

Lender Processing Services, Inc.
Form 10-Q
August 04, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2011

or

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

For the transition period from to
Commission File No. 001-34005

Lender Processing Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware 26-1547801
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

601 Riverside Avenue Jacksonville, Florida 32204
(Address of principal executive offices) (Zip Code)
(904) 854-5100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark 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):

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 31, 2011, 84,384,477 shares of the registrant's common stock were outstanding.

FORM 10-Q
QUARTERLY REPORT
Quarter Ended June 30, 2011

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Part I: FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited).

LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

	June 30, 2011	December 31, 2010
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$22,008	\$52,287
Trade receivables, net of allowance for doubtful accounts of \$31.9 million and \$33.5 million, respectively	366,514	419,647
Other receivables	3,100	4,910
Prepaid expenses and other current assets	35,885	38,328
Deferred income taxes, net	45,073	44,102
Total current assets	472,580	559,274
Property and equipment, net of accumulated depreciation of \$179.1 million and \$171.3 million, respectively	124,016	123,897
Computer software, net of accumulated amortization of \$162.3 million and \$156.2 million, respectively	220,081	217,573
Other intangible assets, net of accumulated amortization of \$335.7 million and \$327.4 million, respectively	49,011	58,269
Goodwill	1,150,631	1,159,539
Other non-current assets	152,878	133,291
Total assets	\$2,169,197	\$2,251,843
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$145,157	\$145,154
Trade accounts payable	44,414	51,610
Accrued salaries and benefits	50,572	55,230
Recording and transfer tax liabilities	12,926	10,879
Other accrued liabilities	149,569	145,203
Deferred revenues	54,155	57,651
Total current liabilities	456,793	465,727
Deferred revenues	34,364	36,893
Deferred income taxes, net	102,790	96,732
Long-term debt, net of current portion	1,086,668	1,104,247
Other non-current liabilities	23,551	22,030
Total liabilities	1,704,166	1,725,629

Commitments and contingencies (note 12)

Stockholders' equity:

Preferred stock \$0.0001 par value; 50 million shares authorized, none issued at June 30, 2011 and December 31, 2010

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Common stock \$0.0001 par value; 500 million shares authorized, 97.4 million shares issued at June 30, 2011 and December 31, 2010	10	10
Additional paid-in capital	230,135	216,896
Retained earnings	656,018	596,168
Accumulated other comprehensive loss	(733	) (283
Treasury stock \$0.0001 par value; 13.1 million and 8.6 million shares at June 30, 2011 and December 31, 2010, respectively, at cost	(420,399	) (286,577
Total stockholders' equity	465,031	526,214
Total liabilities and stockholders' equity	\$2,169,197	\$2,251,843

See accompanying notes to unaudited consolidated financial statements.

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands, except per share data)			
Processing and services revenues (note 3)	\$517,495	\$593,697	\$1,072,282	\$1,179,535
Cost of revenues (note 3)	370,402	386,511	738,935	777,498
Gross profit	147,093	207,186	333,347	402,037
Selling, general, and administrative expenses (note 3)	74,861	58,743	156,149	118,479
Operating income	72,232	148,443	177,198	283,558
Other income (expense):				
Interest income	388	300	718	923
Interest expense	(13,715)	) (18,671)	) (27,811)	) (37,567)
Other income (expense), net	(70)	) 119	(56)	) 123
Total other income (expense)	(13,397)	) (18,252)	) (27,149)	) (36,521)
Earnings from continuing operations before income taxes	58,835	130,191	150,049	247,037
Provision for income taxes	21,607	49,797	56,269	94,490
Net earnings from continuing operations	37,228	80,394	93,780	152,547
Discontinued operations, net of tax	(15,863)	) 19	(16,486)	) 382
Net earnings	\$21,365	\$80,413	\$77,294	\$152,929
Net earnings per share - basic from continuing operations	\$0.43	\$0.85	\$1.08	\$1.61
Net earnings per share - basic from discontinued operations	(0.19)	) —	(0.19)) —
Net earnings per share - basic	\$0.24	\$0.85	\$0.89	\$1.61
Weighted average shares outstanding - basic	85,665	94,408	86,747	94,967
Net earnings per share - diluted from continuing operations	\$0.43	\$0.85	\$1.08	\$1.60
Net earnings per share - diluted from discontinued operations	(0.18)	) —	(0.19)) —
Net earnings per share - diluted	\$0.25	\$0.85	\$0.89	\$1.60
Weighted average shares outstanding - diluted	85,812	94,910	86,968	95,660

See accompanying notes to unaudited consolidated financial statements.

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Earnings

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
Net earnings	\$21,365	\$80,413	\$77,294	\$152,929
Other comprehensive earnings:				
Unrealized gain/(loss) on investments, net of tax	395	(6	) 260	(403
Unrealized gain/(loss) on interest rate swaps, net of tax (1)	(827	) 2,829	(710	) 5,105
Other comprehensive earnings	(432	) 2,823	(450	) 4,702
Comprehensive earnings	\$20,933	\$83,236	\$76,844	\$157,631

(1) Net of income tax (benefit)/expense of \$(0.5) million and \$1.8 million and \$(0.4) million and \$3.2 million for the three and six months ended June 30, 2011 and 2010, respectively.

See accompanying notes to unaudited consolidated financial statements.

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES

Consolidated Statement of Equity

(Unaudited)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Treasury Stock	Total Equity
Balances, December 31, 2010	97,427	\$ 10	\$216,896	\$596,168	\$(283)	(8,581)	\$(286,577)	\$526,214
Net earnings	—	—	—	77,294	—	—	—	77,294
Cash dividends paid (1)	—	—	—	(17,444)	—	—	—	(17,444)
Exercise of stock options and restricted stock vesting	—	—	(5,414)	—	—	87	3,056	(2,358)
Income tax shortfall from equity compensation	—	—	(213)	—	—	—	—	(213)
Stock-based compensation	—	—	18,866	—	—	—	—	18,866
Treasury stock repurchases	—	—	—	—	—	(4,564)	(136,878)	(136,878)
Unrealized gain on investments, net	—	—	—	—	260	—	—	260
Unrealized loss on interest rate swaps, net	—	—	—	—	(710)	—	—	(710)
Balances, June 30, 2011	97,427	\$ 10	\$230,135	\$656,018	\$(733)	(13,058)	\$(420,399)	\$465,031

(1) Dividends of \$0.10 per common share were paid on March 17, 2011 and June 16, 2011.

See accompanying notes to unaudited consolidated financial statements.

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30,	
	2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net earnings	\$77,294	\$152,929
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	49,435	47,294
Amortization of debt issuance costs	2,317	2,317
Asset impairment charges	31,855	—
Deferred income taxes, net	3,553	9,023
Stock-based compensation cost	18,866	13,837
Income tax shortfall associated with equity compensation	213	162
Changes in assets and liabilities, net of effects of acquisitions:		
Trade receivables	53,412	17,512
Other receivables	1,811	(162)
Prepaid expenses and other assets	(4,023)	(13,699)
Deferred revenues	(7,098)	(15,031)
Accounts payable, accrued liabilities and other liabilities	(748)	(7,513)
Net cash provided by operating activities	226,887	206,669
Cash flows from investing activities:		
Additions to property and equipment	(19,261)	(23,371)
Additions to capitalized software	(33,967)	(33,795)
Purchases of investments, net of proceeds from sales	(9,390)	—
Acquisition of title plants and property records data	(10,352)	—
Acquisitions, net of cash acquired	(9,802)	—
Net cash used in investing activities	(82,772)	(57,166)
Cash flows from financing activities:		
Borrowings	60,000	—
Debt service payments	(72,576)	(2,550)
Exercise of stock options and restricted stock vesting	(2,358)	10,906
Income tax shortfall associated with equity compensation	(213)	(162)
Dividends paid	(17,444)	(18,956)
Treasury stock repurchases	(136,878)	(97,698)
Bond repurchases	(4,925)	—
Payment of contingent consideration related to acquisitions	—	(2,978)
Net cash used in financing activities	(174,394)	(111,438)
Net (decrease) increase in cash and cash equivalents	(30,279)	38,065
Cash and cash equivalents, beginning of period	52,287	70,528
Cash and cash equivalents, end of period	\$22,008	\$108,593
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$26,789	\$36,558

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Cash paid for taxes	\$35,153	\$71,332
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See accompanying notes to unaudited consolidated financial statements.

