Lender Processing Services, Inc.
Form 10-Q
August 03, 2012

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

Form 10-Q

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

For the quarterly period ended June 30, 2012

or

o 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	32204
Jacksonville, Florida	(Zip Code)
(Address of principal executive offices)	
(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 þ No o

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 þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(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 o No þ

As of July 31, 2012, 84,695,026 shares of the registrant's common stock were outstanding.

FORM 10-Q
QUARTERLY REPORT
Quarter Ended June 30, 2012

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Part I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$138,491	$77,355
Trade receivables, net of allowance for doubtful accounts of $46.8 million and $36.0 million, respectively	308,353	345,048
Other receivables	5,832	1,423
Prepaid expenses and other current assets	35,135	33,004
Deferred income taxes, net	111,398	74,006
Total current assets	599,209	530,836
Property and equipment, net of accumulated depreciation of $194.5 million and $182.9 million, respectively	116,356	121,245
Computer software, net of accumulated amortization of $185.0 million and $181.2 million, respectively	231,008	228,882
Other intangible assets, net of accumulated amortization of $319.2 million and $342.6 million, respectively	27,259	39,140
Goodwill	1,119,438	1,132,828
Other non-current assets (inclusive of investments carried at fair value) - see note 6	222,724	192,484
Total assets	$2,315,994	$2,245,415
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$2,500	$39,310
Trade accounts payable	39,411	43,105
Accrued salaries and benefits	79,263	64,383
Legal and regulatory reserve	203,064	78,483
Other accrued liabilities	174,651	168,627
Deferred revenues	50,939	64,078
Total current liabilities	549,828	457,986
Deferred revenues	25,142	34,737
Deferred income taxes, net	143,238	122,755
Long-term debt, net of current portion	1,075,125	1,109,850
Other non-current liabilities	34,932	32,099
Total liabilities	1,828,265	1,757,427
Commitments and contingencies (note 12)		
Stockholders' equity:		
Preferred stock $0.0001 par value; 50 million shares authorized, none issued at June 30, 2012 and December 31, 2011	—	—

Common stock $0.0001 par value; 500 million shares authorized, 97.4 million shares issued at June 30, 2012 and December 31, 2011	10	10
Additional paid-in capital	249,741	250,533
Retained earnings	650,217	658,146
Accumulated other comprehensive loss	(2,693)	(1,783)
Treasury stock at cost; 12.8 million and 13.0 million shares at June 30, 2012 and December 31, 2011, respectively	(409,546)	(418,918)
Total stockholders' equity	487,729	487,988
Total liabilities and stockholders' equity	$2,315,994	$2,245,415

See accompanying notes to condensed consolidated financial statements (unaudited).

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
Revenues	$533,207	$499,660	$1,039,228	$1,036,843
Expenses:				
Operating expenses	387,713	386,480	775,189	770,958
Depreciation and amortization	23,778	22,627	48,022	45,623
Legal and regulatory charges	144,476	—	144,476	—
Exit costs, impairments and other charges	—	9,887	—	29,198
Total expenses	555,967	418,994	967,687	845,779
Operating income (loss)	(22,760)	80,666	71,541	191,064
Other income (expense):				
Interest income	454	385	902	711
Interest expense	(16,455)	(13,819)	(32,857)	(27,975)
Other income, net	74	(60)	159	(46)
Total other income (expense)	(15,927)	(13,494)	(31,796)	(27,310)
Earnings (loss) from continuing operations before income taxes	(38,687)	67,172	39,745	163,754
Provision (benefit) for income taxes	(4,392)	24,706	24,863	61,408
Net earnings (loss) from continuing operations	(34,295)	42,466	14,882	102,346
Loss from discontinued operations, net of tax	(3,585)	(21,101)	(5,641)	(25,052)
Net earnings (loss)	$(37,880)	$21,365	$9,241	$77,294
Net earnings (loss) per share - basic from continuing operations	$(0.41)	$0.49	$0.18	$1.18
Net loss per share - basic from discontinued operations	(0.04)	(0.25)	(0.07)	(0.29)
Net earnings (loss) per share - basic	$(0.45)	$0.24	$0.11	$0.89
Weighted average shares outstanding - basic	84,578	85,665	84,511	86,747
Net earnings (loss) per share - diluted from continuing operations	$(0.41)	$0.50	$0.17	$1.18
Net loss per share - diluted from discontinued operations	(0.04)	(0.25)	(0.06)	(0.29)
Net earnings (loss) per share - diluted	$(0.45)	$0.25	$0.11	$0.89
Weighted average shares outstanding - diluted	84,578	85,812	84,680	86,968

See accompanying notes to condensed consolidated financial statements (unaudited).

