CORELOGIC, INC.
Form 10-Q
August 08, 2011

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

FORM 10-Q

x 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 number 001-13585

CoreLogic, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-1068610 (I.R.S. Employer Identification No.)
4 First American Way, Santa Ana, California (Address of principal executive offices)	92707-5913 (Zip Code)

(714) 250-6400
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 x 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 x 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.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

1

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

Yes o No x

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Section 12,13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

On August 1, 2011, there were 106,412,122 shares of common stock outstanding.

CoreLogic, Inc.
INFORMATION INCLUDED IN REPORT

Part I:	Financial Information	4
Item 1.	Financial Statements (unaudited)	4
	A. Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010	4
	B. Condensed Consolidated Statements of Income for the three and six months ended June 30, 2011 and 2010	5
	C. Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2011 and 2010	6
	D. Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010	7
	E. Condensed Consolidated Statement of Equity for the six months ended June 30, 2011	9
	F. Notes to Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	47
Item 4.	Controls and Procedures	48
Part II:	Other Information	48
Item 1.	Legal Proceedings	48
Item 1A.	Risk Factors	48
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	56
Item 6.	Exhibits	57

Items 3, 4 and 5 of Part II have been omitted because they are not applicable with respect to the current reporting period.

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements.
CoreLogic, Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in thousands, except per share value)	June 30,	December 31,
Assets	2011	2010
Current assets:		
Cash and cash equivalents	$170,889	$447,145
Marketable securities	36,236	75,221
Accounts receivable (less allowance for doubtful accounts of $17,176 and $27,512 in 2011 and 2010, respectively)	225,770	217,351
Prepaid expenses and other current assets	63,822	44,543
Income tax receivable, net	20,320	30,587
Deferred tax asset, current	19,835	19,835
Total current assets	536,872	834,682
Property and equipment, net	243,596	211,450
Goodwill	1,627,583	1,444,993
Other identifiable intangible assets, net	201,514	132,689
Capitalized data and database costs, net	305,789	211,331
Investment in affiliates	142,703	165,709
Deferred income tax assets, long-term	34,544	17,000
Restricted cash	23,975	21,095
Other assets	145,176	180,883
Total assets	$3,261,752	$3,219,832
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	$158,316	$137,578
Accrued salaries and benefits	77,797	81,949
Deferred revenue, current	214,468	186,558
Mandatorily redeemable noncontrolling interests	—	72,000
Current portion of long-term debt	29,473	233,452
Due to FAFC, net	—	18,097
Total current liabilities	480,054	729,634
Long-term debt, net of current	909,667	487,437
Deferred revenue, net of current	329,369	350,827
Deferred income tax liabilities, long term	32,027	994
Other liabilities	107,194	104,245
Total liabilities	1,858,311	1,673,137
Equity:		
CoreLogic, Inc.'s (CLGX) stockholders' equity:		
Preferred stock, $0.00001 par value; 500 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.00001 par value; 180,000 shares authorized; 106,382 and 115,499 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	1	1
Additional paid-in capital	1,048,168	1,229,806
Retained earnings	353,330	298,590

Accumulated other comprehensive income (loss)	(663)	15,943
Total CLGX's stockholders' equity	1,400,836	1,544,340
Noncontrolling interests	2,605	2,355
Total equity	1,403,441	1,546,695
Total liabilities and equity	$3,261,752	$3,219,832

See notes to condensed consolidated financial statements.

CoreLogic, Inc.
Condensed Consolidated Statements of Income
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
(in thousands, except per share amounts)	2011	2010	2011	2010
Operating revenues	$396,402	$410,976	$800,396	$808,844
External cost of revenues	122,603	126,842	246,877	252,656
Salaries and benefits	153,313	141,125	306,382	294,632
Other operating expenses	87,413	88,587	159,489	162,601
Depreciation and amortization	28,463	27,632	53,674	53,603
Total operating expenses	391,792	384,186	766,422	763,492
Income from operations	4,610	26,790	33,974	45,352
Interest income/(expense), net:				
Interest income	1,224	—	3,192	1,295
Interest expense	(23,069)	(9,275)	(32,624)	(16,473)
Total interest expense, net	(21,845)	(9,275)	(29,432)	(15,178)
Gain/(loss) on investment and other income	60,041	(5,520)	90,901	(2,730)
Income from continuing operations before equity in earnings of affiliates and income taxes	42,806	11,995	95,443	27,444
Provision for income taxes	16,792	11,047	51,691	13,959
Income from continuing operations before equity in earnings of affiliates	26,014	948	43,752	13,485
Equity in earnings of affiliates, net of tax	5,719	8,562	12,053	16,085
Income from continuing operations	31,733	9,510	55,805	29,570
Income from discontinued operations, net of tax	—	23,935	—	42,513
Net income	31,733	33,445	55,805	72,083
Less: Net income attributable to noncontrolling interests	248	9,035	1,065	18,257
Net income attributable to CLGX	$31,485	$24,410	$54,740	$53,826
Amounts attributable to CLGX stockholders:				
Income from continuing operations	$31,485	$475	$54,740	$11,313
Income from discontinued operations, net of tax	—	23,935	—	42,513
Net income	$31,485	$24,410	$54,740	$53,826
Basic income per share:				
Income from continuing operations attributable to CLGX stockholders	$0.29	$—	$0.49	$0.11
Income from discontinued operations attributable to CLGX stockholders, net of tax	—	0.22	—	0.40
Net income attributable to CLGX	$0.29	$0.22	$0.49	$0.51
Diluted income per share:				
Income from continuing operations attributable to CLGX stockholders	$0.29	$—	$0.49	$0.11
Income from discontinued operations attributable to CLGX stockholders, net of tax	—	0.22	—	0.40
Net income attributable to CLGX	$0.29	$0.22	$0.49	$0.51
Weighted-average common shares outstanding:				
Basic	108,018	108,936	111,781	106,205

Diluted	108,641	109,716	112,486	107,046

See notes to condensed consolidated financial statements.

CoreLogic, Inc.
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2011	2010	2011	2010
Net income attributable to CLGX	$31,485	$24,410	$54,740	$53,826
Other comprehensive loss, net of tax:				
Unrealized gain/(loss) on marketable securities	272	(1,702)	(93)	(4,360)
Unrealized loss on interest rate swap	(3,541)	—	(2,704)	—
Foreign currency translation adjustments	1,023	(121)	1,291	(882)
Supplemental Benefit Plans adjustment	(17)	(171)	(78)	(407)
Investment gains reclassified to net income	(246)	—	(15,022)	—
Total other comprehensive loss, net of tax	(2,509)	(1,994)	(16,606)	(5,649)
Comprehensive income	28,976	22,416	38,134	48,177
Less: Comprehensive loss attributable to the noncontrolling interests	—	—	—	(12)
Comprehensive income attributable to CLGX	$28,976	$22,416	$38,134	$48,189

See notes to condensed consolidated financial statements.

