EBIX INC.

Moderator: Robin Raina
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11:00 a.m. ET

Operator: Good day, ladies and gentlemen, and welcome to the Ebix Inc. first quarter 2014 Investor Relations – Investor conference call. At this time, all participants are in a listen-only mode. Later we will have a question and answer session and instructions will be given at that time.

If anyone should require assistance during today's call, that's star and then zero to reach an operator.

As a reminder, this call is being recorded. I would now like to turn the call over to Mr. Steve Barlow, Vice President, Investor Relations. Sir, the floor is yours.

Steve Barlow: Thank you, Nicholas. Welcome everyone to Ebix's first-quarter 2014 earnings conference call. Joining me to discuss this quarter is Ebix Chairman, President, CEO, Robin Raina; and Ebix Senior Vice President and EVP, Robert Kerris; following our remarks we will open up the call for your questions.

Let me quickly go over the Safe Harbor – some of the statements that we make today are forward-looking including, among others, statements regarding Ebix's future investments, our long-term growth and innovation, the introductory performance of our businesses, and our use of cash. These statements involve of a number risks and uncertainties that might cause actual results to differ materially from those projected in the forward-looking statements.

Please note that these forward-looking statements reflect our opinions only as of the date of this presentation and we undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements in light of new information or future events. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements made today are contained in our SEC filings which list a more detailed description of the risk factors that may affect our results.

Our press release announcing the first-quarter 2014 results was issued earlier this morning; the audio of this investor call is also being Webcast live on the Web on www.ebix.com/Webcast. You can look at Ebix's financials beyond what has been provided in the release on our Web site at Ebix.com. The audio and text of the transcript will be available also on the investor homepage on the Web site at 4:00 today.

Let's start by discussing results announced today. Bob and I will talk about the Company from a financial perspective and Robin will sum up and provide some color on the quarter and new product and revenue initiatives.

Revenue in Q1 increased sequentially by 1 percent from Q4 2013 while decreasing by 2 percent from year ago to $51.4 million. On a constant currency basis, our growth was better as revenue would have been $53.3 million up from reported revenue of $52.6 million dollars in 1Q 2013. Foreign exchange rate declines in Australia and Brazil continued to impact the P&L.

On a sequential constant currency basis, our revenues grew by $1 million as compared to Q4 of 2013. In Q1 our exchange revenue increased to become 82 percent of our total revenue this quarter compared to 79 percent in Q1 of 2013. The life and annuity platforms which have seen the implementation of new products aided revenue growth and should do so in future quarters. With the Australian and Brazilian currency weakening as compared to the U.S. dollar, and the revenues from these regions being primarily exchange-based, the FX rates hurt our exchange revenue substantially.

Our Broker business revenue dropped by $236,000 in Q1 as compared to Q1 of 2013. The impact is primarily currency-based since the majority of our broker revenues are from international sources, and it is because of reduced professional services in Q1 2014 because of a shortened quarter for implementation services with an extended Christmas holiday traditionally impacting our Q1 professional services revenue in international markets.

The BPO channel was renamed Risk Compliance Solutions in the first quarter to more accurately portray the scope of its business which is the mitigation of risk for our clients by actively tracking insurance and monitoring compliance through a variety SaaS-based subscription and transaction services. CurePet, a startup, in which Ebix owned a minority interest of 19.8 percent, was fully acquired in January.

Since June of 2012 Ebix has been generating revenue from CurePet as its exclusive development partner. This revenue no longer exists as a startup as 100 percent of Company was acquired by Ebix with a view to build and end-to-end pet exchange for veterinary schools, hospitals, and general pet practitioners. This caused a year-over-year drop in revenue but on the positive side, opens up an opportunity for us to be the pioneering pet insurance exchange in the United States. We are excited about the opportunities that we see ahead of us on that front.

The reduction in carrier channel revenues is because of reduced professional services in the quarter as compared to a year ago, with certain implementations going into production. Once we start on new implementations, the revenue should accordingly start looking up.

The Company's gross margin remained in the 81 percent range which is consistent with recent trends. Our operating margin for Q1 2014 was 38 percent as compared to 37 percent in Q1 of 2013.

And I will now turn the call over to Bob.

Robert Kerris: Thank you, Steve. Thanks to all of you on the call for your interest in Ebix. In our last investor conference call we talked about how one of the major financial goals in 2013 was to strengthen the Company's balance sheet. We continue to do that in Q1 of 2014 and throughout and will continue to focus on that throughout the coming year.

