finetre Corporation ( Finetre ) for a cash payment of \$13.0 million and future potential payments not exceeding \$3.0 million if certain future revenue and operating income targets of the Finetre division were met. The acquisitions of Infinity and Finetre were financed using a combination of borrowings off of the Company s revolving line of credit and available cash reserves. Our consolidated financial statements for 2006 include the results of operations for Infinity and Finetre from the effective date of the acquisitions. For 2007, our reported results include the full twelve months of the results of operations for these acquisitions completed during 2006.



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Our principal executive offices are located at 5 Concourse Parkway, Suite 3200, Atlanta, Georgia 30328 and our telephone number is (678) 281-2020. We have domestic operations in Walnut Creek and Hemet, California; Pittsburgh, Pennsylvania; Park City, Utah; Herndon, Virginia; Dallas, Texas; and Portland, Michigan. We have foreign operations in Australia, New Zealand, Singapore, United Kingdom and India. In these offices, we employ insurance and technology professionals who provide products, services, support and consultancy to approximately more than 3,000 customers on six continents. Our focus on quality has enabled our development unit in India to be awarded Level 5 status of the Carnegie Mellon Software Engineering Institute's Capability Maturity Model Integrated (CMMI). We have also earned ISO 9001:2000 certification for both our development and our call center units in India. International revenues account for approximately 41% of the Company's total operating revenue as of June 30, 2008.

### **Industry Overview**

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

### **Products and Service Strategy**

Our product and service strategy focuses on the following four areas: (1) worldwide sale, customization, development, implementation and support of our insurance carrier system platforms Infinity Systems and Business Reinsurance and Insurance Company System ( BRICS ); (2) worldwide sales and support of broker/agency management systems including EbixASP, eGlobal and Winbeat (3) expansion of connectivity between consumers, agents, carriers, and third party providers through our exchange family of products in the life, annuity and property & casualty sectors worldwide namely the EbixExchange family of products WinFlex VitalSuite, AnnuityNet, LifeSpeed; and, (4) business process outsourcing services, which include certificate tracking, call center and back office support.

Our revenue is derived primarily from the services part of our business that includes ASP services, transaction based exchanges, transaction based BPO services, professional and support services to the insurance companies, distributors, brokers and large corporate clients.

### **Issuance of Convertible Promissory Notes**

On December 18, 2007, we entered into a secured convertible note purchase agreement with Whitebox VSC, Ltd. ( Whitebox ), an accredited investor within the meaning of Rule 501 of Regulation D. Pursuant to that agreement, in exchange for \$20.0 million, we issued a secured convertible promissory note with an interest rate of 2.5% per annum and a maturity date of December 18, 2009, convertible into our common stock at \$21.28 per share.

On July 11, 2008, we entered into a second secured convertible note purchase agreement with Whitebox. Pursuant to that agreement, in exchange for \$15.0 million, we issued a secured convertible promissory note with an interest rate of 2.5% per annum and a maturity date of July 11, 2010, convertible into our common stock at \$28.00.

In this prospectus, the Company, Ebix, we; us and our refer to Ebix, Inc. and its subsidiaries. Our website is www.ebix.com. Information contained on our website is for informational purposes and is not incorporated by reference into this registration statement, and you should not consider information contained on our website as part of this registration statement.

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**RISK FACTORS**

You should carefully consider the risks, uncertainties and other factors described below, along with all of the other information included or incorporated by reference in this prospectus, including our financial statements and the related notes, before you decide whether to buy shares of our common stock. The following risks and uncertainties are not the only ones facing us. Additional risks and uncertainties of which we are currently unaware which we believe are not material also could materially adversely affect our business, financial condition, results of operations or cash flows. In any case, the value of our common stock could decline, and you could lose all or a portion of your investment. See also, A Note About Forward-Looking Statements.

**Risks Related To Our Business and Industry**

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

We made a strategic decision approximately six years ago to eliminate our reliance on legacy products and related support services and instead focus on more current technology and services. As a result, our revenue from the support services we offer in connection with our legacy software products has been decreasing over the course of the past few years. This downward trend in our support revenue makes us dependent upon our other sources of revenue.

*Adverse conditions in the insurance industry economics could adversely affect our revenues.*

We are dependent on the insurance industry, which may be adversely affected by economic, environmental and world political conditions, particularly recent conditions which have forced many companies in the insurance industry to search for capital outside of typical financing arenas.

*We may not be able to secure additional financing to support capital requirements when needed.*

We may need to raise additional funds in the future in order to fund more aggressive brand promotion or more rapid market penetration, to develop new or enhanced services, to respond to competitive pressures, to make acquisitions or for other purposes. Any required additional financing may not be available on terms favorable to us, or at all, particularly in light of current conditions in the credit markets. If adequate funds are not available on acceptable terms, we may be unable to meet our strategic business objectives or compete effectively, and the future growth of our business could be adversely impacted. If additional funds are raised by our issuing equity securities, stockholders may experience dilution of their ownership and economic interests, and the newly issued securities may have rights superior to those of our common stock. If additional funds are raised by our issuing debt, we may be subject to significant market risks related to interest rates, and operating risks regarding limitations on our activities.