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Except as otherwise indicated or unless the context otherwise requires, all references to “LPS,” “we,” the “Company,” or the “registrant” are to Lender Processing Services, Inc., a Delaware corporation that was incorporated in December 2007 as a wholly-owned subsidiary of FIS, and its subsidiaries; and all references to “FIS,” the “former parent,” or the “holding company” are to Fidelity National Information Services, Inc., a Georgia corporation formerly known as Certegy Inc., and its subsidiaries, that owned all of LPS's shares until they were distributed to the shareholders of FIS in a tax-free spin-off on July 2, 2008.

(1) Basis of Presentation

The unaudited financial information included in this report includes the accounts of Lender Processing Services, Inc. and its subsidiaries prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. This report should be read in conjunction with the Company's Annual Report on Form 10-K that was filed on March 1, 2011 and our other filings with the Securities and Exchange Commission.

Reporting Segments

We are a provider of integrated technology and outsourced services to the mortgage lending industry, with mortgage processing and default management services in the U.S. We conduct our operations through two reporting segments, Technology, Data and Analytics and Loan Transaction Services.

Reclassifications

Due to the discontinued operations discussed in note 7 below, certain amounts in prior fiscal years have been reclassified to conform with the presentation adopted in the current fiscal year.

(2) Fair Value

Fair Value of Financial Assets and Liabilities

The fair value of financial assets and liabilities are determined using the following fair value hierarchy:

• Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

• Level 2 Inputs to the valuation methodology include:

• quoted prices for similar assets or liabilities in active markets;

• quoted prices for identical or similar assets or liabilities in inactive markets;

inputs other than quoted prices that are observable for the asset or liability; and

inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. We believe our valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level within the fair value hierarchy, our assets and liabilities measured at fair value on a

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recurring basis. The fair values of other financial instruments, which primarily include short-term financial assets and liabilities and long term debt, are estimated as of period-end and disclosed elsewhere in these notes.

As of June 30, 2011 (in millions):

	Classification	Carrying Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Investments (note 6)	Asset	\$42.1	\$7.2	\$34.9	\$—	\$42.1
Interest rate swaps (note 10)	Liability	\$2.1	\$—	\$2.1	\$—	\$2.1

As of December 31, 2010 (in millions):

	Classification	Carrying Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Investments (note 6)	Asset	\$32.5	\$6.8	\$25.7	\$—	\$32.5
Interest rate swaps (note 10)	Liability	\$0.9	\$—	\$0.9	\$—	\$0.9

Our Level 1 financial instruments include U.S government and agency bonds, for which there are quoted prices in active markets. Our Level 2 financial instruments consist of corporate bonds, municipal bonds and derivatives, for which there are parallel markets or alternative means to estimate fair value using observable information inputs. The estimates used are subjective in nature and involve uncertainties and significant judgment in the interpretation of current market data. Therefore, the values presented are not necessarily indicative of amounts we could realize or settle currently.

Fair Value of Assets Acquired and Liabilities Assumed

The fair values of assets acquired and liabilities assumed in business combinations are estimated using various assumptions. The most significant assumptions, and those requiring the most judgment, involve the estimated fair values of intangible assets and software, with the remaining value, if any, attributable to goodwill. The Company utilizes third-party experts to assist with determining the fair values of intangible assets and software purchased in business combinations.

(3) Related Party Transactions

Lee A. Kennedy has served as our director since our spin-off from FIS, our Executive Chairman since September 15, 2009, and our interim President and Chief Executive Officer since July 6, 2011. Mr. Kennedy served as Chairman of Ceridian Corporation (“Ceridian”) from January 25, 2010 until July 28, 2011, where he also served as Chief Executive Officer of Ceridian from that date until August 19, 2010. Therefore, Ceridian was a related party of the Company for periods from January 25, 2010 until July 28, 2011. During those periods we were party to certain agreements with Ceridian from which we incurred expenses. A summary of the Ceridian related party agreements in effect as of June 30, 2011 is as follows:

Administrative Services. Ceridian provides certain administrative services to our human resources group, including Family and Medical Leave Act (“FMLA”) administrative services, military leave administrative services, flexible spending account services and tax processing services. Each of the administrative services agreements has an initial term of one year and is automatically renewable for successive one year terms unless either party gives 90 days prior written notice. They may be terminated upon 30 days written notice in the event of a breach.

- **COBRA Health Benefit Services.** Ceridian also provides us with Consolidated Omnibus Budget Reconciliation Act (“COBRA”) health benefit services. The COBRA agreement had an initial term of one year

and is automatically renewable for successive one year terms unless either party gives 90 days prior written notice. It may be terminated upon 30 days written notice in the event of a breach.

In addition, Mr. Kennedy served as an executive and a director of FIS through February 28, 2010. Therefore, FIS was a related party of the Company for periods prior to that date. From the spin-off until July 2010, we were allocated corporate costs from FIS and received certain corporate services from FIS. Allocated costs from FIS during the period from January 1, 2010 to February 28, 2010 were less than \$10,000.

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A detail of related party items included in expenses for the three and six months ended June 30, 2011 and 2010 is as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Corporate services- Ceridian	\$0.1	\$—	\$0.2	\$0.1
Cost sharing agreements- FIS	—	—	—	(0.1)
Total expenses	\$0.1	\$—	\$0.2	\$—

We believe the amounts charged by Ceridian and FIS under the above-described service arrangements are fair and reasonable.

(4) Net Earnings Per Share

The basic weighted average shares and common stock equivalents are computed using the treasury stock method. The following table summarizes the earnings per share for the three and six months ending June 30, 2011 and 2010 (in thousands, except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Earnings from continuing operations, net of tax	\$37,228	\$80,394	\$93,780	\$152,547
Discontinued operations, net of tax	(15,863)	19	(16,486)	382
Net earnings	\$21,365	\$80,413	\$77,294	\$152,929
Net earnings per share - basic from continuing operations	\$0.43	\$0.85	\$1.08	\$1.61
Net earnings per share - basic from discontinued operations	(0.19)	—	(0.19)	—
Net earnings per share - basic	\$0.24	\$0.85	\$0.89	\$1.61
Weighted average shares outstanding - basic	85,665	94,408	86,747	94,967
Net earnings per share - diluted from continuing operations	\$0.43	\$0.85	\$1.08	\$1.60
Net earnings per share - diluted from discontinued operations	(0.18)	—	(0.19)	—
Net earnings per share - diluted	\$0.25	\$0.85	\$0.89	\$1.60
Weighted average shares outstanding - diluted	85,812	94,910	86,968	95,660

Options to purchase approximately 7.8 million shares and 4.3 million shares, and 6.3 million shares and 2.7 million shares of our common stock were not included in the computation of diluted earnings per share for the three and six months ended June 30, 2011 and 2010, respectively, because they were antidilutive. In addition, as of June 30, 2011, 1.0 million shares of restricted stock are not included in the computation of diluted earnings per share due to vesting restrictions related to the payment of dividends. We may, in the future, limit dilution caused by option exercises, including anticipated exercises, by repurchasing shares on the open market or in privately negotiated transactions.