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Earnings (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Net earnings (loss)	$(37,880)	$21,365	$9,241	$77,294
Other comprehensive loss:				
Unrealized gain on investments, net of tax	1,044	395	920	260
Unrealized loss on interest rate swaps, net of tax (1)	(1,696)	(827)	(1,830)	(710)
Other comprehensive loss	(652)	(432)	(910)	(450)
Comprehensive earnings (loss)	$(38,532)	$20,933	$8,331	$76,844

(1) Net of income tax benefit of $1.1 million and $0.5 million for the three months ended June 30, 2012 and 2011, respectively, and $1.1 million and $0.6 million for the six months ended June 30, 2012 and 2011, respectively.

See accompanying notes to condensed consolidated financial statements (unaudited).

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Equity
Six Months Ended June 30, 2012
(Unaudited)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Treasury Stock	Total Equity
	(In thousands)							
Balances, December 31, 2011	97,427	$ 10	$ 250,533	$ 658,146	$ (1,783)	(13,021)	$ (418,918)	$ 487,988
Net earnings	—	—	—	9,241	—	—	—	9,241
Cash dividends declared(1)(2)	—	—	—	(17,170)	—	—	—	(17,170)
Exercise of stock options and restricted stock vesting	—	—	(12,106)	—	—	242	9,372	(2,734)
Income tax effect of equity compensation	—	—	(1,034)	—	—	—	—	(1,034)
Stock-based compensation cost	—	—	12,348	—	—	—	—	12,348
Unrealized gain on investments, net	—	—	—	—	920	—	—	920
Unrealized loss on interest rate swaps, net	—	—	—	—	(1,830)	—	—	(1,830)
Balances, June 30, 2012	97,427	$ 10	$ 249,741	$ 650,217	$ (2,693)	(12,779)	$ (409,546)	$ 487,729

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(1) Dividends of $0.10 per common share were paid on March 15, 2012 and June 21, 2012.
(2) Dividends declared includes dividends accrued on restricted stock that are not paid until a vesting occurs.

See accompanying notes to condensed consolidated financial statements (unaudited).

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net earnings	$9,241	$77,294
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	48,889	49,435
Amortization of debt issuance costs	2,231	2,317
Asset impairment charges	3,688	31,855
Gain on sale of discontinued operation	(8,321)	—
Deferred income taxes, net	(15,415)	3,553
Stock-based compensation cost	12,348	18,866
Income tax effect of equity compensation	1,034	213
Changes in assets and liabilities, net of effects of acquisitions:		
Trade receivables	26,911	53,412
Other receivables	(2,296)	1,811
Prepaid expenses and other assets	(14,053)	(4,023)
Deferred revenues	7,752	(7,098)
Accounts payable, accrued liabilities and other liabilities	145,877	(748)
Net cash provided by operating activities	217,886	226,887
Cash flows from investing activities:		
Additions to property and equipment	(11,989)	(19,261)
Additions to capitalized software	(37,988)	(33,967)
Purchases of investments, net of proceeds from sales	(8,728)	(9,390)
Acquisition of title plants and property records data	(22,613)	(10,352)
Acquisitions, net of cash acquired	—	(9,802)
Proceeds from sale of discontinued operations, net of cash distributed	18,706	—
Net cash used in investing activities	(62,612)	(82,772)
Cash flows from financing activities:		
Borrowings	—	60,000
Debt service payments	(71,457)	(72,576)
Exercise of stock options and restricted stock vesting	(2,734)	(2,358)
Income tax effect of equity compensation	(1,034)	(213)
Dividends paid	(16,913)	(17,444)
Treasury stock repurchases	—	(136,878)
Bond repurchases	—	(4,925)
Payment of contingent consideration related to acquisitions	(2,000)	—
Net cash used in financing activities	(94,138)	(174,394)
Net increase (decrease) in cash and cash equivalents	61,136	(30,279)
Cash and cash equivalents, beginning of period	77,355	52,287
Cash and cash equivalents, end of period	$138,491	$22,008

Supplemental disclosures of cash flow information:

Cash paid for interest	$29,378	$26,789
Cash paid for taxes	$21,589	$35,153

See accompanying notes to condensed consolidated financial statements (unaudited).

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED 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 Fidelity National Information Services, Inc. ("FIS"), a Georgia corporation, and its subsidiaries. FIS 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 condensed 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 condensed 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 February 29, 2012 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 market leading positions in mortgage processing and default management services in the U.S. We conduct our operations through two reporting segments, Technology, Data and Analytics ("TD&A") and Transaction Services.

Reclassifications and Segment Reorganization

In connection with organizational realignments implemented during the first quarter ended March 31, 2012, the Company has made the following changes to its financial reporting structure and presentation:

- Allocation of Corporate Expenses. To improve visibility and analysis regarding the performance of each reporting segment, as of January 1, 2012, the Company began allocating corporate expenses for functions that directly support the operating segments. Costs being allocated include, among others, stock compensation, internal audit, legal, human resources, marketing and accounting shared services. These costs are allocated to each reporting segment based on a variety of factors including headcount, actual consumption, activity, or other relevant factors. After completing the allocation process, the net remaining costs included in the Corporate segment represent unallocated general and administrative expenses, which are discussed further in note 14 to our condensed consolidated financial statements.

