

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA**

\_\_\_\_\_, Individually and On  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

EBIX, INC., ROBIN RAINA, ROBERT F.  
KERRIS, and SEAN T. DONAGHY,

Defendants.

Case No.: DRAFT

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Law Offices of Howard G. Smith

Plaintiff \_\_\_\_\_ (“Plaintiff”), by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Ebix, Inc. (“Ebix” or the “Company”), with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Ebix; and (c) review of other publicly available information concerning Ebix.

### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired Ebix securities between February 29, 2016 and December 11, 2018, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Ebix purports to supply on-demand infrastructure exchanges to the insurance, financial e-learning, and healthcare industries.

3. On October 5, 2018, the Company announced that it had replaced its independent accounting firm, Cherry Bekaert LLP, with T R Chadha & Co. LLP. The Company stated that the only adverse opinion by Cherry Bekaert LLP was the previously-disclosed material weaknesses identified in the Company’s internal controls.

4. On this news, the Company’s stock price fell \$14.18 per share, or nearly 20%, to close at \$58.10 per share on October 8, 2018, on unusually heavy trading volume.

5. On December 11, 2018, Viceroy Research Group (“Viceroy”) published a report alleging, among other things, that the Company was improperly booking internal revenue and receivables and that the Company is subject to tax audit by the Australian Tax Office since 2016.

6. On this news, the Company’s stock price fell \$3.02 per share, or more than 6%, to close at \$44.90 per share on December 11, 2018, on unusually heavy trading volume.

7. 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: (1) that the Company's rate of acquisitions had impacted the accuracy of its financial reporting; (2) that the Company had inaccurately accounted for certain acquisitions; (3) that the Company was improperly recognizing revenue for certain transactions; (4) that, as a result, the Company's financial statements were misstated; (5) that the Company lacked adequate internal controls over financial reporting; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects and prospects were materially misleading and/or lacked a reasonable basis.

8. 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**

9. The claims asserted herein arise under 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 by the SEC (17 C.F.R. § 240.10b-5).

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

11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this Judicial District.

12. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

13. Plaintiff \_\_\_\_\_, as set forth in the accompanying certification, incorporated by reference herein, purchased Ebix securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

14. Defendant Ebix is incorporated under the laws of Delaware with its principal executive offices located in Johns Creek, Georgia. Ebix's common stock trades on the NASDAQ exchange under the symbol "EBIX."

15. Defendant Robin Raina ("Raina") was the Chief Executive Officer ("CEO") of the Company at all relevant times.

16. Defendant Robert F. Kerris ("Kerris") was the Chief Financial Officer ("CFO") of the Company from 2007 to January 3, 2017.

17. Defendant Sean T. Donaghy ("Donaghy") was the CFO of the Company since January 3, 2017.

18. Defendants Raina, Kerris, and Donaghy are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Ebix's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

## SUBSTANTIVE ALLEGATIONS

### Background

19. Ebix purports to supply on-demand infrastructure exchanges to the insurance, financial e-learning, and healthcare industries.

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

20. The Class Period begins on February 29, 2016. On that day, the Company filed its annual report for the period ended December 31, 2015 (the “2015 10-K”). The Company reported revenue of \$276.2 million and net income of \$79.5 million. Furthermore, the 2015 10-K stated that management had concluded that the Company’s disclosure controls and procedures were effective.

21. On February 28, 2017, the Company filed its annual report for the period ended December 31, 2016 (the “2016 10-K”). The Company reported revenue of \$298.3 million and net income of \$93.8 million. Furthermore, the 2016 10-K stated that management had concluded that the Company’s disclosure controls and procedures were effective.