The Company's working capital position increased to a record high of $47.0 million compared to $35.7 million at year-end and $32.1 million a year ago on March 31, 2013. This increase in working capital in the present quarter is due to higher cash balances, increased trade receivables, and lower current earnout obligations related to prior business acquisitions. Accordingly, the Company's current ratio also improved to 1.80 at quarter-end, up from 1.54 at year-end 2013. We were able to sustain these attractive liquidity positions in spite of having made the following major cash outflows in the first quarter of 2013.

We reduced debt by $2.4 million. We paid $3.1 million in taxes, we used $2.2 million to repurchase 137,000 shares of our common stock, we paid $2.9 million in dividends, and we paid $4.2 million in satisfaction of the obligation owed to settle the class-action suit as previously announced. After spending this cash, the Company continues to hold substantial cash, cash equivalents, and short-term investments which in the aggregate had a combined balance of $58.6 million at March 31, 2014, up slightly from year-end 2013.

We used some of our cash resources to pay down debt, and we moved into a net cash position at quarter-end Q1 2014, of $3.3 million, versus a net debt position of a year-ago of $34.5 million and a net debt position of $179,000 at year-end 2013. As of today, we are in a net cash position meaning debt less cash balances of approximately $6.1 million.

At quarter-end 2014 the Company's debt leverage ratio was 0.65 at March 31 and our fixed charge coverage ratio was 2.39. Our cost of debt remains relatively low. This debt being our term loan and revolver with our banks and that interest-rate presently stands at 1.65 percent.

As of March 31, 2014 the Company's bank debt balances with our commercial banking facilities stands at $52.3 million, which consists of $22.8 million balance on a revolving line of credit and $29.5 million balance on our term note. Furthermore, Ebix has access to approximately $22.2 million of additional borrowing capacity from its commercial banking facilities, which is unused at present. As of today, the debt with our banks has been further reduced to $49.9 million from the $52.2 million we spoke about earlier at March 31, 2014.

Cash generated from operations, a key performance metric for our Company. During first quarter 2104 was $10.8 million, down from the $14.3 million from the first quarter of a year ago. The decrease is primarily due to the non-recurring payment of the class-action settlement we spoke about earlier and tax payments made during the quarter which added up to $3.1 million.

As of March 31, the Company had access to $80.8 million in available cash resources from our commercial banking facilities, combined with our cash on hand, working capital and the associated cash generated by our operating activities which going forward we intend to use to pay debt – to further pay down debt –to support the future growth of the Company both organically and with accretive business acquisitions, and repurchase shares of our common stock as and when appropriate.

The Company announced on Wednesday that we will be paying a dividend of $0.075 payable on June 13 to shareholders of record as of May 30. Finally Ebix will file its form 10-Q this coming Monday, May 12. Thank you for your attention and now I'll pass the call on to Robin.

Robin Raina: Thanks Bob. Good morning. Bob and Steve have already discussed the financial metrics coming out of the quarter. I'm going to try and review the business at a more qualitative level and will attempt to present some key initiatives and the rationale behind them besides trying to give you a glimpse into the future as we see it.

First let's talk about the topline. Our revenues are moving in the right direction; with the Company showing revenue growth in constant currency terms both year-over-year and quarter over quarter. I'm especially pleased with the topline growth considering that there were a number of factors that could have hurt our revenues.

We are in the midst of negotiating a material market aggregation deal in Europe. Our revenues in Europe were impacted by the various market entities delaying any new decisions in Q1 of 2014 in view of this aggregation utility deal.

Secondly with the acquisition of the CurePet exchange we did not have development revenues received from CurePet as their development partner in 2013. Thirdly, as stated, in 2013 we had to bear the continuing impact of decreased professional services revenues from the delays associated with certain PlanetSoft implementations. In spite of all of that the revenues were up quarter-over-quarter – and we are pleased with that.

We have a number of exciting initiatives at present that we are pursuing. Let me talk about a few; in the end I will discuss our press release today as regards A.D.A.M.OnDemand and why we are so excited about that initiative. Our EbixEnterprise straight-through processing health solution went into production with two leading health carriers in the United States in the first quarter, namely IHC and Security Life Insurance Company.

A few years back when we conceptualized the idea of straight-through processing Enterprise platform for the health industry. Our competitors and many customers thought of this as a venture in vain. Today, after more than two years of work from inception to delivery to successful execution, EbixEnterprise is live with both insurance carriers as a complete end-to-end solution. This makes EbixEnterprise the only end-to-end cloud-based health straight-through processing solution in the market. Both these customers today are great references for us.