On October 28, 2010, our Board of Directors approved an authorization for us to repurchase up to \$250.0 million of our common stock and/or our senior notes, effective through December 31, 2011. Subsequently, on June 16, 2011 our Board of Directors approved an authorization for us to repurchase up to \$100.0 million of our common stock and/or our senior notes, effective through December 31, 2012. This authorization replaced the previous authorization and

subsumed all amounts remaining available there-under. Our ability to repurchase shares of common stock or senior notes is subject to restrictions contained in our senior secured credit agreement and in the indenture governing our senior unsecured notes. During the six months ended June 30, 2011, we repurchased 4.6 million shares of our stock for \$136.9 million, at an average price of \$29.98 per share, and \$5.0 million face value of our senior notes for \$4.9 million. As of June 30, 2011, we had \$95.1 million remaining available under our \$100.0 million repurchase authorization.

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(5) Acquisitions

The results of operations and financial position of entities acquired during the six months ended June 30, 2011 are included in the consolidated financial statements from and after the date of acquisition. The purchase price of each acquisition was allocated to the assets acquired and liabilities assumed based on their fair value with any excess cost over fair value being allocated to goodwill. The impact of the acquisitions made from January 1, 2010 through June 30, 2011 was not significant individually or in the aggregate to our historical financial results.

PCLender

On March 14, 2011, our subsidiary, LPS Mortgage Processing Solutions, Inc., acquired PCLender.com, Inc. ("PCLender") for \$9.8 million (net of cash acquired). As a result of the transaction, we recognized a liability for contingent consideration totaling \$3.0 million. The acquisition resulted in the recognition of \$8.2 million of goodwill and \$6.1 million of other intangible assets and software. The allocation of the purchase price to goodwill and intangible assets was based on the valuation performed to determine the value of such assets as of the acquisition date. The valuation was determined using a combination of Level 2 and Level 3-type inputs. We are still finalizing our purchase price allocation and amounts are subject to change. PCLender is now a part of the Technology, Data and Analytics segment and further expands our loan origination offerings and market by complementing our Empower origination technology.

True Automation, Inc.

On November 12, 2010, our subsidiary, LPS Mortgage Processing Solutions, Inc., acquired True Automation, Inc. for \$18.7 million (net of cash acquired). As a result of the transaction, we recognized a liability for contingent consideration totaling \$2.9 million. The acquisition resulted in the recognition of \$14.6 million of goodwill and \$10.0 million of other intangible assets and software. The allocation of the purchase price to goodwill and intangible assets was based on the valuation performed to determine the value of such assets as of the acquisition date. The valuation was determined using the income approach utilizing Level 3-type inputs. True Automation, Inc. is now a part of the Technology, Data and Analytics segment and expands our government solutions offerings.

(6) Investments

Our title insurance underwriter subsidiary, National Title Insurance of New York Inc., is statutorily required to maintain investment assets backing its reserves for settling losses on the policies it issues. These investments, which consist of treasury bonds, municipal bonds, agency bonds and corporate bonds, are classified as available for sale securities, and are included in the accompanying balance sheets at fair value within other non-current assets. Any gains or losses on these investments are recognized in other comprehensive earnings until the investment maturity date. Since the Company does not intend to sell and will more-likely-than-not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered other than temporarily impaired. The carrying amounts and fair values of our available for sale securities at June 30, 2011 and December 31, 2010 are as follows (in thousands):

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of June 30, 2011	\$41,239	\$ 1,066	\$ (180)	\$42,125
As of December 31, 2010	\$32,065	\$ 815	\$ (352)	\$32,528

There have been no significant changes to the stated maturities on our investment portfolio since our annual report on Form 10-K was filed on March 1, 2011.

(7) Discontinued Operations and Impairments of Long-Lived Assets

As of June 30, 2011, due to increased commoditization in the market, as well as technology that was trailing that of the market for Income Verification and Fraud Technology, management committed to sell the Fraud Services business unit. Also as of June 30, 2011, management committed to shut down the Capital Markets business unit due to the market for those services becoming obsolete. The Fraud Services and Capital Markets business units are within other technology, data and analytics services of the Technology, Data and Analytics segment. Under Accounting Standards Codification Topic 360-10-35, Property, Plant, and Equipment – Subsequent Measurement, because the businesses to be sold or exited constitute components and will not result in

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the migration of customers or cash flows, these closures will be considered discontinued operations as the related assets meet the criteria to be classified as held for sale, or the assets of the business have ceased to be used. The fair value of each of the business units was determined under the income approach using Level 3 unobservable inputs of the fair value hierarchy by calculating the present value of the future cash flows associated with continuing to operate the business units. The results of operations of discontinued operations are presented net of tax, as a separate component in the consolidated statements of earnings. Prior period amounts of these operations have been reclassified to reflect them as discontinued for all periods presented.

The table below illustrates the impairments and loss from operations related to discontinued operations for the three and six months ended June 30, 2011 and 2010 (in thousands):

	Three months ended June 30,		Six months ended June 30,		
	2011	2010	2011	2010	
Processing and service revenues	\$1,601	\$5,384	\$3,012	\$11,940	
Pretax (loss) income from operations	(335	) 32	(1,340	) 620
Impairment charges:					
Goodwill	(17,684	) —	(17,684) —	
Other tangible and intangible assets (1)	(8,963	) —	(8,963) —	
Pretax (loss) income from discontinued operations	(26,982	) 32	(27,987	) 620
Income tax benefit (expense) on discontinued operations	11,119	(13) 11,501	(238)
Discontinued operations, net of tax	\$ (15,863	) \$ 19	\$ (16,486	) \$ 382

(1) Impairment charges consist of a \$2.7 million charge to customer relationships, a \$6.0 million charge to software and a \$0.3 million charge to property, plant and equipment for both the three and six month periods ended June 30, 2011.

Impairment Charges on Assets Held for Use

Certain other underperforming operations and asset groups that management decided to dispose of or wind down do not meet the criteria to be considered discontinued operations and qualify as assets held for use. These operations and asset groups have been analyzed for impairment based on changes in circumstances that have indicated that the carrying amount of those assets may not be recoverable based on revised estimates of future cash flows. The impact of these items resulted in an additional impairment charge to long-lived assets of \$11.2 million, consisting of a \$4.7 million charge within other technology, data and analytics services of the Technology, Data and Analytics segment and a \$6.5 million charge in loan facilitation services of the Loan Transaction Services segment. The impairment charges on assets held for use are presented in cost of revenues in the consolidated statements of earnings.