- Operating Segment Components. In order to provide improved comparability, LPS has reclassified segment operating results from 2011 to conform to certain 2012 organizational realignments. The realignment resulted in transfer of revenue and operating expenses between the TD&A segment and the Transaction Services segment.

- Financial Statement Captions. In the accompanying condensed consolidated statement of operations, we have eliminated the use of financial statement captions "Gross Margin", "Cost of revenues" and "Selling, general and administrative expenses". We now use the captions “Operating Expenses,” “Depreciation and amortization,” "Legal and regulatory charges" and "Exit costs, impairments and other charges." "Operating expenses" includes all costs, excluding depreciation and amortization, incurred by the Company to produce revenues. "Legal and regulatory charges" represents our loss contingency and related costs for legal and regulatory matters that are probable and estimable. "Exit costs, impairments and other charges" represents certain lease exit charges, employee severance, stock compensation acceleration charges, impairments of long-lived assets, and other non-operating charges.

All prior period information has been reclassified to conform with the current year's presentation. The changes noted above did not have any impact on previously reported consolidated revenues, operating income, net earnings, earnings per share or stockholders' equity.

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(2) Fair Value

Fair Value of Financial Assets and Liabilities

The fair values 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 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, 2012 (in millions):			Fair Value			
	Classification	Carrying Value	Level 1	Level 2	Level 3	Total
Investments (note 6)	Asset	$64.6	$6.6	$58.0	$—	$64.6
Interest rate swaps (note 10)	Liability	$8.4	$—	$8.4	$—	$8.4

As of December 31, 2011 (in millions):			Fair Value			
	Classification	Carrying Value	Level 1	Level 2	Level 3	Total
Investments (note 6)	Asset	$55.6	$6.9	$48.7	$—	$55.6
Interest rate swaps (note 10)	Liability	$5.4	$—	$5.4	$—	$5.4

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 contingent considerations, 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.

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(3) Related Party Transactions

The Company did not have any related party transactions as of and during the three and six months ended June 30, 2012. Lee A. Kennedy has served as a director since our spin-off from FIS and as our Executive Chairman since September 15, 2009. He also served as our interim President and Chief Executive Officer from July 6, 2011 to October 6, 2011. Historically, Mr. Kennedy also served as Chairman of Ceridian Corporation ("Ceridian") from January 25, 2010 until July 28, 2011, and as Chief Executive Officer of Ceridian from January 25, 2010 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 under 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. Each agreement 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. This agreement may be terminated upon 30 days written notice in the event of a breach.

During the three and six months ended June 30, 2011, we incurred approximately $0.1 million and $0.2 million in expenses related to the Ceridian agreements listed above, which are included in operating expenses within the accompanying condensed consolidated statements of operations. We believe the amounts charged by Ceridian 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 (loss) per share for the three and six months ending June 30, 2012 and 2011 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Earnings (loss) from continuing operations, net of tax	$(34,295)	$42,466	$14,882	$102,346
Loss from discontinued operations, net of tax	(3,585)	(21,101)	(5,641)	(25,052)
Net earnings (loss)	$(37,880)	$21,365	$9,241	$77,294
Net earnings (loss) per share - basic from continuing operations	$(0.41)	$0.49	$0.18	$1.18
Net loss per share - basic from discontinued operations	(0.04)	(0.25)	(0.07)	(0.29)
Net earnings (loss) per share - basic	$(0.45)	$0.24	$0.11	$0.89
Weighted average shares outstanding - basic	84,578	85,665	84,511	86,747
Net earnings (loss) per share - diluted from continuing operations	$(0.41)	$0.50	$0.17	$1.18
Net loss per share - diluted from discontinued operations	(0.04)	(0.25)	(0.06)	(0.29)

Net earnings (loss) per share - diluted	$(0.45)	$0.25	$0.11	$0.89
Weighted average shares outstanding - diluted	84,578	85,812	84,680	86,968

Options to purchase approximately 7.3 million and 7.8 million shares of our common stock for the three months ended June 30, 2012 and 2011, respectively, and 7.5 million and 6.3 million shares of our common stock for the six months ended June 30, 2012 and 2011, respectively, were not included in the computation of diluted earnings per share because they were antidilutive. In addition, as of June 30, 2012, 1.6 million shares of restricted stock are not included in our weighted average shares outstanding due to vesting restrictions that contain forfeitable rights to dividends. We may, in the future, limit dilution caused by option exercises, including anticipated exercises, by repurchasing shares in the open market or in privately negotiated transactions.

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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. 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. As of June 30, 2012, we had $95.1 million remaining available under our $100.0 million repurchase authorization.

(5) Acquisitions

We did not acquire any entities during the three and six months ended June 30, 2012. The results of operations of entities acquired during the six months ended June 30, 2011 are included in the condensed 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, 2011 through June 30, 2012 was not significant, individually or in the aggregate, to our historical consolidated financial results.

