Lender Processing Services, Inc.
Form 10-Q
October 31, 2012
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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 September 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 October 31, 2012, 84,851,945 shares of the registrant's common stock were outstanding.

FORM 10-Q
QUARTERLY REPORT
Quarter Ended September 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)

	September 30, 2012 (In thousands)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$160,716	$77,355
Trade receivables, net of allowance for doubtful accounts of $46.6 million and $36.0 million, respectively	308,359	345,048
Other receivables	3,652	1,423
Prepaid expenses and other current assets	33,726	33,004
Deferred income taxes, net	111,853	74,006
Total current assets	618,306	530,836
Property and equipment, net of accumulated depreciation of $201.2 million and $182.9 million, respectively	112,463	121,245
Computer software, net of accumulated amortization of $196.3 million and $181.2 million, respectively	241,103	228,882
Other intangible assets, net of accumulated amortization of $322.0 million and $342.6 million, respectively	26,299	39,140
Goodwill	1,126,090	1,132,828
Other non-current assets (inclusive of investments carried at fair value) - see note 6	245,267	192,484
Total assets	$2,369,528	$2,245,415
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$2,500	$39,310
Trade accounts payable	37,655	43,105
Accrued salaries and benefits	79,042	64,383
Legal and regulatory accrual	196,446	78,483
Other accrued liabilities	158,659	168,627
Deferred revenues	53,210	64,078
Total current liabilities	527,512	457,986
Deferred revenues	25,724	34,737
Deferred income taxes, net	160,360	122,755
Long-term debt, net of current portion	1,074,500	1,109,850
Other non-current liabilities	36,375	32,099
Total liabilities	1,824,471	1,757,427
Commitments and contingencies (note 12)		
Stockholders' equity:		
	—	—

Preferred stock $0.0001 par value; 50 million shares authorized, none issued at September 30, 2012 and December 31, 2011		
Common stock $0.0001 par value; 500 million shares authorized, 97.4 million shares issued at September 30, 2012 and December 31, 2011	10	10
Additional paid-in capital	253,285	250,533
Retained earnings	699,895	658,146
Accumulated other comprehensive loss	(3,427)	(1,783)
Treasury stock at cost; 12.7 million and 13.0 million shares at September 30, 2012 and December 31, 2011, respectively	(404,706)	(418,918)
Total stockholders' equity	545,057	487,988
Total liabilities and stockholders' equity	$2,369,528	$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 Earnings
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
Revenues	$512,676	$519,437	$1,551,904	$1,556,280
Expenses:				
Operating expenses	375,716	404,423	1,150,905	1,175,381
Depreciation and amortization	24,516	20,822	72,538	66,445
Legal and regulatory charges	—	—	144,476	—
Exit costs, impairments and other charges	—	—	—	29,198
Total expenses	400,232	425,245	1,367,919	1,271,024
Operating income	112,444	94,192	183,985	285,256
Other income (expense):				
Interest income	463	353	1,365	1,064
Interest expense	(16,112)	(22,986)	(48,969)	(50,961)
Other income, net	14	(128)	173	(174)
Total other income (expense)	(15,635)	(22,761)	(47,431)	(50,071)
Earnings from continuing operations before income taxes	96,809	71,431	136,554	235,185
Provision for income taxes	36,110	26,787	60,973	88,195
Net earnings from continuing operations	60,699	44,644	75,581	146,990
Loss from discontinued operations, net of tax	(2,395)	(4,194)	(8,036)	(29,246)
Net earnings	$58,304	$40,450	$67,545	$117,744
Net earnings per share - basic from continuing operations	$0.72	$0.53	$0.89	$1.71
Net loss per share - basic from discontinued operations	(0.03)	(0.05)	(0.10)	(0.34)
Net earnings per share - basic	$0.69	$0.48	$0.79	$1.37
Weighted average shares outstanding - basic	84,699	84,370	84,574	85,946
Net earnings per share - diluted from continuing operations	$0.71	$0.53	$0.88	$1.71
Net loss per share - diluted from discontinued operations	(0.02)	(0.05)	(0.08)	(0.34)
Net earnings per share - diluted	$0.69	$0.48	$0.80	$1.37
Weighted average shares outstanding - diluted	84,948	84,415	84,774	86,108

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
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net earnings	$58,304	$40,450	$67,545	$117,744
Other comprehensive loss:				
Unrealized (loss)/gain on investments, net of tax	(3)	744	918	1,004
Unrealized loss on interest rate swaps, net of tax (1)	(737)	(1,377)	(2,568)	(2,087)
Currency translation adjustment	6	—	6	—
Other comprehensive loss	(734)	(633)	(1,644)	(1,083)
Comprehensive earnings	$57,570	$39,817	$65,901	$116,661

(1) Net of income tax benefit of $0.5 million and $0.9 million for the three months ended September 30, 2012 and 2011, respectively, and $1.6 million and $1.3 million for the nine months ended September 30, 2012 and 2011, respectively.