(8) Goodwill

Changes to goodwill during the six months ended June 30, 2011 are summarized as follows (in thousands):

	Technology, Data and Analytics	Loan Transaction Services	Total	
Balance, December 31, 2010	\$774,061	\$385,478	\$1,159,539	
Goodwill impairments related to discontinued operations	(17,684) —	(17,684)
Goodwill related to PCLender acquisition in 2011	8,181	—	8,181	

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Adjustment to goodwill related to True Automation, Inc. acquisition	595	—	595
Balance, June 30, 2011	\$765,153	\$385,478	\$1,150,631

As of June 30, 2011, management committed to dispose of or sell the Fraud Services and Capital Markets business units within other technology, data and analytics services of the Technology, Data and Analytics segment. Goodwill and other assets

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of a business that are to be disposed of may be required to be tested for impairment when events suggest that there is a current expectation that a long-lived asset group will be sold or otherwise disposed of before the end of its useful life. As the businesses to be disposed of were not integrated into the Technology, Data and Analytics segment following the original acquisition, the current carrying amount of that goodwill has been included in the carrying amount of the business to be sold and tested for impairment. We performed a two step test to evaluate the goodwill of the to-be-disposed-of businesses. In step 1, if the fair value of the business less costs to sell is less than the carrying value, step 2 requires that a comparison of the implied fair value of goodwill in the business unit is compared to the carrying value of goodwill in the business unit. As a result of these tests, a \$17.7 million goodwill impairment charge was recorded that is classified in the accompanying statement of earnings within discontinued operations, net of tax.

(9) Restructuring

During the first and second quarters of 2011, management committed to two separate restructuring plans in order to remove duplicate headcount, reduce future operating expenses, and improve operational performance and profitability. For the three and six month periods ended June 30, 2011, the total restructuring costs related to these efforts amounted to \$6.0 million and \$21.4 million of employee termination costs. Of the \$21.4 million of employee termination costs recorded for the six months ended June 30, 2011, approximately \$3.9 million relates to the acceleration of stock compensation expense, included as part of the change in additional-paid-in capital in the accompanying statement of equity.

The cumulative charges are recorded in the accompanying consolidated statement of earnings as selling, general and administrative expenses of \$1.3 million and \$13.9 million, and cost of revenues of \$4.7 million and \$7.5 million for the three and six months ended June 30, 2011, respectively. Of the \$6.0 million of employee termination costs recorded during the second quarter restructuring plan, \$4.6 million, \$1.1 million and \$0.3 million applies to the Technology, Data and Analytics, Loan Transaction Services and Corporate segments, respectively. Of the \$21.4 million of employee termination costs recorded for the six months ended June 30, 2011, \$6.9 million, \$4.1 million and \$10.4 million applies to the Technology, Data and Analytics, Loan Transaction Services and Corporate segments, respectively. The estimated completion date of these activities and final cash payout is December 31, 2011.

The following table sets forth the Company's first quarter restructuring plan as of and for the six months ended June 30, 2011 (in millions):

1st Quarter Restructuring Plan	Additions to Expense	Cash Paid	Other Accrued Liabilities June 30, 2011
Ongoing termination arrangement	\$1.4	\$(1.4)) \$—
Contract termination costs - severance	10.1	(10.1)) —
Total	\$11.5	\$(11.5)) \$—

The following table sets forth the Company's second quarter restructuring plan as of and for the three months ended June 30, 2011 (in millions):

2nd Quarter Restructuring Plan	Additions to Expense	Cash Paid	Other Accrued Liabilities June 30, 2011
Ongoing termination arrangement	\$2.0	\$—	\$2.0
Contract termination costs - severance	4.0	—	4.0
Total	\$6.0	\$—	\$6.0

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(10) Long-Term Debt

Long-term debt as of June 30, 2011 and December 31, 2010 consisted of the following (in thousands):

	June 30, 2011	December 31, 2010
Term A Loan, secured, interest payable at LIBOR plus 2.00% (2.19% at June 30, 2011), quarterly principal amortization, maturing July 2013	\$315,000	\$385,000
Term B Loan, secured, interest payable at LIBOR plus 2.50% (2.69% at June 30, 2011), quarterly principal amortization, maturing July 2014	494,700	497,250
Revolving Loan, secured, interest payable at LIBOR plus 2.00% (Eurocurrency Borrowings), Fed-funds plus 2.00% (Swingline Borrowings) or Prime plus 1.00% (Base Rate Borrowings) (2.19%, 2.01% or 4.25%, respectively, at June 30, 2011), maturing July 2013. Total of \$78.5 million unused (net of outstanding letters of credit and revolver) as of June 30, 2011	60,000	—
Senior unsecured notes, issued at par, interest payable semiannually at 8.125%, due July 2016	362,000	367,000
Other promissory notes with various interest rates and maturities	125	151
Total debt	1,231,825	1,249,401
Less current portion	(145,157	) (145,154
Long-term debt, excluding current portion	\$1,086,668	\$1,104,247

On July 2, 2008, we entered into a Credit Agreement (the “Credit Agreement”) among JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender and Letters of Credit Issuer and various other lenders who are parties to the Credit Agreement. The Credit Agreement consists of: (i) a 5-year revolving credit facility in an aggregate principal amount outstanding at any time not to exceed \$140 million (with a \$25.0 million sub-facility for Letters of Credit) under which \$60 million in borrowings were outstanding at June 30, 2011; (ii) a Term A Loan in an initial aggregate principal amount of \$700 million under which \$315 million was outstanding at June 30, 2011; and (iii) a Term B Loan in an initial aggregate principal amount of \$510 million under which \$495 million was outstanding at June 30, 2011. Proceeds from disbursements under the 5-year revolving credit facility are to be used for general corporate purposes.

The loans under the Credit Agreement bear interest at a floating rate, which is an applicable margin plus, at our option, either (a) the Eurodollar (LIBOR) rate or (b) the higher of (i) the prime rate or (ii) the federal funds rate plus 0.5% (the higher of clauses (i) and (ii), the “ABR rate”). The annual margin on the Term A Loan and the revolving credit facility is a percentage per annum to be determined in accordance with a leverage ratio-based pricing grid and on the Term B Loan is 2.5% in the case of LIBOR loans and 1.5% in the case of ABR rate loans. At June 30, 2011, the rate on the Term A Loan was 2.2% and the rate on the Term B Loan was 2.7%.

In addition to the scheduled principal payments, the Term Loans are (with certain exceptions) subject to mandatory prepayment upon issuances of debt, casualty and condemnation events, and sales of assets, as well as from up to 50% of excess cash flow (as defined in the Credit Agreement) in excess of an agreed threshold. Voluntary prepayments of the loans are generally permitted at any time without fee upon proper notice and subject to a minimum dollar requirement. Commitment reductions of the revolving credit facility are also permitted at any time without fee upon proper notice. The revolving credit facility has no scheduled principal payments, but it will be due and payable in full on July 2, 2013.

The obligations under the Credit Agreement are jointly and severally, unconditionally guaranteed by certain of our domestic subsidiaries. Additionally, the Company and such subsidiary guarantors pledged substantially all of our

respective assets as collateral security for the obligations under the Credit Agreement and our respective guarantees.

The Credit Agreement contains customary affirmative, negative and financial covenants including, among other things, limits on the creation of liens, limits on the incurrence of indebtedness, restrictions on investments and dispositions, limits on the payment of dividends and other restricted payments, a minimum interest coverage ratio and a maximum leverage ratio. Upon an event of default, the administrative agent can accelerate the maturity of the loan. Events of default include events customary for such an agreement, including failure to pay principal and interest in a timely manner and breach of covenants. These events of default include a cross-default provision that permits the lenders to declare the Credit Agreement in default if (i) we fail to make any payment after the applicable grace period under any indebtedness with a principal amount in excess of a specified amount or (ii) we

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fail to perform any other term under any such indebtedness, as a result of which the holders thereof may cause it to become due and payable prior to its maturity.