PCLender

On March 14, 2011, we 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 utilizing the income approach using a combination of Level 2 and Level 3-type inputs. PCLender is now a part of the TD&A segment and further expands our loan origination offerings and market by complementing our Empower origination technology.

(6) Investments

Our title insurance underwriter subsidiary, National Title Insurance of New York, Inc. ("NTNY"), 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, government agency bonds and corporate bonds, are classified as available for sale securities, and are included in the accompanying condensed consolidated balance sheets at fair value within other non-current assets. Any gains or losses on these investments are recognized in other comprehensive earnings (loss) 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 amortized cost and fair value of our available for sale securities at June 30, 2012 and December 31, 2011 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of June 30, 2012	$61,507	$ 3,254	$ (177)	$64,584
As of December 31, 2011	$53,066	$ 2,781	$ (269)	$55,578

There have been no significant changes to the stated maturities on our investment portfolio since December 31, 2011, as reflected in our 2011 Annual Report on Form 10-K.

(7) Discontinued Operations

During the year ended December 31, 2011, management made decisions to sell or dispose of certain non-core or underperforming business units including Verification Bureau, Inc., SoftPro, Rising Tide Auction, True Automation, Aptitude Solutions and certain operations previously included in our Real Estate Group, all of which were previously included as part of the TD&A segment. Management also made the decision to sell the Tax Services business (other than our tax data services that provide lenders with information about the tax status of a property, which is now included in our TD&A segment), previously included within the Transaction Services segment. All of these businesses were classified as discontinued operations for the year ended December 31, 2011.

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On January 9, 2012, we completed the sale of our SoftPro business unit for $15.5 million. The sale of SoftPro, which was previously included within the TD&A segment, resulted in a pre-tax gain on disposal of $8.3 million.

On January 31, 2012, we completed the sale of our Tax Services group, previously included within the Transaction Services segment, in which we are required to pay a total of $14.4 million ($12.3 million was paid as of June 30, 2012) to the buyer in exchange for their assumption of life-of-loan servicing obligations. As the net assets of the business were written down during 2011 in anticipation of the contemplated sale, no gain or loss was recognized during 2012 upon completion of the sale.

On May 2, 2012, we completed the sale of our True Automation and Aptitude Solutions business units, which were previously included within the TD&A segment, for approximately $17.3 million, and recorded no gain or loss on disposal.

Each of these asset groups qualifies as discontinued operations under ASC Topic 205-20 Presentation of Financial Statements- Discontinued Operations. Under that guidance, the results of operation of a component of an entity that either has been disposed of or is classified as held for sale shall be reported as discontinued operations if the entity will not have significant continuing involvement in the operations of the component after the disposal transaction and the operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal. The results of discontinued operations are presented net of tax, as a separate component in the condensed consolidated statements of operations.

The table below illustrates the components of the loss from discontinued operations, net of tax, for the three and six months ended June 30, 2012 and 2011 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012 (1)	2011
Revenues	$1,693	$19,436	$8,480	$38,450
Pretax loss from discontinued operations before impairment charges	$(3,990)	$(5,506)	$(9,374)	$(11,944)
Impairment charges:				
Intangible assets	—	(3,471)	(226)	(3,471)
Computer software	—	(11,939)	—	(11,939)
Property and equipment	—	(2,783)	—	(2,783)
Goodwill	—	(17,684)	(2,281)	(17,684)
Other	—	5,967	(335)	5,967
Total impairment charges	—	(29,910)	(2,842)	(29,910)
Pretax loss from operations	(3,990)	(35,416)	(12,216)	(41,854)
Other income (includes gain on disposition of discontinued operation in 2012)	261	97	8,326	161
Income tax (expense) benefit on discontinued operations	144	14,218	(1,751)	16,641
Loss from discontinued operations, net of tax	$(3,585)	$(21,101)	$(5,641)	$(25,052)

(1) The Company recorded a $2.3 million impairment to goodwill, a $0.2 million impairment to intangible assets, and a $0.3 million impairment to other assets related to a revision in the fair value of the remaining net assets of the True Automation business unit, which was sold on May 2, 2012.

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The assets held for sale and related liabilities summarized below are included in the following captions of the accompanying June 30, 2012 and December 31, 2011 condensed consolidated balance sheets (in thousands):

	June 30, 2012	December 31, 2011
Assets:		
Current assets	$3,080	$13,361
Property and equipment, computer software and other intangible assets, net	—	20,097
Goodwill	—	10,441
Other non-current assets	—	4,147
Total assets held for sale	$3,080	$48,046
Liabilities:		
Accounts payable, accrued salaries and benefits and other current liabilities	$5,675	$12,114
Deferred revenues	—	17,409
Other long-term liabilities	—	13,803
Total liabilities related to assets held for sale	$5,675	$43,326

(8) Goodwill

Changes to goodwill during the six months ended June 30, 2012 are summarized as follows (in thousands):

	Technology, Data and Analytics	Transaction Services	Total
Balance, December 31, 2011	$755,757	$377,071	$1,132,828
Goodwill disposal related to SoftPro sale	(4,943)	—	(4,943)
Goodwill impairment related to True Automation (1)	(2,281)	—	(2,281)
Goodwill disposal related to True Automation/Aptitude Solutions sale	(6,166)	—	(6,166)
Balance, June 30, 2012	$742,367	$377,071	$1,119,438

(1) The Company recorded a $2.3 million impairment of goodwill related to a revision of the fair value of the remaining net assets of the True Automation business unit which was sold on May 2, 2012.