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

LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Equity
Nine Months Ended September 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	—	—	—	67,545	—	—	—	67,545
Cash dividends declared(1)(2)	—	—	—	(25,796)	—	—	—	(25,796)
Exercise of stock options and restricted stock vesting	—	—	(16,004)	—	—	363	14,212	(1,792)
Income tax effect of equity compensation	—	—	(764)	—	—	—	—	(764)
Stock-based compensation cost	—	—	19,520	—	—	—	—	19,520
Unrealized gain on investments, net	—	—	—	—	918	—	—	918
Unrealized loss on interest rate swaps, net	—	—	—	—	(2,568)	—	—	(2,568)
Currency translation adjustment	—	—	—	—	6	—	—	6
Balances, September 30, 2012	97,427	$ 10	$ 253,285	$ 699,895	$ (3,427)	(12,658)	$ (404,706)	$ 545,057

(1) Dividends of $0.10 per common share were paid on March 15, 2012, June 21, 2012 and September 20, 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)

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net earnings	$67,545	$117,744
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	73,407	73,753
Amortization of debt issuance costs	3,317	8,901
Asset impairment charges	3,812	31,855
(Gain)/loss on sale of discontinued operations	(6,688)	1,486
Deferred income taxes, net	776	11,985
Stock-based compensation cost	19,520	28,179
Income tax effect of equity compensation	(494)	588
Changes in assets and liabilities, net of effects of acquisitions:		
Trade receivables	27,543	64,291
Other receivables	(1,748)	2,708
Prepaid expenses and other assets	(18,512)	(6,258)
Deferred revenues	10,605	(3,382)
Accounts payable, accrued liabilities and other liabilities	124,487	(2,249)
Net cash provided by operating activities	303,570	329,601
Cash flows from investing activities:		
Additions to property and equipment	(16,109)	(25,970)
Additions to capitalized software	(56,088)	(55,501)
Purchases of investments, net of proceeds from sales	(17,604)	(14,918)
Acquisition of title plants and property records data	(33,600)	(15,686)
Acquisitions, net of cash acquired	(12,250)	(9,802)
Proceeds from sale of discontinued operations, net of cash distributed	16,206	—
Net cash used in investing activities	(119,445)	(121,877)
Cash flows from financing activities:		
Borrowings	—	960,000
Debt service payments	(72,082)	(942,915)
Exercise of stock options and restricted stock vesting	(1,792)	(2,680)
Income tax effect of equity compensation	494	(588)
Dividends paid	(25,384)	(26,006)
Debt issuance costs paid	—	(22,059)
Treasury stock repurchases	—	(136,878)
Bond repurchases	—	(4,925)
Payment of contingent consideration related to acquisitions	(2,000)	—
Net cash used in financing activities	(100,764)	(176,051)
Net increase in cash and cash equivalents	83,361	31,673
Cash and cash equivalents, beginning of period	77,355	52,287
Cash and cash equivalents, end of period	$160,716	$83,960

Supplemental disclosures of cash flow information:		
Cash paid for interest	$54,774	$48,672
Cash paid for taxes	$46,853	$49,181

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 13 to our condensed consolidated financial statements.

- Operating Segment Components. In order to provide improved comparability, LPS has reclassified operating results from 2011 to conform to certain 2012 organizational realignments. The specific components that were realigned include Broker Price Opinions, which was formerly included as part of the Data and Analytics reporting unit within the TD&A segment, and has been reclassified to our Default Services reporting unit within the Transaction Services segment; and Property Tax Direct/ National Tax Network, which represents the remaining portion of the Tax Services business unit that was sold on January 31, 2012, which was previously included as part of the Origination Services reporting unit within the Transaction Services segment, and is now included as part of the Data and Analytics reporting unit within the TD&A Segment. We also have discontinued the historical allocation of a portion of the revenue and expenses of our Desktop business unit, included as part of our Technology reporting unit within our

TD&A segment, to the Foreclosure business unit, included as part of our Default Services reporting unit within 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 expenses 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.