6

CoreLogic, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

(in thousands)	For the Six Months Ended June 30, 2011	2010
Cash flows from operating activities:		
Net income	$55,805	$72,083
Less: Income from discontinued operations	—	42,513
Income from continuing operations	55,805	29,570
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	53,674	53,603
Provision for bad debt and claim losses	16,727	12,046
Share-based compensation	6,030	8,964
Equity in earnings of affiliates, net of taxes	(12,053)	(16,085)
Loss on early extinguishment of debt	10,190	—
Deferred income tax	24,338	—
Net realized investment (gains)/losses and other income	(90,901)	2,730
Change in operating assets and liabilities:		
Accounts receivable	(31)	(5,891)
Prepaid expenses and other assets	(13,091)	(8,967)
Accounts payable and accrued expenses	(10,873)	(51,867)
Deferred revenue	(16,549)	(30,622)
Due to/from FAFC	(18,115)	15,945
Income taxes	13,770	(1,581)
Dividends received from investments in affiliates	23,144	17,395
Other assets and other liabilities	(603)	(9,726)
Net cash provided by operating activities - continuing operations	41,462	15,514
Net cash used in operating activities - discontinued operations	—	(4,614)
Total cash provided by operating activities	$41,462	$10,900
Cash flows from investing activities:		
Purchase of redeemable noncontrolling interests	(72,000)	(72,000)
Purchase of subsidiary shares from and other decreases in noncontrolling interests	—	(5,617)
Purchases of capitalized data and other intangible assets	(13,368)	(12,054)
Purchases of property and equipment	(25,463)	(28,156)
Cash paid for acquisitions, net of cash acquired	(184,220)	(108)
Purchases of investments in affiliates	(26,534)	—
Purchases of investments	(2,187)	(24,624)
Proceeds from sale of investments	53,847	26,386
Net cash used in investing activities - continuing operations	(269,925)	(116,173)
Net cash used in investing activities - discontinued operations	—	(64,853)
Total cash used in investing activities	$(269,925)	$(181,026)
Cash flows from financing activities:		
Proceeds from long-term debt	857,646	654,399
Debt issuance costs	(21,636)	(14,776)
Repayment of long-term debt	(704,619)	(609,705)
Proceeds from issuance of stock related to stock options and employee benefit plans	1,576	7,123
Share repurchases	(176,512)	—

Distribution to noncontrolling interests	(4,615)	(12,888)
Cash dividends	—	(22,846)
Tax benefit related to stock options	367	1,110
Net cash (used)/provided in financing activities - continuing operations	(47,793)	2,417
Net cash provided by financing activities - discontinued operations	—	29,588
Total cash (used)/provided in financing activities	$(47,793)	$32,005
Net decrease in cash and cash equivalents	(276,256)	(138,121)
Cash and cash equivalents at beginning of period	447,145	467,511
Change in cash and cash equivalents - discontinued operations	—	32,488
Cash and cash equivalents at end of period	$170,889	$361,878
Supplemental disclosures of cash flow information:		

7

Cash paid for interest	$19,421	$19,568
Cash paid for income taxes	$19,569	$9,958
Cash refunds from income taxes	$6,088	$31,129
Non-cash financing activities:		
Distribution to stockholders of First American Financial Corporation ("FAFC")	$—	$1,664,043
Adjustment of carrying value of mandatorily redeemable noncontrolling interest	$(3,800)	$6,806
Non-cash investing activities:		
Note payable issued for the acquisition of investment in affiliate	$12,700	$—

See notes to condensed consolidated financial statements.

CoreLogic, Inc.
Condensed Consolidated Statement of Equity
(unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests (1)	Total
Balance at December 31, 2010	115,499	$1	$1,229,806	$298,590	$ 15,943	$ 2,355	$1,546,695
Net lncome for the six months ended June 30, 2011				54,740		575	55,315
Shares issued in connection with share-based compensation	399	—	1,576	—	—	—	1,576
Share-based compensation	—	—	6,030	—	—	—	6,030
Share repurchases	(9,516)		(176,512)				(176,512)
Distributions to noncontrolling interests						(325)	(325)
Adjust redeemable noncontrolling interests to redemption value	—	—	(3,800)	—	—	—	(3,800)
Income tax indemnification adjustment related to Spin-off distribution of FAFC			(8,932)				(8,932)
Other comprehensive loss	—	—	—	—	(16,606)	—	(16,606)
Balance at June 30, 2011	106,382	$1	$1,048,168	$353,330	$ (663)	$ 2,605	$1,403,441

(1) Excludes amounts related to mandatorily redeemable noncontrolling interests included in current liabilities in the condensed consolidated balance sheet at December 31, 2010, which were redeemed in the first quarter of 2011. See Note 12- Redeemable Noncontrolling Interests to the condensed consolidated financial statements for a discussion of redeemable noncontrolling interests.

See notes to condensed consolidated financial statements.

Note 1 – Basis of Condensed Consolidated Financial Statements

CoreLogic, Inc. and its subsidiaries (collectively "we", "us" or "our") is a leading provider of property, financial, and consumer information, analytics and services to mortgage originators, financial institutions, and other business and governmental entities.

Our condensed consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) including the instructions to Form 10-Q and Article 10 of SEC Regulation S-X. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010.

The condensed consolidated financial statements included herein are unaudited; however, in the opinion of management, they contain all normal recurring adjustments necessary for a fair statement of the consolidated results for the interim periods. Certain prior year amounts have been classified to conform to the current year presentation. The Condensed Consolidated Balance Sheet as of December 31, 2010 has been revised to correct the classification of $21.1 million in restricted cash from current assets to non-current assets. The Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2010 has been revised to correct the classification of $14.8 million in deferred financing costs from an operating activity to a financing activity and reclassify $20.4 million from net cash provided by continuing operations to net cash provided by discontinued operations. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Spin-off Transaction

On June 1, 2010, The First American Corporation (“FAC”) completed a transaction (the “Separation”) by which it separated into two independent, publicly traded companies through a distribution (the “Distribution”) of all of the outstanding shares of its subsidiary, First American Financial Corporation (“FAFC”), to the holders of FAC’s common shares, par value $1.00 per share, as of May 26, 2010. After the Distribution, FAFC owned the businesses that comprised FAC’s financial services businesses immediately prior to the Separation and FAC retained its information solutions businesses.

On May 18, 2010, the shareholders of FAC approved a separate transaction pursuant to which FAC changed its place of incorporation from California to Delaware (the “Reincorporation”). The Reincorporation became effective June 1, 2010. To effect the Reincorporation, FAC and CoreLogic, Inc., which was a wholly-owned subsidiary of FAC incorporated in Delaware, entered into an agreement and plan of merger (the “Merger Agreement”). Pursuant to the Merger Agreement, FAC merged with and into CoreLogic, Inc., with CoreLogic, Inc. continuing as the surviving corporation. Concurrent with the Separation, FAC changed its trading symbol to CLGX.

To effect the Separation, the Company and FAFC entered into a Separation and Distribution Agreement (the “Separation and Distribution Agreement”) that governs the rights and obligations of the Company and FAFC regarding the Distribution. It also governs the on-going relationship between the Company and FAFC subsequent to the completion of the Separation and provides for the allocation between the Company and FAFC of FAC's assets and liabilities. In connection with the Separation, the Company and FAFC also entered into a tax sharing agreement (the "Tax Sharing Agreement") as described in Note 7 – Income Taxes. The Company and FAFC also entered into a Restrictive Covenants Agreement pursuant to which FAFC is restricted in certain respects from competing with the Company in our tax services business within the United States for a period of ten years from the date of the Separation. In addition, CoreLogic issued a promissory note to FAFC in the principal amount of $19.9 million relating to certain pension liabilities.

While we are a party to the Separation and Distribution Agreement and various other agreements relating to the Separation, we have determined that we have no material continuing involvement in the operations of FAFC. As a result of the Separation, the FAFC businesses are reflected in our condensed consolidated financial statements as discontinued operations in 2010. See Note 14 – Discontinued Operations for additional disclosures.

As part of the Separation, we are responsible for a portion of FAFC’s contingent and other corporate liabilities. There were no amounts recorded for FAFC liabilities at June 30, 2011.