*Our recent acquisitions of Jenquest Inc., Telstra eBusiness Services and Acclamation Systems, Inc. as well as any future acquisitions that we may undertake could be difficult to integrate, disrupt our business, dilute stockholder value and adversely impact our operating results.*

The acquisitions of Jenquest Inc., Telstra eBusiness Services and Acclamation Systems, Inc. and other potential future acquisitions, subject the Company to a variety of risks, including risks associated with an inability to efficiently integrate acquired operations, prohibitively higher incremental cost of operations, outdated or incompatible technologies, labor difficulties, or an inability to realize anticipated synergies, whether within anticipated timeframes or at all; one or more of which risks, if realized, could have an adverse impact on our operations.

*We may not be able to develop new products or services necessary to effectively respond to rapid technological changes. Disruptions in our business-critical systems and operations could interfere with our ability to deliver products and services to our customers.*

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

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The marketplace in which we operate is characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent new product and service introductions;
- shifting distribution channels; and
- changing customer demands.

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

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

We operate in highly competitive markets. In particular, the online insurance distribution market, like the broader electronic commerce market, is rapidly evolving and highly competitive. Our insurance software business also experiences competition from certain large hardware suppliers that sell systems and system components to independent agencies, and from small independent developers and suppliers of software, who sometimes work in concert with hardware vendors to supply systems to independent agencies. Pricing strategies and new product introductions and other pressures from existing or emerging competitors could result in a loss of customers or a rate of increase or decrease in prices for our services different than past experience. Our internet business may also face indirect competition from insurance carriers that have subsidiaries which perform in-house agency and brokerage functions.

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

- undertake more extensive marketing campaigns for their brands and services;
- devote more resources to website and systems development;
- adopt more aggressive pricing policies; and
- make more attractive offers to potential employees, online companies and third-party service providers.

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

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

unpatented.

***If we infringe on the proprietary rights of others, our business operations may be disrupted, and any related litigation could be time consuming and costly.***

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

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

Our future success is substantially dependent on the continued services and continuing contributions of our senior management and other key personnel particularly Robin Raina, our president and chief executive officer. Since becoming Chief Executive Officer of the Company in 1999, his strategic direction for the Company and implementation of such direction has proven instrumental in our growth. The loss of the services of any of our executive officers or other key employees could harm our business. We have no long-term employment agreements with any of our key personnel, nor do we maintain key man life insurance policies on any of our key employees.

Our future success depends on our ability to continue to attract, retain and motivate highly skilled employees. If we are not able to attract and retain key skilled personnel, our business will be harmed. Competition for personnel in our industry is intense.

***Our international operations are subject to a number of risks that could affect our revenues, operating results, and growth.***

We market our products and services internationally and plan to continue to expand our internet services to locations outside of the United States. Approximately 41% of our revenues for the six months ended June 30, 2008 were generated through foreign subsidiaries. We currently conduct operations in Australia, New Zealand, and Singapore, and have product development activities and call center services in India. Our international operations are subject to other inherent risks which could have a material adverse effect on our business, including:

the impact of recessions in foreign economies on the level of consumers' insurance shopping and purchasing behavior;

greater difficulty in collecting accounts receivable;

difficulties and costs of staffing and managing foreign operations;

reduced protection for intellectual property rights in some countries;

seasonal reductions in business activity;

burdensome regulatory requirements;

trade and financing barriers, and differing business practices;

significant fluctuations in exchange rates;

potentially adverse tax consequences; and

political and economic instability.

Furthermore, our entry into additional international markets requires significant management attention and financial resources, which could divert management's attention from existing business operations.

***Our financial position and operating results may be adversely affected by the weakening U.S. Dollar and fluctuations in currency exchange rates.***

We will be exposed to currency exchange risk with respect to the U.S. dollar in relation to the foreign currencies in the countries because a significant portion of our operating expenses are incurred in foreign countries. This exposure may increase if we expand our operations in overseas. To date we have not entered into any hedging arrangements to protect our business against currency fluctuations. However, management continues to evaluate and consider the effectiveness of various hedging strategies. We will monitor changes in our exposure to exchange rate risk that result from changes in our business situation. If we do not enter into effective hedging arrangements in the future, our results of operations and financial condition could be materially and adversely affected by fluctuations in foreign currency exchange rates.



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### **Risks Relating to Regulation and Litigation**

*Federal Trade Commission laws and regulations that govern the insurance industry could expose us or the agents, brokers and carriers with whom we participate in our online marketplace to legal penalties.*

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

### **Risks Related to Our Conduct of Business on the Internet**

*Any disruption of our internet connections could affect the success of our internet-based products.*

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

If the internet data center operations that host any of our websites were to experience a system failure, the performance of our website would be harmed. These systems are also vulnerable to damage from fire, floods, earthquakes, acts of terrorism, power loss, telecommunications failures, break-ins and similar events. The controls implemented by our third-party service providers may not prevent or timely detect such system failures. Our property and business interruption insurance coverage may not be adequate to fully compensate us for losses that may occur. In addition, our users depend on internet service providers, online service providers and other website operators for access to our website. Each of these providers has experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems.