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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.

(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 and liabilities 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 September 30, 2012 (in millions):			Fair Value			
	Classification	Carrying Value	Level 1	Level 2	Level 3	Total
Investments (note 6)	Asset	$74.2	$5.9	$68.3	$—	$74.2
Interest rate swaps (note 10)	Liability	$9.6	$—	$9.6	$—	$9.6

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.

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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.

(3) Related Party Transactions

The Company did not have any related party transactions as of and during the three and nine months ended September 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 (and we continue to be) party to certain agreements with Ceridian under which we incurred expenses. A summary of the Ceridian related party agreements in effect as of September 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.

We incurred less than $0.1 million in expenses during the three months ended September 30, 2011, and $0.2 million in expenses during the nine months ended September 30, 2011 related to the Ceridian related party 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 per share for the three and nine months ending September 30, 2012 and 2011 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Earnings from continuing operations, net of tax	$60,699	$44,644	$75,581	$146,990
Loss from discontinued operations, net of tax	(2,395)	(4,194)	(8,036)	(29,246)
Net earnings	$58,304	$40,450	$67,545	$117,744
Net earnings per share - basic from continuing operations	$0.72	$0.53	$0.89	$1.71

Net loss per share - basic from discontinued operations	(0.03)	(0.05)	(0.10)	(0.34)
Net earnings per share - basic	$0.69	$0.48	$0.79	$1.37
Weighted average shares outstanding - basic	84,699	84,370	84,574	85,946
Net earnings per share - diluted from continuing operations	$0.71	$0.53	$0.88	$1.71
Net loss per share - diluted from discontinued operations	(0.02)	(0.05)	(0.08)	(0.34)
Net earnings per share - diluted	$0.69	$0.48	$0.80	$1.37
Weighted average shares outstanding - diluted	84,948	84,415	84,774	86,108

Options to purchase approximately 7.3 million and 8.3 million shares of our common stock for the three months ended September

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30, 2012 and 2011, respectively, and 7.4 million and 7.8 million shares of our common stock for the nine months ended September 30, 2012 and 2011, respectively, were not included in the computation of diluted earnings per share because they were antidilutive. In addition, as of September 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.

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 2016 Notes described below. 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 2016 Notes, effective through December 31, 2012. As of September 30, 2012, we had $95.1 million remaining available under our $100.0 million repurchase authorization.

(5) Acquisitions

The results of operations of entities acquired during the nine months ended September 30, 2012 and 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 September 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.

LendingSpace

On July 25, 2012, we completed the purchase of the assets of LendingSpace, a business that provides mortgage loan origination software solutions, for approximately $12.3 million. The acquisition resulted in the recognition of $6.7 million of goodwill, based on the amount that the purchase price exceeded the fair value of the net assets acquired. All of the acquired goodwill is deductible for tax purposes. As part of the acquisition, we also recognized $4.8 million of other intangible assets and software, which have a weighted average amortization period of approximately 6 years. 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. LendingSpace is now a part of the TD&A segment and will further strengthen LPS' origination technology solutions.

(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 or sale 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.

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The amortized cost and fair value of our available for sale securities at September 30, 2012 and December 31, 2011 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of September 30, 2012	$70,168	$4,066	$(48)	$74,186
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, 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.

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 (all of which was paid as of September 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 $16.1 million, and recorded a $1.6 million pre-tax 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. As of September 30, 2012, all significant remaining assets and liabilities associated with these held for sale businesses have been disposed of.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012 (1)	2011
Revenues	$578	$18,379	$9,057	$56,829
Pretax loss from discontinued operations before impairment charges	$(2,187)	$(4,545)	$(11,561)	$(16,488)
Impairment charges:				
Intangible assets	—	—	(226)	(3,471)
Computer software	—	—	—	(11,939)
Property and equipment	—	—	—	(2,783)
Goodwill	—	—	(2,281)	(17,684)
Other	—	—	(335)	5,967
Total impairment charges	—	—	(2,842)	(29,910)
Pretax loss from operations	(2,187)	(4,545)	(14,403)	(46,398)
Other income (expense)	(1,633)	(2,165)	6,693	(2,004)
Income tax benefit (expense) on discontinued operations	1,425	2,516	(326)	19,156
Loss from discontinued operations, net of tax	$(2,395)	$(4,194)	$(8,036)	$(29,246)

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(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.

(8) Goodwill

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

	Technology, Data and Analytics	Transaction Services	Total
Balance, December 31, 2011	$755,757		