22. The truth began to emerge on March 1, 2018 when the Company reported material weaknesses in its internal controls. In its annual report for the period ended December 31, 2017 (the “2017 10-K”), the Company reported the results of management’s assessment of its internal controls, stating in relevant part:

During our assessment, we concluded that material weaknesses existed as of December 31, 2017 as we did not design and maintain effective controls over the valuation and accuracy of the accounting for income taxes and purchase accounting. *Specifically, as it relates to income taxes, we did not design and maintain controls over the analysis and assessment of estimates involving complex multistate-apportionment factors, tax rate computations, tax contingencies and deferred tax asset valuation allowances, and income tax effects related to business acquisitions or disposals. Specifically, as it relates to purchase accounting, we did not design and maintain controls over the analysis and assessment of estimates involving growth rates, valuation methodology, timeliness and documentation.* These material weaknesses did not result in any revision of the Company’s annual financial statements for any period. These material weaknesses could have resulted in a material misstatement of account balances or disclosures that would have resulted in a misstatement of the annual

or interim consolidated financial statements that would not have been prevented or detected. ***Management believes that these weaknesses were highlighted primarily because of the rapid pace of acquisitions made by Ebix in the year 2017***, even though the Company had two of the big 5 accounting firms advising Ebix in both these areas and can be remediated by strengthening our controls over the next few quarters, while utilizing the expertise of Ernst & Young in the controls and tax areas.

(Emphasis added.)

23. On May 9, 2018, the Company filed its quarterly report on Form 10-Q with the SEC for the period ended March 31, 2018 (the “1Q18 10-Q”). It reported revenue of \$108.2 million and net income of \$26.2 million.

24. The 1Q18 10-Q stated that the Company’s disclosure controls and procedure were still ineffective and that management had identified certain remediation steps:

- The engagement of Ernst & Young LLP to assist in the review and analysis of the Company’s interim and annual income tax provision methodology computations and financial reporting;
- The strengthening of controls for income taxes in 2018 with the use of additional resources and expanded use of independent third party resources and outside legal tax counsel
- Reviewing and revising internal procedures surrounding valuation accounting, including the use of independent third party resources, internal review and documentation processes.

25. On August 8, 2018, the Company filed its quarterly report on Form 10-Q with the SEC for the period ended June 30, 2018 (the “2Q18 10-Q”). It reported revenue of \$124.6 million and net income of \$29.2 million. Regarding its controls and procedures, the Company repeated statements identified in ¶24.

26. On November 8, 2018, the Company filed its quarterly report on Form 10-Q with the SEC for the period ended September 30, 2018 (the “3Q18 10-Q”). It reported revenue of \$131.5 million and net income of \$29.2 million. Regarding its controls and procedures, the Company repeated statements identified in ¶24.

27. The above statements identified in ¶¶20-26 were materially false and/or misleading, 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: (1) that the Company's rate of acquisitions had impacted the accuracy of its financial reporting; (2) that the Company had inaccurately accounted for certain acquisitions; (3) that the Company was improperly recognizing revenue for certain transactions; (4) that, as a result, the Company's financial statements were misstated; (5) that the Company lacked adequate internal controls over financial reporting; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects and prospects were materially misleading and/or lacked a reasonable basis.

#### **Disclosures at the End of the Class Period**

28. On October 5, 2018, the Company filed a Form 8-K with the SEC in which it reported that it had replaced its independent accounting firm, Cherry Bekaert LLP ("CBH"), with T R Chadha & Co. LLP ("TRC"). The Company stated that the only adverse opinion by CBH was the material weaknesses identified in the Company's internal controls, which had been disclosed in the 2017 10-K. Specifically, the Company stated, in relevant part:

The Audit Committee (the "Committee") of the Board of Directors of Ebix, Inc. (the "Company") recently conducted a competitive selection process to determine the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018. The Committee invited several public accounting firms to participate in this process, necessitated by the Company's revenue and asset concentration in India for the year 2018. As a result of this process, the Committee approved the appointment of T R Chadha & Co. LLP ("TRC") as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018 effective October 5, 2018 replacing Cherry Bekaert LLP (the "Former Accounting Firm").

(a) In connection with the audits of the Company's consolidated financial statements for the fiscal years ended December 31, 2016 and 2017, and in the subsequent interim period through October 5, 2018 there were no disagreements with the Former Accounting Firm on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of the Former Accounting Firm, would have

caused the Former Accounting Firm to make reference to the matter in their report.