(9) Restructuring

During 2011, management committed to three separate restructuring plans, (the "First Quarter 2011 Restructuring Plan", the "Second Quarter 2011 Restructuring Plan", and the "Fourth Quarter 2011 Restructuring Plan") in order to remove duplicate headcount, reduce future operating expenses, and improve operational performance and profitability. For the the three and six month period 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 $6.0 million of employee termination costs recorded during the three months ended June 30, 2011, $4.6 million, $1.1 million and $0.3 million applies to the Technology, Data and Analytics, 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, Transaction Services and Corporate segments, respectively. All payouts related to the First Quarter 2011 Restructuring Plan were made by June 30, 2011 and all payouts related to the Second Quarter 2011 Restructuring Plan were made by June 30, 2012. All payouts related to our Fourth Quarter 2011 Restructuring Plan are expected to be made by December 31, 2012.

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The following table sets forth the Company's second quarter 2011 restructuring plan, exclusive of stock-based compensation charges, as of and for the six months ended June 30, 2012 (in millions):

2nd Quarter 2011 Restructuring Plan	Other Accrued Liabilities December 31, 2011	Cash Paid	Other Accrued Liabilities June 30, 2012
Ongoing termination arrangement	$0.9	$(0.9)	$—
Contract termination costs - severance	0.9	(0.9)	—
Total	$1.8	$(1.8)	$—

The following table sets forth the Company's fourth quarter 2011 restructuring plan, exclusive of stock-based compensation charges, as of and for the six months ended June 30, 2012 (in millions):

4th Quarter 2011 Restructuring Plan	Other Accrued Liabilities December 31, 2011	Cash Paid	Other Accrued Liabilities June 30, 2012
Ongoing termination arrangement	$1.9	$(0.4)	$1.5
Contract termination costs - severance	3.5	(2.1)	1.4
Total	$5.4	$(2.5)	$2.9

(10) Long-Term Debt

Long-term debt as of June 30, 2012 and December 31, 2011 consists of the following (in thousands):

	June 30, 2012	December 31, 2011
Term A Loan, secured, interest payable at LIBOR plus 2.50% (2.75% at June 30, 2012) quarterly principal amortization, maturing August 2016	$468,125	$ 528,313
Term B Loan, secured, interest payable at LIBOR plus 4.50%, subject to 1% LIBOR Floor, (5.50% at June 30, 2012) quarterly principal amortization, maturing August 2018	247,500	248,750
Revolving Loan, secured, interest payable at LIBOR plus 2.50% (Eurocurrency Borrowings) (2.75% at June 30, 2012), Fed-funds plus 2.50% (Swingline borrowings) (2.59% at June 30, 2012), or the highest of (a) Fed-funds plus 0.50%, (b) Prime or (c) LIBOR plus 1%, plus the Applicable Margin for Base Rate borrowings of 1.50% (Base Rate Borrowings) (2.09%, 4.75% or 2.75%, respectively, at June 30, 2012), maturing August 2016. Total of $398.2 million unused (net of outstanding letters of credit and revolver) as of June 30, 2012.	—	10,000
Senior unsecured notes, issued at par, interest payable semiannually at 8.125%, due July 2016	362,000	362,000
Other promissory notes with various interest rates and maturities	—	97
Total debt	1,077,625	1,149,160
Less current portion	(2,500)	(39,310)
Long-term debt, excluding current portion	$1,075,125	$ 1,109,850

Refinancing of Credit Facilities

On August 18, 2011, the Company entered into an Amendment, Restatement and Joinder Agreement (the "Amendment Agreement") in respect of its Credit Agreement dated as of July 2, 2008 (the "2008 Credit Agreement") with JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender and Letters of Credit Issuer, and various other lenders who were parties to the 2008 Credit Agreement. In connection with entering into the Amendment Agreement, on August 18, 2011, the Company also entered into an Amended and Restated Credit Agreement (the "2011 Credit Agreement") with 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 2011 Credit Agreement which amends and restates the 2008 Credit Agreement.

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The 2011 Credit Agreement consists of: (i) a 5-year revolving credit facility in an aggregate principal amount outstanding at any time not to exceed $400 million (with a $25 million sub-facility for Letters of Credit); (ii) a 5-year Term A Loan in an initial aggregate principal amount of $535 million; and (iii) a Term B Loan with a maturity date of August 14, 2018 in an aggregate principal amount of $250 million.