As part of the Distribution, on May 26, 2010, we issued approximately $250.0 million of shares of our common stock, or 12,933,265 shares, to FAFC. Based on the closing price of our stock on June 1, 2010, the value of the equity issued to FAFC was $242.6 million. As a result, we made a cash payment to FAFC of $7.4 million to arrive at the full value of $250.0 million. FAFC has agreed to dispose of the shares within five years after the Separation or to bear any adverse tax consequences arising out of holding the shares for longer than that period. On April 11, 2011, we purchased 4.0 million shares of our common stock from a wholly-owned subsidiary of FAFC for total consideration of $75.8 million based on a spot market price of our common stock on April 5, 2011 of $18.95 per share. The price per share was agreed upon by the parties during the trading day on April 5, 2011. See further discussion at Note15 - Transactions with FAFC .

We have included all of the corporate costs of FAC up to the Separation date in our condensed consolidated statement of income. For the three and six-month periods ended June 30, 2010, those net expenses totaled approximately $38.6 million and $70.5 million, respectively.

In connection with the Separation, we reorganized our reportable segments into three reportable segments to be consistent with how we view and operate our businesses. On December 30, 2010, we completed the sale of our employer and litigation services businesses and as a result we currently have two reportable segments. During the first quarter of 2011, we changed the management oversight for our marketing services group and moved it from the corporate and eliminations group and into the specialty finance component of our data and analytics segment. Prior period financial results have been recast to conform to this presentation. See Note 16 – Segment Information.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued updated guidance related to the presentation of comprehensive income. The guidance provides that an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance is effective for annual financial reporting periods beginning after December 15, 2011 and for interim periods within the fiscal year. Management does not expect the adoption of this guidance to have a material impact on our condensed consolidated financial statements.

In May 2011, the FASB issued updated guidance related to fair value measurements and disclosures. The update provides amendments to achieve common fair value measurements and disclosure requirements in GAAP and International Financial Reporting Standards. The amendments in this update explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The updated guidance is effective during interim and annual financial reporting periods beginning after December 15, 2011. Management does not expect the adoption of this guidance to have a material impact on our condensed consolidated financial statements.

In December 2010, the FASB issued updated guidance which addresses diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

In December 2010, the FASB issued updated guidance related to when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The guidance amends the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

In January 2010, the FASB issued updated guidance related to fair value measurements and disclosures, which requires a reporting entity to disclose separately the amounts of material unobservable inputs (Level 3) information about purchases, sales, issuances and settlements (that is, on a gross basis rather than one net number). The updated guidance is effective for interim or annual financial reporting periods beginning after December 15, 2010 and for interim periods within the fiscal year. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

Note 2 – Investment in Affiliates

We record equity in earnings of affiliates net of tax. For the three and six months ended June 30, 2011, income tax expense of $3.8 million and $8.0 million, respectively, was recorded on these earnings and for the same periods of the prior year income tax expense of $5.6 million and $10.6 million, respectively, was recorded on these earnings.

One of our investments in affiliates is a joint venture that provides products and services used in connection with loan originations, in which one of our subsidiaries owns a 50.1% interest. Based on the terms and conditions of the joint venture agreement, we do not have control of, or a majority voting interest in, the joint venture. Accordingly, this investment is accounted for under the equity method. Summarized financial information for this investment (assuming a 100% ownership interest) is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2011	2010	2011	2010
Statement of operations				
Net revenues	$89,620	$118,832	$174,313	$215,709
Expenses	71,160	89,096	138,626	162,513
Income before income taxes	$18,460	$29,736	$35,687	$53,196
Net income	$18,314	$29,586	$35,392	$52,899
CLGX equity in earnings of affiliate	$9,175	$14,823	$17,731	$26,503

In March 2011, we acquired a 50.1% interest in Speedy Title & Appraisal Review Services LLC ("STARS") for $35.0 million, consisting of an initial cash payment of $20.0 million and a deferred purchase price of $15.0 million payable in three installments of $5.0 million (due on the first, third, and fifth anniversaries of the initial closing), which is non-interest bearing and discounted to $12.7 million as of March 31, 2011. See Note 6 - Long-Term Debt. The difference between the purchase price and our interest in STARS net assets is classified as part of the investment in affiliates. We account for our investment in STARS under the equity method of accounting.

In March and May 2011, we completed our acquisitions of the remaining controlling interest in Dorado Network Systems ("Dorado") and RP Data Limited ("RP Data"), respectively. For Dorado, a loss was previously recognized in 2010 and there was no further gain or loss on the acquisition of the controlling interest in 2011. For RP Data, we recorded an investment gain of approximately $58.9 million during the second quarter of 2011. Prior to our acquisition of these controlling interests, we accounted for our investments in Dorado and RP Data using the equity method. See Note 11 - Acquisitions for more information.

Note 3 – Marketable Securities

We classify our publicly traded debt and equity securities as available-for-sale and carry them at fair value with unrealized gains or losses classified as a component of accumulated other comprehensive income (loss). Debt securities consist primarily of investments in obligations of various corporations and mortgage-backed securities. Equity securities consist primarily of investments in marketable common and preferred stock.

In January 2011, we sold our equity investment in DealerTrack Holdings, Inc., which was classified as available for sale with a carrying value of $51.3 million and a gross unrealized gain in other comprehensive income of $24.0

million, or $14.8 million net of tax, at December 31, 2010 for gross proceeds of $51.9 million and a realized pre-tax gain of $24.9 million.

Marketable securities consist of the following:

(in thousands)	June 30, 2011	December 31, 2010
Non-agency mortgage-backed and asset-backed securities	$—	$1,791
Total investments in debt securities	—	1,791
Common stock	14,400	51,255
Preferred stock	21,836	22,175
Total investments in equity securities	36,236	73,430
Total Investments	$36,236	$75,221

Sales of debt and equity securities resulted in a realized gain of $24.9 million for the six months ended June 30, 2011. There were no realized gains or losses for the three months ended June 30, 2011. Sales of debt and equity securities resulted in a realized loss of $0.3 million and a realized gain of $0.4 million for the three and six months ended June 30, 2010, respectively.

Note 4 – Goodwill

A reconciliation of the changes in the carrying amount of goodwill and accumulated impairment losses, by reportable segment, for the six months ended June 30, 2011, is as follows:

(in thousands)	Data and Analytics	Business and Information Services	Consolidated
Balance at December 31, 2010			
Goodwill	$750,172	$721,480	$1,471,652
Accumulated impairment losses	(19,734)	(6,925)	(26,659)
Goodwill	$730,438	$714,555	$1,444,993
Impairment loss	—	—	—
Acquisitions	162,882	18,898	181,780
Other/post acquisition adjustments	810	—	810
Balance at June 30, 2011			
Goodwill	$913,864	$740,378	$1,654,242
Accumulated impairment losses	(19,734)	(6,925)	(26,659)
Goodwill	$894,130	$733,453	$1,627,583

After the Separation, our reporting units consisted of mortgage origination services, default and technology services, specialty finance solutions, risk and fraud analytics, employer services, litigation services and marketing services. After the sale of the employer and litigation services businesses, our reporting units, for purposes of applying the provisions of accounting guidance related to goodwill, are risk and fraud analytics, specialty finance solutions, mortgage origination services, default and technology services and marketing services.

During the six months ended June 30, 2011, we recorded $18.9 million of goodwill in connection with our acquisition of the remaining interest in Dorado in March 2011 and we recorded $162.9 million of goodwill in connection with our acquisition of the remaining interest in RP Data on May 2011.