On July 2, 2008, we issued senior notes (the "Notes") in an initial aggregate principal amount of \$375.0 million under which \$362.0 million was outstanding at June 30, 2011. The Notes were issued pursuant to an Indenture dated July 2, 2008 (the "Indenture") among the Company, the guarantors party thereto and U.S. Bank Corporate Trust Services, as Trustee.

The Notes bear interest at a rate of 8.125% per annum. Interest payments are due semi-annually each January 1 and July 1. The maturity date of the Notes is July 1, 2016. From time to time we may be in the market to repurchase portions of the Notes, subject to limitations set forth in the Credit Agreement.

The indenture contains covenants that, among other things, limit LPS' ability and the ability of certain of LPS' subsidiaries (a) to incur or guarantee additional indebtedness or issue preferred stock, (b) to make certain restricted payments, including dividends or distributions on equity interests held by persons other than LPS or certain subsidiaries, in excess of an amount generally equal to 50% of consolidated net income generated since July 1, 2008, (c) to create or incur certain liens, (d) to engage in sale and leaseback transactions, (e) to create restrictions that would prevent or limit the ability of certain subsidiaries to (i) pay dividends or other distributions to LPS or certain other subsidiaries, (ii) repay any debt or make any loans or advances to LPS or certain other subsidiaries or (iii) transfer any property or assets to LPS or certain other subsidiaries, (f) to sell or dispose of assets of LPS or any restricted subsidiary or enter into merger or consolidation transactions and (g) to engage in certain transactions with affiliates. These covenants are subject to a number of exceptions, limitations and qualifications in the Indenture.

The Notes are our general unsecured obligations. Accordingly, they rank equally in right of payment with all of our existing and future unsecured senior debt; senior in right of payment to all of our future subordinated debt; effectively subordinated to our existing and future secured debt to the extent of the assets securing such debt, including all borrowings under our credit facilities; and effectively subordinated to all of the liabilities of our non-guarantor subsidiaries, including trade payables and preferred stock.

The Notes are guaranteed by each existing and future domestic subsidiary that is a guarantor under our credit facilities. The guarantees are general unsecured obligations of the guarantors. Accordingly, they rank equally in right of payment with all existing and future unsecured senior debt of our guarantors; senior in right of payment with all existing and future subordinated debt of such guarantors; and effectively subordinated to such guarantors' existing and future secured debt to the extent of the assets securing such debt, including the guarantees by the guarantors of obligations under our credit facilities.

LPS has no independent assets or operations and our subsidiaries' guarantees are full and unconditional and joint and several. There are no significant restrictions on the ability of LPS or any of the subsidiary guarantors to obtain funds from any of our subsidiaries other than National Title Insurance of New York Inc. ("NTNY"), our title insurance underwriter subsidiary, by dividend or loan. NTNY is statutorily required to maintain investment assets backing its reserves for settling losses on the policies it issues, and its ability to pay dividends or make loans is limited by regulatory requirements.

We may redeem some or all of the Notes on or after July 1, 2011, at the redemption prices described in the Indenture, plus accrued and unpaid interest. Upon the occurrence of a change of control, unless we have exercised our right to redeem all of the Notes as described above, each holder may require us to repurchase such holder's Notes, in whole or in part, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the purchase date.

The Indenture contains customary events of default, including failure of the Company (i) to pay principal and interest when due and payable and breach of certain other covenants and (ii) to make an offer to purchase and pay for Notes tendered as required by the Indenture. Events of default also include cross defaults, with respect to any other debt of the Company or debt of certain subsidiaries having an outstanding principal amount of \$80.0 million or more in the aggregate for all such debt, arising from (i) failure to make a principal payment when due and such defaulted payment is not made, waived or extended within the applicable grace period or (ii) the occurrence of an event which results in such debt being due and payable prior to its scheduled maturity. Upon the occurrence of an event of default (other than a bankruptcy default with respect to the Company or certain subsidiaries), the trustee or holders of at least 25% of the Notes then outstanding may accelerate the Notes by giving us appropriate notice. If, however, a bankruptcy default occurs with respect to the Company or certain subsidiaries, then the principal of and accrued interest on the Notes then outstanding will accelerate immediately without any declaration or other act on the part of the trustee or any holder.

The fair value of the Company's long-term debt at June 30, 2011 is estimated to be approximately 98% of the carrying value. We have estimated the fair value of the term loans based on values of recent quoted market prices and estimated the fair value of the notes based on values of recent trades.

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Principal Maturities of Debt

There have been no significant changes to our scheduled principal maturities since our Annual Report on Form 10-K was filed on March 1, 2011.

Refinancing of Credit Facilities

On July 25, 2011, we announced plans to refinance our existing credit facilities. The proposed financing is expected to consist of a \$400 million revolving credit facility, a \$350 million 5-year Term Loan A and a \$550 million 7-year Term Loan B. Proceeds will be used to refinance existing indebtedness, pay related fees and expenses and provide for other general corporate purposes. The new credit facilities are expected to enhance liquidity, extend maturities, and provide more flexibility under the covenants. The closing of the refinancing is expected to occur in August 2011, subject to market and other customary conditions.

Interest Rate Swaps

On August 4, 2010, we entered into the following interest rate swap transactions, which have been designated as cash flow hedges:

Period	Notional Amount (in millions)	Bank Pays Variable Rate of (1)	LPS Pays Fixed Rate of (2)	
December 31, 2010 to December 31, 2011	\$225.0	1 Month LIBOR	0.605	%
December 31, 2011 to December 31, 2012	150.0	1 Month LIBOR	1.295	%
December 31, 2012 to December 31, 2013	75.0	1 Month LIBOR	2.080	%

(1) 0.19% as of June 30, 2011.

(2) In addition to the fixed rate paid under the swaps, we pay an applicable margin to our bank lenders on our Term A Loan and Revolving Loan equal to 2.00% and on the Term Loan B equal to 2.50% as of June 30, 2011.

We have entered into interest rate swap transactions in order to convert a portion of our interest rate exposure on our floating rate debt from variable to fixed. We have designated these interest rate swaps as cash flow hedges. A portion of the amount included in accumulated other comprehensive earnings will be reclassified into interest expense as a yield adjustment as interest payments are made on the Term Loans. The inputs used to determine the estimated fair value of our interest rate swaps are Level 2-type measurements. We have considered our own credit risk when determining the fair value of our interest rate swaps.

Estimated fair values of interest rate swaps in the Consolidated Balance Sheets were as follows (in millions):

Balance Sheet Account	June 30, 2011	December 31, 2010
Other accrued liabilities	\$ 0.4	\$ 0.6
Other long-term liabilities	\$ 1.7	\$ 0.3

A summary of the effect of derivative instruments on amounts recognized in other comprehensive earnings (“OCE”) and on the accompanying consolidated statement of earnings for the three and six months ended June 30, 2011 and 2010 is as follows (in millions):

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Interest Rate Swap contract	Amount of Loss (Gain) Recognized in		Amount of Loss Reclassified from Accumulated		
	OCE on Derivatives		OCE into Interest Expense (Income)		
	2011	2010	2011	2010	
Three months ended June 30,	\$(1.2) \$0.1	\$0.2	\$(4.5)
Six months ended June 30,	\$(0.8) \$(1.1) \$0.4	\$(9.3)

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It is our policy to execute such instruments with credit-worthy banks and not to enter into derivative financial instruments for speculative purposes. As of June 30, 2011, we believe our interest rate swap counterparties will be able to fulfill their obligations under our agreements, and we believe we will have debt outstanding through the various expiration dates of the swaps such that the occurrence of future hedge cash flows remains probable.