The successful implementation of EbixEnterprise for health insurance interfaced with our CRM solution is also working with our Annuity solution is a unique initiative that sets Ebix apart from any other player in the insurance industry now. We see this as an initiative that allows us to bid for large enterprise deals that earlier would go only to large players like IBM.

We sell EbixEnterprise on a healthy mix of subscription and transaction basis with Ebix getting paid recurring monthly fees based on the number of health, dental, or vision lives on the system. The solution plays well with our focus on high margin recurring revenue services.

Recently we purchased start up called CurePet wherein we had a minority shareholder interest. Ebix served as an exclusive IT partner in the year 2013 and helped them build an EMR initiative for pets. We bought the Company in January 2014 and have focused all our attention on building the world's first electronic medical record practice-management, billing, accounting, and claims management system for pets besides creating a pet insurance exchange that will endeavor to connect thousands of general practitioners with vendors, veterinarians, and veterinary hospitals. To give you an expanse of the market, there are an estimated 72 million pets in the U.S. alone. We bought the Company as we see a large market for pet insurance across the world and our attempt will be to become the pioneers in defining and streamlining that market.

We are presently in advanced discussions with two of the largest veterinary hospitals in the country towards deploying this solution on a SaaS basis. Again, our revenue model on the solution is a healthy mix of subscription and transaction basis with the Enterprise solution paid for on a subscription basis while the exchange connecting practitioners in hospitals and vendors and pet owners, et cetera charged on per-insured referral basis.

Recently we deployed our vendor pay model for the Risk Compliance Services division. We are pleased to have started on a great note with Walmart of Canada signing a contract in Q1 of 2014 and already going into production in Q2. The deal involved us automating the certificate monitoring and compliance for Walmart Canada's thousands of vendors, contractors and suppliers. We're going to work hard to ensure that we can try and replicate this across other countries also where the volumes could be even higher. We are excited about this venture as it allows us to price our offerings appropriately based on each vendor supplied at our contractor while maintaining the subscription nature of the business thereby trying to ensure that our margins from the RCS business can grow.

One of our key initiatives at present is on the CRM side. Our goal is to launch Smart Office Anywhere, a device-independent CRM utility that puts the power of CRM in the hands of advisors wherever they are, in the second quarter of 2014. Our goal is to provide it to our entire user base as an integrated offering and charge for it on a recurring monthly basis.

We are also the process of launching our Microsoft Outlook integration module for our CRM solution. That's something that our illustrious large-CRM competitors do not have, and thus that holds a lot of value for our customers. We expect CRM to be a key part of Ebix's future growth story.

In Q1 of 2014, the professional services revenue from the PlanetSoft acquisition was down as we had announced earlier in 2013 because of certain implementations being delayed by customers. While that did not help the quarter, the TPP solution set emerging out of the PlanetSoft acquisition, interfaced with our straight-through processing offering holds a lot of promise for us in the future. We are presently in the midst of many meaningful-sized deals with large carriers based on that solution set.

Now let me talk about the A.D.A.M.OnDemand initiative that we announced today and that you can look on at Ebix.com or on Adamondemand.com. In simple terms, this is our attempt to open up a completely new revenue line and convert our A.D.A.M. Health brand into a household healthcare brand for consumers, patients, medical students, nurses, doctors, hospitals, researchers, national medical institutions, government, and the pharmaceutical industry. We are planning the phased launch of a few key initiatives in that direction.

In Phase 1 the A.D.A.M.OnDemand service will allow a user to access medical education courses, videos, content, patient journeys, on a wide variety of medical topics at any time and watch them at leisure over the cloud. The service will be available to consumers and patients through Ebix's partner network of online sites as well as through search engines, social networking sites, and other valuable destinations.

With hundreds of hours of content available, the users will be able to instantly seek access to our entire A.D.A.M.OnDemand library of medical e-learning programs without dedicating a single byte on their hard drives. The revenue model on this is going to be on a subscription basis.

The service is also targeted for medical students, healthcare professionals, and the pharmaceutical industry providing them a highly credible source of healthcare information and multimedia visual learning assets to enhance their knowledge and skills. With built in progress tracking and automated bookmarking, users can easily manage their learning across multiple sessions. For those who finish the program successfully, a certificate of completion is provided to help healthcare and pharma organizations track the knowledge of their staff. In addition to cloud-based delivery, A.D.A.M.OnDemand is also available for white label integration in corporate learning management systems and patient portals.

