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

Form 10-Q

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended June 30, 2011
	or
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 Jacksonville, Florida	32204
(Address of principal executive offices)	(Zip Code)

(904) 854-5100
(Registrant's telephone number, including area code)

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

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

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

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Part I: FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited).

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

	June 30, 2011	December 31, 2010
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$22,008	$52,287
Trade receivables, net of allowance for doubtful accounts of $31.9 million and $33.5 million, respectively	366,514	419,647
Other receivables	3,100	4,910
Prepaid expenses and other current assets	35,885	38,328
Deferred income taxes, net	45,073	44,102
Total current assets	472,580	559,274
Property and equipment, net of accumulated depreciation of $179.1 million and $171.3 million, respectively	124,016	123,897
Computer software, net of accumulated amortization of $162.3 million and $156.2 million, respectively	220,081	217,573
Other intangible assets, net of accumulated amortization of $335.7 million and $327.4 million, respectively	49,011	58,269
Goodwill	1,150,631	1,159,539
Other non-current assets	152,878	133,291
Total assets	$2,169,197	$2,251,843
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$145,157	$145,154
Trade accounts payable	44,414	51,610
Accrued salaries and benefits	50,572	55,230
Recording and transfer tax liabilities	12,926	10,879
Other accrued liabilities	149,569	145,203
Deferred revenues	54,155	57,651
Total current liabilities	456,793	465,727
Deferred revenues	34,364	36,893
Deferred income taxes, net	102,790	96,732
Long-term debt, net of current portion	1,086,668	1,104,247
Other non-current liabilities	23,551	22,030
Total liabilities	1,704,166	1,725,629
Commitments and contingencies (note 12)		
Stockholders' equity:		
Preferred stock $0.0001 par value; 50 million shares authorized, none issued at June 30, 2011 and December 31, 2010	—	—

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

See accompanying notes to unaudited consolidated financial statements.

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

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

See accompanying notes to unaudited consolidated financial statements.

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

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

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

See accompanying notes to unaudited consolidated financial statements.

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LENDER PROCESSING SERVICES, INC. AND SUBSIDIARIES
Consolidated Statement of Equity
(Unaudited)

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

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

See accompanying notes to unaudited consolidated financial statements.

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

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

Cash paid for taxes	$35,153	$71,332

See accompanying notes to unaudited consolidated financial statements.

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

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

(1) Basis of Presentation

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

Reporting Segments

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

Reclassifications

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

(2) Fair Value

Fair Value of Financial Assets and Liabilities

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

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

- Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

As of June 30, 2011 (in millions):			Fair Value			
	Classification	Carrying Value	Level 1	Level 2	Level 3	Total
Investments (note 6)	Asset	$42.1	$7.2	$34.9	$—	$42.1
Interest rate swaps (note 10)	Liability	$2.1	$—	$2.1	$—	$2.1

As of December 31, 2010 (in millions):			Fair Value			
	Classification	Carrying Value	Level 1	Level 2	Level 3	Total
Investments (note 6)	Asset	$32.5	$6.8	$25.7	$—	$32.5
Interest rate swaps (note 10)	Liability	$0.9	$—	$0.9	$—	$0.9

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

Fair Value of Assets Acquired and Liabilities Assumed

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

(3) Related Party Transactions

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

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

- COBRA Health Benefit Services. Ceridian also provides us with Consolidated Omnibus Budget Reconciliation Act (“COBRA”) health benefit services. The COBRA agreement had an initial term of one year and is automatically renewable for successive one year terms unless either party gives 90 days prior written notice. It may be terminated upon 30 days written notice in the event of a breach.

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

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

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

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

(4) Net Earnings Per Share

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

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

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

On October 28, 2010, our Board of Directors approved an authorization for us to repurchase up to $250.0 million of our common stock and/or our senior notes, effective through December 31, 2011. Subsequently, on June 16, 2011 our Board of Directors approved an authorization for us to repurchase up to $100.0 million of our common stock and/or our senior notes, effective through December 31, 2012. This authorization replaced the previous authorization and subsumed all amounts remaining available there-under. Our ability to repurchase shares of common stock or senior notes is subject to restrictions contained in our senior secured credit agreement and in the indenture governing our senior unsecured notes. During the six months ended June 30, 2011, we repurchased 4.6 million shares of our stock for $136.9 million, at an average price of $29.98 per share, and $5.0 million face value of our senior notes for $4.9 million. As of June 30, 2011, we had $95.1 million remaining available under our $100.0 million repurchase authorization.

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(5) Acquisitions

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

PCLender

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

True Automation, Inc.

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

(6) Investments

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

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

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

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

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

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

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

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

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

Impairment Charges on Assets Held for Use

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

(8) Goodwill

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

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

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

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

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

(9) Restructuring

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

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

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

1st Quarter Restructuring Plan	Additions to Expense	Cash Paid		Other Accrued Liabilities June 30, 2011
Ongoing termination arrangement	$1.4	$(1.4	)	$—