In accordance with accounting guidance and consistent with prior year practice, our policy is to perform an annual goodwill impairment test for each reporting unit in the fourth quarter (using the September 30 valuation date), unless there is a triggering event. We have not performed an impairment analysis on any of our reporting units during the six months ended June 30, 2011, as no triggering events requiring such an analysis have occurred.

13

As of the date of our 2010 annual impairment review, the marketing services reporting unit included $123.3 million of goodwill. The fair value of this reporting unit under the income value approach was below the carrying value of the reporting unit's book value by approximately 10% and the fair value under the market value approach exceeded the reporting unit's book value by 11%. In assessing the realizability of goodwill, management considered the results of both analyses and weighed them accordingly given market conditions and expectations. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others. Key assumptions used to determine the fair value of the marketing services reporting unit in our 2010 annual testing were: (a) expected cash flow for the period from 2011 to 2019; (b) a discount rate of 18.5%, which was based on management's best estimate of the after-tax weighted average cost of capital; and (c) a 25% control premium. It is reasonably possible that changes in the facts, judgments, assumptions and estimates used in assessing the fair value of the goodwill of the marketing services reporting unit could cause this or other reporting units to become impaired. There were no other reporting units that management deemed to have a reasonable risk of material impairment charge at the time.

Note 5 – Other Intangible Assets, net

Other intangible assets consist of the following:

(in thousands)	June 30, 2011	December 31, 2010
Customer lists	$308,540	$241,220
Noncompete agreements	15,057	15,332
Trade names and licenses	44,913	29,913
Other	247	—
	368,757	286,465
Less accumulated amortization	(167,243)	(153,776)
Other identifiable intangible assets, net	$201,514	$132,689

Amortization expense for finite-lived intangible assets was $23.1 million and $22.7 million for the three months ended June 30, 2011 and 2010, respectively and $42.5 million and $43.2 million for the six months ended June 30, 2011 and 2010, respectively.

Estimated amortization expense relating to finite-lived intangible asset balances as of June 30, 2011, is expected to be as follows for the next five years:

(in thousands)	
Remainder of 2011	$16,697
2012	32,397
2013	30,459
2014	22,946
2015	19,018
Thereafter	79,997
	$201,514

Note 6 – Long-Term Debt

Our long-term debt consists of the following:

(in thousands)	June 30, 2011	December 31, 2010
Acquisition related notes:		
Weighted average interest rate of 5.27% at December 31, 2010, with maturities through 2013	$—	$44,624
Non-interest bearing acquisition note due in $5 million installments March 2012, 2014 and 2016	12,870	—
Notes:		
7.25% senior indenture due June 2021	400,000	—
5.7% senior debentures due August 2014	1,175	1,175
7.55% senior debentures due April 2028	59,645	59,645
8.5% deferrable interest subordinated notes due April, 2012	34,768	34,768
Bank debt:		
Revolving line of credit borrowings due March 2016, weighted average interest rate of 6.8%	53,610	—
Term loan facility borrowings due March 2016, weighted average interest rate of 4.0%	350,000	—
Revolving line of credit borrowings due July 2012, weighted average interest rate of 3.63%, extinguished in May 2011	—	200,000
Term loan facility borrowings due April 2016, weighted average interest rate of 4.75%, extinguished in May 2011	—	348,250
Other debt:		
6.52% Promissory Note due to First American Financial Corporation (See Note 15)	17,047	18,787
Various interest rates with maturities through 2013	10,025	13,640
Total long-term debt	939,140	720,889
Less current portion of long-term debt	29,473	233,452
Long-term debt, net of current portion	$909,667	$487,437

Senior Notes

On May 20, 2011, we issued $400.0 million aggregate principal amount of 7.25% senior notes due June 21, 2021 (the "Notes"). The Notes are guaranteed on a senior unsecured basis by each of our existing and future direct and indirect subsidiaries that guarantee our Credit Agreement. The Notes bear interest at 7.25% per annum and mature on June 1, 2021. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2011.

The Notes are our senior unsecured obligations and: (i) rank equally with any of our existing and future senior unsecured indebtedness; (ii) rank senior to all our existing and future subordinated indebtedness; (iii) are subordinated to any of our secured indebtedness (including indebtedness under our credit facility) to the extent of the value of the assets securing such indebtedness; and (iv) are structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries that do not guarantee the Notes. The guarantees will: (i) rank equally with any existing and future senior unsecured indebtedness of the guarantors; (ii) rank senior to all existing and future subordinated indebtedness of the guarantors; and (iii) are subordinated in right of payment to any secured indebtedness of the guarantors (including the guarantee of our credit facility) to the extent of the value of the assets securing such indebtedness.

The Notes are redeemable by us, in whole or in part on or after June 1, 2016 at a price up to 103.63% of the aggregate principal amount of the Notes, plus accrued and unpaid interest, if any, to the applicable redemption date, subject to other limitations. We may also redeem up to 35.0% of the original aggregate principal amount of the Notes at any time prior to June 1, 2014 with the proceeds from certain equity offerings at a price equal to 107.25% of the aggregate principal amount of the Notes, together with accrued and unpaid interest, if any, to the applicable redemption date, subject to certain other limitations. We may also redeem some or all of the Notes before June 1, 2016 at a redemption price equal to 100.0% of the aggregate principal amount of the Notes, plus a "make-whole premium," plus accrued and unpaid interest, if any, to the redemption date.

Upon the occurrence of specific kinds of change of control events, holders of the Notes have the right to cause us to purchase some or all of the Notes at 101.0% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The indenture governing the Notes contains restrictive covenants that limit, among other things, our ability and that of our restricted subsidiaries to incur additional indebtedness or issue certain preferred equity, pay dividends or make other distributions or other restricted payments, make certain investments, create restrictions on distributions from restricted subsidiaries, create liens on properties and certain assets to secure debt, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets, enter into certain transactions with affiliates and designate our subsidiaries as unrestricted subsidiaries. The indenture also contains customary events of default, including upon the failure to make timely payments on the Notes or other material indebtedness, the failure to satisfy certain covenants and specified events of bankruptcy and insolvency.

Credit Agreement

On May 23, 2011, the Company, CoreLogic Australia Pty Limited and the guarantors entered into a senior secured credit facility agreement (the "Credit Agreement") with Bank of America, N.A. as administrative agent and other financial institutions. The Credit Agreement provides for a $350.0 million five-year term loan facility (the "Term Facility") and a $550.0 million revolving credit facility (the "Revolving Facility"). The Revolving Facility includes a $100.0 million multicurrency revolving sub-facility and a $50.0 million letter of credit sub-facility. The Credit Agreement also provides for the ability to increase the Term Facility and Revolving Facility commitments provided that the total credit exposure under the Credit Agreement does not exceed $1.4 billion in the aggregate.

The loans under the Credit Agreement bear interest, at our election, at (i) the Alternate Base Rate (as defined in the Credit Agreement) plus the Applicable Rate (as defined in the Credit Agreement) or (ii) the London interbank offering rate for Eurocurrency borrowings, or the LIBO Rate, adjusted for statutory reserves, or the Adjusted LIBO Rate plus the Applicable Rate. The initial Applicable Rate for Alternate Base Rate borrowings is 1.00% and for Adjusted LIBO Rate borrowings is 2.00%. Starting with the full fiscal quarter after the closing date, the Applicable Rate will vary depending on our leverage ratio. The minimum Applicable Rate for Alternate Base Rate borrowings will be 0.75% and the maximum will be 1.75%. The minimum Applicable Rate for Adjusted LIBO Rate borrowings will be 1.75% and the maximum will be 2.75%. The Credit Agreement also requires us to pay commitment fees for the unused portion of the Revolving Facility, which will be a minimum of 0.30% and a maximum of 0.50%, depending on our leverage ratio.