In the Phase 2 and Phase 3, we are presently working on a detailed plan towards creating the world's largest online aggregation of general physicians and specialists to offer medical advice and medical treatment to consumers across country boundaries. The Company intends to get there through a mix of acquisitions and the innovative launch of new services. This innovative service will allow consumers to reach out to doctors online and seek advice over a guaranteed short period of a few hours. The paid-for service will be accessible to users across the globe through search engines, social networking sites, employer portals, and a mix of B2C sites and healthcare destinations. The service will allow consumers to upload their medical images and test results and seek advice online from these doctors.

Working towards a fully integrated medical treatment exchange, the Company intends to allow consumers to have video sessions with doctors in the next phase of the launch of the service. Integrated with A.D.A.M.OnDemand content and linked to local medical facilities, the service will allow patients and their families to understand a medical ailment better and seek advice on simple and complex medical issues from a large network of specialists.

The revenue model on this is going to be on a subscription and transaction basis both. We see this as the launch of one of our biggest initiatives over the last several years. As it can help us launch a consumer brand while monetizing our existing healthcare assets. We believe that these initiatives have immense revenue potential and are going to be an important part of the Ebix growth story in future years.

With the rising cost of healthcare, consumers are increasingly reaching out online seeking advice and treatment. Insurance companies see patient education and telemedicine as key initiatives in their pursuit control costs of servicing their patients.

Healthcare professionals are looking for non intrusive means to keep themselves up to date on medical research and advancements. Doctors are looking for innovative ways to increase their earnings while building a dialogue with their patients. These initiatives are an important step in that direction.

As Bob referenced during his talk, we feel good about our cash generation abilities. We intend to use this cash to make accretive acquisitions both in the short and long-term. We are focused on making accretive, complementary acquisitions that generate operating margins at our levels post-acquisition, are accretive in the short term, have a high subscription revenue base, and have a technology set up that is a part of the cloud computing vision of Ebix. In our viewpoint, there are some great companies in the industry at present that fit all these criteria well and thus are great targets for us.

Let me now briefly touch the topic of expense and margins. Ebix has always been quite disciplined in its approach to expense control – that has not changed. Our business model has a high subscription base and as such is high-margin intensive. Our focus presently is on growing our business. As we grow our business, margins will take care of themselves. We have set a high benchmark for ourselves on that front.

That brings me to the end of my talk; I'll now hand it over to the Operator to open it up for questions. Thank you.

Operator: Thank you. Ladies and gentlemen, if you have a question at this time, that’s star and then the number one key on your touchtone telephone. If your question has been answered, or you would like to remove yourself from the queue at a later time, please press the pound key. Once again, that's star and then one to ask a question. We'll wait a few moments.

And our first question comes from the line of Jeff VanRhee, Craig-Hallum. Your line is now open; please proceed with your questions.

Jeff VanRhee: Great. Thank you. A number of questions this morning. First, I guess – Robin as it relates to the sales organization, have there been any material structural changes to the organization with a focus on accelerating organic growth?

Robin Raina: Well, I think we put some changes in place quite some time back, and actually we are just basically building on those changes now. We are continuing to strengthen our sales team as we see it today.

We are going through the normal changes from time to time as we find particular salespeople not performing. We change them. But pretty much we have stayed on with our current structure by streamlining sales, by centralizing sales, by making sure that we create a multi-national account program structure whereby sales across the world all report to a common sales hub worldwide. As also there's emphasis on solution selling rather than on product selling.

Jeff VanRhee: OK. Then second for me, the A.D.A.M.OnDemand launched, can you, near-term as you look at Phase 1, I'm a little unclear on the revenue model – namely who is the buyer? Can you just clarify what the buyer; the ultimate payer is for just Phase 1?

Robin Raina: Phase 1 and Phase 2 are going to quickly follow each other. I think soon you are going to hear us talk about Phase 2, but talking about Phase 1 first of all, A.D.A.M.OnDemand, basically is a service that can be used by first of all, all the B2B organizations, whether these are pharma companies, whether it is a hospital, whether it is a medical student, whether it is – I will give you an example of we just agreed on a deal with the largest nursing association in Australia, which has a membership-base of 258,000 nurses. A.D.A.M. OnDemand is a perfect tool available to make sure that these nurses now have the ability to keep their knowledge absolutely up to date, and it is a requirement to make sure that those nurses are absolutely knowledgeable. That's an example of that.