(11) Income Taxes

Reserves for uncertain tax positions are computed by determining a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Company has performed an evaluation of its tax positions and has concluded that as of June 30, 2011, there were no significant uncertain tax positions requiring recognition in its financial statements. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense.

(12) Commitments and Contingencies

Litigation Matters

In the ordinary course of business, we are involved in various pending and threatened litigation matters related to our operations, some of which include claims for punitive or exemplary damages. We believe that no actions, other than the matters listed below, depart from customary litigation incidental to our business. As background to the disclosure below, please note the following:

In these matters, plaintiffs seek a variety of remedies but do not make a specific statement as to the dollar amount of damages demanded. Due to these reasons and the early stage of these cases, it is not possible to make meaningful estimates of the amount or range of loss that could result from these matters at this time.

We review these matters on an ongoing basis and follow the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 450, Contingencies, when making accrual and disclosure decisions. When assessing reasonably possible and probable outcomes, we base our decision on our assessment of the ultimate outcome following all appeals.

We intend to vigorously defend all litigation matters that are brought against us, and we do not believe that their ultimate disposition will have a material adverse impact on our financial position or results of operations.

In defending these matters, we expect to incur additional legal costs for the remaining quarters of the current year at least equal to those recorded in the second quarter.

Default Services Class Actions

We have been named in ten putative class actions filed in Alabama, Florida and Mississippi that generally allege that the defendants engaged in the unauthorized practice of law and unlawful fee splitting with attorneys representing creditors in bankruptcy proceedings. Each of these individual complaints was filed by the same plaintiff's attorney. Each of these cases is in the preliminary stages and none of these cases has been certified as a class action. Four lawsuits containing similar allegations previously filed against us were dismissed either with prejudice or on summary judgment.

Securities Class Action Litigation

On December 1, 2010, the Company was served with a complaint entitled St. Clair Shores General Employees' Retirement System v. Lender Processing Services, Inc., et al., which was filed in the United States District Court for the Middle District of Florida. The putative class action seeks damages for alleged violations of federal securities laws in connection with our disclosures relating to our default operations. An Amended Complaint was filed on May 18, 2011. LPS filed a motion to dismiss the complaint on July 18, 2011.

Shareholder Derivative Litigation

On December 22, 2010, a complaint entitled International Brotherhood of Electrical Workers Local 164 Pension Fund, derivatively on behalf of Lender Processing Services, Inc. v. Lee A. Kennedy, et al., was filed in the Court of Chancery in the State of Delaware. The complaint seeks recovery on behalf of the Company of damages from certain directors for purported

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violations of fiduciary duties and breaches of good faith in connection with our default operations. LPS filed a motion to dismiss the complaint on August 1, 2011. On January 21, 2011, a second complaint entitled Michael Wheatley, derivatively on behalf of Lender Processing Services, Inc. v. Jeffrey S. Carbiener, et al., was filed in the Circuit Court of the 4th Judicial Circuit, in and for Duval County, Florida. The second complaint also seeks damages from our directors and certain current and former executives and contains nearly identical allegations. The parties have agreed to a voluntary stay in this matter.

Washington Mutual Receivership Proceedings

The Federal Deposit Insurance Corporation (“FDIC”), in its capacity as Receiver for Washington Mutual Bank (“WAMU”), filed a complaint against the Company and certain of its subsidiaries on May 9, 2011 in the U.S. District Court for the Central District of California to recover alleged losses of approximately \$154,519,000. The FDIC contends these losses were a direct and proximate result of the defendants' alleged breach of contract with WAMU and alleged gross negligence with respect to the provision of certain services by the Company's subsidiary LSI Appraisal LLC, an appraisal management company. In particular, the FDIC claims that the services provided failed to conform to federal and state law, regulatory guidelines and other industry standards, including specifically the provisions of the Uniform Standards of Professional Appraisal Practice (“USPAP”). The Company believes that the services it provided satisfied the terms and conditions of its contract with WAMU and were not performed with gross negligence. A motion to dismiss the complaint was filed on July 22, 2011.

Regulatory Matters

Due to the heavily regulated nature of the mortgage industry, from time to time we receive inquiries and requests for information from various state and federal regulatory agencies, including state attorneys general, the U.S. Department of Justice and other agencies, about various matters relating to our business. These inquiries take various forms, including informal or formal requests, reviews, investigations and subpoenas. We attempt to cooperate with all such inquiries.

At present, there is increased scrutiny of all parties involved in the mortgage industry by governmental authorities, judges and the news media, among others. We have responded to or are currently responding to inquiries from multiple governmental agencies. These inquiries range from informal requests for information to grand jury subpoenas. In 2010, we learned that the U.S. Attorney's office for the Middle District of Florida and the Florida Attorney General had begun conducting separate inquiries concerning certain business processes in our default operations. Since then, other federal and state authorities, including various regulatory agencies, and other state attorneys general, have initiated inquiries about these matters, and additional agencies may do so in the future. The business processes that these authorities are considering include the former document preparation, verification, signing and notarization practices of certain of our default operations and our relationships with foreclosure attorneys. We have discovered, during our own internal reviews, potential issues related to some of these practices which may cause the validity of certain documents used in foreclosure proceedings to be challenged. However, we are not aware of any person who was wrongfully foreclosed upon as a result of a potential error in the processes used by our employees. We have been cooperating and we have expressed our willingness to continue to fully cooperate with all such inquiries.

Following a review by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision (collectively, the “banking agencies”), we have entered into a consent order (the “Order”) dated April 13, 2011 with the banking agencies. The banking agencies' review of our services included the services provided by our default operations to mortgage servicers regulated by the banking agencies, including document execution services. The Order does not make any findings of fact or conclusions of wrongdoing, nor does LPS admit any fault or liability. Under the Order, we agreed to further study the issues identified in the review and to enhance our compliance, internal audit, risk management and

board oversight plans with respect to those businesses. We also agreed to engage an independent third party to conduct a risk assessment and review of our default management businesses and the document execution services we provided to servicers from January 1, 2008 through December 31, 2010. To the extent such review requires additional remediation of mortgage documents or identifies any financial injury from the document execution services we provided, we have agreed to implement an appropriate plan to address the issues. The Order contains various deadlines by which we have agreed to accomplish the undertakings set forth therein, and we have agreed to make periodic reports to the banking agencies on our progress. The Order does not include any fine or other monetary penalty, although the banking agencies have not yet concluded their assessment of whether any civil monetary penalties may be imposed.

We continue to believe that the outcome of these inquiries and matters will not have a material adverse impact on our business or results of operations, although it is difficult to predict the final outcome of these matters due, among other things, to the early stage of many of these inquiries. As a result, there can be no assurance that we will not incur material costs and expenses in the future, including but not limited to fines or penalties and legal costs, or be subject to other remedies, as a result of regulatory, legislative or administrative investigations or actions relating to our default operations.

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Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements other than operating leases and the escrow arrangements described below and in our Annual Report on Form 10-K filed March 1, 2011.

Escrow Arrangements

In conducting our title agency, closing and tax services, we routinely hold customers' assets in escrow accounts, pending completion of real estate related transactions. Certain of these amounts are maintained in segregated accounts, and these amounts have not been included in the accompanying consolidated balance sheets. As an incentive for holding deposits at certain banks, we periodically have programs for realizing economic benefits through favorable arrangements with these banks. As of June 30, 2011, the aggregate value of all amounts held in escrow in our title agency, closing and tax services operations totaled \$193.9 million.