The obligations under the Credit Agreement are our and the guarantors' senior secured obligations, secured by a lien on substantially all of our and the guarantors' personal property assets and mortgages or deeds of trust on our and the guarantors' real property with a fair market value of $10.0 million or more (collectively, the "Collateral") and rank senior to any of our and the guarantors' unsecured indebtedness (including the Notes) to the extent of the value of the Collateral.

The Credit Agreement provides that loans under the Term Facility shall be repaid in equal quarterly installments, commencing on September 30, 2011 and continuing on each three-month anniversary thereafter until and including March 31, 2016 in an amount equal to $4.4 million on each repayment date from September 30, 2011 through June 30, 2013, $8.8 million on each repayment date from September 30, 2013 through June 30, 2014 and $13.1 million on each repayment date from September 30, 2014 through March 31, 2016. The outstanding balance of the term loan will be due on the fifth anniversary of the closing date of the Credit Agreement. The Term Facility is also subject to prepayment from (i) the net cash proceeds of certain debt incurred or issued by us and the guarantors and (ii) the net cash proceeds received by us or the guarantors from certain assets sales and recovery events, subject to certain reinvestment rights.

The Credit Agreement contains financial maintenance covenants, including a (i) maximum total leverage ratio, (ii) a minimum interest coverage ratio and (iii) a maximum senior secured leverage ratio.

The Credit Agreement also contains restrictive covenants that limit, among other things, our ability and that of our subsidiaries, to incur additional indebtedness or issue certain preferred equity, pay dividends or make other distributions or other restricted payments, make certain investments, create restrictions on distributions from subsidiaries, to enter into sale leaseback transactions, amend the terms of certain other indebtedness, create liens on certain assets to secure debt, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of our assets and enter into certain transactions with affiliates. The Credit Agreement also contains customary events of default, including upon the failure to make timely payments under the Term Facility and the Revolving Facility or other material indebtedness, the failure to satisfy certain covenants, the occurrence of a change of control and specified events of bankruptcy and insolvency.

At June 30, 2011, we had borrowing capacity under the revolving lines of credit of $496.4 million, and were in compliance with the financial covenants of our loan agreements.

Debt Issuance Costs

In connection with issuing the Notes and entering into the Credit Agreement and the related extinguishment of our previously outstanding bank debt, we fully expensed $10.2 million of unamortized debt issuance costs related to our extinguished bank debt facilities to interest expense in the accompanying consolidated statements of income for the three months ended June 30, 2011. In addition, we capitalized $21.6 million of debt issuance costs, included in other assets in the accompanying balance sheet, and will amortize these costs to interest expense over the term of the Notes and Credit Agreement.

Acquisition-Related Notes

In March 2011, we entered into a new settlement services joint venture called STARS. Our initial investment in STARS was $20.0 million and we also issued a note payable for an additional $15.0 million of consideration, which is non-interest bearing and discounted to $12.7 million as of March 31, 2011.

Interest Rate Swaps

In June 2011, we entered into amortizing interest rate swap transactions (“Swaps”) that have a termination date of May 2016. The Swaps are for an initial balance of $200.0 million, with a fixed interest rate of 1.73% and amortizes quarterly by $2.5 million through March 31, 2016 with a remaining balance of $107.5 million due on May 16, 2016. Previous swaps entered in October 2010 of $348.3 million were terminated with a realized gain of $0.4 million for the three and six months ended June 30, 2011 upon full repayment of the underlying debt.

We entered into the Swaps in order to convert a portion of our interest rate exposure on the Term Facility floating rate borrowings from variable to fixed. We have designated the Swaps as cash flow hedges. The estimated fair value of these cash flow hedges resulted in an asset of $0.1 million and $5.2 million at June 30, 2011 and December 31, 2010, respectively, which is included in the accompanying condensed consolidated balance sheets as a component of other assets.

For the three and six months ended June 30, 2011, unrealized losses of $3.5 million (net of $2.4 million in deferred taxes) and $2.7 million (net of $1.9 million in deferred taxes), respectively, were recognized in other comprehensive income related to these Swaps.

It is our policy to execute such instruments with creditworthy banks and not to enter into derivative financial instruments for speculative purposes. As of June 30, 2011, we believe the counterparties in the Swaps 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.

Note 7 – Income Taxes

The effective income tax rate (total income tax expense related to income from continuing operations as a percentage of income from continuing operations before income taxes) was 39.2% and 54.2% for the three and six months ended June 30, 2011, respectively, and 92.1% and 50.9% respectively, for the same periods of the prior year. The change in the effective rate is primarily attributable to the provision of income taxes on former partnership income that was attributable to noncontrolling interests for which no income taxes were provided in the quarter ended March 31, 2010, the approximately $14.0 million reversal of deferred taxes related to our interest in Dorado when it was held as an equity method investment and non-deductible transaction costs incurred in connection with the Separation during the quarter ended June 30, 2010. Effective January 1, 2011, income from the former partnership is wholly attributable to CoreLogic and income taxes are provided on all of the income generated in the second quarter of 2011. Income taxes included in equity in earnings of affiliates were $3.8 million and $5.6 million for the three months ended June 30, 2011 and 2010. Income taxes included in equity in earnings of affiliates were $8.0 million and $10.6 million for the six months ended June 30, 2011 and 2010. For the purpose of segment reporting, these amounts are not reflected at the segment level but are recorded as a component of the corporate and elimination group in the equity in earnings in affiliates.

As of June 30, 2011, the liability for income taxes associated with uncertain tax positions was $19.5 million. This liability can be reduced by $10.4 million of offsets for amounts subject to indemnification from FAFC under the Tax Sharing Agreement and $4.6 million in tax benefits from correlative effects of potential transfer pricing adjustments, state income taxes and timing adjustments. The net amount of $4.5 million, if recognized, would favorably affect the Company's effective tax rate.

Our continuing practice is to recognize interest and penalties, if any, related to uncertain tax positions in tax expense. As of June 30, 2011, we had accrued $5.0 million of interest (net of tax benefit) and penalties related to uncertain tax positions. This liability can be reduced by $3.5 million of offsets subject to indemnification from FAFC under the Tax Sharing Agreement.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and various non-U.S. jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state, and non-U.S. income tax examinations by taxing authorities for years prior to 2005.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of our unrecognized tax positions could significantly increase or decrease within the next 12 months. These changes may be the result of items such as ongoing audits, competent authority proceedings related to transfer pricing, or the expiration of federal and state statutes of limitation for the assessment of taxes.

We entered into a Tax Sharing Agreement with FAFC in connection with the Separation. The Tax Sharing Agreement governs ours and FAFC’s respective rights, responsibilities and obligations after the Distribution with respect to taxes, including ordinary course of business taxes and taxes, if any, incurred as a result of any failure of the Distribution to qualify as a tax-free distribution for U.S. federal income tax purposes within the meaning of Section 355 of the Internal Revenue Code of 1986, as amended, and taxes incurred in connection with certain internal transactions undertaken in anticipation of the Separation. Our rights, responsibilities and obligations under the Tax Sharing Agreement are discussed in our Annual Report on Form 10-K filed with the SEC on March 14, 2011.