For medical students, nurses, and then you look at the consumers. When you look at the consumer world, what we are discovering is that from a consumer perspective – when there's a medical ailment in the family, the family members, the patient is trying to research a topic and is trying to really get into the depths of what really is happening to my body? What is the research out there?

People want to understand the patient journey out there; is there a patient particular path, what medicine works, what didn't work, what is a particular medical treatment that worked, and so on. So what Ebix is doing, we are creating patient journeys where you will be able to see, for example, let's say we are talking about a specific case like diabetes. We are going to explain exactly what happened with, let's say a patient called Bruce, and walk them through the whole example of – in video and animation – through what happened with respect to medication, with respect to the body and so on.

Similarly under explaining the entire body, explaining why a disease happens, what could be done to prevent it, and so on. And all of that is going to be sold to consumers through search engines. You're going to see Ebix market through the Googles of the world, through social networking sites, through large health destinations and so on. There is a market for it, and there's a pretty large market for it, and that's basically our Phase 1 wherein we are selling this to patients, their families, the practitioners, the nurses, doctors, the medical students, the Pharma companies and so on.

And then you look at the Phase 2 of it. Phase 2 of that is basically allowing, for example let's say I have a medical ailment and I need specific advice on it; I have two options. I could go to a doctor or I could basically go in and go online and have 150 doctors available online to answer my questions.

If a Company can guarantee that in the next maximum of three hours or so, I can get you an answer from these doctors, you are able to upload your tests, you are able, for example, to take a picture of a particular body part and upload it, and have doctors opine on it, this could a firsthand opinion, it could be second opinion for you, it could be across boundaries – you could be a – there could be a cancer patient in, let's say Dubai, who is trying to reach out to specialists in the U.S.. So there is – the idea is to create this large aggregation of doctors who would be available, specialists, general physcians who will be available to answer these questions and the consumer will be paying for that on a different model basis. One model is a consumer paying virtually on a monthly basis by getting a subscription for the family.

The other model is a consumer asking, being allowed for X number of dollars, X number of questions and so on. So that's basically the revenue model. Did that answer your question?

Jeff VanRhee: Yes, it did. I guess just one more for you, Robin, and then I had some for Bob. I think back in November you had discussed two large 5-year deals that were going to go live in the earlier part of this year; can you update us on those? Are the implementations on track? The adoption as expected?

Robin Raina: Yes. We are on target with both of those deals.

Jeff VanRhee: Are they both impacting revenue now? Are they live?

Robin Raina: Both are live and again there is a ramp-up period with each one of those. Both the deals which are long-term deals have continuous scalability. It keeps getting scaled up; so yes, they are live and as we go forward you are going to see increased revenue from both those deals.

(John Veneer): OK. Then Bob, just some clarifications on the currency front. You noted the headwinds as it related to revenue headwinds from currency – was there an offsetting benefit to the expense side and can you quantify that?

Robert Kerris: Yes, there was. On the expense side – the change in foreign exchange rates had the effect of reducing operating expenses by $1.2 million. So we already talked about the effect it had on revenue, so at the end of the day then overall our operating income was decreased by $639,000 on a net basis as a result of the effect of the change in exchange rates.

Jeff VanRhee: OK, great. Then the earnout was reduced in the quarter. I guess maybe this is for both of you. Just what's the driver there? I'm assuming that's PlanetSoft, but can you expand on what's going on there?

Robert Kerris: In total our earnout obligations were reduced by $1.8 million during the quarter. Pertaining to two 2012 acquisitions, both PlanetSoft and TriSystems, as is required in the technical accounting guidance, each quarter we are obligated to go back and look at the – recalculate the fair value of those obligations based upon expected revenue streams and the present value of that earnout discounted back. Based upon the analysis we did this past quarter and its projected revenues for these two acquisitions, those would need to bring down those earnout obligations and the offset to that is general and administrative expenses.

Robin Raina: Jeff, let me talk about both of those because that's a very relevant question. As to when we look at these two – especially these two companies, PlanetSoft and TriSystems, let me start first with PlanetSoft. PlanetSoft while they didn't – they started very well. They didn't make up their revenue, part of it was delayed implementation that we announced earlier and continually they kept trying, but ultimately they weren't able to get to their earnout.