(13) Stock Option Plans

Prior to May 19, 2011, our employees participated in LPS's 2008 Omnibus Incentive Plan. On May 19, 2011, our shareholders approved the Lender Processing Services, Inc. Amended and Restated 2008 Omnibus Incentive Plan (the "Plan"), the primary purpose of which was to increase the authorized shares available under the Plan by 4.7 million shares. Under the Plan, the Company may grant up to 18.7 million share-based awards to officers, directors and key employees. The 18.7 million shares authorized under the Plan includes (i) 14.0 million shares originally authorized under the Plan, of which 1.2 million remained available for future grants of share-based awards as of June 30, 2011, and (ii) 4.7 million newly authorized shares, all of which remained available for future grant as of June 30, 2011, so that a total of 5.9 million shares were available for future grant under the Plan as of June 30, 2011. The shares may be issued from authorized and unissued shares of the Company's common stock, or from the Company's treasury shares. Expired and forfeited awards are available for re-issuance. Vesting and exercise of share-based awards are generally contingent on continued employment.

The Company recognizes equity compensation expense, which is included in selling, general and administrative expenses in the accompanying consolidated statements of earnings, on a straight-line basis over the vesting period of share-based awards. We recorded stock compensation expense of \$8.2 million and \$7.3 million, and \$18.9 million and \$13.8 million during the three and six month periods ended June 30, 2011 and 2010, respectively. Of the \$18.9 million of stock compensation expense recorded in the six months ended June 30, 2011, \$3.9 million is due to the acceleration of stock compensation expense related to employee terminations.

During the three and six months ended June 30, 2011 and 2010, respectively, \$2.9 million and \$1.8 million, and \$2.9 million and \$0.4 million of cash was used for minimum statutory withholding requirements upon net settlement of employee share-based awards.

As of June 30, 2011, the Company had \$52.8 million of unrecognized compensation cost related to share-based payments, which is expected to be recognized in pre-tax earnings over a weighted average period of 1.54 years.

We measured the fair value of the awards at the date of grant using a Black-Scholes option pricing model with various assumptions. The risk-free interest rate is based on the rate in effect for the expected term of the option at the grant date. The dividend yield is based on historical dividends. The volatility assumptions are based on our historical volatility and the historical volatilities of comparable publicly traded companies using daily closing prices for the historical period commensurate with the expected term of the option. The expected life of the options is determined based on the Securities and Exchange Commission's simplified method for companies without enough historical data.

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The following table summarizes assumptions used to estimate weighted average fair values for awards granted during the three months ended June 30, 2011 and 2010:

Year	Weighted Average Fair Value	Risk Free Interest Rate		Volatility Factor		Expected Dividend Yield		Weighted Average Expected Life (In Years)
2011	\$8.11	1.9	%	36	%	1.4	%	4.5
2010	\$10.87	2.3	%	36	%	1.1	%	4.5

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Options

The following table summarizes stock option activity under the Plan during the six months ended June 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Exercisable Shares
Outstanding as of December 31, 2010	7,719,442	\$33.06		
Total granted	1,086,020	28.39		
Exercised (1)	(38,666)	) 15.27		
Cancelled	(255,506)	) 35.54		
Outstanding as of June 30, 2011 (2)	8,511,290	\$32.48	4.19	5,575,558

(1) The total intrinsic value of stock options exercised during the six months ended June 30, 2011 was \$0.5 million.

(2) The total intrinsic value of stock options outstanding as of June 30, 2011 was \$1.6 million. The total intrinsic value of stock options exercisable as of June 30, 2011 was \$1.6 million.

The number of shares vested and expected to vest, which is calculated using our forfeiture rate of 0.5%, total approximately 8.5 million, have a weighted average remaining contractual life of 4.19 years, a weighted average exercise price of \$32.48 and an intrinsic value of \$1.6 million.

Restricted Stock

On May 18, 2011 we granted approximately 0.5 million shares of restricted stock with a grant date fair value of \$28.36. All of these restricted shares are subject to both a service and performance-based vesting condition. If the performance objective is not achieved, the restricted stock is subject to automatic forfeiture to the Company for no consideration. Dividends on the unvested restricted stock are accrued until the vest date, at which time they are paid in full to the participants. Additionally, all executive officers of the Company who were granted restricted stock in connection with this grant are required to hold a portion of their vested shares for a period of six months following the vesting of each tranche.

As of June 30, 2011, approximately 0.2 million shares of restricted stock awards with service-based vesting conditions were outstanding, and approximately 1.0 million shares of restricted stock awards with service and performance-based vesting conditions were outstanding.

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(14) Segment Information

Summarized unaudited financial information concerning our segments is shown in the following tables.

As of and for the three months ended June 30, 2011 (in thousands):

	Technology, Data and Analytics	Loan Transaction Services	Corporate and Other	Total
Results from continuing operations (1):				
Processing and services revenues	\$195,318	\$323,690	\$(1,513)	) \$517,495
Cost of revenues	125,695	246,193	(1,486)	) 370,402
Gross profit	69,623	77,497	(27)	) 147,093
Selling, general and administrative expenses	20,735	20,208	33,918	74,861
Operating income	\$48,888	\$57,289	\$(33,945)	) \$72,232
Depreciation and amortization	\$17,488	\$4,822	\$1,816	\$24,126
Balance sheet data:				
Total assets	\$1,249,806	\$755,915	\$163,476	2,169,197
Goodwill	\$765,153	\$385,478	\$—	\$1,150,631

As of and for the three months ended June 30, 2010 (in thousands):

	Technology, Data and Analytics	Loan Transaction Services	Corporate and Other	Total
Results from continuing operations (1):				
Processing and services revenues	\$179,824	\$415,517	\$(1,644)	) \$593,697
Cost of revenues	95,981	292,107	(1,577)	) 386,511
Gross profit	83,843	123,410	(67)	) 207,186
Selling, general and administrative expenses	18,994	21,798	17,951	58,743
Operating income	\$64,849	\$101,612	\$(18,018)	) \$148,443
Depreciation and amortization	\$15,477	\$5,749	\$1,844	\$23,070
Balance sheet data:				
Total assets	\$1,185,007	\$824,825	\$225,344	\$2,235,176
Goodwill	\$760,081	\$406,061	\$—	\$1,166,142

For the six months ended June 30, 2011 (in thousands):

	Technology, Data and Analytics	Loan Transaction Services	Corporate and Other	Total
Results from continuing operations (1):				
Processing and services revenues	\$393,151	\$682,114	\$(2,983)	) \$1,072,282
Cost of revenues	245,278	496,558	(2,901)	) 738,935
Gross profit	147,873	185,556	(82)	) 333,347
Selling, general and administrative expenses	42,295	42,749	71,105	156,149
Operating income	\$105,578	\$142,807	\$(71,187)) \$177,198
Depreciation and amortization	\$35,375	\$9,525	\$3,631	\$48,531

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For the six months ended June 30, 2010 (in thousands):

	Technology, Data and Analytics	Loan Transaction Services	Corporate and Other	Total
Results from continuing operations (1):				
Processing and services revenues	\$352,730	\$830,802	\$(3,997)	) \$1,179,535
Cost of revenues	196,741	584,716	(3,959)	) 777,498
Gross profit	155,989	246,086	(38)	) 402,037
Selling, general and administrative expenses	37,821	45,655	35,003	118,479
Operating income	\$118,168	\$200,431	\$(35,041)	) \$283,558
Depreciation and amortization	\$31,483	\$10,935	\$3,774	\$46,192

(1) Excludes the impact of discontinued operations.