Except as provided in the succeeding sentence, there were no reportable events (as that term is described in Item 304(a)(1)(v) of Regulation S-K during the two fiscal years ended December 31, 2016 and 2017 or in the subsequent period through October 5, 2018. The reports of the Former Accounting Firm on the Company's consolidated financial statements as of and for the years ended December 31, 2016 and 2017 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that the Former Accounting Firm's report on internal control over financial reporting expressed an opinion that the Company had not maintained effective internal control over financial reporting as of December 31, 2017 because of the effect of material weaknesses identified by Company management in the design of the Company's controls over accounting for business combinations, the preparation of the income tax provision, and having contemporaneous documentation of significant acquisition related transactions.

29. On this news, the Company's stock price fell \$14.18 per share, or nearly 20%, to close at \$58.10 per share on October 8, 2018, on unusually heavy trading volume.

30. On October 9, 2018, the Company explained that it "intends to hire a Big 4 audit firm beginning Q1 of 2019" and that it hired TRC to handle the consolidated audit in the interim.

The Company stated:

1. The Company intends to hire a Big 4 audit firm to be the worldwide auditor for the Company.
2. In view of the Company's strong revenue growth in India, the Company intends to select a Big 4 audit firm who has a strong presence in India.
3. To avoid any regulatory conflicts in 2018 on account of any work that the Big 4 firm might have done for Ebix or any of its subsidiaries in 2018, the Ebix audit committee intends to hire a Big 4 audit firm beginning Q1 of 2019.
4. As an interim step for 2018, the Company decided to retain all its present audit firms in all individual countries as such, while engaging one of the existing multinational PCAOB certified audit firms TR Chadha & Co. LLP (TRC) to handle the consolidated audit.
  - o TRC is a 72-year old reputed audit firm based out of India, with a client base that encompasses a who's who list of leading multi-billion dollar companies including leading Banks, insurance companies, multinational technology and BPO companies, airlines, media companies, telecom, healthcare and education sector companies etc.

- Amongst other reputed assignments, TRC is the auditor presently for India's largest Bank, largest power generation and distribution company and the country's largest Liquefied Natural Gas company.
  - TRC is also amongst the few audit firms empaneled by India's Regulatory body SEBI (Securities and Exchange Board of India) to conduct forensic audit of publicly listed firms for fraud . . .
  - Recently TRC was selected by a consortium of leading Banks (led by one of India's largest Banks ICICI), to conduct the forensic audit of a NSE listed company, for one of the largest suspected scams in recent history in the country.
  - TRC bench strength includes 15 Partners, 200 Qualified Accountants and 700+employees.
5. Till Q2 of 2018, TRC was serving as the component auditor for India while reporting to the US based audit firm Cherry Bekaert LLP (CBH), who carried out the US audit besides being the consolidated auditor of the Company's worldwide operations.
  6. Beginning Q3 of 2018, CBH has been retained to serve as the component auditor for US while reporting to TRC, who will continue to carry out the India audit as earlier besides being the consolidated auditor of the Company's worldwide operations.
  7. All component auditors in remaining countries will continue to be the same as earlier beginning Q3 of 2018.
  8. The above decision for 2018 was necessitated by the Company's fast revenue growth in India leading to India's revenues being approximately at 50% or more of the Company's worldwide revenues, the heavy asset concentration in India and 75% of the Company's employee base being based now in India.
  9. Lastly the Company reiterated that it in connection with the audits of the Company's consolidated financial statements for the fiscal years ended December 31, 2016 and 2017, and in the subsequent interim period through June 30, 2018, there were no disagreements with CBH on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of CBH, would have caused CBH to make reference to the matter in their report.

31. On December 11, 2018, Viceroy published a report alleging, among other things, that the Company was improperly booking internal revenue and receivables and that the Company is subject to tax audit by the Australian Tax Office since 2016.

32. The improper accounting relates in part to Ebix Vayam Technologies Limited, a

joint venture with Vayam Technologies Limited. The Viceroy report stated, in relevant part:

This company, Ebix Vayam Technologies Limited (Ebix Vayam) appears to exist solely to allow Ebix to buy revenues: the company appears to have only ever done business with Vayam Technologies itself since inception. The company is funded largely through loans from Ebix which are repayable out of the receivables account which stands at 446 days as of March 31, 2018.