The loans under the 2011 Credit Agreement bear interest at a floating rate, which is an applicable margin plus, at the Company's option, either (a) the Eurodollar (LIBOR) rate or (b) the highest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) the one Month LIBOR rate plus 1.00% (the highest of clauses (i), (ii) and (iii), the "Base rate"). The annual margin on the Term A Loan and the revolving credit facility until the first business day following delivery of the compliance certificate with respect to the first fiscal quarter ending following the closing and funding of the amended and restated facility was 2.25% in the case of LIBOR loans and 1.25% in the case of the Base rate loans, and after that time is a percentage determined in accordance with a leverage ratio-based pricing grid. The annual margin on the Term B Loan is 4.50% in the case of LIBOR loans (with LIBOR subject to a floor of 1%) and 3.50% in the case of the Base rate loans.

The 2011 Credit Agreement provides that, beginning on December 31, 2011, the Company shall repay the outstanding principal amount of Term A Loans in quarterly installments of $6.7 million. These quarterly installment payments increase to $13.4 million beginning on December 31, 2013 and then to $20.1 million beginning on December 31, 2014 through March 31, 2016. The Term B Loans are subject to quarterly installment payments of $0.6 million beginning on September 30, 2011 until March 31, 2018. All remaining outstanding principal amounts of Term Loan A and B loans shall be repaid at the respective maturity dates.

In addition to 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 commencing with the cash flow for the year ended December 31, 2012. Voluntary prepayments of the loans are generally permitted at any time without fee upon proper notice and subject to a minimum dollar requirement, except that, under certain conditions, voluntary prepayments of the Term B Loan made on or prior to August 18, 2012 are subject to a 1% prepayment premium. 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 August 18, 2016. During the three month period ending June 30, 2012, we have prepaid approximately $46.8 million on the Term Loan A.

The Company is allowed to raise additional term loans and/or increase commitments under the Revolving Credit Facility in an aggregate principal amount of up to $250.0 million (the “Incremental Facilities”). The Incremental Facilities are subject to restrictions on pricing and tenor of any new term loan, pro-forma compliance with financial covenants, a pro-forma leverage ratio not to exceed 2.00:1.00, and other usual and customary conditions.
The obligations under the 2011 Credit Agreement are fully and unconditionally guaranteed, jointly and severally, 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 2011 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, dispositions and sale and leaseback transactions; 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, breach of covenants and a change of control of the Company. These events of default include a cross-default provision that permits the lenders to declare the 2011 Credit Agreement in default if (i) the Company fails to make any payment after the applicable grace period under any

indebtedness with a principal amount in excess of $70 million or (ii) the Company fails 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.

Senior Notes

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, 2012. The Notes were issued pursuant to an Indenture dated July 2, 2008 (the “Indenture”) among the Company, the guarantor parties 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,

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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.

Fair Value of Long-Term Debt

The fair value of the Company's long-term debt at June 30, 2012 is estimated to be approximately 100% of its carrying value. We have estimated the fair value of our debt using Level 2 Inputs, based on values of recent quoted market prices on our term loans and values of recent trades on our senior notes.

Interest Rate Swaps

On August 26, 2011, we entered into an interest rate swap to hedge forecasted monthly interest rate payments on $250 million of our floating rate debt, in which the bank pays a variable rate equal to 1 Month LIBOR (equal to 0.25% as of June 30, 2012) and the Company pays a fixed rate of 1.265%. The effective date of the swap is August 31, 2011 and the maturity date is July 31, 2016.

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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, 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) 0.25% as of June 30, 2012.
(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 2.50% as of June 30, 2012.

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 (loss) 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 condensed consolidated balance sheets were as follows (in millions):

Balance Sheet Account	June 30, 2012	December 31, 2011
Other accrued liabilities	$0.8	$1.3
Other long-term liabilities	$7.6	$4.1

A cumulative loss of $5.2 million and $3.3 million is reflected in accumulated other comprehensive loss as of June 30, 2012 and December 31, 2011, respectively. A summary of the effect of derivative instruments on amounts recognized in other comprehensive earnings (loss) ("OCE") and on the accompanying condensed consolidated statement of operations for the three and six months ended June 30, 2012 and 2011 is as follows (in millions):

	Amount of Loss Recognized in OCE on Derivatives		Amount of Loss Reclassified from Accumulated OCE into Income (included within interest expense)	
Interest Rate Swap contract	2012	2011	2012	2011
Three months ended June 30,	$3.8	$1.6	$1.0	$0.2
Six months ended June 30,	$5.1	$1.6	$2.1	$0.4

Approximately $2.5 million of the balance in accumulated other comprehensive loss as of June 30, 2012 is expected to be reclassified into interest expense over the next twelve months.

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, 2012, 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, 2012 and December 31, 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.