Having said that, the products set from PlanetSoft has been fantastic. We feel that TPP Solutions set that we inherited from them that we interfaced into our straight-through processing solution is today at the core of some reasonably large deals that we are involved in. And we feel that it might so happen that the earnout gets over and we are going to see increased revenues, come through from PlanetSoft.

We are very – we are quite bullish on the TPP side of things. Obviously everything has been integrated into our Straight-Through Processing solution.

It's a pity that – I feel the owners of PlanetSoft, the people that we inherited from PlanetSoft were extremely high quality employees and they did a fantastic job of integrating their solution, marketing their solution. It is a wonderful solution, works extremely well. Loved by the audience, by the customer base and so on.

It's a pity they didn't make it mainly because the way the solution set works, the implementation cycle is large and most of the clients are very large and when these large clients make a determination, sometimes small delays on their side, internally, can cause a lot of pain on a product like this. So having said that, what we have done over the years as we were – which wasn't necessarily good for them from an earnout perspective – but we worked over the last year and a half to build up this whole customer base, to build up a large prospect base on their solution sets, put it in the center of our philosophy of exchanges, and what that has done, that has put Ebix in the midst of a lot of large deals today. And so we are very bullish about this whole TPP solution that we inherited from PlanetSoft. In the short term for sure we had to reverse the earnout because it – the earnout was basically getting lower for them and they weren't getting there.

Having said that, then you look at the other one which is TriSystems, again TriSystems has been at the core of our – as you know we made two acquisitions in London, TriSystems and Qatarlyst. Between those two we created this Ebix exchange end-to-end solution in London and Europe.

While TriSystems hasn't made – well, we reversed that earnout simply because again, they are towards the end of the earnout period. Again some of them, they got impacted, lately, especially, because of the simple fact that – I referenced that during my talk; we are in the midst of negotiating a material aggregation deal in Europe.

That, when you do a material aggregation deal what really happens in the market is that individual customers, all the large brokers, large carriers are aware that there's a deal happening and that deal will grandfather everything. Since that deal will grandfather everything for the whole market, customers stop doing – giving you new business until that deal is in. So that impacted TriSystems' earnout in the short term.

Overall, from an Ebix perspective – meaning it hasn't been bad. I think TriSystems has been a fantastic acquisition and we feel very good about where it has taken us in the European markets.

Jeff VanRhee: Could you comment how much earnout is left there? How much more potential reversal in total from those could happen if they continue to disappoint?

Robert Kerris: Yes, I will comment on that, it is only about $200,000 left.

Robin Raina: Basically almost nothing.

Jeff VanRhee: Got it. OK. Bob, on the deferred tax assets bouncing around from quarter to quarter; can you just expand on that? As I understand it, it relates to the prepayments related to some of your India taxes, which gets a little tricky to walk through, but if just walk through that?

Robert Kerris: I think there are two things that are affecting it. One is as we do make payments of MAT tax and then alternative tax.

Furthermore, during the quarter we had to adopt a new accounting pronouncement that had the effect of changing some of the reporting within the balance sheet of our deferred balances. I'm trying to get some – hang on a sec.

Jeff VanRhee: I had one other in the meantime, maybe Robin, you can answer. Just I'm curious on the legal side, the legal expenses, I think you commented last quarter, are winding down somewhat. Can you just give us any update or any color there on what the spend is. I don't know if over the quarter or over the year, just give us some sense of how as I build model, what I should be thinking about for legal?

Robin Raina: Yes, the trend, the legal continues to go down. The expenses were down in Q1 as compared to Q4 and the trend continues. We obviously would like to see that continue to go down. So right now the legal expenses are continuing to wind down.

Jeff VanRhee: OK. That's all I had.

Robin Raina: I think from our perspective, as I referenced in my talk, the way the business is set up, our business is highly margin intensive, and as we move forward and keep growing our revenues I think the margins will take care of themselve

(John Veneer): OK. Then just I guess just waiting for Bob's final answer there and then I'm all set.

Robin Raina: I think Bob can come back to you off-line with an answer. He's looking for the accounting pronouncement, basically.

Robert Kerris: Yes. I'll get back to you.

(John Veneer): OK, I'm all set, thank you.

Operator: Thank you. And again, ladies and gentlemen, to ask a question, that’s star and the number one key on your touchtone telephone. Speakers, I'm not showing any further questions in the queue.

Robin Raina: With that, I think since there are no more questions, I am going to finish the call and we look forward to speaking to you at the end of the second quarter, and thank you for being there.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Have a great day everyone.

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