There were no revenues reported in 2016. The company shares its address with Ebix Software India.

Further, 79% of the revenue from Vayam is held in accounts receivables. We question whether these sales actually took place.

33. The Viceroy report also highlighted that, months before the Company replaced CBH as its independent auditor, the Public Company Accounting Oversight Board (“PCAOB”) had released an inspection report that identified certain deficiencies in CBH’s work. Specifically, Viceroy report drew attention to the following passages of the PCAOB report released on July 26, 2018:

The inspection procedures included reviews of portions of five issuer audits performed by the Firm [*i.e.* CBH]. The inspection team identified matters that it considered to be deficiencies in the performance of the work it reviewed. One of the deficiencies relates to auditing an aspect of an issuer’s financial statements that the issuer announced an intention to restate and report a material weakness in internal control over financial reporting after the primary inspection procedures.

\* \* \*

Certain deficiencies identified were of such significance that it appeared to the inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient appropriate audit evidence to support its opinion that the financial statements were presented fairly, in all material respects, in conformity with the applicable financial reporting framework and its opinion about whether the issuer had maintained, in all material respects, effective internal control over financial reporting.

34. According the Viceroy report, the Australian Tax Office was auditing a series of transfers between Ebix subsidiaries. The report stated, in relevant part:

Telstra eBusiness Services insurance exchange was purchased on January 2, 2008 through Ebix Australia (VIC) Pty Ltd. Ebix’s 2008 10-K reports a purchase price of US\$43.8m (AU\$50m), which correlates with Australian filings of the same value. . . . Ebix then transferred these assets to Singapore the following year. . . . There was no cash consideration for this transfer: Ebix Australia appears to only recognize an AUD47.484m (US\$33.143m) reduction in related-party payables.

But Ebix Singapore did recognize a cash expense of SG\$76.108m for the purchase adjusting the “purchase of intangible assets” line item for other assets acquired during the year, and specifically notes that this was indeed a cash transaction. . . . There is no accounting for this cash in Australia, and the cash appears to have tripped from an Ebix related party to the Singapore entity. . . . Note that Ebix Singapore is not the parent company of Ebix Australia (VIC) Pty Ltd, but they do share a Swedish parent company, EIH Holdings. As pointed out previously by other researchers, EIH Holdings auditor, BDO Sweden resigned due to an inability to confirm which subsidiaries and assets EIH Holdings owned.

There is no record of where this SG\$78m went, or even if this cash existed at all. In fact, Ebix’s consolidated statement of cash flows and balance sheet in 2009 suggest that the businesses did not even have this amount of cash to distribute internally. These issues should not exist under oversight from a reliable auditor. As far as audit risk goes, cash transactions are quite simple to verify, and difficult to fabricate – the transactions should literally exist on a bank statement.

35. On this news, the Company’s stock price fell \$3.02 per share, or more than 6%, to close at \$44.90 per share on December 11, 2018, on unusually heavy trading volume.

36. On December 12, 2018, the Company responded by announcing that the CEO would receive his salary in stock rather than cash. In the press release, Defendant Raina indirectly responded to the claims in the Viceroy report:

“In my 20 years as CEO of Ebix, the Company has an enviable record of never having been on the wrong side of any regulatory or tax authority. Also, the Company has till date a record of having no differences with any statutory or consolidated auditors across the world in the last two decades.” Robin added, “We accept criticism with humility even when it comes from vested interests, while being proud of our unblemished record of 20 years. We have learnt from our past experiences that fundamentals finally always prevail over false rhetoric. Today we are more excited than ever about our future and we humbly intend to let time, cash and fundamentals to do the talking from here onwards.”