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Provision (benefit) for income taxes on continuing operations were $(4.4) million and $24.7 million during the three months ended June 30, 2012 and 2011, respectively, which resulted in an effective tax rate of 11.4% and 36.7%, respectively. Provision for income taxes on continuing operations were $24.9 million and $61.4 million during the six months ended June 30, 2012 and 2011, respectively, which resulted in an effective tax rate of 62.6% and 37.5%, respectively. The change in the effective rate during the three and six month periods ended June 30, 2012 is due to assumptions regarding the deductibility of the legal and regulatory charge recorded during the current year period.

(12) Commitments and Contingencies

We are involved in various pending and threatened litigation and regulatory matters related to our operations, some of which include claims for punitive or exemplary damages. We intend to vigorously defend all litigation and regulatory matters that are brought against us. In accordance with applicable accounting guidance, we establish accruals for litigation and regulatory matters when those matters present loss contingencies that are both probable and reasonably estimable. Our accrual for such matters, which totaled $78.5 million as of December 31, 2011, was increased to $203.1 million as of June 30, 2012 reflecting the continued progress made on each of the underlying matters which has enabled management to further refine its estimates. The accrual assumes no third party recoveries and includes estimated future costs of settlement, damages and associated legal and consulting fees. For the reasons described below, we are unable to estimate a range of material loss in excess of the amount accrued or for any potential losses related to any other reasonably possible claims. We continually evaluate the accrual for legal and regulatory matters as those matters progress.
Set forth below are descriptions of our material legal and regulatory proceedings. As background to the disclosure below, please note the following:

- These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities.

- In the litigation matters, plaintiffs seek a variety of remedies including equitable relief in the form of injunctive and other remedies and monetary relief in the form of compensatory damages. In some cases, the monetary damages sought include punitive or treble damages. None of the cases described below includes a specific statement as to the dollar amount of damages demanded. Instead, each of the cases includes a demand in an amount to be proved at trial. Regulatory authorities also may seek a variety of remedies and in general do not make specific demands during the course of an investigation or inquiry.

Litigation Matters

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 and the plaintiff filed a response to the Company's motion on September 12, 2011. The complaint was dismissed on March 30, 2012. The plaintiffs filed a second amended complaint on May 8, 2012. The Company filed a motion to dismiss the second amended complaint on June 8, 2012, and the plaintiff filed a response to the Company's motion on July 9, 2012.

Shareholder Derivative Litigation

On January 21, 2011, a 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 seeking damages for alleged violations of federal securities laws in connection with our disclosures relating to our default operations. The parties 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 $154.5 million. The FDIC contends these losses were a direct and

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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. LPS filed a motion to dismiss the complaint on July 22, 2011 and the FDIC filed a response opposing the motion on August 4, 2011. On November 2, 2011, the court issued an order granting the Company's motion to dismiss the FDIC's claims of gross negligence, alter ego, single business enterprise and joint venture. On November 28, 2011 the FDIC amended its complaint, and the Company filed another motion to dismiss on December 23, 2011, which the FDIC opposed on January 23, 2012. On February 6, 2012, the court denied in part and granted in part the Company's motion to dismiss, but granted the FDIC leave to amend its complaint. On February 17, 2012, the FDIC filed a second amended complaint. The only remaining claim in this matter is the FDIC's claim for breach of contract, which the Company intends to vigorously defend.

American Home Mortgage Servicing, Inc.

American Home Mortgage Servicing, Inc. ("AHMSI") filed a complaint against the Company and DocX, LLC ("DocX") on August 23, 2011 in District Court for Dallas County, Texas. The parties agreed to a voluntary stay of the proceeding pending the outcome of binding arbitration of the dispute. In the arbitration proceeding, AHMSI is seeking indemnification of approximately $21 million for damages, costs and expenses allegedly incurred as a result of negligence and breach of contract by DocX in connection with document execution and recording services provided to AHMSI by DocX.

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.

There continues to be 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.

Nevada Attorney General

On December 15, 2011, the Nevada Attorney General filed a civil complaint in the District Court for Clark County alleging various violations of the Nevada Unfair and Deceptive Trade Practices Act. On January 30, 2012, the Company filed a motion to dismiss the complaint. On February 17, 2012, the parties filed a stipulation to stay the proceeding while the parties engage in settlement negotiations relative to this complaint. The stay expired on April 21, 2012. At a hearing on the motion to dismiss held on July 19, 2012, the court granted in part and denied in part the Company's motion to dismiss.