Note 8 – Earnings Per Share

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
(in thousands, except per share amounts)				
Numerator for basic and diluted net income per share:				
Income from continuing operations attributable to CLGX stockholders	$31,485	$475	$54,740	$11,313
Income from discontinued operations attributable to CLGX stockholders, net of tax	—	23,935	—	42,513
Net income attibutable to CLGX	$31,485	$24,410	$54,740	$53,826
Denominator:				
Weighted-average shares for basic earnings per share	108,018	108,936	111,781	106,205
Dilutive effect of stock options and restricted stock units	623	780	705	841
Weighted-average shares for diluted earnings per share	108,641	109,716	112,486	107,046
Earnings per share				
Basic:				
Income from continuing operations attributable to CLGX stockholders	$0.29	$—	$0.49	$0.11
Income from discontinued operations attributable to CLGX stockholders, net of tax	—	0.22	—	0.40
Net income attributable to CLGX per share	$0.29	$0.22	$0.49	$0.51
Diluted:				
Income from continuing operations attributable to CLGX stockholders	$0.29	$—	$0.49	$0.11
Income from discontinued operations attributable to CLGX stockholders, net of tax	—	0.22	—	0.40
Net income attributable to CLGX per share	$0.29	$0.22	$0.49	$0.51

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares available during the period. Diluted earnings per share reflects the effect of potentially dilutive securities, principally the incremental shares assumed issued under the Company's stock incentive plans.

For the three and six months ended June 30, 2011, 5.7 million and 5.2 million stock options and restricted stock units, respectively, were excluded from the computation of diluted earnings per share due to their antidilutive effect. For the three and six months ended June 30, 2010, 3.4 million and 3.6 million stock options and restricted stock units, respectively, were excluded from the computation of diluted earnings per share due to their antidilutive effect.

Note 9 – Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable.

The market approach is applied for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value balances are classified based on the observability of those inputs.

A fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level 2 measurements utilize observable inputs in markets other than active markets.

For cash and cash equivalents and restricted cash, we believe that the carrying value is a reasonable estimate of fair value due to the short-term nature of the instrument and or the basis of accounting required for such item.

In estimating the fair value of the financial instruments presented, we used the following methods and assumptions:

Cash and cash equivalents

For cash and cash equivalents, we believe that the carrying value is a reasonable estimate of fair value due to the short-term nature of the instruments.

Restricted cash

Restricted cash is comprised of certificates of deposit, we believe that the carrying value is a reasonable estimate of fair value due to the nature of these instruments.

Marketable securities

Equity and debt securities are classified as available-for-sale securities and are valued using quoted prices in active markets.

Long-term debt

The fair value of long-term debt was estimated based on the current rates available to us for debt of the same remaining maturities and consideration of our default and credit risk.

Interest rate swap agreements and foreign currency purchase agreements

The fair value of the interest rate swap agreements and forward currency purchase agreements were estimated based on market value quotes received from the counter parties to the agreements.

The fair values of our financial instruments as of June 30, 2011 are presented in the following table:

	Fair Value Measurements Using			
(in thousands)	Level 1	Level 2	Level 3	Fair Value
Financial Assets:				
Cash and cash equivalents	$170,889	$—	$—	$170,889
Restricted cash	—	23,975	—	23,975
Equity securities	36,236	—	—	36,236
Total Financial Assets	$207,125	$23,975	$—	$231,100
Financial Liabilities:				
Long-term debt	—	952,677	—	952,677
Total Financial Liabilities	$—	$952,677	$—	$952,677
Derivatives:				
Interest rate swap agreements	$—	$67	$—	$67

The fair values of our financial instruments as of December 31, 2010 are presented in the following table:

	Fair Value Measurements Using			
(in thousands)	Level 1	Level 2	Level 3	Fair Value
Financial Assets:				
Cash and cash equivalents	$447,145	$—	$—	$447,145
Restricted cash	—	21,095	—	21,095
Debt securities	1,791	—	—	1,791
Equity securities	73,430	—	—	73,430
Total Financial Assets	$522,366	$21,095	$—	$543,461
Financial Liabilities:				
Long-term debt	—	727,440	—	727,440
Total Financial Liabilities	$—	$727,440	$—	$727,440
Derivatives:				
Interest rate swap agreements	$—	$5,156	$—	$5,156
Foreign currency forward purchase agreements, net	$—	$(971)	$—	$(971)

Note 10 – Stock-Based Compensation

We issue equity awards under the CoreLogic, Inc. 2011 Performance Incentive Plan (the "Plan") which was approved by our stockholders at our Annual Meeting, held on May 19, 2011. The Plan permits the grant of stock options, restricted stock units ("RSUs"), performance units and other stock-based awards. Prior to the approval of the Plan, we issued equity awards under the CoreLogic, Inc. 2006 Incentive Plan (the "2006 Plan"). The Plan was adopted, in part, to make an additional 18,000,000 shares of the Company's common stock available for award grants, so that the Company will have sufficient authority and flexibility to adequately provide for future incentives. In connection with the Separation, on June 1, 2010, each FAC stock option held by a CoreLogic employee was converted into an adjusted CoreLogic stock option. The exercise prices of the adjusted CoreLogic stock options and the number of shares subject to each such stock option reflects a mechanism that was intended to preserve the intrinsic value of the original stock option. The resulting CoreLogic stock options are subject to substantially the same terms, vesting conditions and other restrictions, if any, that were applicable to the FAC stock options immediately prior to the Separation.

Also, in connection with the Separation, on June 1, 2010, any unvested FAC RSUs granted to CoreLogic employees were converted into CoreLogic RSUs. The RSU grants were converted in a manner that was intended to preserve the fair market value of the FAC awards. The resulting CoreLogic RSU grants are subject to substantially the same terms, vesting conditions and other restrictions, if any, that were applicable to the FAC RSU grants immediately prior to the Separation.

FAC stock options and RSUs held by FAFC employees were canceled at the date of the Separation.

We primarily utilize stock options and RSUs as our stock-based compensation for employees and directors. The fair value of any RSU grant is based on the market value of our shares on the date of grant and is recognized as compensation expense over the vesting period.

For the six months ended June 30, 2011, we awarded 911,537 RSUs, of which 187,705 were performance-based restricted stock units ("PBRSUs") with an estimated value of $3.3 million. The PBRSU awards will vest based on the attainment of certain performance goals relating to our adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") and earnings per share for the year ending December 31, 2013. There was $2.0

million and $3.8 million in expense recognized for RSUs in the three and six months ended June 30, 2011, respectively.

In connection with the Separation, we awarded performance-based restricted stock units (“PBRSUs”) to certain key employees pursuant to the 2006 Plan, and subject to certain conditions in the grant agreement. A total of 366,154 PBRSUs were issued at an estimated value of $6.9 million. These awards will vest based on the attainment of certain performance goals relating to our adjusted EBITDA for the years ending December 31, 2011 through 2014 and 2015. There was $0.3 million and $0.9 million in expense recognized for PBRSUs in the three and six months ended June 30, 2011, respectively.

As part of our acquisition of Dorado in March 2011, we assumed the acquired company's restricted stock unit plan and outstanding PBRSUs with an estimated value of $6.8 million. These awards will vest based on the attainment of certain performance goals relating to the acquired entity's revenues and EBITDA for the years ending December 31, 2011, 2012 and 2013.