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

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

our customers' concerns about security, we may have difficulty selling our products and services.

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

Concern among consumers and legislators regarding the use of personal information gathered from internet users could create uncertainty in the marketplace. This could reduce demand for our services, increase the cost of doing business as a result of litigation costs or increased service delivery costs, or otherwise harm our business.

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Legislation has been proposed that would limit the uses of personal identification information of internet users gathered online or require online services to establish privacy policies. Many state insurance codes limit the collection and use of personal information by insurance agencies, brokers and carriers or insurance service organizations. Moreover, the Federal Trade Commission has settled a proceeding against one online service that agreed in the settlement to limit the manner in which personal information could be collected from users and provided to third parties.

### ***Future government regulation of the internet could place financial burdens on our businesses.***

Because of the internet's popularity and increasing use, new laws and regulations directed specifically at e-commerce may be adopted. These laws and regulations may cover issues such as the collection and use of data from website visitors and related privacy issues; pricing; taxation; telecommunications over the internet; content; copyrights; distribution; and domain name piracy. The enactment of any additional laws or regulations, including international laws and regulations, could impede the growth of revenue from our Internet operations and place additional financial burdens on our business.

## **Risks Related To Our Common Stock**

### ***The price of our common stock may be extremely volatile.***

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

- announcements of new services, products, technological innovations, acquisitions or strategic relationships by us or our competitors;

- trends or conditions in the insurance, software, business process outsourcing and internet markets;

- changes in market valuations of our competitors; and

- general political, economic and market conditions.

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

### ***Quarterly and annual operating results may fluctuate, which could cause our stock price to be volatile.***

Our quarterly and annual operating results may fluctuate significantly in the future due to a variety of factors that could affect our revenues or our expenses in any particular period. You should not rely on our results of operations during any particular period as an indication of our results for any other period. Factors that may adversely affect our periodic results may include the loss of a significant insurance agent, carrier or broker relationship or the merger of any of our participating insurance carriers with one another.

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

***The significant concentration of ownership of our common stock will limit an investor's ability to influence corporate actions.***

The concentration of ownership of our common stock may limit an investor's ability to influence our corporate actions and have the effect of delaying or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and may affect the market price of our common stock. As of November 17, 2008 Luxor Capital Group, LP beneficially owned 1,357,586 shares representing 13.6% of our common stock and, together with our executive officers, directors, and owners of at least 5% of our outstanding common stock, owned approximately

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57.9% of our outstanding common stock. As a result, those stockholders, if they act together, are able to substantially influence all matters requiring stockholder approval, including the election of all directors and approval of significant corporate transactions and amendments to our articles of incorporation. These stockholders may use their ownership position to approve or take actions that are adverse to interests of other investors or prevent the taking of actions that are inconsistent with their respective interests.

*Provisions in our articles of incorporation, bylaws, and Delaware law may make it difficult for a third party to acquire us, even in situations that may be viewed as desirable by our shareholders.*

Our certificate of incorporation and bylaws, and provisions of Delaware law may delay, prevent or otherwise make it more difficult to acquire us by means of a tender offer, a proxy contest, open market purchases, removal of incumbent directors and otherwise. These provisions, which are summarized below, are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with us. We are subject to the business combination provisions of Section 203 of the Delaware General Corporation Law. In general, those provisions prohibit a publicly held Delaware corporation from engaging in various business combination transactions with any interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

The transaction is approved by the board of directors prior to the date the interested stockholder obtained interested stockholder status;

Upon consummation of the transaction that resulted in the stockholder s becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

On or subsequent to the date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

The provisions could prohibit or delay mergers or other takeover or change of control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

**THREE FOR ONE STOCK SPLIT**

We conducted a three-for-one stock split on of our common stock on October 9, 2008. All holders of shares of common stock on September 29, 2008 received two additional shares for each share held on that date. Each holder s percentage of ownership of Company common stock and his, her or its proportional voting power remained unchanged after this stock split. All references to numbers of shares of common stock as well as the sales prices of our common stock in this prospectus reflect the effect of this three-for-one split.

The information in the following tables contains selected financial data from the Company s 2007 Annual Report on Form 10-K, which is incorporated herein by reference, for the years ending December 31, 2007, 2006, 2005, 2004, and 2003 and have been adjusted to reflect the retroactive effect of the stock split.

Annual Financial Information	Year Ended December 31,				2003
	2007	2006	2005	2004	
	(In thousands, except per share amounts)				

**Net income per common share:**

Basic	\$ 1.36	\$ 0.72	\$ 0.52	\$ 0.27	\$ 0.24
Diluted	\$ 1.20	\$ 0.63	\$ 0.46	\$ 0.24	\$ 0.23

**Shares used in computing per share data:**

Basic	9,306	8,304	8,367	8,352	6,882
Diluted	10,536	9,411	9,363	9,312	7,047

**Common stock:**

Issued	10,219	8,572	8,222	8,733	8,733
Outstanding	10,192	8,545	8,222	6,950	6,950

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