Missouri Attorney General

On February 6, 2012, the Missouri Attorney General issued a criminal indictment against our subsidiary, DocX, LLC, ("DocX") charging various counts of forgery and false certification. As we have previously disclosed, DocX was a small document solutions subsidiary that we shut down in May 2010, after discovering potential irregularities in certain of its document execution practices. The Company filed a motion to dismiss the indictment on April 6, 2012. The Company entered into a settlement agreement with the Missouri Attorney General, effective as of August 2, 2012, which resulted in the dismissal of the criminal charges pending against DocX, in the State of Missouri. The terms of the settlement provide for, among other things, a voluntary contribution of $1.5 million to the State of Missouri, reimbursement of $500,000 to the Missouri Attorney General's Office for its fees and costs

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of investigation, and a complete release of any potential civil and criminal liability of LPS and DocX from the State of Missouri. The aggregate settlement payment of $2 million is included in LPS's increased accrual for legal and regulatory matters as of June 30, 2012.

Consent Order

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.

Based on our current knowledge, we believe that the outcome of all pending or threatened legal and regulatory matters, including those described above, will not have a material adverse impact on our business operations, consolidated financial condition or liquidity. However, it is difficult to predict the final outcome of these matters due, among other things, to the early stage of many of these matters and the fact that these matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities. As a result, there can be no assurance that we will not incur costs and expenses in the future in excess of our current accrual that would be material, including but not limited to settlements, damages, fines or penalties and legal costs, or be subject to other remedies, as a result of the matters described above or other legal or regulatory matters. Therefore, it is reasonably possible that the current accrual for legal and regulatory matters will change and that the change could become material to the consolidated financial statements.

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 on February 29, 2012.

Escrow Arrangements

In conducting our title agency and closing 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 condensed 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, 2012, the aggregate value of all amounts held in escrow in our title agency and closing services operations totaled $336.1 million.

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(13) Stock Option Plans

Options

On May 15, 2012, the Company granted approximately 1.0 million stock option awards under the Lender Processing Services, Inc. Amended and Restated 2008 Omnibus Incentive Plan (the "Plan") to officers, directors and key employees. The following table summarizes assumptions used to estimate weighted average fair values for awards granted during the three months ended June 30, 2012 and 2011:

Year	Weighted Average Fair Value	Risk Free Interest Rate	Volatility Factor	Expected Dividend Yield	Weighted Average Expected Life (In Years)
2012	$7.36	0.7%	43%	1.7%	4.5
2011	$8.11	1.9%	36%	1.4%	4.5

As of June 30, 2012, a total of approximately 8.6 million stock option awards are outstanding, and approximately 5.7 million stock option awards are exercisable.

Restricted Stock

On May 15, 2012, the Company granted approximately 0.7 million shares of restricted stock with a grant date fair value of $23.67 per share. Generally, 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 vesting.

As of June 30, 2012, approximately 1.6 million shares of restricted stock awards were outstanding.

(14) Segment Information

As discussed in note 1, in connection with organizational realignments implemented during the first quarter ended March 31, 2012, the composition of our reporting segments has changed. Prior year information was reclassified to conform to the current year's presentation. Summarized unaudited financial information concerning our segments is shown in the following tables.

As of and for the three months ended June 30, 2012 (in thousands):

	Technology, Data and Analytics	Transaction Services	Corporate and Other	Total
Revenues	$186,105	$347,366	$(264)	$533,207
Operating expenses (1)	110,168	266,662	10,883	387,713
Depreciation and amortization	18,036	4,694	1,048	23,778

Legal and regulatory charges	—	—	144,476	144,476
Operating income (loss)	57,901	76,010	(156,671)	(22,760)
Total other income (expense)	373	604	(16,904)	(15,927)
Earnings (loss) from continuing operations before income taxes	$58,274	$76,614	$(173,575)	$(38,687)
Balance sheet data:				
Total assets (2)	$1,224,561	$751,864	$339,569	2,315,994
Goodwill (2)	$742,367	$377,071	$—	$1,119,438

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

	Technology, Data and Analytics	Transaction Services	Corporate and Other	Total
Revenues	$170,573	$330,600	$(1,513)	$499,660
Operating expenses (1)	97,581	272,266	16,633	386,480
Depreciation and amortization	16,881	4,650	1,096	22,627
Exit, impairment and other charges	6,585	1,074	2,228	9,887
Operating income (loss)	49,526	52,610	(21,470)	80,666
Total other income (expense)	410	381	(14,285)	(13,494)
Earnings (loss) from continuing operations before income taxes	$49,936	$52,991	$(35,755)	$67,172
Balance sheet data:				
Total assets (2)	$1,249,806	$755,915	$163,476	$2,169,197
Goodwill (2)	$765,153	$385,478	$—	$1,150,631

For the six months ended June 30, 2012 (in thousands):

	Technology, Data and Analytics	Transaction Services	Corporate and Other	Total
Revenues	$364,248	$676,978	$(1,998)	$1,039,228
Operating expenses (1)	215,761	540,128	19,300	775,189
Depreciation and amortization	36,620	9,386	2,016	48,022
Legal and regulatory charges	—	—	144,476	144,476
Operating income (loss)	111,867	127,464	(167,790)	71,541
Total other income (expense)	768	1,254	(33,818)	(31,796)
Earnings (loss) from continuing operations before income taxes	$112,635	$128,718	$(201,608)	$