RSU activity for the six months ended June 30, 2011, is as follows:

(in thousands, except weighted average fair value prices)	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested restricted stock units outstanding at December 31, 2010	1,558	$18.40
Restricted stock units granted	912	$17.72
Performance stock units granted	188	$17.45
Restricted stock units forfeited	(185)	$17.48
Restricted stock units vested	(291)	$18.57
Nonvested restricted stock units outstanding at June 30, 2011	2,182	$18.06

As of June 30, 2011, there was $27.8 million of total unrecognized compensation cost related to nonvested RSUs that is expected to be recognized over a weighted-average period of 2.7 years. The fair value of RSUs is based on the market value of the Company's shares on the date of grant.

In 2011 and 2010, we issued CoreLogic stock options as incentive compensation for certain key employees. The exercise price of each stock option is the closing market price of our common stock on the date of grant. The options issued in 2011 generally vest equally over three years from the date of issuance and expire ten years after the date of grant. The stock options issued in 2010 generally vest equally over a four-year period (33% on the second, third, and fourth anniversaries) and expire ten years after the grant date. The fair values of these stock options were estimated using the Black-Scholes valuation model with the following weighted-average assumptions:

Expected dividend yield	—	%
Risk-free interest rate [(1)]	2.01	%
Expected volatility [(2)]	32.02	%
Expected life [(3)]	5.5	

(1) The risk-free interest rate for the periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of the grant.

(2) The expected volatility is a measure of the amount by which a stock price has fluctuated or is expected to fluctuate based primarily on our and our peers' historical data.

(3) The expected life is the period of time, on average, that participants are expected to hold their options before exercise based primarily on our historical data.

Option activity for the six months ended June 30, 2011, is as follows:

(in thousands, except weighted average price)	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at December 31, 2010	5,129		$21.27		
Options granted	563		$17.45		
Options exercised	(134	)	$17.60		
Options canceled	(552	)	$21.12		
Options outstanding at June 30, 2011	5,006		$20.96	4.8	$1,382
Options vested and expected to vest at June 30, 2011	4,981		$20.97	4.8	$1,382
Options exercisable at June 30, 2011	3,526		$22.09	3.0	$1,382

As of June 30, 2011, there was $7.8 million of total unrecognized compensation cost related to nonvested CoreLogic stock options that is expected to be recognized over a weighted-average period of 2.9 years.

In addition to stock options and RSUs, we have an employee stock purchase plan ("ESPP") that allows eligible employees to purchase common stock of the Company at 85.0% of the closing price on the last day of each quarter. We recognize an expense in the amount equal to the discount.

The following table sets forth the stock-based compensation expense recognized for the three and six months ended June 30, 2011 and 2010.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2011	2010	2011	2010
Stock options	$434	$216	$1,141	$416
Restricted stock	2,341	2,170	4,698	8,125
Employee stock purchase plan	116	112	191	423
	$2,891	$2,498	$6,030	$8,964

Total stock-based compensation expense for the three and six months ended June 30, 2010 includes expense related to FAFC totaling $0.6 million, and $3.0 million, respectively.

Note 11 - Acquisitions.

In March 2011, we completed our acquisition of the remaining interest in Dorado for $31.6 million in cash. Dorado is included as a component of the default and technology services reporting unit of the business and information services segment. We previously held a 39.0% equity method investment in this entity and as a result of the purchase price paid, we recognized a loss of $14.5 million on our existing investment in the fourth quarter of 2010. The purchase price was allocated to the assets acquired and liabilities assumed using a variety of valuation techniques including discounted cash flow analysis which included Level 3 inputs. We have recorded $18.9 million of goodwill, $20.4 million of customer lists with an estimated average life of 12 years, and $3.2 million of tradenames with an estimated average life of 5 years. The business combination did not have a material impact on our condensed consolidated financial statements.

In May 2011, we completed our acquisition of the remaining interest in RP Data for a cash purchase price of A$147.2 million or $157.2 million. RP Data is included as a component of the risk and fraud analytics reporting unit of the data and analytics segment. We previously held a 40.2% equity method investment in this entity and as a result of the purchase price paid and the change in control, we recognized a gain of $58.9 million on our existing investment in the second quarter of 2011. The purchase price was allocated to the assets acquired and liabilities assumed using a variety of valuation techniques including discounted cash flow analysis which included Level 3 inputs. We have preliminarily recorded approximately $162.9 million of goodwill, $46.7 million of of customer lists with an estimated average life of 8 years and $11.7 million of tradenames with an estimated average life of 10 years. We are in the process of finalizing the purchase price allocation and as a result, these allocations may change. The business combination did not have a material impact on our condensed consolidated financial statements.

We entered into forward purchase agreements totaling A$180.3 million to economically hedge a portion of the foreign currency exchange rate risk associated with the acquisition of RP Data. We recorded a gain of $1.8 million during the three months ended June 30, 2011 when the agreements were terminated upon the closing of the acquisition in May 2011.

Note 12 – Redeemable Noncontrolling Interests

In April 2010, we exercised our call option related to Experian Information Solutions Inc.'s ownership interest in the CoreLogic Real Estate Solutions, LLC joint venture. We paid the remaining purchase price of $313.8 million on December 31, 2010. We made a final profit distribution of $4.2 million and a tax distribution (based on the fourth quarter of 2010 profitability of the joint venture) of $0.1 million in the first quarter of 2011.

In March 2010, we entered into an agreement to acquire the 18% redeemable noncontrolling interest in CoreLogic Information Solutions Holdings, Inc. On March 29, 2010, we acquired half of the noncontrolling interests (approximately 9% of the total outstanding noncontrolling interests) in exchange for a cash payment of $72.0 million and agreed to acquire the remaining half of the noncontrolling interests in 2011 in exchange for additional consideration of $72.0 million. In February, 2011, we agreed to pay all of the additional consideration in cash and we closed the transaction.

Note 13 – Litigation and Regulatory Contingencies

We have been named in various lawsuits. In cases where we have determined that a loss is both probable and reasonably estimable, we have recorded a liability representing our best estimate of our financial exposure based on known facts. While the ultimate disposition of each such pending lawsuit is not yet determinable, we do not believe that the ultimate resolution of these cases, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

In addition, we may from time to time be subject to audit or investigation by governmental agencies. Currently, governmental agencies are auditing or investigating certain of our operations. These audits or investigations include inquiries into, among other matters, certain appraisal matters and marketing services. With respect to matters where we have determined that a loss is both probable and reasonably estimable, we have recorded a liability representing our best estimate of the financial exposure based on known facts. While the ultimate disposition of each such audit or investigation is not yet determinable, we do not believe that the ultimate resolution of these matters either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

At June 30, 2011, we have $5.8 million reserved for litigation and regulatory contingency matters.

FDIC

On May 9, 2011, the Federal Deposit Insurance Corporation (the "FDIC"), as Receiver of Washington Mutual Bank ("WaMu"), filed a complaint in the United States District Court for the Central District of California against CoreLogic Valuation Services, LLC, f/k/a eAppraiseIT, LLC ("eAppraiseIT") and several of its current and former affiliates. The FDIC complaint alleges that eAppraiseIT was grossly negligent and breached its contract with WaMu in the provision of appraisal services in 2006 and 2007 relating to 194 residential mortgage loans and seeks to recover losses of at least $129.0 million that WaMu allegedly suffered. The FDIC complaint asserts claims against eAppraiseIT's parent corporations, including CoreLogic, Inc., pursuant to alter ego theories of liability. On August 1, 2011, all defendants filed a Motion to Dismiss the complaint in its entirety on the grounds that the FDIC's allegations in the complaint fail to state a plausible claim as required by federal pleading standards. We intend to defend against these claims vigorously; however, we may not be successful. At this time, we cannot predict the ultimate outcome of these inquiries or the potential range of damages, if any.