37. On December 13, 2018, Viceroy responded that Raina’s claims were inconsistent with:

- **Ebix’s Mumbai office being subject to an undisclosed “search” by Indian Tax Authorities for suspicion of tax evasion in late August 2018;**
- **Ebix currently subject to a tax audit by the Australian Taxation office since at least 2016;**
- **Ebix historically settling an IRS dispute for >\$20m;**

- Ebix being subjected to a prolonged SEC investigation;
- Ebix being subject to a **possible ongoing DOJ investigation**;

38. On December 28, 2018, the Company announced that it had “appointed RSM US LLP to serve as the Company’s independent consolidated auditor for 2019. RSM will replace T R Chadha & Co. LLP, who will continue as the Company’s consolidated auditor for the fiscal year ending December 31, 2018.”

### **CLASS ACTION ALLEGATIONS**

39. 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 persons and entities that purchased or otherwise acquired Ebix securities between February 29, 2016, and December 11, 2018, inclusive (collectively, the “Class”). Excluded from the Class are Defendants, 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.

40. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Ebix’s securities were actively traded on the NASDAQ exchange. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Millions of Ebix shares were traded publicly during the Class Period on the NASDAQ. 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.

41. 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.

42. 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.

43. 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:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Ebix; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages

44. 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 makes 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.

#### **UNDISCLOSED ADVERSE FACTS**

45. The market for Ebix's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Ebix's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Ebix's securities relying upon the integrity of the market price of the Company's securities and market information relating to Ebix, and have been damaged thereby.

46. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Ebix's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements,

as set forth herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information and/or misrepresented the truth about Ebix's business, operations, and prospects as alleged herein.

47. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Ebix's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

#### **LOSS CAUSATION**

48. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

49. During the Class Period, Plaintiff and the Class purchased Ebix's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

#### **SCIENTER ALLEGATIONS**

50. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the

federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Ebix, his/her control over, and/or receipt and/or modification of Ebix's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Ebix, participated in the fraudulent scheme alleged herein.

**APPLICABILITY OF PRESUMPTION OF RELIANCE  
(FRAUD-ON-THE-MARKET DOCTRINE)**

51. The market for Ebix's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Ebix's securities traded at artificially inflated prices during the Class Period. On February 23, 2018, the Company's common stock closed at a Class Period high of \$86.90 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of Ebix's securities and market information relating to Ebix, and have been damaged thereby.

52. During the Class Period, the artificial inflation of Ebix's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Ebix's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Ebix and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

53. At all relevant times, the market for Ebix's securities was an efficient market for the following reasons, among others:

- (a) Ebix stock met the requirements for listing, and was listed and actively

traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Ebix filed periodic public reports with the SEC and/or the NASDAQ;

(c) Ebix regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Ebix was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace

54. As a result of the foregoing, the market for Ebix's securities promptly digested current information regarding Ebix from all publicly available sources and reflected such information in Ebix's stock price. Under these circumstances, all purchasers of Ebix's securities during the Class Period suffered similar injury through their purchase of Ebix's securities at artificially inflated prices and a presumption of reliance applies.

55. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

## **NO SAFE HARBOR**

56. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Ebix who knew that the statement was false when made.

### **FIRST CLAIM** **Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants**

57. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

58. During the Class Period, the Company and the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Ebix’s securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, the Company and the Individual Defendants, and each of them, took the actions set forth herein.

59. The Company and the Individual Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a

course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Ebix's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. The Company and the Individual Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

60. The Company and the Individual Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Ebix's financial well-being and prospects, as specified herein.

61. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Ebix's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Ebix and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

62. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the

Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

63. The Company and the Individual Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Ebix's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by the Company and the Individual Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, these defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

64. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Ebix's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by the Company and the Individual Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by the Company and the Individual Defendants, but not disclosed in public statements by these defendants during the Class Period, Plaintiff and the other members of the Class acquired Ebix's securities during the Class Period at artificially high prices and were damaged thereby.

65. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems

that Ebix was experiencing, which were not disclosed by the Company and the Individual Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Ebix securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

66. By virtue of the foregoing, the Company and the Individual Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

67. 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.

**SECOND CLAIM**  
**Violation of Section 20(a) of the Exchange Act**  
**(Against the Individual Defendants)**

68. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

69. The Individual Defendants acted as controlling persons of Ebix within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

70. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged

herein, and exercised the same.

71. As set forth above, Ebix and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