(15) Condensed Consolidating Financial Information

On July 2, 2008, LPS (the "Parent Company") entered into the Credit Agreement and the Notes described in note 10. The Credit Agreement and the Notes are fully and unconditionally guaranteed, jointly and severally, by the majority of the subsidiaries of the Parent Company (the "Subsidiary Guarantors"). Certain other subsidiaries (the "Other Subsidiaries") are not guarantors of the Credit Agreement and the Notes. The guarantees of the Notes by the Subsidiary Guarantors are general unsecured obligations of the Subsidiary Guarantors, and accordingly are senior to any of their existing and future subordinated debt obligations, equal in right of payment with any of their existing and future senior unsecured indebtedness and effectively subordinated to any of their existing and future secured indebtedness to the extent of the assets securing such debt (including the Subsidiary Guarantors' obligations under the Credit Agreement).

The Parent Company conducts virtually all of its business operations through its Subsidiary Guarantors and Other Subsidiaries. Accordingly, the Parent Company's main sources of internally generated cash are dividends and distributions with respect to its ownership interests in the subsidiaries, which are derived from the cash flow generated by the subsidiaries.

As of June 30, 2011, the Parent Company has no independent assets or operations, and our subsidiaries' guarantees are full and unconditional and joint and several. There are no significant restrictions on the ability of LPS or any of the Subsidiary Guarantors to obtain funds from any of our subsidiaries other than National Title Insurance of New York Inc. ("NTNY"), our title insurance underwriter subsidiary, by dividend or loan. As discussed in note 6, NTNY is statutorily required to maintain investment assets backing its reserves for settling losses on the policies it issues, and its ability to pay dividends or make loans is limited by regulatory requirements. NTNY, which is not a subsidiary guarantor, was more than a minor subsidiary.

The following tables set forth, on a condensed consolidating basis, the balance sheet, the statement of earnings and the statement of cash flows for the Parent Company, the Subsidiary Guarantors and Other Subsidiaries as of and for the three and six months ended June 30, 2011 and June 30, 2010, respectively.

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The following table represents our condensed consolidating balance sheet as of June 30, 2011 (in thousands):

	Parent Company (1)	Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Assets:					
Current assets	\$791	\$459,895	\$11,894	\$—	\$472,580
Investment in subsidiaries	1,651,015	—	—	(1,651,015)	—
Non-current assets	10,429	1,623,434	62,754	—	1,696,617
Total assets	\$1,662,235	\$2,083,329	\$74,648	\$(1,651,015)	\$2,169,197
Liabilities and stockholders' equity:					
Current liabilities	\$135,414	\$290,947	\$30,432	\$—	\$456,793
Total liabilities	1,197,204	476,546	30,416	—	1,704,166
Total stockholders' equity	465,031	1,606,783	44,232	(1,651,015)	465,031
Total liabilities and stockholders' equity	\$1,662,235	\$2,083,329	\$74,648	\$(1,651,015)	\$2,169,197

The following table represents our condensed consolidating statement of earnings for the three months ended June 30, 2011 (in thousands):

	Parent Company (1)(2)	Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Processing and services revenues	\$—	\$465,089	\$52,406	\$—	\$517,495
Operating expenses	8,238	386,110	50,915	—	445,263
Operating income	(8,238)	78,979	1,491	—	72,232
Total other income (expense)	(13,715)	(40)	358	—	(13,397)
Earnings from continuing operations before income taxes and equity in earnings of consolidated entities	(21,953)	78,939	1,849	—	58,835
Provision for income taxes	(8,109)	29,035	681	—	21,607
Earnings from continuing operations before equity in losses of consolidated entities	(13,844)	49,904	1,168	—	37,228
Equity in income of consolidated entities, net of tax	35,209	—	—	(35,209)	—
Earnings from continuing operations	21,365	49,904	1,168	(35,209)	37,228
Discontinued operations, net of tax	—	(15,863)	—	—	(15,863)
Net earnings	\$21,365	\$34,041	\$1,168	\$(35,209)	\$21,365

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The following table represents our condensed consolidating statement of earnings for the six months ended June 30, 2011 (in thousands):

	Parent Company (1)(2)	Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts	
Processing and services revenues	\$—	\$946,947	\$125,335	\$—	\$1,072,282	
Operating expenses	18,866	754,411	121,807	—	895,084	
Operating income	(18,866	) 192,536	3,528	—	177,198
Total other income (expense)	(27,811) (2) 664	—	(27,149)
Earnings from continuing operations before income taxes and equity in earnings of consolidated entities	(46,677	) 192,534	4,192	—	150,049
Provision for income taxes	(17,504	) 72,201	1,572	—	56,269
Earnings from continuing operations before equity in losses of consolidated entities	(29,173	) 120,333	2,620	—	93,780
Equity in income of consolidated entities, net of tax	106,467	—	—	(106,467) 71,258	—
Earnings from continuing operations	77,294	120,333	2,620	(106,467)	93,780
Discontinued operations, net of tax	—	(16,486) —	—	(16,486)
Net earnings	\$77,294	\$103,847	\$2,620	\$(106,467)	\$77,294

The following table represents our condensed consolidating statement of cash flows for the six months ended June 30, 2011 (in thousands):

	Parent Company	Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts	
Cash flows from operating activities:						
Net earnings	\$77,294	\$103,847	\$2,620	\$(106,467	) \$77,294
Adjustment to reconcile net earnings to net cash provided by operating activities:						
Non-cash expenses and other items	(88,765	) 88,087	450	106,467	106,239
Changes in assets and liabilities, net of effects from acquisitions	(13,077	) 59,562	(3,131	) —	43,354
Net cash provided by operating activities	(24,548	) 251,496	(61	) —	226,887
Net cash used in investing activities	—	(73,358) (9,414) —	(82,772)
Net cash used in financing activities	(174,394) —	—	—	(174,394)
Net decrease in cash and cash equivalents	\$(198,942) \$178,138	\$(9,475) \$—	(30,279)
Cash and cash equivalents, beginning of period					52,287	
Cash and cash equivalents, end of period					\$22,008	

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The following table represents our condensed consolidating balance sheet as of December 31, 2010 (in thousands):

	Parent Company(1)	Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Assets:					
Current assets	\$ 351	\$541,458	\$ 17,465	\$—	\$559,274
Investment in subsidiaries	1,743,989	—	—	(1,743,989)	—
Non-current assets	12,745	1,644,224	35,600	—	1,692,569
Total assets	\$1,757,085	\$2,185,682	\$53,065	\$(1,743,989)	\$2,251,843
Liabilities and stockholders' equity:					
Current liabilities	\$ 149,787	\$286,964	\$28,976	\$—	\$465,727
Total liabilities	1,230,871	465,949	28,809	—	1,725,629
Total stockholders' equity	526,214	1,719,733	24,256	(1,743,989)	526,214
Total liabilities and stockholders' equity	\$1,757,085	\$2,185,682	\$53,065	\$(1,743,989)	\$2,251,843

The following table represents our condensed consolidating statement of earnings for the three months ended June 30, 2010 (in thousands):

	Parent Company (1)(2)	Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Processing and services revenues	\$—	\$532,066	\$61,631	\$—	