Class Action

On June 30, 2011, a purported class action was filed in the United States District Court for the Northern District of Illinois against Teletrack, Inc. ("Teletrack"), one of our subsidiaries. The complaint alleges that Teletrack has been furnishing consumer reports to third parties who did not have a permissible purpose to obtain them in violation of the Fair Credit Reporting Act, 15 U.S.C. §1681 et seq., and seeks to recover actual, punitive and statutory damages, as well as attorneys fees, litigation expenses and cost of suit. We intend to defend against this claim vigorously; however, we may not be successful. At this time, we cannot predict the ultimate outcome of this claim or the potential range of damages, if any.

Separation

As part of the Separation, we are responsible for a portion of FAFC's contingent and other corporate liabilities. There were no amounts recorded at June 30, 2011.

In the Separation and Distribution Agreement, we agreed with FAFC to share equally in the cost of resolution of a small number of corporate-level lawsuits including the consolidated securities litigation. Responsibility to manage each case has been assigned to either FAFC or us, with the managing party required to update the other party regularly and consult with the other party prior to certain important decisions such as settlement. The managing party will also have primary responsibility for determining the ultimate total liability, if any, related to the applicable case. We will record our share of any such liability when the responsible party determines a reserve is necessary in accordance with GAAP. At June 30, 2011, no reserves were considered necessary.

In addition, the Separation and Distribution Agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of FAC's financial services business with FAFC and financial responsibility for the obligations and liabilities of FAC's information solutions business with the Company. Specifically, each party will, and will cause its subsidiaries and affiliates to, indemnify, defend and hold harmless the other party, its respective affiliates and subsidiaries and each of its respective officers, directors, employees and agents for any losses arising out of or otherwise in connection with the liabilities each such party assumed or retained pursuant to the Separation and Distribution Agreement; and any breach by such party of the Separation and Distribution Agreement.

Note 14 – Discontinued Operations

Summarized below are the components of our income (loss) from discontinued operations for the three and six months ended June 30, 2010:

(in thousands, except per share amounts)	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
Income from discontinued operations, net of tax - FAFC	$24,709	$43,520
Loss from discontinued operations, net of tax - Employer & Litigation	(774)	(1,007)
Total income from discontinued operations, net of tax	$23,935	$42,513
Earnings per share:		
Basic	$0.22	$0.40
Diluted	$0.22	$0.40
Weighted-average common shares outstanding:		
Basic	108,936	106,205
Diluted	109,716	107,046

FAFC

The businesses distributed as part of the Separation are presented within the condensed consolidated financial statements as discontinued operations. The net income from discontinued operations in the six months ended June 30, 2011 includes an allocation of the income tax expense or benefit originally allocated to income from continuing operations. The amount of tax allocated to discontinued operations is the difference between the tax originally allocated to continuing operations and the tax allocated to the restated amount of income from continuing operations in each period.

The following amounts have been segregated from continuing operations and are reflected as discontinued operations:

(in thousands, except per share amounts)	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
Operating revenue	$582,075	$1,490,501
Income from discontinued operations before income taxes	$39,397	$76,323
Income tax expense	15,067	33,222
Income, net of tax	24,330	43,101
Less: Net income attributable to noncontrolling interests	(379)	(419)
Income from discontinued operations, net of tax	$24,709	$43,520
Earnings per share:		
Basic	$0.23	$0.41
Diluted	$0.23	$0.41
Weighted-average common shares outstanding:		
Basic	108,936	106,205
Diluted	109,716	107,046

Employer and Litigation Services businesses

On December 22, 2010, the Company and STG-Fairway Holdings, LLC (the "Purchaser"), which is owned by affiliates of Symphony Technology Group, entered into a Purchase Agreement, pursuant to which we sold our employer and litigation services businesses to the purchaser. We also agreed to provide certain transition services to the Purchaser for up to one year following the closing. As a result of the sale, the businesses are reflected in our condensed consolidated financial statements as discontinued operations and the results of the businesses in the prior years have been reclassified to conform to the 2010 classification.

The following amounts have been segregated from continuing operations and are reflected as discontinued operations:

(in thousands, except per share amounts)	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
Operating revenue	$64,553	$125,220
Loss from discontinued operations before income taxes	$(3,574)	$(6,191)
Income tax benefit	(2,800)	(5,184)
Loss, net of tax	(774)	(1,007)
Less: Net income attributable to noncontrolling interests	—	—
Loss from discontinued operations, net of tax	$(774)	$(1,007)
Earnings per share:		
Basic	$(0.01)	$(0.01)
Diluted	$(0.01)	$(0.01)
Weighted-average common shares outstanding:		
Basic	108,936	106,205
Diluted	109,716	107,046

Cash flows from discontinued operations are presented separately on our Condensed Consolidated Statements of Cash Flows.

26

Note 15 – Transactions with FAFC

In connection with the Separation, we entered into various transition services agreements with FAFC effective June 1, 2010. The agreements include transitional services in the areas of information technology, tax, accounting and finance, employee benefits and internal audit. Except for the information technology services agreements, the transition services agreements are short-term in nature. For the three and six months ended June 30, 2011, the net amount of $1.4 million and $3.1 million, respectively, (reflecting services provided by us to FAFC and from FAFC to us) was recognized as a reduction of other operating expenses in connection with the transition services agreements.

In the Separation and Distribution Agreement, we and FAFC agreed to share equally in the cost of resolution of a small number of corporate-level lawsuits including the consolidated securities litigation. Responsibility to manage each case has been assigned to either FAFC or us, with the managing party required to update the other party regularly and consult with the other party prior to certain important decisions such as settlement. The managing party will also have primary responsibility for determining the ultimate total liability, if any, related to the cases. We will record our share of any such liability when the responsible party determines a reserve is necessary in accordance with GAAP. At June 30, 2011, no reserves were considered necessary. See further discussion at Note 13 – Litigation and Regulatory Contingencies.

Additionally, as part of the Separation, we entered into a Tax Sharing Agreement whereby FAFC is contingently liable for certain tax liabilities. We recorded a receivable for these contingent tax obligations from FAFC of $51.8 million and $59.7 million as of June 30, 2011 and December 31, 2010, respectively. The liability for income taxes associated with uncertain tax positions was $13.9 million and $14.1 million as of June 30, 2011 and December 31, 2010, respectively. See further discussion at Note 7 – Income Taxes.

On the record date for the Separation, we issued to FAFC shares of our common stock that resulted in FAFC owning 12.9 million shares of our common stock immediately following the Separation. There are no restrictions related to FAFC's ability to dispose of the shares and we retain a right of first offer on sales by FAFC. FAFC has agreed to dispose of the shares within five years after the Separation or to bear any adverse tax consequences arising out of holding the shares for longer than that period.

On April 11, 2011, we purchased 4.0 million shares of our common stock from a wholly-owned subsidiary of FAFC for total consideration of $75.8 million based on a spot market price of our common stock on April 5, 2011 of $18.95 per share. The price per share was agreed upon by the parties during the trading day on April 5, 2011.

On June 1, 2010, we issued a promissory note to FAFC in the amount of $19.9 million that accrues interest at a rate of 6.52% annually. Interest was first due on July 1, 2010 and is due quarterly thereafter. The promissory note is due on May 31, 2017. The note approximates the unfunded portion of the benefit obligation attributable to participants in the FAC defined benefit pension plan that were our employees. The balance outstanding on the note was $17.0 million at June 30, 2011 and $18.8 million at